



## Canada's Housing Market Could Collapse by 2021!

### Description

Canada's housing bubble may finally crash this year — at least according to many market analysts.

If you own a house, or have investments in real estate stocks like **Brookfield Property Partners L.P.** ([TSX:BPY.UN](#))(NASDAQ:BPY), brace yourself for pain.

### The news is dire

“RBC economists took a dive through the latest Canadian real estate sales for May 2020,” [reports Better Dwelling](#). “In addition to noting prices have stalled, they believe the bounce in sales is overstated. Combine this with an observation on supply outpacing demand, and their forecast is beginning to look like the CMHC’s forecast.”

The CMHC report in mention warns of “unprecedented uncertainty” in Canada’s housing market. It expects “severe short-term impacts on economic conditions in Canada’s major urban centres,” concluding that “home prices will likely fall because of uncertainty over the economy’s path.”

It appears as if every real estate analyst is preparing for the worst.

“The Canadian economy has been increasingly driven over the past decade by the real estate boom and debt-fueled consumption binge,” explains Macro Research Board Partners. “In turn, a substantial housing and credit bubble has developed on the back of overly accommodative policy.”

“The heightened uncertainty caused by the surge in unemployment and plunge in household confidence may encourage many Canadians to reconsider stretching beyond their means heading forward,” the firm concludes.

As if things couldn’t get worse, four of the country’s big banks are seeing inventory rise faster than sales, a precursor to a pricing collapse.

Current activity is “40% to more than 50% below year-ago levels in most major markets,” says **Royal Bank of Canada**

. “New listings jumped even faster than sales,” notes **Bank of Montreal**.

**Bank of Nova Scotia** saw sales and listings fall by 42% and 36%, respectively. Sellers returned “en masse in May, as national new listings climbed at an even greater rate than sales,” warns **Toronto-Dominion Bank**.

## Prepare for the housing collapse

What does all this mean for you?

The most obvious source of risk is if you’re invested in property stocks. Retail real estate has already been crushed due to shutdowns. Offices are also in a steep downmarket due to work-from-home efforts. Brookfield Property Partners, which mostly owns retail and office properties, has seen its stock fall by two-thirds since the year began.

But a drop in residential housing market has yet to be witnessed. According to all the experts above, a downturn should hit over the next 12 months. Now is the time to prepare.

If you own a house, make sure your finances can weather a storm. Thinking about selling? Act quickly or you might want to put those plans on hold. If you’re looking to buy, on the other hand, it may make sense to wait things out. Over the next year, you could score a deal of a lifetime if the bubble bursts.

The most important thing to do right now is understand your risk. The stock market overall could be hit by a housing collapse simply because the property market is so inter-connected with the rest of the economy. Understand where you’re at risk *today* — and be prepared to take action.

### CATEGORY

1. Coronavirus
2. Investing

### TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)

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