



Housing Market Reheats As Sales Surge 8.6%

Description

Despite warnings that borrowing costs will rise sooner than later, Canada's housing boom isn't over. Indeed, data from the Canadian Real Estate Association (CREA) showed that home sales surged 8.6% in October 2021 from the previous month. Also, it was the strongest sales increase since the beginning of the pandemic-induced housing frenzy.

CREA Chairman Cliff Stevenson said the real estate market is returning to the activity in spring instead of calming down. With inventory dwindling, prices are climbing and creating an affordability crisis. Local governments are under pressure to address the supply shortage.

CREA's report also reveals that because of the strong demand, the country's available inventory is just 1.9 months. Also, the month-on-month increase in the benchmark price of a home was 2.7%. The market continues to surprise, says CREA Senior Economist Shaun Cathcart.

Meanwhile, real estate investors might have to hold off buying properties while the market is percolating again. The best recourse to gain exposure to the real estate sector and earn a rental income is to invest in real estate investment trusts (REITs). You'd be a pseudo-landlord receiving [regular cash flows](#) through the dividends.

Top-performing REIT

Nexus ([TSX:NXR.UN](#)) is the top choice if stock performance is the basis. This \$557.4 million REIT continues to outperform the broader market with its 72.63% year-to-date gain. The real estate stock trades at \$12.63 per share and pays a juicy 5.07% dividend.

A \$75,000 position can generate \$3,802.50 in [passive income](#), or equivalent to \$316.88 every month. Nexus's quality portfolio consists of industrial (80%). Retail (14%), and office (6%) properties. The REIT is growth-oriented and industrial-focused. Its primary strategy is to acquire industrial assets with strong long-term tenants in attractive markets.

In the first three quarters of 2021, property revenue and net rental income hit \$56 million and \$36.88

million. These figures represent 22.4% and 24.9% increases compared to the same period in 2020. Nexus has already acquired six industrial properties in Q4 2021 to add to its growing portfolio.

Stabilized portfolio

Many Canadians could be contemplating [renting instead of purchasing homes](#) at inflated prices and borrowing at higher mortgage rates. **Canadian Apartment Properties** ([TSX:CAR.UN](#)) or CAPREIT provides quality rental housing in Canada. This \$10.11 billion REIT leases residential apartment suites and townhomes and operates manufactured housing community sites.

Apart from Canada, CAPREIT has properties for lease in Ireland and the Netherlands. The competitive advantages of this REIT are its stable occupancy, high level of rent collections, and flexible balance sheet. CAPREIT has collected nearly 100% of rent due year to date and maintained an overall occupancy rate of 97.9%.

In Q3 2021, operating revenues and net operating income (NOI) increased 6.6% and 6.7% versus Q3 2020. Management's ongoing concern is to diversify the portfolio by geography and demographic sector. Hence, the primary objective is to pursue acquisitions and development opportunities.

CAPREIT is also open to joint venture relationships that could result in the development of multi-unit rental residential properties on its excess lands. The REIT trades at \$58.44 (+19.11% year to date) and pays a modest but safe 2.48% if you decide to invest today.

Time for higher interest rates

Robert Kavcic, Senior Economist at the **Bank of Montreal**, said the price momentum is accelerating again. However, he adds that the Canadian housing market is well overdue for higher interest rates.

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