



## The Housing Market in Canada Has Grown Way Faster Than in the U.S.

### Description

Canada and the U.S. faced a historic economic downturn in 2020. The budget deficits of both countries soared through the roof to cushion the impact of the health crisis. In Canada, despite the grim prospects of a deep recession, its housing market [defied the pandemic](#).

While the American housing market fared pretty well, real estate prices in Canada have grown 25 times faster than U.S. home prices since 2005. COVID-19 was challenging, but not enough to overcome the market's resiliency. According to **Bank of Montreal**, Canada's average home prices are now more than 40% above the U.S. levels.

### Piping hot in the pandemic

Canadian home prices have become extreme since the dawn of the COVID-19 pandemic. The lifting of shutdowns led to a [buying frenzy](#) never seen before. Home sales went up by an unprecedented 150% from April 2020. The activities in nearly all housing markets across the country displayed a V-shaped bounce-back.

Statistics from the Canadian Real Estate Association (CREA) shows the housing market capped the year with a new record. National home sales rose 7.2% month over month in December 2020. There were more than 20% gains in national home sales activity from November to December in Greater Vancouver and the Greater Toronto Area.

CREA chairman Costa Pouloupoulos said it's official that 2020 was a record year for Canadian resale housing activity, notwithstanding all the challenges. Real estate organization RE/MAX credits the boom to the changing work and life dynamics. Many families are moving away from the cities to buy bigger homes in the suburbs.

### Soft landing in 2022

**Royal Bank of Canada** reported last month that Canada's housing market might be heading for a soft

landing by 2022. However, the bank also said that 2021 could be a record-breaking year. The historic low interest rates, bloated household savings, and improving consumer confidence will propel the market to record highs.

RBC senior economist Robert Hogue estimates that home resale activity will top 588,300 units, and the national benchmark price will rise by 8.4% to \$669,000. By year-end 2021, the market will start to cool down.

## Safe, high-yield REIT

Canadian real estate investment trusts (REITs) weren't up to par with the red-hot housing market in 2020. Retail and commercial landlords experienced massive disruptions that affected rent collections. However, **True North Commercial** ([TSX:TNT.UN](#)) remains an attractive option for income investors in 2021.

The \$550.34 million REIT offers an over-the-top 9.28% dividend yield. If you're maximizing your \$6,000 Tax-Free Savings Account (TFSA) contribution limit for 2021, it will generate \$556.80 in passive income. The potential tax-free earning could be more if your available contribution room is much higher. At \$6.40 per share, you get real value for money.

True North is a safe choice, because of the REIT's tenant base and stable rental revenues. The federal government of Canada is the lead tenant in 13 of the total 48 properties. Provincial governments are also the tenants in seven leased assets. Other prominent lessees are Alberta Health Services and Ontario Power Generation.

## Super-charged market

Real estate prices in Canada have risen faster than in the U.S. for two years in a row. The growth rate in 2019 was over 29 times more. At this point, the market is super-charged, that it's hard to predict when the tipping point will occur.

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1. Editor's Choice

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1. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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