WARNING: Canadian Housing Is at High Risk of a Crash!

Description

Canada's housing market continues to become an increasingly high-risk segment in Canada's real estate sector. For the third year in a row, Toronto has been named one of the most at-risk cities for being a residential market bubble.

According to UBS's latest report, the demand for single-family homes is driving up the prices in the Greater Toronto Area (GTA). Toronto is now one of the ripest bubble risks in the world behind Munich and Frankfurt. UBS's Global Real Estate Bubble Index is a clear indicator that there is a risk of a Canadian housing market crash.

Increasing home prices

The Toronto Regional Real Estate Board (TRREB) recently released data that confirmed the problematic situation. According to TRREB data, the average selling price of residential properties in GTA increased to almost $1,000,000 in August 2020. It marks a 20% increase on a year over year basis.

The gains in detached properties were much higher than the average as the prices went up to almost $1.2 million. The Canadian housing market beyond GTA is also experiencing increasing prices. According to projections by Royal LePage, median home prices in Canada could rise to almost $700,000 by the end of 2020.

The 7% increase from the end of 2019 represents an increased risk of a major correction.

Protecting yourself from a housing crash

The Canadian housing market has not seen a significant crash despite scares throughout 2019. However, this year could be different, considering the impact of COVID-19 on the economy. If you are concerned about an imminent housing crash, you need to take precautions to protect your capital from the devastation that can happen.

Consider investing in a stock that can weather the storm of a housing market crash better than most. A stock like **Alimentation Couche-Tard** (TSX:ATD.B) could be an ideal option to consider. The multinational convenience store giant operates in more than 14,000 locations. It provides a necessary service to its customers, and it can't halt operations no matter how bad the economy gets.

The underlying company behind the stock boasts a solid balance sheet. It has used its strong cash flow to make aggressive acquisitions over the past few years. The company has acquired around 60 other companies in the last 16 years and added more than 10,000 stores. The company continues to post strong earnings and growth despite the pandemic.

It boasts defensive qualities that allow it to continue fueling its capital gains and acquisitions.

Foolish takeaway

A housing market crash could be likely considering the rising problem of household debt in Canada. Canadians are alarmingly over-leveraged in 2020. Combined with the economic effects of the pandemic, a housing market crash is very likely. It would be wise to take measures to protect yourself from the effects of a significant correction.

It would be best if you consider investing in a portfolio of reliable stocks that can weather the crash and provide you with returns to continue growing your capital. Alimentation Couche-Tard could be a valuable addition to your portfolio for this purpose.

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