Housing Crash 2020: Don't Miss This Once-in-a-Lifetime Chance

Description

Even before the pandemic came, financial experts didn't have a lot of good things to say about the year 2020. But whatever usual predictions and timelines they set for the year were disrupted because of COVID-19. Now, we are expecting one of the worst recessions in decades — and the stock market won't be the only thing to suffer.

A housing crash is expected in 2020. One of the things that most real estate gurus and financial experts agree upon is that it won't be uniform across the country and the most propped-up markets might crash the hardest. And no two real estate markets in the country might be as volatile as Toronto and Vancouver.

The housing crash and a chance for buyers

The Canadian housing market saw an unprecedented growth pace in the past few decades. Even the last recession that crushed the housing market across the border didn't put enough pressure on the brakes here. The housing market in Canada grew at a whopping 29 times the rate of the U.S. housing market. It's just one of the numbers that have spurred experts to claim that a housing crash is imminent.

It seems that the crash is here, especially in Toronto. The average housing price actually increased, but we can chalk it up to low activity in months before June, and an aggressive buying spree last month. The median price is falling, though not as much as it did in May, but it's going down. And if it follows the pattern in May and doesn't recover as fast, home buyers might see the prices of detached houses fall by as much as $280,000.

The median prices in Vancouver haven't recovered from the drop in April, and median prices are still over $400,000 down for detached houses. The condos have recovered much better, comparatively speaking. CMHC issued a warning to first-time buyers about the price drop and putting just 5% down for their property, saying the speed at which prices are dropping might make a small down payment worthless, eroding their equity in the property.

A REIT

Morguard North American Residential REIT (TSX:MRG.UN) is a Mississauga based REIT, part of the Morguard group of companies. The group has a diverse array of properties under management: commercial (retail, office, industrial), residential, and hotel rooms. Residential properties make the largest piece of the pie, about $5.4 billion of a total portfolio of $15.5 billion.

The company's 18,840 residential suites are almost equally divided between the U.S. and Canada. The company has a market cap of $588 million and offers a decent dividend yield of 4.7%. The payout ratio indicates that the dividends are rock solid.

The residential leaning REIT was a decent enough growth stock before the crash. It's still 27% from its pre-pandemic value, yet the five-year compound annual growth rate (CAGR) of 13.4% is sizeable enough.

Foolish takeaway

Even though the interest rates are low, the mortgage requirements have gotten more stringent. Relatively fewer buyers might be able to pass the stress test. Two important steps to solidify your position as a responsible buyer would be to fix your credit score and save up for a hefty down payment.

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Date
2025/08/21
Date Created
2020/08/04

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