Toronto House Prices Fell in April: Is a Crash Imminent?

Description

Toronto's housing data for April was recently revealed.

To many people's surprise, the price of an average Toronto house fell 3.6% compared to March.

While prices were still up compared to April a year before, the sequential decline was very surprising. Experts–like those at the CMHC and most banks–had been calling for a housing market correction since COVID-19 began in 2020. It never happened, at least not initially, leading many to think that Canadian house prices would climb indefinitely.

Now, perhaps, the bears are getting some vindication. While a 3.6% pullback isn't huge, it is in line with what many economists predicted, namely, that house prices would start to fall after supply came back on the market. In this article, I'll explore what happened with the Toronto housing market in April and whether it signals the start of a long-term trend.

Prices still way up on a year-over-year basis

An important thing to note about the Toronto house price decline in April is that it was only on a sequential basis. That is, it was a decline from the prices that prevailed in March. Compared to April a year before, prices were still up. In fact, they were up a lot–33% from the same month a year before. We've definitely seen a slight pullback, but so far, it's only been a blip on the screen compared to the broader trend.

Canadian housing continues to defy the bears

2020 was one of the best years on record for the Canadian housing market. In September of that year, the CREA reported that the average house price rose 18% year over year. For the most part, that trend has accelerated in 2021, with housing prices up 32%. It's been a great development for home owners. Unfortunately, it hasn't been so rosy for people looking to buy for the first time. Thanks to the rising prices, many lower income Canadians find themselves priced out of the market. Faced with this dilemma, many have chosen to keep renting for the foreseeable future.

An alternative real estate investment

If you'd like to start investing in real estate but either can't afford a house or are worried about a crash, you may be in luck.

By investing in REITs, you can get an instant income stream going from a publicly traded pool of real estate assets. REITs trade on the markets like stocks and are more correlated with stock prices than house prices. Also, you can buy them in small units/shares that don't cost much individually.

One REIT that might be worth looking at in 2021 is **NorthWest Healthcare Properties REIT** (TSX:NWH.UN). It's a healthcare REIT that rents out healthcare office space in Canada and Europe. Because healthcare in Canada and the EU is largely government-funded, NWH.UN's tenants have unparalleled ability to pay. As a result, this REIT enjoys high, predictable collections–which support its juicy 6% dividend yield.

In its most recent quarter, NorthWest Healthcare posted the following metrics:

- A 13.4% total unitholder return.
- 2% revenue growth.
- 1% AFFO growth.
- A 97% overall occupancy rate, with a 98% occupancy rate in Europe.
- A 20% increase in assets under management.

Overall, it was a solid quarter; 2020 killed many REITs–especially hotel REITs and mall REITs–but NWH.UN came out of the whole situation with modest growth. Overall, it was a year for the record books. And no matter what happens in the Toronto housing market, this REIT's dividend should be safe.

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

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