Why Canada Housing Will SOAR This Year

Description

Coming into the new year, I'd discussed whether a Canada housing crash was on the way in 2021. The Canada housing market has been on a tear for nearly 15 years. Onlookers, analysts, and others have called for a crash seemingly every year. Apart from a turbulent 2017, the Canada housing market has remained resilient since the Great Recession. Some analysts expected that the COVID-19 pandemic would finally put ice on this red-hot market. However, the housing market has proven its doubters wrong again. Today, I want to discuss why the domestic real estate space is destined to surge again in 2021.

Why the pandemic couldn't slow down the Canada housing market

The COVID-19 pandemic has been devastating for the Canadian and global economy. Granted, the federal government has introduced benefits to relieve a struggling populace. This has been little consolation for the thousands of small business owners who have been obliterated due to the months-long restrictions and lockdowns.

Home prices enjoyed a strong bump in 2020. The Canadian Real Estate Association (CREA) predicted that the national average home prices will rise another 9.1% in 2021. It cited improved economic conditions for boosting the market. Moreover, Canada housing continues to benefit from historically low interest rates, low supply in major metropolitan areas, and surging demand. Royal LePage is projecting a 5.5% increase, with a double-digit increase in prices in cities like Ottawa.

Two TSX stocks to snag in the housing sector

Investors should look to housing-linked stocks as real estate continues to impress. **Home Capital Group** (TSX:HCG) is one of the largest alternative lenders in Canada. The company was nearly buried by the 2017 pullback in housing. However, with some help from investors like Warren Buffett, Home Capital managed to bounce back quickly with the broader Canada housing space.

Shares of Home Capital have climbed 14% over the past three months. The stock is still down 6.8% year over year. Investors can expect to see its last batch of results next week on February 18. Net earnings per share climbed 72% from the prior year to $1.12 in Q3 2020. Revenues and profit were powered by a big boost in mortgage originations. Originations rose to $1.96 billion in Q3 2020, up from $1.50 billion in the previous quarter.

Best of all, this Canada housing stock offers an attractive price-to-earnings (P/E) ratio of 10 and a price-to-book (P/B) value of one. Canadians should watch Home Capital closely ahead of its Q4 and full year 2020 results.

Equitable Group (TSX:EQB) is another top alternative lender. Its shares have increased 12% in 2021 as of late-morning trading on February 12. This Canada housing stock is up 3.6% year over year.

The company is set to release its fourth-quarter and full-year 2020 results later this month. In Q3 2020, Equitable Group reported diluted earnings per share of $4.30 — up 35% from the prior year. Loans under management rose 6% to $32.6 billion. The board of directors last declared a quarterly dividend of $0.37 per share, which represents a modest 1.3% yield.

Shares of Equitable Group possesses an appealing P/E ratio of 9.2 and a P/B value of 1.2. Investors looking for Canada housing stocks should look to these two that offer nice value right now.

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