# Is a Huge Housing Market Crash Likely in 2020?

### Description

In the past few months, societies have been functioning differently due to the COVID-19 pandemic. Fears of a deep recession are rising as the lockdown extends. One market in Canada that is often mentioned as vulnerable to economic downturns is housing.



People see an inevitable housing market crash. The talk is growing, despite the Canada Real Estate Association (CREA) revealing that February was a hot month. Year-over-year sales grew by 27% nationwide compared with the same period in 2019. So, how conceivable is a big-time housing market crash this year?

## Brisk sales tapering

The brisk sales to kick off 2020 are starting to mellow because of the coronavirus outbreak. Activities from both the buyer and seller sides are lessening. Buyers are putting off home purchases, while the health and economic conditions remain uncertain.

Sellers wouldn’t be amendable to accept lower price offers. But many with less-urgent real estate needs are staying on the sidelines for now.

## Markets to watch

Toronto is a fast-growing city with a healthy real estate market. The city is also a growing financial hub in North America. But the concerns are high regarding property prices and lack of land supply. Estimated sales growth in 2020 is nearly 10.5% although the actual sales could be lower when recession sets in.

Vancouver is strong in single-family homes. If the health crisis eases by summer, prices in Metro Vancouver should appreciate by 0.5% by year-end 2020. If the pandemic extends through the summer, house prices might drop by 2.5%.

Quebec’s real estate market would be recovering by now if not for the COVID-19 onslaught. Housing is softening alongside the weakening economy due to supply chain disruptions. With the province shutting down, analysts are predicting Quebec’s real GDP to drop by 5.5% in 2020.

The real estate markets in major areas like Calgary, Montreal, and Ottawa will not be as vibrant. Aside from COVID-19, other concerns include cost pressure, labour shortage, and an aging population, among others.

## Bank in jeopardy

There are also fears about a Big Five bank crashing because of its high exposure to the mortgage business. **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) remains a favourite of dividend investors. The fifth-largest lender in Canada pays the highest dividend among the revered group.

CIBC’s dividend yield is 6.94%, although the stock is still losing by 23.7% year to date. Some value investors should find the current price of $81 too attractive to ignore.

This $36 billion bank is not brushing aside the concerns. CIBC’s CEO Victor Dodig is assuring investors the credit quality of the mortgage portfolio is good. There are no plans to slash dividends. The dividends should be continuously flowing. Also, no Canadian bank has made a dividend cut in 77 years.



The lacklustre performance in the first quarter isn’t discouraging. A breakout should follow in the aftermath of the 2020 pandemic. Historically, CIBC has survived recent market crashes.

## Over the hump

A housing market crash in 2020 is a possibility, but it will not as big as many would imagine. Once Canada gets over the hump, the market will resume its steady growth in 2021.

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**Date**
2025/07/04
**Date Created**
2020/05/08
**Author**
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