The CMHC 18% Housing Correction Prediction Didn’t Come True

Description

The Canada Mortgage and Housing Corporation (CMHC) was one of the strongest voices expressing fears of a housing market crash. With 2021 well underway, it seems that the CMHC completely underestimated the resilience of the Canadian housing market.

The CMHC predicted a 9%-18% correction that would contradict its performance last year. The housing market crash never materialized, and the CEO of CMHC, Evan Siddall, just had to say that unforeseen circumstances led to the forecast error.

Siddall said that heightened savings rates due to lower discretionary spending, a decline in immigration, reverse urbanization, and generally shifting preferences during the pandemic were factors that the CMHC did not consider in its forecast. *BNN Bloomberg* recently conducted a survey that found almost 65% of respondents saying that they have lost faith in CMHC after the failed market crash prediction.

Housing market continues to stay strong

The year 2020 was a record-breaking year for Canadian home sales, recording 551,000 residential sales – a new annual record. Housing market activity has not lost momentum and is still on the rise during the first quarter of 2021. The Canadian Real Estate Association (CREA) recently released figures that show national home sales set another all-time record in January 2021.

CREA chairman Costa Poulopoulos said that 2021 has started just how 2020 ended for the housing market – it continues to see several key housing market indicators continue setting new records. COVID-19 and a lack of supply are apparently the two primary challenges, according to the CREA chairman.

Senior Economist at CREA stated that buyers and sellers are mostly still waiting on the sidelines at the start of the year. CREA expects a sudden surge in new listings when public health and weather conditions improve. A big surge in supply with rising demand could decelerate home prices from growing at the same rate but continue to keep the market strong.

Buying real estate as an investment carries substantial upfront capital or taking out loans. Accessibility becomes an issue for investors seeking returns from the housing market's performance without the capital to buy real estate. Real Estate Investment Trusts (REITs) are an excellent way to take advantage of the real estate sector without buying any properties yourself.

REIT for passive income

Canadian Apartment Properties REIT (TSX:CAR.UN) is an excellent REIT to consider if you want to take advantage of a strong real estate market. CAPREIT is one of the oldest aristocrats in the industry, but its dividend yield is not what its investors prefer the REIT for. CAPREIT has always maintained modest dividend yields. Its growth potential is what attracts most investors.

Before the market crash in 2020, CAPREIT was growing at a rapid pace. While the market crash stagnated the REIT's growth, it will likely pick things up where it left off. CAPREIT's revenues and profits have been increasing each year, and 2020 was no exception despite the pandemic.

Foolish takeaway

If you believe that the housing market will continue to be resilient and prove the CMHC and other naysayers wrong, a REIT like CAPREIT could be an ideal way to gain exposure to real estate without buying any properties directly.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment 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
2025/06/30
Date Created
2021/03/22
Author
adamothman