Uh-Oh: Experts See a Housing Market Crash in 2021

Description

The chorus of experts calling for a Canadian housing market crash in 2021 is growing louder and louder.

Earlier this year, several major banks called for a housing market crash next year. Recently, three other organizations joined in the refrain:

- **Fitch** predicted a 5% nation-wide house price decline in 2021.
- The *CMHC* forecast a decline in the London, Ontario, area.
- **National Bank of Canada** said that it saw house prices coming down 5.2% across the country.

These are not overly bold predictions. A 5% house price decline doesn't even take us back to the start of 2020. Still, a bearish consensus on housing is beginning to take shape. The question is, *why?*

Why so many experts think the housing market will crash in 2021

There are several reasons why housing analysts think we could see a correction in 2021:

- **Rising supply:** This year, fewer people than normal have been selling their homes. This reduces supply, which increases price, even with demand just held constant. If some of that supply comes back on the market, then prices should go down, unless demand increases.
- **Mortgage deferral expiry:** This fall, most of the mortgage deferrals granted to pandemic-stricken homeowners expired. It's been theorized that eventually, if these homeowners remain unemployed, then they could be forced to sell their homes, increasing supply. So far that hasn't happened, but there's no saying it won't happen next year.
- **Unemployment:** Related to the first two possible reasons for a housing market crash is unemployment. Generally, high unemployment keeps demand for housing down. In November, Canada's unemployment rate was 8.5%, which is fairly high. If this goes on long enough, it could cause a housing market crash eventually.

Despite all of the above risks to the housing market, there is one factor that's undeniably keeping it afloat: *interest rates.* With interest rates near all-time lows, it's become very inexpensive to borrow. That increases demand for housing by making mortgages more affordable. Most experts see rates staying low, until at least 2023, so perhaps the housing market will remain strong.

An alternative real estate investment

If you're interested in investing in real estate but are worried about a future crash, you could always consider REITs as an alternative. REITs are pooled investment vehicles that own real estate portfolios. Built on apartment buildings, hospitals, or office buildings, they are very different from residential housing.

Consider **Northwest Healthcare Properties REIT** (TSX:NWH.UN), for example.

NWH is a very stable REIT that makes 80% of its money from government healthcare funding. Its client base is mainly healthcare providers in Canada and Europe. In both regions, healthcare is publicly funded, leading to unbeatable revenue stability for NWH.

And it shows. In the third quarter, Northwest Healthcare delivered solid results, including:

- 3.4% growth in net operating income
- A 97.2% occupancy rate
- A 93% collection rate
- A 97.2% collection + deferred combined rate

All of these are excellent metrics. And, unlike housing, a REIT like NWH pays you *without* you needing to fix the toilets. It's a quality investment. And perhaps one with more potential than housing in 2021.

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