Canadians: Are We Headed Toward a Housing Market Crash?

Description

The COVID-19 pandemic has wreaked havoc across many Canadian sectors. In the spring, some analysts and economists were worried that this would spill over into the housing market. Canada's housing market had come back with a vengeance in 2019 and early 2020, and there were fears that the pandemic could derail this progress. Back in May, I'd discussed why the pandemic was unlikely to spur a housing market crash.

Today, I want to take a second look at Canada's housing market. According to a recent report by RE/MAX, home prices will hold steady into late 2020. However, the knock-on effects of the pandemic are expected to take a toll on the housing market broadly in 2021.

Why the housing market could stay robust into 2021

That same RE/MAX report expects housing market prices to grow another 4.6% in the third and fourth quarter of 2020. In July, I'd suggested that investors should jump on this momentum with TSX stocks that have links to the housing space.

Equitable Group is one of the largest alternative lenders in Canada. Its shares have increased 7.7% over the past three months as of close on September 14. However, the stock is down 22% year over year. In Q2 2020, the company delivered adjusted diluted earnings per share of $2.86 — up 68% from the first quarter. However, this was still down 10% from Q2 2019. Meanwhile, its Retail and Commercial loan principal outstanding achieved double-digit growth over the prior year.

There has been some debate over the state of supply in Canada in recent years. Joshua Gordon, an assistant professor in the Simon Fraser University School of Public Policy, recently argued in an op-ed that this narrative has been overstated. However, what is not up for debate is soaring demand in Canada's metropolitan areas. This could underpin the housing market into 2021 and beyond.

This is my favourite housing stock to snatch up right now

Genworth MI Canada (TSX:MIC) is the largest private residential mortgage insurer in Canada. Shares of Genworth have climbed 5.9% over the past three months. However, the stock is down 26% in 2020.

In the second quarter of 2020, the company saw total premiums written rise 99% quarter over quarter to $227 million. Housing market activity has continued to surge into the third quarter. This is great news for Genworth. Better yet, new and more stringent lending rules have failed to stymie this momentum. This means that Genworth is seeing more business and better-quality loans.

Higher mortgage originations should propel Genworth in the second half of this fiscal year. Beyond the promising state of the housing market, Genworth is a top dividend option. It has delivered dividend growth for 11 consecutive years. Genworth last announced a quarterly dividend of $0.54 per share, which represents a tasty 6% yield. Moreover, shares of Genworth last possessed a price-to-earnings ratio of 7.6 and a price-to-book value of 0.8. This puts the stock in very attractive value territory. It looks like a screaming buy in mid-September.

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