



This Massive Housing Bubble Won't End Well

Description

As the end of 2020 draws closer, housing crash discussions seem to persist. The fears of a housing market decline have persisted in recent years, and analysts expected the pandemic to finally topple the dominoes that send everything tumbling down.

The onset of COVID-19 initially led to a slowdown in sales activities during the lockdown. However, the break in its momentum was short-lived. Sales have been soaring in the Canadian housing market since May 2020 and do not appear to be slowing down. To make matters more confusing, the housing market sales activities reached all-time highs in November.

Many still believe there will be a [housing crash](#), while others are breathing a sigh of relief. However, there is a potential 26% decline in housing prices that a research firm believes could strike soon.

Analysis of housing decline

Veritas Investment Research is a research firm that has been monitoring the Canadian housing market closely. The firm's perspective on the housing market differs from the opinion of major Canadian banks. Veritas has used regression analysis to determine that the months of inventory are closely related to housing prices.

The firm predicts that the high prices in a very tight market could lead to a sharp decline in prices in the belief that the expiration of mortgage deferrals and things returning to normalcy will be the likely culprit. The housing market might experience a sharp supply shock with the end of deferrals because many homeowners are likely to turn into sellers instead of becoming loan defaulters.

Housing market risks

The research firm's predictions are based on different percentages of mortgage payment deferrals that could turn into inventory. Veritas believes that most Canadians can and will sell their houses instead of defaulting on their mortgage loans.

The Canada Mortgage and Housing Corporation (CMHC) shares its observations of the scenario. It believes that CMHC should keep a close eye on inventory levels because this situation could play out in a few months.

The price decline could vary drastically throughout the Canadian housing market. The downturn could range from a modest 4% to a more substantial 11%. Canada is currently building more homes in record numbers, increasing the inventory further.

The firm expects the most significant price decline in Toronto. The UBS Global Real Estate Bubble Index 2020 cited Toronto as the only North American city in the bubble risk territory. If a housing crash occurs, housing prices in Toronto could decline anywhere between 15% and 26%.

Real estate pick during the housing crash

Summit Industrial REIT ([TSX:SMU.UN](https://www.summitreit.com)) could be an ideal way for you to get exposure to the Canadian real estate sector without placing your investment at-risk from the housing market crash. Summit is a Real Estate Investment Trust (REIT) that invests in a portfolio of light industrial real estate properties.

The company has been growing its portfolio of industrial real estate over the years throughout Canada. According to the REIT, light industrial properties offer far better returns than the housing market for lower expenses, making them an excellent real estate bet.

Summit continues to expand its portfolio of properties by investing in industrial real estate with an optimistic long-term outlook.

Foolish takeaway

The [unsustainable housing prices](#) in major Canadian cities could catalyze an overall housing market crash once the mortgage deferrals expire. However, there are safer ways to invest in Canadian real estate. The industrial sector could provide you with a safer space to park your capital and grow your account balance. Summit REIT can be an excellent investment for this purpose.

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