The Housing Market Keeps on Chugging Along

Description

2020 was a year full of twists and turns for investors across the board. Despite all the challenges that befell Canadians, the pandemic-riddled year saw a frenzy of activity in the Canadian housing market.

The initial onset of COVID-19 led to housing sales stagnating. However, data from the Canadian Real Estate Association (CREA) showed that national home sales remained strong as the year ended. Home sales surged after lockdown restrictions ended after the first wave of infections.

Home sales and prices soared to new heights throughout 2020 amid the unprecedented crisis caused by the pandemic. As the housing market keeps chugging along, the possibility of a housing market crash is becoming clearer.

A strong finish to 2020

The Toronto Regional Real Estate Board (TRREB) data reported that home prices saw a sharp rise in December 2020. The monthly jump was higher in the Greater region, while the city's index slipped. Greater Toronto's composite price made a significant jump in December and is much higher than the same point in the previous year.

Detached homes in Greater Toronto reached the benchmark price of a staggering $1,102,100 in December, up 1.60% from November 2020. The upswing represents a 15% increase in the same period last year.

Resilience in tough conditions

These figures show that the Canadian housing market continues to enjoy a strong run, despite the economic conditions in the country. While the pandemic has endangered livelihoods, the ultra-low interest rates have made it more attractive for first-time buyers to purchase homes.

The increasing awareness of the Home Buyers' Amount is also making it slightly more appealing for first-time buyers to dip their feet into the real estate market.

This inexplicable bullish run might make real estate investors feel hopeful. However, it could also lead to a historic housing market correction. If you are considering buying a home as an investment, real estate investment trusts (REITs) could be a better way to dip your feet in the real estate sector.

REIT to consider

Canadian REITs are a fantastic passive-income source for Canadians. Several REITs suffered devastating blows in 2020, but REITs like **Summit Industrial REIT** (TSX:SMU.UN) could present you with better returns on your investments, despite the challenging economic conditions.

As its name suggests, Summit has no relation to the real estate sector. The REIT invests primarily in light industrial properties for its income. The $2.24 billion market capitalization REIT did not succumb to the weakness in Canadian markets, because it benefitted from the surging e-commerce sector.

Summit owns and operates 160 properties. Light industrial sector properties are an excellent asset class to consider for long-term stability and growth. The segment shows low market rent volatility and provides Summit with stable cash flows.

Foolish takeaway

With the cost of homeownership growing bigger and increasing fears of a housing crash, it might not be the best time to buy a home right now. REITs like Summit can provide you with a better way to invest in real estate without tying down significant capital in a risky asset class.

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