Here’s Why Canada Housing Will Stay Red Hot in 2022

**Description**

The Canada housing market has continued to grab headlines in 2021, as valuations have soared in the year-over-year period. Last month, I’d discussed why investors should expect this to continue in the New Year. Today, I want to go over several reasons Canadian real estate is set to surge again in 2022. Let’s jump in.



## Canada housing is finishing strong in 2021

The Canada Real Estate Association (CREA) released real estate data for the month of November this week. In November, the average selling price of a resale home in Canada reached $720,850. This set a record that was previously set in March of this year. Volume sales also increased 0.6% from the previous month.

This strong finish to 2021 has curbed historical trends that usually see housing sales and valuations peak in the spring season. **Bank of Montreal** chief economist and managing director Doug Porter recently said that it was a “small possibility” that the threat of higher rates in 2022 had generated a rush for real estate in late 2021.

Late momentum aside, there are many good reasons to have faith in the Canada housing market in 2022 and beyond. Royal LePage recently projected that Canadian home prices will deliver 10.5% growth next year. Single-family detached homes are set to deliver stronger growth than condos.

## Policymakers are taking a cautious approach to the market

Last month, I’d discussed whether a rate-tightening cycle pursued by the Bank of Canada (BoC) could torpedo the Canada housing market. The central bank reaffirmed its 2% inflation target, opening the door for rate hikes to combat surging prices in 2022. However, Governor Tiff Macklem said that its new policy framework would lead to a “patient” increase in interest rates. The central bank will continue to use monetary policy to support “maximum sustainable employment.”

This language should be reassuring for investors. Rate hikes are almost certainly coming in 2022, but Canadians should expect a measured approach that will keep rates historically low. This is good news for real estate.

## Immigration is set to reach record annual levels

Canada has wrestled with insufficient housing supply compared to soaring demand over the past decade. The major political parties unveiled their respective plans to address the issue. None of the proposals looked capable of moving the needle in any meaningful way.

Meanwhile, Canada's rising immigration target will also serve to add fuel to the red-hot housing space. Trudeau's Liberals have reported they are on track to meet this year's goal of 401,000 new permanent residents. They aim to hike that target to 411,000 in 2022. This perfect storm will serve to generate more momentum for the Canada housing market in the years ahead.

## Here are two Canada housing stocks that offer strong income to consider



Investors do not have to own a house to take advantage of this bull market. Below are two Canada housing stocks that are worth holding 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 climbed 11% in 2021 as of close on December 15. However, the stock has dipped 2.4% in the month-over-month period.

In Q3 2021, Atrium delivered mortgage portfolio growth of 2.7% to $765 million. Meanwhile, net income climbed 11% from the prior year to $10.6 million. It last announced a monthly dividend of $0.075 per share. That represents a tasty 6.4% yield.

**Bridgemarq Real Estate** (TSX:BRE) is another Canada housing stock worth targeting in the final weeks of 2021. This stock has increased 11% in the year-to-date period. Its shares have dropped 4.6% from the previous month.

The company reported revenues of $12.4 million in the third quarter of 2021 — up 16% from the prior year. Meanwhile, distributable cash flow rose to $5.2 million compared to $4.4 million in Q3 2020. Bridgemarq offers a monthly dividend of $0.1125 per share, which represents a monster 8.1% yield.

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