Is Canada's Housing Market Nearing a Meltdown?

Description

Canada's housing market is a mess. Just look at a stock like **Brookfield Property Partners** (TSX:BPY.UN)(NASDAQ:BPY).

Brookfield is one of the largest property companies in the world. It owns assets across several continents. It's truly geographically diversified.

Breaking down its portfolio, roughly 40% is office space, with another 40% being retail locations. The remaining 20% is a hodgepodge of assets, including student housing, multi-family homes, etc.

Brookfield stock is a great way to gauge the overall health of the property market. How have shares fared since the year began? They're lower by more than 60%. Ouch.

Here's the weird thing: Canada's housing market hasn't been touched. Indeed, home prices have barely budged. To be sure, single family homes are different from office skyscrapers, but it's odd to see one section of the market tank while another section goes completely unscathed.

This period of asymmetry may be over. There are some clear data points that should make you nervous.

The data is mixed

Unsurprisingly, the housing market took a deep dive in March and April. Nearly everything did. Sales fell off a cliff, with overall transaction volumes hitting historical lows.

This sudden and dramatic dip established a very low bar to clear. In more recent months, we've seen activity spike higher towards normalized levels.

July actually set an all-time record, with 62,355 transactions nationwide. Sales that month were *triple* what they were in April.

“Recall that before the lockdowns, we were heading into the tightest spring market in almost 20 years,” reported Shaun Cathcart, a senior economist at the Canadian Real Estate Association. “Ultimately the market we’re seeing right now is mostly the same one we were heading into back in March.”

But we’re not out of the woods yet.

The Canada Mortgage and Housing Corporation predicts an 18% decline in housing prices this year. Several major banks report that their internal data suggests trouble ahead.

Should you be scared?

The housing market is scary

This is really a simple game. Canadian housing prices remain stable. After a dramatic plunge, transaction volumes are rebounding. But with other markets feeling a ton of pain — Brookfield’s stock is a testament to this — it’s reasonable to be cautious about the future.

Here’s what you should do.

First, get your financial house in order. Seriously. It’s always a good time to do this, but if you own a home, it’s now *critical*. Mortgage payments are fixed, and could persist for decades. Your income levels, meanwhile, are subject to change, especially with all the economic volatility going on.

Analyze your biggest areas of risk when it comes to personal finances. Make moves to improve your situation, even if you’re already in a position of strength.

Your second action item is to look at your investment portfolio. If you own housing stocks, you’re likely already feeling pain. Other areas of the market, however, are approaching all-time highs.

Even if you maintain a multi-decade time horizon, determine how your portfolio will be impacted by a Canadian housing meltdown. Anything reliant on real estate or consumer spending is particularly at risk.

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