Sorry, Millennials: Canada's Housing Market Is Still Soaring

Description

For years, Canadian millennials have struggled to get a foothold in housing. Even before the pandemic, Canadian housing was among the least affordable in the world. When the pandemic hit, the situation got worse. People lost their jobs while housing prices stayed high. With many homeowners refusing to sell, supply was kept low. The result was high prices.

For homeowners, the strong housing market has been a positive. But for one group of Canadians, it's just another barrier to home ownership.

Millennials, who are less likely to own homes than their parents are, have long struggled to break into real estate. Many continue to rent well into their 30s, while others choose to stay at home. A housing market crash might have actually benefitted this demographic if it materialized — as many said it would. But it didn't. And the latest data from *StatCan* seems to suggest that it won't happen any time soon.

378,000 jobs added in September

On Friday, *StatCan* revealed that the Canadian economy added 378,000 jobs. Even better, most of the jobs added were full-time positions. Of course, that's unambiguously good news — particularly for those who were directly impacted by job loss early in the year.

But for aspiring homeowners, it puts a damper on any hopes of cheaper housing. Employment levels are a key determinant of real estate prices. When people are gainfully employed, they're more likely to buy homes. When they're not gainfully employed, they're less likely to.

This is one of the reasons why the *CMHC* forecast a 9-18% decline in housing prices earlier this year. Citing mass unemployment combined with the eventual expiry of mortgage deferrals, the corporation figured selling pressure would come in the fall. But with Canadians going back to work, that's looking less and less likely to actually happen.

An alternative real estate investment

If you're a millennial looking to buy a home, you're just going to have to take high prices on the chin for now. With housing soaring, there aren't many buyers' markets in the country.

However, if you wanted to get into real estate purely for investment purposes, you may be in luck. REITs actually *have* declined in value this year, despite their rent collection rates being high. So, we've got a situation where REITs are doing all right as businesses but are cheaper than they were this time last year.

Case in point: **Northwest Healthcare Properties REIT** (TSX:NWH.UN). It's a healthcare REIT whose revenue is entirely supported by government money. It rents and leases healthcare office space in Canada and the European Union. Its tenants bill their national healthcare systems for patient appointments, so their revenue is very stable. That makes NWH itself very stable.

In the second quarter, it had a 97% collection rate and a 97.3% occupancy rate. Both were stable year over year. Net income was also largely unchanged year over year. No, we're not seeing massive growth here. But we're seeing financial stability in a REIT that's down 2% in the markets. This makes NWH.UN potentially the sort of "bargain" that just isn't available in direct real estate investment.

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Date
2025/09/18
Date Created
2020/10/12
Author
andrewbutton