WARNING: Canada’s Housing Bubble Is Bursting!

Description

We’ve been warned for years. A housing crisis would be coming, and it was likely to be in 2020. With a recession predicted by many economists, housing was definitely going to be a part of that crisis. But no one predicted COVID-19 to be a part of that housing crash.

It looked as though a housing crash would continue. Even when the pandemic started, house prices continued to soar higher and higher in Canada’s major cities. But with a new wave of the pandemic underway, and winter around the corner, that bubble seems to have burst.

While cities such as Vancouver and Toronto saw a surge after a dip a few months back with federal money dished out, that seems to have ended. What happened was an incredible overvaluation of homes across the country, especially in the major cities. People basically thought they had more to spend than they really did.

Now those benefits are gone, and debt has continued to climb for Canadians. It’s now time to stop house hunting and start buckling down. That means the 12% dip seen at the beginning of the pandemic could just be the beginning. Some economists predict a drop of almost 20% when the bubble finally bursts.

Prepare now

The best way to prepare right now is to stay away from housing altogether. The best thing you can do is to look at your household income and see where you can cut costs. This is the best way to see what you’ll actually be bringing in during another economic downturn. Do not keep your house as part of that equation, because it’s completely unclear what its worth will be in the next few months or even a year.

Next, start paying down debts. The last thing you’ll need during a housing crash is having to pay debts you can’t afford. If you have cash to spare, start using it to pay down debts. In fact, the best thing you can do is pay down your mortgage to decrease monthly payments if it comes to that down the road. You can also calculate automated payments to your debts each month, quarter, or year.

Finally, see if there's anything left to put aside for an emergency. You never know if a catastrophic hit could occur. Look at the beginning of the pandemic, with millions of Canadians losing jobs. Your job may not be safe, so it's best to put as much aside as you can to keep safe and secure for when you need it most.

Invest in dividends

If you're able to invest any extra money, invest in dividend stocks that are set to grow. One of the best options out there is **RioCan REIT** (TSX:REI.UN), with a dividend yield of 9.66% as of writing. This real estate investment trust is one of Canada's largest, focused on retail that offers mixed-uses in various Canadian cities. While it might seem counterintuitive to invest in real estate during a housing crash, hear me out.

These share prices will go down, giving you a bargain for your savings. You then have dividend income coming in to reinvest, even if shares aren't doing so great. That income will supplement the growth in these stocks when they explode out of the housing crash, especially in a Tax-Free Savings Account (TFSA). RioCan, meanwhile, has 221 properties where people shop, live, and work all in one. So the diversity is there to see it continue bringing in rental income, with 15 more in development.

Bottom line

Don't let excitement and fear run your life. Prepare for a housing crash now, while others remain excited, and build an emergency nest egg. Then, when others are scared as the bubble continues to burst, you'll relax knowing your money is completely safe.

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1. TSX:REI.UN (RioCan Real Estate Investment Trust)

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