



The Canadian Housing Market Defies All Logic

Description

Canada's housing market is blossoming, not withering, amid the coronavirus pandemic. According to Robert Kavcic, Senior Economist at **Bank of Montreal**, the market is on track for a banner year in 2020. Despite condo sales falling, Toronto home sales in November rose 24.3% from a year ago.

Demand for single-family homes is surging ahead of condominium units. Likewise, low-rise, suburban homes are popular choices since the COVID-19 outbreak. Buyers are seeking space over convenience in downtown areas. Overall, the Canadian housing market [defies all logic](#).

COVID-19 won't shut down the real estate market

Toronto-based broker Jasmine Lee said, "It seems like something bigger than a pandemic would have to happen in order to shut down the real estate market." The Canadian Real Estate Association (CREA) has the same assessment as BMO that 2020 is in the running to be the best year ever for Canadian home sales.

The association cites the multiple records for monthly sales in September and October. About 50% of all local markets reflected gains in both months. Costa Pouloupoulos, CREA chairman, notes that Canadian housing markets continue to see historically healthy activity levels.

Urban exodus trend

Thus far, sales are up 8.6% year to date and likely to surpass the total volume in 2019. Mr. Kavcic believes an urban exodus trend is developing. Housing preferences are veering away from core urban markets too. People from large towns and cities are moving to rural areas.

Apart from city dwellers looking for spacious homes, the lack of supply is boosting prices. In October alone, home prices at the national level rose 10.7% over the previous year. It's the fastest rate of price appreciation since August 2017, based on CREA's Home Price Index.

Winning investment

Meanwhile, the reverse is happening in the stock market. COVID-19 is hammering the real estate sector. It's down by 11.46% year to date, making it the third worst-performing sector. However, a tech company that caters to the real estate industry is a [winning investment](#).

Real Matters ([TSX:REAL](#)) is a \$1.63 billion company that provides technology and network management solutions to mortgage lending and insurance industries. This stock is among the top performers with its 54% year-to-date gain.

The company conducts residential real estate appraisals to the mortgage market provides title and mortgage closing services in the U.S. mortgage market. At the end of the 2020 fiscal year, Real Matters recorded consolidated revenues of \$455.9 million, a 41% increase versus the fiscal year 2019.

Notably, consolidated Adjusted EBITDA margins increased from 28.4% in Fiscal 2019 to 44.6% in Fiscal 2020. Management targets the following through the end of the 2025 fiscal year: 17% to 19% market share in the U.S. refinance market, 7% to 9% share in the purchase market, and an Adjusted EBITDA margin of 65% to 70%.

With the latest guidance from Real Matters, analysts forecast the price to soar by 63% (from \$19.03 to \$30.96) in the next 12 months. Last year, the total return was 285%.

Unbelievable churning

It's bewildering to see Canadian housing markets barreling through the pandemic. The traditional drivers of the real estate market, such as employment and economic growth, are currently very weak. If not for COVID-19, the churning in the market might not be happening at all in the present.

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