2 Reasons to Bet on Canada Housing in 2020

Description

Canada housing emerged out of a tough 2018 with prices still holding steady and sales taking sharp dips in areas like Toronto and Vancouver.

Back in January, I'd discussed some of the ways Canada housing could receive a booster shot. Lenders have moved to drop mortgage rates, but it has been slow going on the federal end. Regulations introduced in 2017 and early 2018 remain in place, but the market has managed to overcome these hurdles.

Just look at the stock performance of alternative lenders like **Equitable Group** (TSX:EQB) and **Home Capital Group** (TSX:HCG). Shares of Equitable Group reached an all-time high in September. The stock has climbed nearly 70% in 2019 at the time of this writing. It has reported record earnings so far in the 2019 fiscal year, but now is not an ideal entry point considering its sky-high valuation.

Home Capital stock has increased 70% in 2019 so far. This is an impressive return to form for a company that was on the verge of total collapse in the spring of 2017. Home Capital beat estimates in the second quarter as net interest income rose 3.7% year over year to $97.5 million. Mortgage originations climbed by $50 million to $1.28 billion in the quarter, and loans under administration increased 1.7% from the prior year to $22.9 billion.

Both lenders are pricey right now, but the overall housing picture looks bright as we look ahead to 2020. Here are two reasons I'm betting on the housing market next year.

Sales are up major metropolitan areas

This was a major point of concern in a difficult 2018. The Canadian Real Estate Association recently revealed that homes sales rose 12% in the month of July. Sales rose in Canada's top markets, including the Greater Toronto Area, Hamilton-Burlington, Ottawa, Montreal, and B.C.'s Lower Mainland. Home sales increased 3.5% month over month.

Average home prices were up 3.9% year over year. These are healthy signs in the latter half of 2019.

The report encouraged **Royal Bank** senior economist Robert Hogue to declare that “the recovery is on.” Investors may want to see a more prolonged period of healthy activity, and there are other factors that should contribute to this.

Economy showing signs of strength

Canada’s economy got off to a slow start in 2019. The Bank of Canada did forecast that activity would ramp up in the latter half of the year. Canada’s GDP soared 3.7% in the second quarter on the back of exports in energy, farm, and fishing products. However, consumer spending remains tepid. The country also added 81,000 jobs in August, although a bulk of those were part time.

Solid numbers aside, there are indications that the Bank of Canada is still prepared to pull the trigger on a rate cut in early 2020. Canadian consumers are some of the most indebted in the developed world. A period of rate softening may ease some of that pressure, and that in turn should be positive for an industry that has been hindered by tighter lending regulations.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:EQB (EQB)
2. TSX:HCG (Home Capital Group)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date
2025/08/18
Date Created
2019/09/11
Author
aocallaghan