The Real Reason the Housing Market Is Going Down

Description

A housing crash prediction can be traced back through the last several years, but no one could have predicted how it would play out. The coronavirus put a dead stop on anyone hoping to easily sell their homes. In some cases, with job loss reaching sky-high levels, that meant selling your home for a fraction of its worth.

Unfortunately, it doesn't look like the housing market will improve any time soon. A new study suggests that the housing crisis could continue for not just the rest of this year, but could continue to drop even into next year. But there's one thing that's accounting for at least a third of this drop: population growth.

Population push

No, I don't think Canadians will suddenly stop having kids. The main focus tends to be on immigration. Federal immigration targets were raised between 2016 and 2019, as immigration continued to be a huge influencer of the housing market. The pandemic has completely destroyed any hopes of this continuing in the next few years.

In fact, the Canadian population increased by just 75,000 in the first quarter of 2020. In April, immigrants coming to Canada dropped by 80% since the same period in 2019. Population growth will likely continue to be well below pre-pandemic levels for years as restrictions remain in place.

Housing hell

It's not just buying houses that will be affected, but rental properties and tourism as well. Immigrants tend to rent the first year they arrive, but that's increased more than double with less people buying. Condo rentals in Toronto online was up about 70% compared to June of last year.

It was already hard to buy a home, and that should only get harder with lower rents forcing owners to sell at lower prices. Canada's largest cities of Toronto, Vancouver, Montreal and Calgary could be the worst hit, with immigration being cut in half and unemployment expected to increase and remain high through 2022.

Any real estate?

If you're going to get into a real estate investment trust, housing likely isn't the best option. There are some areas, however, seeing a boom rather than a bust. One such area is the e-commerce industry. If you're looking to invest, this is the place. Light industrial properties are where e-commerce businesses store and ship out products. Leading the pack today is **WPT Industrial REIT** (TSX:WIR.U).

WPT owns 102 properties as of writing across the United States. The company has partnered with brands as big as **Amazon** and is still in acquisition mode. While the pandemic could hurt the company in the future, it hasn't thus far. Investment properties revenues and net operating income had a 28.9% increase year over year during the first quarter results.

Funds from operations increased 43%, and acquired 27 more buildings for a total of 9.2 million square feet of gross leasable area.

"Although the impact of the COVID-19 pandemic remains uncertain, the REIT has continued to collect rents at historical rates," said CEO Scott Frederiksen. "Over the long term, we expect supply chain disruption caused by the pandemic to benefit our sector by accelerating e-commerce adoption and increasing inventories."

The stock already nears pre-crash prices, leaving little time for a bargain, but still plenty of time to see this stock take off. It also offers a stable dividend yield of 5.89% as of writing. That's $1,169.64 in dividends from a $20,000 investment.

Investors might have to wait to see superstar share growth, but that dividend yield is something you can take on right now.

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