



## What Housing Crash? Home Prices Soar to Record Levels of Over \$600,000

### Description

The Canada Mortgage and Housing Corporation (CMHC) and several credit agencies consider Canada's housing market to be very fragile. However, there is a distinct lack of faith in CMHC when you consider the overall consumer sentiment. And the positive consumer sentiment seems to be showing results.

There have been fears of a major housing market crash for several years. However, developments in the sector with passing time cast shadows of doubt on such predictions.

### National average soaring to new levels

*Bloomberg News* commissioned a survey by The Nanos Research and found that 44% of Canadians expected property values to rise over the next six months.

The analyst predictions did not come to fruition, but consumer sentiment saw results, as housing prices continued to soar. The Canadian Real Estate Association (CREA) reported that sales in January 2021 were up 35.2% compared to last year and up 2% from the previous month.

The increase came as the national sales-to-new listings ratio grew to 90.7%. This was the highest percentage increase in 19 years. The national average price for a home in Canada also rose to a record \$621,525 in January, up 22.8% from 12 months ago.

CREA believes that a massive surge in supply can keep housing prices from accelerating further. However, a supply shock could also be the reason for its undoing.

### The persistent risk of a correction

According to the Toronto Regional Real Estate Board's (TRREB) recent survey in the Fall of 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 their gains over the last few years. CREA found that the Greater Vancouver and

Greater Toronto Area are two of the most active and expensive markets.

A sudden increase in supply in Toronto's home listings without a demand to match could lead to a major correction in housing prices. With GTA and GVA prices removed from the national average, the national average price for a home would be slashed by \$129,000. It means that the positive momentum for housing prices can still easily be undone if there is a [substantial surge in supply](#).

**Northwest Healthcare Properties REIT** ([TSX:NWH.UN](#)) could be a safer way to invest in the Canadian real estate sector for investors to consider instead of buying a home. While buying a home as an investment has long been beneficial for Canadians, the astronomical prices right now could make investing in homes a foolish (with a small f) move.

Northwest Healthcare Properties is a real estate investment trust (REIT) that invests in a portfolio of properties primarily rented by healthcare providers in Canada and Europe. Its diversified portfolio is rented for the office space and even by hospitals in both markets. Healthcare is publicly funded in both regions, virtually guaranteeing most of the company's revenue.

Northwest is an ideal defensive real estate asset to consider in case of a housing market correction. The company's occupancy rates have remained 97% and above for a long time, and it can generate substantial cash flow through rent collection. Buying shares of the REIT can make for a more liquid investment with regular monthly returns through its payouts.

## Foolish takeaway

While the housing market continues to soar to new heights, there is always a risk of a correction. The higher the prices go, the worse the correction could be when it comes. If you are interested in investing in real estate for returns, buying a house in this market could be unwise. Purchasing shares of defensive REITs like Northwest Healthcare Properties could be a [better alternative](#) right now.

### CATEGORY

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### TICKERS GLOBAL

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

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