



Toronto Housing Prices: Almost \$1 Million on Average

Description

Canada's housing market is something investors can completely fail to understand. Housing prices had been soaring for several months, and analysts predicted a [major correction was imminent](#). The prediction was before the pandemic was even a thing. However, we are seeing the average housing prices in Toronto hit \$1 million according to the Current Toronto MLS Housing Market Report for September 2020.

The data is confusing

As the global health crisis struck, most sectors of the economy took a hit. The housing market also experienced a deep drive in March and April 2020. Sales across every industry fell off a cliff, including housing market activity. The overall transaction volumes hit historic lows.

The sudden decline created a low bar to clear, and we have seen market activity spike closer towards pre-pandemic levels. July 2020 actually saw the housing market set a record. It saw more than 60,000 transactions take place across Canada. Sales in July tripled since April 2020.

According to Shaun Cathcart, a senior economist at the Canadian Real Estate Association, we are only seeing a rally that was predicted before the pandemic. The economist predicted that we are only witnessing the same market we were already heading towards in March before the pandemic drove down market activity.

Despite the recent rally to unfathomably high housing prices, we are not out of trouble.

Canada Mortgage and Housing Corporation

The Canada Mortgage and Housing Corporation (CMHC) predicted an 18% decline in housing prices this year. Several significant financial institutions in the country that rely heavily on mortgage interest income are also indicating trouble ahead. The housing market's overall health could be weaker than the current average housing prices in Toronto indicate.

Brookfield Property Partners ([TSX:BPY.UN](#))(NASDAQ:BPY) is one of the world's largest property companies. It owns properties across several countries through a geographically diverse portfolio. Roughly 40% of its portfolio comprises office real estate, 40% in retail locations, and the remaining 20% is a mixed bag of assets. The stock can represent the overall health of the property market.

Brookfield Property Partners is down 37.50% year to date and has taken a massive beating since the pandemic. The stock is trading for drastically lower prices since the year began, but the housing market does not seem to have budged. It could be a matter of time until we see that real estate investors' insatiable thirst results in a housing market crash in Canada.

Foolish takeaway

Despite the weak economic outlook, the housing market looks stable. Brookfield shows us that other real estate segments are experiencing a lot of trouble, and it could be reasonable to expect a significant decline in housing prices as well.

If you have a long-term investment horizon and are not worried about short-term pain, you could continue to invest in housing sector stocks. However, you should consider how a [housing market meltdown](#) can impact your portfolio. The real estate sector could be at significant risk.

You might want to consider alternative sectors like the tech sector to protect your capital. Any real estate-heavy portfolio could also experience substantial losses if the housing crash happens.

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