What Housing Crash? Toronto Smashes its Housing Record

Description

Being proven wrong about how I thought the situation would play out about anything has never felt as good as it has right now. Despite all the talk about the expectations of a housing market decline, it seems that you should never count out the Canadian housing market.

I recently discussed how the new mortgage lending rules could cause a considerable decline in house prices and sink housing values further.

The Canada Mortgage and Housing Corporation (CMHC) introduced changes to how it operates and said that nobody could use borrowed funds for down payments on houses from July 1, 2020. The housing authority also mandated better credit scores for borrowers.

Many Canadians, including me, thought that this would further the decline in housing and open up the real estate market for better bargains. The recent rebound in the market completely threw that thesis out of the window.

Rapid rebound

Residential real estate prices in Toronto climbed to a record high last month, and the local real estate board indicated that nothing is stopping the prices from soaring even higher. Apparently, there are plenty of buyers who want to purchase real estate, and they are willing to spend substantial money.

The average selling price for homes in the Greater Toronto Area climbed by almost 12% year over year in June to a record of $930,869. The Toronto Regional Real Estate Board (TRREB) released the report that revealed these remarkable figures. The previous record for the highest average price for homes was $920,791 in April 2017.

Prices for residential properties of all types increased. In Toronto, semi-detached homes led the charge with a 22% increase, where the average price reached almost $1.3 million. As lockdown measures increased in June, so did the selling activity. Activity rose by 84% from May 2020.

What led to a sharp rise?

The housing market in Canada looked healthy at the start of the new decade. Sales increased in all major Canadian cities, and prices steadily climbed higher since the 2017 correction. COVID-19 came along to shutter down activities across all sectors, including real estate. However, the reopening is seeing the activity ramp up.

The number of new listings remains low in the market. Between the perplexing high demand and understandably low supply, prices took a steep rise.

Top Canadian housing stock to consider

With the surprise improvement in the real estate market, companies that focus on the housing market will also experience substantial growth. This rapid rebound can be a fantastic opportunity for you to capitalize on the housing price gains without spending substantial upfront cash in purchasing real estate yourself.

Genworth MI Canada (TSX:MIC) can be an ideal asset to consider adding to your portfolio with the recent development. The company operates as a private mortgage insurer in Canada. At writing, the stock is down 45% from the start of the year, but it is up by almost 30% from the March sell-off.

At its current price, the stock has an incredible 6.88% dividend yield, and it is a stable company that can finance the payouts. In Q1 2020, Genworth reported a net operating income of $117 million — a 4% increase from Q4 2020.

The second-largest mortgage default insurer has consistently enjoyed good business over the years. With a price-to-book value of 0.79, there is a strong indication that the mortgage insurer is undervalued today. Investing in the company can help you capitalize on the positive trend in housing prices without putting up the funds for directly investing in real estate.

Foolish takeaway

Most people missed the housing market bottom, but it seems that there might not be a second market crash in 2020 if this keeps up. The economy might continue to recover, and investors are likely to buy shares of high-quality stocks at a bargain as they continue to see gains.

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