Vancouver Real Estate Continues the Insane Rise

Description

"How much is too much?" That's the question people usually ask themselves when they are craving or pursuing "excess" of something. But it's a question we can ask other people and entities as well. For example, we can ask the government how much growth is too much for the housing market and when they will put their foot down and try taming this out-of-control beast.

The housing market in Canada as a whole is soaring to new heights, but just as it is with the stock market, the underlying housing markets have different paces. Some have a relatively slower and steadier growth pace, which might outlast the housing bubble. Others, like Vancouver real estate market, are breaking new records.

Vancouver housing soaring to new heights

When it comes to the Vancouver housing market, the problem isn't just the new price heights; rather, it's about the *speed* at which the market is climbing. There are three different benchmarks to consider when you analyze the housing market in Vancouver, detached, condo, and composite.

The detached homes have been reaching new price heights for some time now, but the growth has accelerated at an unprecedented rate in the last 12 months. From April 2020 to April 2021, the benchmark price rose by almost 20.9% (dollar amount increase of $293,400). It's the highest number since November 2016, that is, the highest percentage change (upward) recorded in the last 15 years.

The condo prices rose by 5.9% in the same period. While not as impressive when compared to detached homes, it's still an unprecedented level of growth for this particular asset class, which works out to a collective benchmark rise of 12%. One factor feeding this growth is the government's appreciation of the price hike. Bank of Canada stated that we *need* this price growth, and the Federal government is backing up the statement.

One way to avoid the eventual fallout

If you are exposed to one of the most volatile housing markets in history (either directly or indirectly), you might want to balance it out by investing in a different real estate asset class. An excellent way to do it is via a REIT like **Nexus REIT** (TSX:NXR.UN) with a diversified commercial real estate portfolio of industrial, office and retail properties.

The REIT came into existence thanks to the merger of two other REITs, each with complementary strengths. The combined Nexus now boasts a portfolio of 76 properties and is about to add two more industrial properties through a deal that's valued at $56 million. The industrial portfolio makes up about two-thirds of the company's total NOI.

Nexus *would have* added to the capital growth potential of your portfolio if you had bought the company somewhere between March and September of 2020. Still, now that the REIT has reached its pre-crash valuation, it's unlikely that we might see much valuation growth. However, its overly generous and stable (thanks to a 50.8% payout ratio) yield of 7.15% is reason enough to add this REIT to your portfolio.

Foolish takeaway

The Vancouver housing market is reaching new heights at a dangerously high pace, and the fear that it will all come crashing down is no longer pessimism, its pragmatism. We can't predict exactly what the trigger might be, but the longer the government bodies let the housing market grow unbridles, the less control they might have if and when the market crashes.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NXR.UN (Nexus 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
2025/07/21

Date Created
2021/05/14
Author
adamothman