



Why Canada's Housing Market Will SOAR in 2021!

Description

To kick off this month I'd discussed whether the Canada housing market was [heading toward disaster](#). Uncertainty abounds in the domestic economy, especially as provinces scramble to protect their citizens against the predicted second wave of COVID-19. While investors should not shrug off these risks, I'm still very bullish on Canada housing to start this decade. Today, I want to explain why.

Canada housing: Why Moody's and CMHC are calling for a rough 2021

Moody's Analytics, a United States-based economic research and financial modeling firm, recently forecast that home prices across Canada will drop about 7% in 2021. The firm anticipates that unemployment will throw cold water on the hot real estate market. Moody's projects that a "dangerous" oversupply of new, single-family homes in Calgary and Edmonton will play a big role in this decline. Moreover, affordability issues in Vancouver and Toronto will also contribute to the pullback.

The Canada Mortgage and Housing Corporation (CMHC) has been similarly pessimistic when it comes to Canada housing. Back in May, the CMHC forecast that average prices would fall between 9-18% from pre-pandemic levels before beginning to recover in the first half of 2021. Activity bounced back in a big way in the late spring and summer months. Meanwhile, prices have continued to gain momentum.

Toronto's housing market is also setting off alarm bells. The Swiss bank UBS recently concluded that Toronto had the third-largest housing bubble in the world, placing behind the German cities of Munich and Frankfurt.

Why I'm still bullish on this sector

Back in May, I explained why investors should not surrender to [bearish sentiment](#) when it comes to Canada housing. The Canadian economy is in turmoil and will face major challenges as it tries to recover from the pandemic and the restrictions and policies that were borne out of it. However, the

Canada housing sector has strong fundamentals to back it up.

One of the key drivers for Canada's housing market, and the economy overall, is immigration. The U.S./Canada border was closed back in the spring, ostensibly to stop the spread of COVID-19. Some onlookers may surmise that the overall flow of immigration has slowed, but they'd be wrong. The first half of 2020 saw nearly 50,000 Invitations to Apply (ITAs) issued. This exceeded the first half of 2018 and 2019 and represented the second-highest total on record for the first six months of a year. While travel restrictions have kept immigration down after April, the backlog is still bullish for housing.

Things are still strong on the demand side, however. High demand, combined with near-record immigration levels and low inventory, will continue to churn out positive results for this space.

Toronto-Dominion Bank Chief Economist Beata Caranci recently pointed out that income levels explain the discrepancy between a hot housing market and a struggling economy. Incomes today are not behaving as they typically do during a recession — a disconnect that's fuelling a hot Canada housing market.

Two Canada housing stocks to consider

If the Canada housing market can keep rolling in 2021, investors should look to get in on the action. Fortunately, there are some attractive options on the **TSX**.

Bridgemarq Real Estate provides services to residential real estate brokers and REALTORS in Canada. In Q2 2020, the company saw revenue drop marginally to \$11.4 million compared to \$11.8 million in the prior year. Soaring activity at the end of the summer bodes well for Bridgemarq.

Its shares have climbed 14% over the past three months. Better yet, it offers a monthly dividend of \$0.1125 per share. This represents a monster 10% yield. Moreover, the stock possesses a favourable price-to-earnings ratio of 14.

Equitable Group is one of the largest alternative lenders operating in the Canada housing market. Shares have dropped 28% in 2020. However, the stock is up 9.2% in a three-month span. Shares last had a P/E ratio of 7.0, putting Equitable Group in very attractive value territory.

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Date

2025/07/21

Date Created

2020/10/05

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