



## This Real Estate Expert Thinks There Won't Be a 2020 Housing Crash

### Description

Calling 2020 an unpredictable year would be a vast understatement. The Canadian real estate market has been prolific during the past several years. The increasing immigration led to a rise in increasing real estate values as investors began buying up properties in large urban centers of the country.

While I still think there is a [housing crash on the horizon](#) within 2020, not everybody agrees. There is constant debate about whether there will be a housing crash and one real estate expert believes there won't be a crash at all in 2020.

Today I will discuss why he believes it will not happen and a Real Estate Investment Trust (REIT) I think you should consider adding to your portfolio if he is wrong.

### Why the market might not crash in 2020

Garth Turner is a renowned author, financial analyst, and a former MP. He understands that the current market situation is not ideal. The unemployment rate is at a devastating 13% in the Greater Toronto Area. More than eight million Canadians rely on the Canada Emergency Response Benefits (CERB) program for essential income due to unemployment. Additionally, the Gross Domestic Product has crashed significantly.

Despite the horrific circumstances, the real estate sector is surprisingly resilient. Garth believes that when the pandemic initially struck, people did not know how bad things will become. People chose to remain cautious, and despite the demand for real estate, they decided to keep their capital safe and sound.

Garth believes that as people realized that the situation might not be as bad as it seemed, people began flocking back to the real estate market.

He said, "The reasons are profound and temporary. There was no spring market in 2020 since we were all supposedly going to die of COVID, and stayed home in our underwear. Hence a big pent-up demand once it appeared life was going to carry on. What normally happens in April, when people dive

headfirst into the real estate market, this year took place in June.”

Another reason he believes is promoting the increase in real estate value is the low interest rate environment. Most major lenders are providing mortgages for less than 2% on five-year terms. People are more likely to borrow money for buying houses because the low interest is decreasing their fears of incurring excessive debt.

## It all depends on a lack of another wave

Garth did mention that if the second wave of coronavirus cases surges, it could completely change the picture. While the economies are reopening right now, a second wave could immediately shut everything down again. Combined with unemployment, mortgage deferrals ending, and tightened regulations for mortgages; a second wave could cause a major correction.

However, Garth firmly believes that a second wave will not arrive. He thinks that it is an ideal time to buy a house if you can afford it.

If you believe a housing crash could still happen, but you don't want to give up your exposure to the real estate sector, there are equities you can consider to reduce your risk from the residential sector. **RioCan Real Estate Investment Trust** ([TSX:REI.UN](https://www.tsx.com/REI/REI.UN)) is a REIT you can consider adding to your portfolio.

The most significant REIT in the country, RioCan, primarily owns a portfolio of retail locations that it has rented to major financial institutions and retailers. Its income is relatively secure, and the REIT can sufficiently finance its inflated 9.66% dividend yield. While it's currently trading at a discount due to market uncertainty, it's well-suited to weather a housing crash.

If the crash doesn't come, it also has a portion of its portfolio in residential properties that can boost its value.

## Foolish takeaway

Nobody can safely predict what the real estate market holds in the coming few months. Another crash could hit the stock markets just as likely as a boom. I would advise investing in safer equities to protect your capital and retain some liquidity to invest in [high-quality companies if there is a downturn](#).

### CATEGORY

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adamothonman

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