



How Canada's Housing Market Could Crash in 2020 — and Why it Won't

Description

The Canada housing market looked as [strong as ever](#) at the beginning of 2020. January 2020 was the best start to the year for home sales since 2008. Canada's crucial real estate market had emerged from a stressful 2017 and 2018 mostly unscathed. Companies like **Home Capital Group**, which were on the verge of collapse in the spring of 2017, have stormed back stronger than ever. However, there are concerns that the COVID-19 pandemic and the [broad economic shutdown](#) could be a greater threat to Canada housing than even the 2007-2008 financial crisis.

How could Canada's housing market collapse this year? Let's explore ways things could potentially spiral out of control.

Cratering demand in the housing market

One major concern for industry experts is a decline in demand. RE/MAX recently released an analysis of the potential impact of COVID-19 on Canada's housing market. In this write-up, the realty company made a comparison to the 2003 SARS breakout.

The realtor made the case that housing was mostly unaffected by the SARS scare. Unfortunately, the comparison falls apart fast upon close inspection. COVID-19 has infected nearly 1.5 million people worldwide, while the 2002-2004 SARS outbreak infected less than 10,000. Moreover, governments have taken unprecedented action to contain the COVID-19 outbreak. The mass closure of schools, public events, and workplaces around the globe is something we have not experienced in the post-WWII era.

If the Canadian shutdown lasts into the summer, it is possible that demand will take years to recover. Meanwhile, current homeowners are wrestling with grim financial prospects due to economic turmoil.

An avalanche of defaults?

Many Canadians were facing a dire financial situation before the COVID-19 outbreak. The MNP

Consumer Debt Index released a report in March that found 49% of respondents were on the brink of insolvency. Those surveyed said they were \$200 or less away from not being able to meet their debt obligations each month. Roughly 25% of respondents said they were already at that point.

Job losses in the first three weeks of the shutdown have been catastrophic. Over 2.13 million Canadians have been forced out of work since the lockdowns came into effect. At the time of this writing — the morning of April 9 — we are awaiting what is expected to be another grim job report.

Mass financial turmoil does not bode well, as the household debt-to-income ratio has consistently come in above 170% in recent years.

Taking all this into account, is there reason for optimism? I say yes. In fact, I will go one step further and predict that housing remains one of the safest assets for Canadians right now.

Why Canada housing won't crash

The fundamentals in Canada's housing market still look strong in early April. Investors should expect sales to take a major hit, but there is little indication that prices will follow this trend. Demand remains high, and supply has not nearly caught up with it. In previous economic downturns, many homeowners may have been in a position where they were forced to sell. The government has put forth policy to prevent such a calamity.

In response to the COVID-19 outbreak, the Canadian government has passed one of the most aggressive bailout packages in its history. Canada's banks have lent a hand by offering mortgage deferrals in this tough economic time. As of April 3, the Big Six banks had deferred more than 10% of the mortgages in their portfolios. The province of Ontario is also freeing up \$1.8 billion in municipal cash to delay property tax bills.

One Canada housing stock to buy low today

Bridgemarq Real Estate Services is a stock I'd had my eye on before this crisis erupted. It provides information and services to real estate brokers and agents. Shares have plunged 45% month over month as of close on April 8. The stock last paid out a monthly dividend of \$0.1125 per share, which represents a monster 16.9% yield.

CATEGORY

1. Dividend Stocks
2. Investing

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/10/01

Date Created

2020/04/13

Author

aocallaghan

default watermark

default watermark