Canada Housing: Why Nothing Can Stop This Bull Market

Description

North American stocks have managed to sustain momentum since the sharp March 2020 pullback. The Canada housing market has proven to be a tremendous growth vehicle over the course of the pandemic. Initially, some analysts and economists expected that the COVID-19 pandemic would deal a blow to housing sales and prices. Instead, pent-up demand and friendly monetary policy has continued to underpin this sector. Today, I want to discuss why the bull market in the domestic housing market is destined to continue until at least 2022.

Canada housing demand is still going strong

When this year started, I'd discussed why I was betting against a pullback in Canada housing in 2021. Canada housing supply in major metropolitan areas had already failed to keep up with surging demand. The COVID-19 pandemic has slowed the pace of construction, adding to this friendly environment for valuations.

Some critics of the Canada housing bull run have called for policymakers to push for an increase in supply. The spike in valuations is making home ownership an increasingly difficult proposition for the average Canadian. Shaun Cathcart, a senior economist for the Canadian Real Estate Association (CREA), recently said that a "big surge in supply" is what is needed to rebalance the housing market. However, the likelihood of that occurring during a pandemic seems remote.

Is the housing market overheating?

Naturally, the bull market has raised concerns among onlookers. Earlier this month, the Bank of Canada warned of the frothy conditions in the Canada housing space. Canada's top central banker recently stated that monetary stimulus would likely continue until at least 2023. Bank of Canada governor Tiff Macklem said that the central bank would keep its eyes on "risks" in the housing space that "could get carried away."

Predictably, housing stocks have also built significant momentum during the bull run. **Equitable Group**

(TSX:EQB) is one of the largest alternative lenders in Canada. Shares of Equitable Group have climbed 28% in 2021 at the time of this writing. The stock is up 45% from the prior year. I'd suggested that investors target this Canada housing stock back in the summer of 2020.

In 2020, the company delivered its best ever year. Diluted earnings per share increased 8% year over year to $12.95. Equitable Bank's total deposits rose 8% to $16.4 billion when it released its final batch of results. Meanwhile, growth in mortgage originations powered growth on the credit side. Best of all, Equitable Group still possesses a favourable price-to-earning ratio of 10.

One more Canada housing stock that offers strong income

Bridgemarq Real Estate (TSX:BRE) has also benefited from the bull market in Canada housing. This company provides various services to residential real estate brokers and REALTORS in Canada. Its shares have been largely static from the prior year. Investors can expect to see its final batch of results in early March.

Investors on the hunt for big income should look to Bridgemarq today. It offers a monthly dividend of $0.113 per share. That represents a monster 8.9% yield.

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Date
2025/08/15
Date Created
2021/02/28
Author
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