Toronto Home Prices See Record 16.9% Surge

Description

The year 2020 is unpredictable in every way we could imagine. People barely knew about COVID-19 by the end of 2019, but by March 2020, the novel coronavirus caused a decline in global stock markets by significant margins.

Some of the strongest sectors in the Canadian economy took massive hits due to the onset of the global health crisis. The housing sector was breaking records for all-time high prices in almost every month in major urban areas. Analysts anticipated a substantial pricing correction due to the housing bubble.

With COVID-19 ravaging the economy, most people expected the housing market to crash finally. The unexpected happened in June 2020 when the prices surged. Some experts believe that there won't be a housing crash in 2020. Others think that the surge was only temporary and that it still leaves room for a housing price crash.

The July performance of housing prices surged against expectations again.

Another surge

The home prices in Canada's largest housing market broke another record in July. Market activity continued to boom in the Greater Toronto Area (GTA) as the average selling price for all homes sold across GTA jumped by 16.9% year over year in July to $943,710. The information came from data released by the Toronto Regional Real Estate Board (TRREB).

The abrupt decline in the average home price in GTA fell to $821,392 in April 2020, right after the March crash. However, the prices snapped back. The total number of sales in July increased by almost 30% from the activity last year as more than 11,000 real estate transactions took place.

The strongest demand has been for detached properties as sales jumped by 44% year over year. Several factors led to the jump, including increasing reopenings across the country, lower demand for travel, and substantial pent-up demand for the last few months.

What does this mean for investors?

If you are an investor interested in the housing market and have the capital, it could be ideal to invest in the real estate sector. However, not many investors are willing to invest a substantial amount due to the upfront cost. Suppose you want to leverage the rising housing price trends without putting up too much cash. You could consider investing in a Real Estate Investment Trust (REIT) like **Canadian Apartment Properties REIT** (TSX:CAR.UN).

The REIT has exposure to key markets in the country like Montreal, Vancouver, and Toronto. Additionally, the REIT also has a geographically diversified portfolio of European properties through ownership stakes in two European REITs. It earns recurring revenues from its property and asset management services to secure a stable income.

CAPREIT has generally enjoyed stable earnings for the last several years. The March 2020 crash took its toll on the stock. At writing, it is trading for $49.07 per share, and it is down by almost 20% from its 2020 peak.

The REIT offers a decent yield of 2.81%, and it could recover 20% and more moving forward if positive news keeps flowing in for the real estate market.

Foolish takeaway

CAPREIT looks like a discounted stock given how well it continues to perform and the positive news for the housing sector. While I can't say with any degree of certainly that we won't see another market crash, CAPREIT could be a valuable asset to have in your portfolio to capitalize on a recovery in the housing sector.

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