



Housing Market on Fire: Prepare for a Crash in 2021

Description

The Canadian housing market might forever remain an enigma in terms of how it keeps surprising everyone year after year. Housing prices in Canada have been soaring for several years. Analysts and experts have predicted a housing market crash each year in the last few years, but the market continues to climb higher against all odds.

Experts rang more [alarm bells for a housing market crash](#) recently, but things have taken a surprising turn again, as December's records showed a significant surge.

Skyrocketing sales figures

According to the Real Estate Board of Greater Vancouver, the city's real estate market ended 2020 with a bang. The December home-buying surge saw a 53.4% jump in the final month of the pandemic-riddled year compared to December 2019. Despite all the challenges facing the Canadian economy, there were almost 3,100 homes sold just in December — even more than the November figures.

The composite home price in Vancouver ended the year at a 5.4% increase from last year at a staggering \$1,047,400. The demand for buying homes came to a near standstill with the onset of the pandemic in March, but people began buying homes again in the summer. The low mortgage rates intensified sales activities through the fall and winter.

Calgary reported its strongest home sales figures since 2007 this past December. Going into 2021, the number of homes listed for sale was down almost 1% in December compared to December 2019 and down 23.2% from November 2020. The lower supply is combining with the surging demand and low mortgage rates to keep prices climbing.

Experts have already been predicting a market crash

Despite the housing market being on a strong streak throughout the pandemic, Canadians considering investing in real estate should be careful. The low supply and high demand is leading to rising prices.

However, a surge in the number of listings could send it all crashing down.

Mortgage deferrals expired in the fall, and homeownership costs are not going to decrease significantly, despite low mortgage rates. It is easier for Canadians to borrow to buy homes, but continuing troubles in the economy could make it challenging to pay down their debts. Theoretically, Canadians might prefer selling their homes instead of defaulting on their loans. It could result in a housing supply surge that can send share prices in decline.

Real estate investment alternative to buying a home

If you are considering investing in real estate because you expect housing prices to keep increasing, I would advise reconsidering that decision. Determining how severe the housing market crash will be or when it will happen is not easy. There is undoubtedly a risk that comes with investing in the housing market at such high prices. However, there are safer alternatives than buying a house if you want to invest in real estate. An ideal method is to buy shares of real estate investment trusts (REITs)

REITs like **Northwest Healthcare Properties REIT** ([TSX:NWH.UN](#)) offer you the chance to capitalize on the real estate sector's movements without tying down significant funds for a long time. Northwest can also offer you protection for your capital against a housing market crash, because it operates in an entirely different real estate segment.

The REIT invests in a portfolio of properties rented primarily by healthcare providers in Europe and Canada. Since healthcare is publicly funded in both regions, NWH generates 80% of its cash flows through government healthcare funding. The result is virtually guaranteed cash flows that the company can use to provide its investors with reliable payouts each month.

Investing in NWH could entitle you to earn reliable and monthly dividend income. You can easily sell your shares in the REIT if you want to invest in something else and leverage all the benefits of owning real estate without buying or managing properties yourself.

Foolish takeaway

Nobody knows exactly when the [housing market crash](#) will happen. The increasing home sales activity and astronomical prices will only make matters worse if and when the crash takes place. It would be wise to protect your capital through alternatives like NWH, so you can continue growing your funds without exposing yourself to significant risk in the long run.

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1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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