44% of Canadians Say a Housing Crash Won't Happen

Description

The Canada Mortgage and Household Corp. (CMHC) and credit agencies see the housing market to be very fragile. However, the pulse of the people differs despite the resurgence of coronavirus cases. The Nanos Research survey commissioned by Bloomberg News reveals that 44% of Canadians expect property values to rise over the next six months.

Defying expectations

The housing market is defying expectations, as evidenced by the record-breaking summer. Homes sales in July were the most than any other month on record following COVID-19's freezing of the market early this year. The Canadian Real Estate Association (CREA) said that all 20 of the markets reported month-over-month increases in home prices.

Instead of the usual spring, the home buying fever came early with the easing of lockdowns. Low mortgage rates helped boost sales. Similarly, the demand is rising as Canadians desire homes with more spaces and amenities if stay-at-home measures will be the new normal.

Economists, however, predict the activity will taper off. Only 19% of the poll respondents believe the economy will strengthen over the next six months due to the second wave of COVID-19 cases.

Tremendous risks

CMHC is standing by its gloomy forecast for the future of Canada's housing market, given the tremendous risks from the coronavirus pandemic. In May, the federal housing agency predicts that average prices would fall between 9% and 18% from pre-COVID levels before beginning to recover in the first half of 2021.

Chief Economist at CMHC Bob Dugan clarifies the forecast is with respect to the broad trends they expect moving forward. He admits predicting the “peaks and troughs” is difficult because of the many moving parts.

Benjamin Tal, Deputy Chief Economist at **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) said the brisk sales wouldn’t continue. Things will slow down economically as we approach winter. The prices will not necessarily go down, but soften a bit as the market stabilizes.

Investing in a bear market

Crash predictions are also prevalent in the stock market. Stock prices dropped in mid-March 2020, although it’s by no fault of the companies. Fear drove investors to scamper for safety. Many sought to have more cash or sell at the best price before it dives. However, it opened buying opportunities as blue-chip stocks like CIBC went on sale.

Had you invested $20,000 at the dip on March 23, 2020, your money would be $30,959.33 today. From $64.42, the bank stock is trading at $99.72 as of October 2, 2020. CIBC is excellent for income investors regardless of the market environment. The dividend aristocrat pays a juicy 5.88% dividend.

You can still pursue your long-term financial goals in a bear market. The investing rule is to pick companies that can overcome the crash. CIBC’s dividend track record is 152 years, including World Wars and recessions. Analysts forecast the price to touch $120 in the next 12 months.

Bright spot

The percentage in the Nanos survey is the highest since March 13, 2020, or before widespread shutdowns began. It’s also one of the strongest readings in the past seven years. Still, the residential real estate market has been a bright spot in Canada’s economic recovery. No one knows for sure if the bubble will burst.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/08/17
Date Created
2020/10/08
Author
cliew