



Harry's Take

January 18, 2022

Final Crash Warning for the Greatest, Most-Global Real Estate Bubble in History

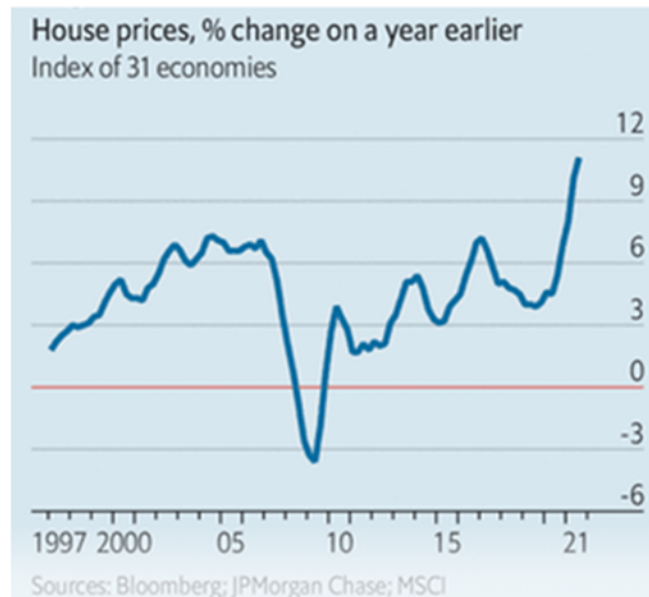
I have shown in past *HS Dent Forecast* newsletter issues and Harry's Takes like this one how this housing bubble is both the greatest and most global.

In the previous bubble period of the Roaring '20s, housing did not bubble up anything like stocks, as easy long-term mortgages were not available for such mass buying and speculation. The crash in housing after the 1929 top was by only 26%. The more-recent crash after the 2006 bubble top in the U.S. was by 34%, and I have been forecasting that the crash of the present bubble will be by 40% to 50%...

The only good news here is that real estate will be the final bubble in the "bubble of everything." The first stock bubble into 2000 occurred on its own. The first real estate bubble followed right on its heels from 2000 to 2006.

Although the second housing bubble in the U.S. was similar in magnitude and ended up a bit higher, adjusted for both income and inflation, the global bubble was much bigger this time around, as this chart shows. And this time, real estate is peaking in the same time frame as stocks.

Global Housing Bubble Greater Than 2000-2006: Bigger Crash Ahead



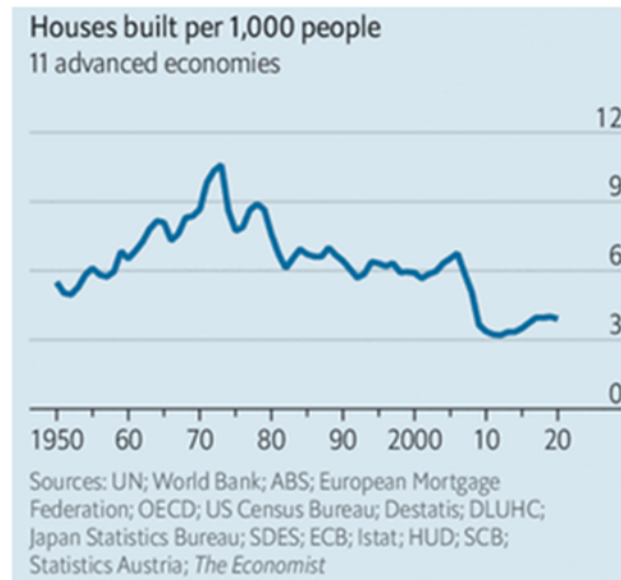
Source: <https://www.economist.com/finance-and-economics/how-long-can-the-global-housing-boom-last/21807002>

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You can see how much steeper the bubble was this time globally, especially in the last few years. What a perfect finale and “orgasm” in a sector that normally doesn’t bubble as much as stocks and commodities.

But this time, it was more-limited builder supply rather than rampant demand that led to such unprecedented housing prices. This chart shows that after the 1972 peak in the previous Bob Hope generation’s long-term boom, builders cut supply from near 11 million a year down to 6 million, around 45%. After the first housing bubble this time into 2006–2007, builders cut supply even more percentage-wise, from near 7 million down to 3 million, over 50%.

Global Builders Get Much More Conservative After 1972 & 2007 Tops



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This bubble was most driven by conservative building after developers got the biggest kick in the a** in modern history; yes, it was greater than in the first bubble, from 2000–2006...

This is the last warning to sell real estate that you aren't going to keep for a long time. Heck, you could sell it anyway and hope to buy it back 40% to 50% cheaper a few years from now! And that applies even more if you are in the bubbliest areas, like California, the Northeast, and Florida.

Harry

Got a question or comment? You can reach us at info@hsdent.com.