Canada Housing: Is a Crash Coming in 2021?

Description

For 10 years, the rumours of the demise of the Canada housing market have been unfounded. In 2020, many onlookers predicted that the COVID-19 pandemic would be the event that would finally bring about a severe correction. Sales took a significant dip during the first round of lockdowns, while prices held steady. In the months that followed, the Canada housing market has roared back in spectacular fashion. Today, I want to discuss whether investors should expect a continued rise or a decline in the new year.

Canada housing: Experts are torn

There is significant optimism surrounding the Canada housing market, as we count down the final days of 2020. The Bloomberg Nanos Canadian Confidence Index recently saw 49% of respondents predicting that home prices will rise over the next six months. This is the highest degree of confidence in the housing market since the spring of 2017, when it was in a sharp correction.

Experts are conflicted on the future for home prices in 2021. **Royal Bank**, the Canada Mortgage and Housing Corporation (CMHC), and **Moody's** have all projected a broader price retreat next year. Meanwhile, Royal LePage president and CEO Phil Soper is predicting that historically low interest rates will support the Canada housing market in 2021.

Will rising immigration underpin demand?

The pandemic has partially stemmed migration into Canada in 2020, but this is set to ramp up as travel returns to normal in the months ahead. According to the latest immigration plans for 2021-2023, Canada expects to welcome over 400,000 new permanent residents on an annual basis. Roughly 60% will immigrate as skilled workers.

A large majority of newcomers will flock to major metropolitan areas, where housing demand has been the strongest. This reality, combined with a recovering economy and low interest rates, should be a very positive one for the Canada housing market. A correction may be inevitable, but these conditions will likely stipulate that it is a very short one.

Verdict on Canada housing in 2021

Stocks linked to the Canada housing market have performed well in the second half of 2020. **Bridgemarq Real Estate** (TSX:BRE) is an Ontario-based company that provides various services to residential real estate brokers and realtors in Canada. Its shares have climbed 9.7% in 2020 as of close on December 29.

It released its third-quarter 2020 results on November 6. Revenue was down marginally from the prior year, and the company posted a net loss of $2.2 million, or $0.23 per share. The stock still offers a monthly dividend of $0.113 per share, which represents a stellar 9% yield.

Genworth MI Canada (TSX:MIC) is the largest private residential mortgage insurer in the country. Its stock has dropped 11% in 2020. However, shares have climbed 26% over the past three months. The company gained momentum in the third quarter on the back of improved housing activity. Genworth stock last had an attractive price-to-earnings ratio of nine and a price-to-book value of one. It offers a quarterly dividend of $0.54 per share, representing a solid 4.9% yield.

The recovery period following the pandemic will pose challenges to this sector. However, there continue to be very positive trends for Canada housing heading into 2021.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:BRE (Bridgemarq Real Estate Services Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/08/19
Date Created
2020/12/30
Author
aocallaghan