Here's Why the Canada Housing Market Still Has Room to Run

Description

When this year started, I'd predicted that the bull market in Canada housing was unlikely to let up anytime soon. Sales and home prices soared to new heights, as demand spiked in the face of the COVID-19 pandemic. However, there have been signs of the bull market letting up since peaking this spring. Today, I want to discuss why the Canada housing market may still have time to reward the faithful in 2021 and beyond. Let's dive in.

Canada housing: Where does it stand right now?

Last week, Statistics Canada released data on the national housing market. It revealed that national home sales increased 0.9% month over month while actual activity was down 17% in the year-over-year period. Meanwhile, the number of newly listed properties slipped 1.6% from August to September. This reflects historical trends, as sellers tend to retreat from the busy spring and summer seasons. Finally, the national sale price average rose 13% from the previous year in September.

The Canadian Real Estate Association also posted encouraging data for this space. Sales rose on a month-over-month basis for the first time since March. This put a stop to a downward trend that had extended through the spring and summer. It is good news for alternative lenders like **Equitable Group** (TSX:EQB), which depends on high sales activity to deliver growth.

Shares of this Canada housing stock have climbed 51% in 2021 as of early morning trading on October 19. The stock has soared 98% in the year-over-year period. Investors can expect to see its third-quarter results in early November. In the first half of 2021, the company posted revenue of $308 million compared to $256 million in the previous year. Meanwhile, diluted earnings per share nearly doubled to $8.02.

Here are some positive signs for the market going forward

In late August, I'd discussed whether shifting political agendas posed a risk to the Canada housing market. At the time, I'd predicted that policymakers were in no position to address the supply issues that plagued this market. This past September, the Canada Mortgage and Housing Corporation (CMHC) revealed that the annual pace of housing starts slowed down in the previous month.

Royal Bank economist Robert Hogue recently released a report that projected the Canada housing market had more “fuel in the tank” in 2021 and beyond. Hogue cited the rebound in sales that was posted in September. This has demonstrated the sustained pent-up demand that will still power Canadian real estate prices and sales.

Two Canada housing dividend stocks to consider in this climate

Atrium Mortgage (TSX:AI) is a Toronto-based company that provides financing solutions to real estate communities across Canada. Its shares have increased 14% in 2021 as of mid-morning trading on October 19. The dividend stock is up 27% year over year.

The company is set to release its next batch of earnings in the coming weeks. In Q2 2021, net income rose 8.2% year over year to $10.6 million. Shares of this Canada housing stock last had a favourable price-to-earnings ratio of 15. It offers a monthly dividend of $0.075 per share, which represents a tasty 6.2% yield.

Bridgemarq Real Estate (TSX:BRE) is an Ontario-based company provides various services to residential real estate brokers and REALTORS in Canada. Its shares have climbed 14% in the year-to-date period. The stock is up 22% from the same time in 2020.

In Q2 2021, Bridgemarq delivered revenue growth of 22% to $14.0 million. Meanwhile, distributable cash flow climbed 73% to $6.4 million. Predictably, the company benefited from a strong housing market and an increase in its REALTORS stable. This dividend stock offers a monthly distribution of $0.113 per share. That represents a monster 7.9% yield.

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aocallaghan