WOW: Canada’s Housing Market Is up 17.5% in 2020!

Description

Last week, the *CBC* reported that the average Canadian house price has soared 17.5% in 2020 so far. Their reporting was based on *MLS* closing prices, the most direct proxy for the housing market as a whole. The article revealed house price increases in every province. The biggest jump was in New Brunswick, where house prices increased a whopping 32% year over year.

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To say that this development has defied the odds would be an understatement. Earlier in the year, the *CMHC* forecast that house prices would *decline* as much as 18%. So far, the opposite has happened. That’s not to say that a crash couldn’t come later. But the housing market this year has absolutely been on fire so far.

Why housing is soaring

Ultimately, nobody can say exactly why a particular market move is happening. A consensus tends to emerge in hindsight, but explaining these things in the moment is never a precise science. However, a few factors are often cited to explain why Canada’s housing market has been strong this year:

- Mortgage deferrals
- People gradually returning to work
- Low interest rates
- Low supply

Of these factors, the first one is no longer in effect. Mortgage deferrals helped prop up house prices early in the pandemic, but they’re over now. People going back to work could help explain the strength in housing. Low interest rates are pretty obviously a factor.

First slight cracks starting to appear

With all the above said, there are *some* signs that perhaps Canada’s housing market is starting to slow down. In the big cities, condo prices at least are beginning to decline. Recently, *BlogTO* reported that

Toronto condominiums declined 0.3% sequentially in Q3. That's just one small segment of a housing market that grew at 11.1% overall. But it may be a signal of things to come.

An alternative real estate investment

By now, you're probably super eager to get into Canadian real estate while the going is good. But a reality check is in order. Many experts are still calling for a housing correction later in the year. Additionally, all these gains mean that you'll have to take out a hefty mortgage to get into the market in the first place.

If you're into real estate, that latter factor could be a real buzz kill. Fortunately, you don't have to buy a house to invest in real estate. By buying REITs, you can get your foot in the real estate door starting with whatever savings you have lying around. And you don't need to worry about paying interest.

Consider **NorthWest Healthcare Properties REIT** (TSX:NWH.UN), for example. It's a REIT that has declined in price by 2% so far this year. Unlike with direct real estate investments, you can buy NWH.UN at a discount. As of October, NWH.UN traded at just 13.3 times earnings. That's a very cheap valuation. And the REIT yields a whopping 6.95%. That means you get $6,950 back in dividends every year on $100,000 invested.

NorthWest Properties, as a healthcare REIT, is backed by government money. That provides for stable occupancy (98%) as well as collections (97% in Q2). Overall, it's a very accessible real estate investment with huge income potential.

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