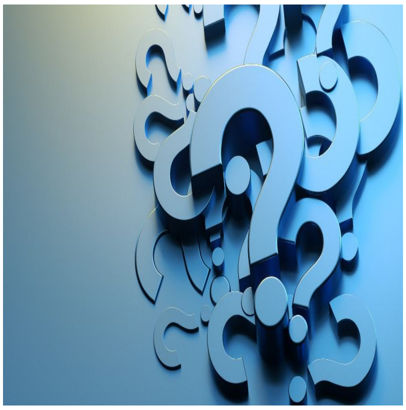

Could Homeowners Wanting to Sell Lead to a Housing Correction in 2021?

Description

The Canadian housing market has been at risk of a correction for several years. Analysts and experts keep predicting that the market will crash each year, and it continues to defy all odds.

The housing market's rally throughout 2020 left everyone dumbfounded, considering the fact that it was primed to crash amid the economic fallout due to COVID-19. Analysts predicted 2020 to be the year that housing prices finally corrected, but it managed to end 2020 with a new all-time high.

Sustained housing market momentum in 2021

Canada's housing market did not just end 2020 on a strong note. The market sustained its momentum going into 2021. Experts from **Royal Bank of Canada** are even predicting that 2021 could be another record-breaking year for the housing market.

The primary reasons for Canada's residential real estate segment to remain resilient during the global health crisis could be historically low interest rates, increased household savings, improving customer sentiment, and a lower supply compared to the high demand.

Many real estate investors are still bullish on the housing market's long-term value. With lower-than-usual new listings and relatively steady demand, prices keep rising. All this could change if there is a sudden surge in supply in the housing sector.

A reason for the possible downfall

According to Toronto Regional Real Estate Board's (TRREB) recent survey in Fall 2020, most real estate investors are looking to sell in 2021. This is a record number of real estate investors looking to cash in on the gains due to rising home prices throughout the country.

One important thing to note is that the survey is talking about the intention to sell. Intent and reality can be entirely different. However, 67% of the respondents said that they are "very likely" or "somewhat likely" to sell within the next year. The number is up slightly from 66% in 2019 and 61% in 2018.

If real estate investors do make the decision to start cashing in on their gains in the real estate market, we could very well see the supply shock that sends home prices reeling.

A safe way to invest in real estate

Investors might be realizing the significant risk to their capital by staying invested in the housing market. It is likely that they might allocate their capital to safer investments elsewhere in the real estate sector. Defensive real estate investment trusts (REITs) like **Northwest Healthcare Properties REIT** (TSX:NWH.UN) could be a viable alternative to buying a home.

Northwest invests in a portfolio of high-quality properties worldwide. Its diversified properties are rented primarily by the healthcare sector in Canada and Europe. Healthcare is publicly funded in both regions. It means that Northwest can rely on its tenants to continue generating substantial cash flows for the company regardless of the economic landscape.

The company maintains a healthy 97.2% occupancy rate that allows NWH to generate significant cash flows through rent collection. Northwest Healthcare can comfortably finance its dividend payouts and acquisitions to increase its revenues even further.

Foolish takeaway

The housing market may correct if there is a supply shock without an increase in demand to match the levels. If that happens, home prices throughout the country might significantly decline.

REITs can present a safer alternative to investing in a home by allowing you to become a lazy landlord. There is a lot more liquidity to investing in REITs. A defensive REIT like Northwest could also provide you with monthly returns through its payouts, even during a housing market crash.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date
2025/08/25
Date Created
2021/02/18
Author
adamothman