



Harry's Take

September 6, 2022

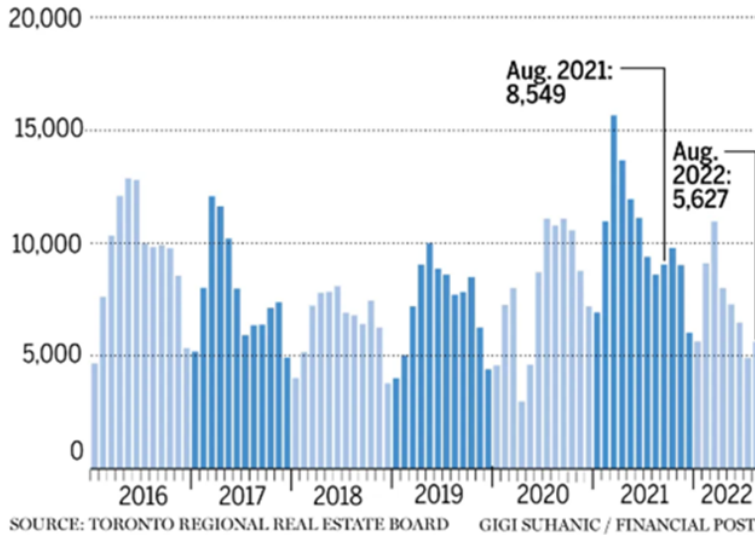
Last-Minute Special Subscriber Update: TLT retested its June lows today and broke down to 107.58, just below the previous 108.12 low in June. That was unexpected, as that low looked convincing. I would still expect it to hold near here but will warn you if this correction looks more ominous. Obviously, the markets don't think the Fed is moving fast enough on raising rates, which means that a 75-basis point raise in September, just ahead, is much more likely now.

Toronto Home Sales Crash 68%: Prices Fall 20% in Just 6 Months*

Canada clearly is leading the way in the global real estate crash, after it was largely spared from the U.S. downturn the last time around. That's only fitting, now that Canada's real estate market is even more bubbly. For our subscribers in Australia (who didn't get hit last time, either), note that your real estate now is even more overvalued than Canadian real estate.

This chart came from an article that focused on the August year-over-year decline in Toronto home sales from 8,549 last August to 5,627 this August, down 34%. But the truth is that sales have fallen a whopping 68%, down to around 5,000 in July of this year from the peak around 15,800 in March 2021. Now that is shocking—and it should be a quick wake-up call to the entire developed world!

Toronto Home Sales Fall a Whopping 68% From Peak in March 2021

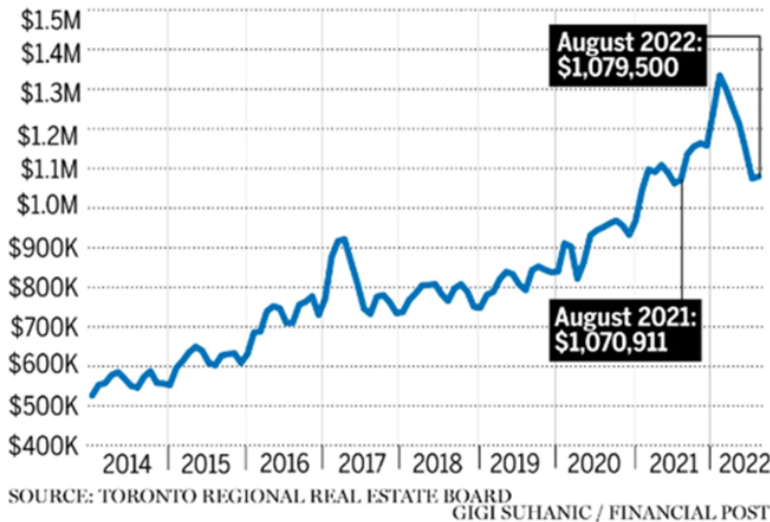


Source: <https://financialpost.com/real-estate/toronto-home-sales-slide-august>

www.hsdent.com

The next chart shows the fall in prices from \$1,345,000, its peak in February of this year, down to \$1,079,500 in August 2022, or down 20% in just 6 months. Obviously, much more is coming, given that real estate in the rest of the developed world is just flattening at this point and the Great Recession or “short depression,” as I prefer to call it, is just beginning.

Toronto Home Prices Fall 20% From February Peak – in Just 6 Months!



Source: <https://financialpost.com/real-estate/toronto-home-sales-slide-august>

www.hsdent.com

And Vancouver real estate is falling similarly, with sales down 35% from their peak.

People who have been doubting that real estate can crash again and/or fall even worse than in the last crash in the U.S. should reconsider fast. Real estate is leading stocks, as it did in the 2008 financial crisis, and it will take longer to bottom. Last time, it was late 2011 to early 2012 before most real estate bottomed in the U.S., almost 3 years after stocks did in early 2009.

The critical question you need to ask yourself is this: What was my home or office building worth at the bottom of the last crash around early 2012?

That is your likely downside, and it's likely lower than you are thinking, with a less-robust recovery this time that is not likely to start until at least some time in late 2025 or 2026.

If you don't love it, leave it... and soon!

Harry

**This Take has been revised. The title of chart 1 was changed. Numbers were corrected in the first sentence below the first chart ("from \$1.795M" was changed to "from \$1,345,000" and "down to 1.345M" was changed to "down to \$1,079,500 in August 2022"). In the last sentence of the second paragraph below the second chart, "early 2021" was changed to "early 2012."*

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