Worried About Canada’s Housing Market Crash? Here’s Some Advice

Description

For the third year in a row, Toronto has been named one of the cities most at risk of a residential real estate bubble, according to a report released last week by UBS.

The surging demand for single-family homes in suburban markets has pushed prices in the Greater Toronto Area (GTA) up significantly, noted UBS. Toronto ranked only behind Munich and Frankfurt in the latest edition of the firm’s Global Real Estate Bubble Index.

Home prices surge across Canada

According to data released by the Toronto Regional Real Estate Board (TRREB), the average selling price across the GTA rose 20% year over year in August to $951,404. Gains were most substantial in the detached property market, with the average selling price up nearly 20% to almost $1.2 million.

And it’s not just the GTA that is experiencing a red-hot housing market. According to a projection from brokerage Royal LePage, the median home price in Canada is expected to reach $693,000 by the end of the year. This represents a 7% increase from the end of 2019. Over the last three months, 97% of regions throughout Canada reported higher home prices, Royal LePage said.

Worried about a housing market crash?

What should you do if you are concerned about a crash in Canada’s housing market?

The first thing to do is not to panic. Even as these reports warning of an eminent crash emerged, some experts see no reason to fear a crash.

In a recent interview with *BNN Bloomberg*, Stephen Poloz, the former Governor of the Bank of Canada, shared his thoughts on the state of Canada’s housing market.

Poloz believes we are in the midst of a “K-shaped” recovery. The top part of the “K,” which represents

95% of the economy, has recovered well from the pandemic. The bottom of the “K,” denotes the other 5% of the economy. This includes airlines, tourism, retail, and hospitality. These industries incurred the greatest damage during COVID-19 and continue to struggle.

Regarding the soaring home prices, Poloz believes that the momentum can be sustained. He said there is “a certain amount of heat in the housing market — with pent-up demand, combined with low interest rates and the government’s support of incomes.” Poloz continued, “We have just as good a chance of the market continuing to rise as going in the other direction.”

The bottom line

No one knows if Canada’s housing market will continue to surge or if it will come crashing down.

Regardless of the outcome, it is smart to invest in a well-balanced portfolio of assets in different industries. Some of these investments should be focused on stocks that show resilience if a housing crash and an economic downturn does occur.

Consider a stock like **Alimentation Couche-Tard** (TSX:ATD.B), a multi-national convenience store operator, which operates over 14,000 stores. The stock has returned over 1,050% in the last decade.

The company boasts a solid balance sheet, which allows Couche-Tard to pursue an aggressive acquisition strategy. Since 2004, the company has acquired 60 companies, adding approximately 10,200 stores.

In the company’s first-quarter earnings release, Couche-Tard generated US$1.35 billion from its operating activities to increase its cash and cash equivalents to US$3.27 billion. With access to a credit facility of US$2.5 billion, the company liquidity stands at US$5.8 billion, giving the company plenty of cash to continue its acquisition strategy.

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