



Will the Canadian Housing Market Crash in 2020?

Description

The Canadian housing market is in turmoil — at least that's what the stock market is suggesting. Real estate firms like **Brookfield Property Partners LP** ([TSX:BPY.UN](#))(NYSE:BPY) have seen their shares slide by more than 50%.

So far, the impact on residential housing is unclear. But early data indicates that private homeowners should be nervous.

"The national trend in housing starts declined in March, likely indicating that the COVID-19 pandemic has begun to impact residential construction activity," said Canada Mortgage and Housing Corporation Chief Economist Bob Dugan.

Activity in Toronto and Montreal trended lower, reflecting broader declines in their respective provinces. While Vancouver registered an uptick, it wasn't sufficient to offset an overall decline in British Columbia.

It's important to note that data for the Canadian housing market is a *lagging* indicator. Housing starts won't start slowing dramatically for another month or two.

Meanwhile, prices won't start to slide until inventory rises and unemployment forces many to downsize. All of this means that a true Canadian housing market crash may not happen until the summer.

If you own a home or are invested in real estate, here's what you need to know.

The tale of two crashes

The [coronavirus pandemic](#) presents a clear short-term challenge, while the [oil collapse](#) could mean a longer-term hurdle. Let's take a look at both of these scenarios.

The crisis that's most impactful is the coronavirus pandemic. Shelter-in-place orders have deserted city streets. Meanwhile, traffic in rural areas is largely relegated to grocery shopping trips. No one is

unaffected.

One of the biggest problems is the rapid rise in unemployment. Hospitality and food service jobs have evaporated overnight, but other occupations have also started to feel the squeeze in recent weeks. The longer the crisis endures, the more pain there will be.

Last week, Trudeau reported the worst jobs report in modern history. “Job losses were felt across all provinces, with the largest in Ontario, Quebec, British Columbia, and Alberta,” reported *CityNews*. “Ontario shed 403,000 jobs, Quebec lost 264,000, B.C. saw a drop of 132,000, and Alberta lost 117,000 compared to just one month earlier.”

Even if the pandemic begins to ease, the job losses are likely in the early innings.

This brings us to the second headwind: the oil crash. Since 2020 began, oil prices have slid from US\$60 per barrel to nearly US\$20 per barrel.

The long-term impacts are still being felt, as a large portion of Canada’s oil production breaks even at US\$30 per barrel and above. Many mega-projects require US\$40 per barrel or above to stay in business.

Few Canadian’s are monitoring this second crisis closely, but the longer the oil downturn persists, the more likely it is that the energy sector will hemorrhage jobs. Given that the sector is responsible for 10% of Canada’s GDP, that’s bad news.

The Canadian housing market is nervous

While the housing market is directly affected by the health of the economy, it tracks more than just GDP. The most important figures are employment and wages. Canadians, after all, need jobs and minimum levels of income to afford a home.

As we’ve covered, the coronavirus pandemic and the oil collapse is causing the largest spike in unemployment in Canadian history. The longer these challenges exist, the more likely they are to cause long-term damage.

Housing starts and sale prices are lagging figures, so you won’t understand how your home is personally affected by the downturn for several months. But if we can glean anything from real estate stock prices, it’s that the future is grim.

Now is the time to revisit your personal finances. Assume that your home’s value is *already* much lower than you anticipated. While some Canadians won’t experience much of a shock, others will see their financial lives upended.

If we do experience a sharp downturn in the Canadian housing market, it may be a chance for first-time home buyers to jump in.

At minimum, most of us should be trying to shore up cash to invest in dirt cheap stocks following the market crash.

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