WARNING: Canada’s Housing Bubble Could Finally Burst by 2021!

Description

Canadians have the habit of amassing debt, especially in the form of mortgages. Getting a loan to buy your house makes sense to many people because you are essentially getting something valuable in return. However, the growing debt that Canadians have been taking on over the last few decades is becoming increasingly worrisome because the debt is increasing far faster than the country’s Gross Domestic Product (GDP).

Additionally, the demand for single family homes in major areas like the Greater Toronto Area (GTA) is now causing a surge in housing prices. Toronto is third among the most at-risk housing bubbles worldwide. Between the rising debt and the bubble, there is a significant risk of a housing market crash.

Vulnerable economy

In Q2 2020, the Canadian mortgage debt accounts for 84.28% of the entire GDP. The figure is alarming because the GDP’s growth can’t keep pace with the increasing mortgage debt. The economy is barely beginning to recover from the pandemic. However, the mortgage debt has not lost any steam due to the lockdowns.

The mortgage debt ten years ago was less than 60% of the country’s GDP. The current level is an alarming indicator of an imminent housing market crash.

Home sales are not stopping

Despite the consistent worries about a housing market bubble indicated by the latest UBS report, sales are not slowing down. The GTA housing market reported an increase of more than 40% on a year-over-year basis in September 2020. The markets in Vancouver and British Columbia are also overvalued, but not at the level of GTA.

However, a major housing market correction in GTA could send waves that ripple across the entire housing market. The effects could be devastating for the entire housing market once these factors lead the market past the tipping point.

Investing in real estate while steering clear of the crash

Real estate investors in Canada mostly think about residential real estate. However, there are ways you can leverage the growth of the real estate market in other segments. Additionally, you can capitalize on the industrial real estate segment's market movements without purchasing any properties yourself. The answer is Real Estate Investment Trusts (REITs).

You can invest in REITs that trade on the **TSX** just like stocks. REITs like **Dream Industrial REIT** (TSX:DIR.UN) are more ideal assets for real estate investors who want to leverage the market movements without the risks and hassles that come with owning real estate.

Dream Industrial owns and operates more than 260 high-quality industrial properties in key markets across North America. The REIT also has a growing presence in Europe. Unlike residential real estate or REITs, industrial REITs are doing much better during the pandemic.

Dream Industrials is earning well through its 95.6% occupancy in Q2 2020. Its geographically diversified tenant base allows the REIT to earn a significant income. The REIT provides its shareholders with healthy returns through a juicy 6.13% dividend yield.

Foolish takeaway

Owning a home is a dream come true for many Canadians. However, buying a house during the pandemic might not be the best idea. There is a risk of a housing bubble and a second market crash right now.

If you want to achieve your financial dreams, investing in REITs like Dream Industrials could be a better option to consider right now instead of taking on mortgage loans to buy a house.

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