No! The Canadian Housing Market Did Not Correct in Q1 of 2021

Description

Last year, several experts were bearish on the Canadian housing markets. The COVID-19 pandemic led to economic lockdowns all over Canada, which resulted in a huge spike in the country's unemployment rates. The federal government had to step in and provide individuals as well as businesses with financial benefits in order to salvage consumer spending.

Rating agency Fitch expected a slowing Canadian economy will result in a drop in housing prices this year before it rebounds in 2022. Fitch forecast a price decline of between 3% and 5% in 2021 after housing prices were up 7% last year. This outlook was attributed to high unemployment rates and the continuous increase in housing prices over the last two decades. Further lower immigration numbers and falling rental rates were also expected to weigh heavily on housing prices.

Comparatively, the CMHC (Canada Mortgage and Housing Corporation) estimated a 21% drop in housing prices in 2021.

David Rosenberg warns of a housing bubble

Despite the above-mentioned concerns, Canada's housing market has refused to cool off. The housing demand in Canada over the last two years has been fueled by low interest rates. In February, Toronto's average housing prices were up 15% year over year at $1.045 million, while Vancouver's home prices surged 7% to $1.084 million.

But chief economist and strategist of Rosenberg Research David Rosenberg has warned that the housing market is in a bubble.

In a TV interview earlier this year, Rosenberg explained, "I'm taking a look at all the metrics I had in my hands when I called the housing bubble in 2005 and 2006 in the United States. I was looking at home price-to-rent ratios, I was looking at home price-to-income ratios, I was looking at the extent to which the household sector was overexposed to residential real estate on their balance sheet."

He added, "I've got news for you: the numbers in Canada, on all the metrics, are higher now than they were at the peak of the U.S. housing bubble 13 years ago."

Invest in recession-proof REITs

The Canadian housing market might experience a massive decline, but it's impossible to time the markets. However, if you are interested in diversifying your portfolio and gaining exposure to the real estate market, you can look to buy industrial REITs (real estate investment trusts) such as **Summit Industrial REIT** (TSX:SMU.UN) that are fairly recession-proof.

Summit Industrial is an open-ended REIT that focuses on acquiring and managing a portfolio of light industrial properties. These properties are located near major transportation links and high-growth population centres.

Summit Industrial aims to maximize funds from operations via effective property management as well as accretive acquisitions and selective property development opportunities. In 2020, the REIT generated $190 million in revenue from investment properties compared with $142 million in the prior-year period. Its funds from operations rose to $94 million from $67 million in the period.

Summit Industrial stock is up 160% in the last five years. Despite these stellar gains, it has a forward yield of a tasty 3.43%.

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