BIDDING WARS Hit Canada’s Housing Market: Did You Miss Your Chance to Buy?

Description

Last week, a *Financial Post* interview revealed a highly unexpected development: *bidding wars* in Canada’s largest housing markets.

In the video interview, **Zoocasa** CEO Lauren Haw said that bidding wars have emerged in “pockets” of the Canadian housing market, including Ontario and Quebec.

The culprit?

Low inventory. With Canadians sheltering at home, fewer people are looking to sell theirs. As a result, buyers are competing with each other to scoop up properties in a shrinking market.

Reports from individual cities confirm bidding wars

These observations are consistent with reports from individual cities. A *CBC* article from April claimed that bidding wars were breaking out in Windsor, Ontario. Another *CBC* article from May reported the same in Vancouver. Isolated reports like this don’t mean much, but taken alongside Haw’s comments, they may suggest that Canada remains a seller’s market.

Broadly, Canadian real estate forecasts are getting more bullish. The CMHC, for its part, has walked back its prediction of 9-18% price declines and is now calling for no more than 12% declines in individual cities. In fact, the agency’s “high-end” forecast for Toronto would imply a gain over last year’s prices.

If you’ve been waiting to buy a home, this news might not be what you wanted to hear. While a strong housing market means possible gains, it also makes it hard to buy in the first place. Housing affordability had been an issue in Canada before COVID-19. Now, with Canadians out of work and bidding getting more competitive, it appears there’s no relief. However, not everybody agrees.

Bank opinions are mixed

Canadian banks have been among the institutions making housing market forecasts this year. Overall, they've been mixed. According to *Better Dwelling,* **RBC** expects prices to dip, **TD** expects the market to cool, and **Scotiabank** is giving mixed messages. Taken as a whole, it's hard to draw conclusions from these forecasts. However, it *is* well established that the sales-to-new-listings ratio is declining nationwide. That would tend to suggest that prices will come down.

An alternative for investors

If the state of Canada's housing market is confusing you, you're not alone. As previously mentioned, Canada's banks are giving widely disparate forecasts, and nobody agrees what the future holds.

In this environment, you may want to hold off on buying a home. However, that doesn't mean you have to hold off on investing in real estate altogether. By strategically investing in REITs, you can get a slice of the real estate pie that has fewer question marks above it than housing does.

Take **Northwest Healthcare Properties REIT** (TSX:NWH.UN), for example. This is a real estate trust that leases to healthcare tenants. Its properties include everything from small clinics to full-fledged hospitals. And its occupancy rates are very high. In the first quarter, the REIT had 97.3% occupancy in its Canadian portfolio and 98.9% occupancy in its international portfolio. Both figures are up from last year. The international portfolio's occupancy rate in particular is extremely high.

Of course, this should come as no surprise. Healthcare in Canada and the E.U. is backed by government money, making NWH.UN's revenue very stable. The REIT did have some collection issues in Q1, but revenue still increased 3% year over year. Overall, these are highly promising results. And they just go to show that you don't need to buy a house to invest in real estate.

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