Canada Housing Bubble Might Finally Burst by 2022

**Description**

Canada's housing market is active as ever in 2020 due to pent-up demand and low inventory levels. However, the Canada Mortgage and Housing Corporation (CMHC) warn of a possible nine to 18% drops in average home prices. The housing agency predicts that the bubble will burst by 2022.



Home ownership is the dream of most Canadians, although many stay on the sidelines due to job loss and uncertainty. There's a growing fear that the economy will turn upside down as the shutdowns' impact takes its toll in the coming months.

## Vulnerable sector

CHMC expects the housing sector to return to pre-corona levels until the end of 2022. The average Canadian house values increased by more than 5% yearly, dating back to World War II. Analysts predicted a housing market collapse after the 2008 global financial crisis, but it didn't happen.

Today, oil-producing regions are most vulnerable, given the debilitating effect of the crash in crude prices. Other cities are facing risks too, even in Toronto and Vancouver, where condo markets are booming. Speculators who bought homes in regions at risk are in a jam because they will have to wait for three years to sell.

## Affordable window

Many Canadians took advantage of the pre-COVID-19 housing boom when mortgage rates were already low. However, due to the massive stimulus packages and deteriorating economy, the low interest rate environment is likely to extend indefinitely.

Any decline in residential property prices over the next three years could open buying opportunities for prospective home buyers. Real estate is a tangible asset that has significant fundamental value. It's the type of asset people can live in, and value appreciates over time.

Canadians also look to own because it's a sanctuary during a crisis. Investors also purchase rental properties to generate income. Similarly, the demand will not wane because the desire to own a home is ever-present.

## The only 100% grocer REIT

If you're buying a rental property but skeptical about vacancy risks, consider investing in real estate investment trusts (REITs). It's like having tangible real estate without having landlord responsibilities like managing and maintaining the property. You derive income from the dividends these REITs pay.

**Slate Grocery REIT** (TSX:SRT.UN) is among the pandemic-resistant real estate stocks. The name used to be Slate Retail REIT until the completion of the name change in August 2020. According to Slate CEO David Dune, the new name reflects differentiation. It now stands alone as the only REIT with 100% grocery-anchored business.

This $393.69 million REIT owns and operates a high-quality portfolio of grocery-anchored assets in the U.S. Its tenant base includes some of the world's largest grocers such as **Kroger** and **Walmart**. In the six months ended June 30, 2020, the $12.7 million net income was 69% higher than the figure in the same period last year.



## Real threat

The threat of the housing bubble is real. However, brokers across Canada see brisk activity in the real estate market for the rest of 2020. The increase in average residential sale prices would be modest. Because of the pandemic, some home buyers are considering to move to neighbourhoods that suit changing lifestyles.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:SGR.UN (Slate Retail REIT)

**PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

**Category**

1. Dividend Stocks
2. Investing

**Date**
2025/08/16
**Date Created**
2020/09/29
**Author**
cliew