Canada's Housing Market: More Growth Coming in 2021?

Description

The Canadian housing market has been one of the hottest asset categories for years. Housing prices have been extremely strong as Canada's economy and population have seen impressive growth numbers.

When the coronavirus pandemic hit back in February, though, many expected the Canadian housing market to crash.

This wasn't just Canadian investors and analysts who thought this either. The Canadian Mortgage and Housing Corporation (CMHC) even predicted that the housing prices would fall by 9-18% as a result of the financial strain due to the pandemic.

However, since the real estate market effectively opened back up after the shutdowns, pent-up demand has actually driven housing prices slightly higher.

It's still early in our recovery, so it's too soon to know for sure that the Canadian housing market is in the clear. However, there are several reasons to be bullish on Canadian housing.

Why Canada's housing market won't crash

The biggest reason why the Canadian housing market hasn't crashed yet is thanks to the Canadian government.

When the coronavirus pandemic first hit, many Canadians were forced to stay home (some even lost their jobs), and the conditions were prime for a massive economic disaster. Luckily, the Canadian government quickly introduced CERB and other stimulus measures to keep the economy propped up.

CERB and its new replacements getting money in the hands of Canadians has undoubtedly been the biggest factor in the Canadian housing market remaining resilient.

Going forward, however, there are many other factors. Record-low interest rates will continue to make it extremely cheap for Canadians to borrow. Pent-up demand will have to enter the housing market sooner or later in addition to less supply likely being added in the short run.

There's also the chance that suburban markets could see even bigger price gains as more Canadians want to move out of city centres.

TSX stock to buy

Whether or not the housing market crashes, one of the best investments Canadians can make today is buying a high-quality REIT such as **Canadian Apartment Properties REIT** (TSX:CAR.UN).

CAPREIT is one of the top REITs on the **TSX**. It's the largest of all the residential REITs, the real estate sub-sector that's had the most resilient performance throughout the pandemic.

While a stock like CAPREIT is highly defensive and offers a dividend yield above 3.1%, the main reason for an investment is growth.

In the 36 months leading up to the pandemic, CAPREIT's shares saw 80% growth or a 21.7% compounded annual return for investors.

The impressive share price performance is due to CAPREIT's incredible revenue growth in the last few years. CAPREIT has made numerous acquisitions, adding a tonne of new sales.

Even in its most recent quarter, during the height of the pandemic's first wave, CAPREIT managed to grow revenue by 15%. Despite this sustained growth that it continues to report, the stock is currently trading down 16% from where it started the year and 19% from where it was one year ago.

The top residential REIT is clearly extremely cheap. That's why I would be a buyer today, even if you think the Canadian housing market may still crash.

The stock is extremely defensive, a top long-term growth business, and is trading at a major discount; therefore, in my view, it should be a no-brainer buy.

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