



Warning: The Canadian Housing Market Could Drop by 14% in 2021!

Description

There's no question that although we are expecting a recovery in 2021, there are still several risks and a lot of uncertainty. Of course, these all are caused by the coronavirus pandemic, but the effects can be widespread. So, it may not come as a surprise that some experts have warned of a potential Canadian housing market crash this year.

Long before COVID-19 was impacting the economy, there were already issues with an overheating housing market.

For years, the government has tried to deal with housing. It's had to walk a fine line of trying to make housing more affordable while at the same time not crashing the market.

That's not as easy as it sounds, given continuously increasing consumer debt levels to records and real estate prices that have far outpaced the growth of wages.

Despite these issues, there hasn't been much attention on the housing market since the start of the pandemic. Prices have remained stable in large part because the pandemic has slowed sales but also thanks to [government stimulus programs](#).

By propping up the economy with stimulus like the Canada Emergency Response Benefit, the housing market has stayed robust. However, these stimulus programs won't last forever.

So, with an economy that continues to struggle through a second wave that's been a lot worse than many expected, the potential for a housing market crash in 2021 continues to increase.

The potential for a housing market crash in 2021

Many analysts and economists have expressed concern for the Canadian housing market ahead of 2021. However, one of the most dire prediction comes from the Canada Mortgage and Housing Corporation (CMHC).

Last year, the CMHC said the housing market could crash by up to 18%. That's been updated to about 14% in recent reports. Nevertheless, it's still a significant warning.

With the average house in Canada worth roughly \$530,000, if a 14% drop were to materialize, the average Canadian homeowner would lose roughly \$75,000 of value. That's a significant drop in an asset many consider to be a safe investment.

I'm not telling you this so that you go out and sell your house. However, it's important to be aware of the risks that persist. Even if the housing market doesn't crash, the issues weighing on the economy can cause prices to remain flat for years.

This is an important consideration, especially for investors who may be weighing an investment in an income property.

A smart way to gain exposure to residential real estate

Buying an income property is a substantial purchase that you'll want to be sure about before you pull the trigger. But forgoing an investment today doesn't mean you need to avoid the industry altogether.

One strategy to consider is buying retail real estate stocks for the time being. This way, your money is invested in the sector, and you don't have to worry about missing out on any growth if the housing market continues to rally.

However, it also offers you a much safer way to invest that will do a better job of protecting your capital and keep your investment highly liquid — a benefit that an income property can't offer you.

There are several risks associated with buying an income property right now. In addition to all the economic issues, Canadians continue to relocate and pick up new living habits.

With many Canadians electing to leave city centres for the suburbs, the housing market demographics are rapidly changing. So, this wouldn't be a bad time to make a more passive investment in Canadian residential real estate and see how things play out over the next few years.

One of the best stocks to consider is **Canadian Apartment Properties REIT**. It's the biggest and most liquid residential real estate REIT in Canada.

Plus, [Canadian Apartment Properties REIT](#) owns residential assets all across Canada. This will help to reduce risk as you watch how things play out. That way, when the economy recovers from the coronavirus pandemic, you'll have a much clearer picture of the investing landscape.

CATEGORY

1. Dividend Stocks
2. Investing

PARTNER-FEEDS

1. Business Insider

2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/27

Date Created

2021/01/26

Author

danieldacosta

default watermark

default watermark