



## Here's Why Canada's Housing Market Could Crash by 2022

### Description

The Canadian housing market is a topic that's been highly talked about in the last few years. Whether you own properties or are trying to break into the market for the first time, everyone wants to know what's happening with real estate prices.

For years, Canada's housing market has been red hot, boosted by low interest rates, strong immigration numbers, and a growing economy. However, some have suggested that these massive price increase may soon become unsustainable.

These fears have all be prevalent for the last few years, long before the coronavirus pandemic hit the economy. But when the pandemic first hit, a lot of Canadians expected the housing market to fall.

This was one of the worst public health disasters in over a century, hitting an economy with record household debt and sky-high housing prices. The Canadian Mortgage and Housing Corporation (CMHC) even predicted that Canadian housing prices would fall between 9% and 18%.

So far, however, the housing market has remained robust. And in many parts of the country, housing prices are actually seeing a slight increase.

So, could the Canadian market still crash in the short term?

### Why the Canadian housing market could still crash

Despite a resilient summer by Canadian housing prices, there are still several factors weighing on the sector.

First and foremost is consumer debt levels. High debt loads have been one of the main reasons economists have been concerned with the Canadian housing market for years. This debt can be a problem, especially when the economy enters a recession like it is at the moment.

Even if some Canadians have been able to manage lower income levels up until now, there will,

unfortunately, continue to be economic casualties as a result of the [coronavirus pandemic](#).

Employers going out of business or cutting hours could have a big effect on these Canadians with major debt loads, and the only choice they may have would be to downsize in order to reduce some of the debt load.

With economic developments such as a recession impacting income and debt levels, consequences don't just all happen at once. There can be a significant time lag before we start to see the impact of the recession, so it's definitely something to watch for as we enter 2021.

The Canadian housing market has also benefitted from high immigration rates, which have effectively been paused in the pandemic. Furthermore, short-term rentals like Airbnbs also played a role in driving prices up.

Airbnbs have been another major reason for low supply in the market. If these short-term rentals continue to go long periods without earning any income, we could see many of them come back on the market driving up supply.

## A top Canadian real estate stock to buy

Real estate, especially residential real estate, is always an industry you want to be invested in. One way to get invested in the Canadian residential industry without needing a large sum of money is through TSX real estate stocks. One of the top choices for investors to consider is **InterRent REIT** ([TSX:IIP.UN](#)).

Depending on your view of the Canadian housing market, you may want to wait to take a position in InterRent. However, I would advise investors to take at least a small position today, especially at this valuation.

InterRent's shares are down roughly 25% from where they started the year, despite an underlying business that's been [highly resilient](#). Its most recent quarter saw a 12% increase in revenue, roughly in line with the growth rate the company has been achieving.

The company has a long track record of massive growth as well. In the last 10 years, shares are up over 700%, or more than 23.3% compounded annually.

So, regardless of how you think the Canadian housing market may perform in 2021, InterRent is at least worth a small position today. That way, you have exposure if the market can remain resilient. And if the housing market does end up crashing, investors can easily lower their average cost.

### CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. TSX:IIP.UN (InterRent Real Estate Investment Trust)

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