3 Reasons Canada Housing Is Headed Higher in 2022

Description

The Canada housing market has continued to soar in the face of the COVID-19 pandemic. Indeed, the ongoing crisis has only heightened demand to enter one of the hottest real estate markets on the planet. Today, I want to discuss three reasons the Canada housing market will have another year in the black in 2022. Moreover, we'll look at some stocks that are worth snatching up in this climate.

Canadian housing supply continues to lag soaring demand

Every Canadian political party made promises to "address" the lack of supply in Canada's housing market following the 2021 federal election. Canada possesses the lowest number of homes per 1,000 residents of any G7 country. That figure has progressively decreased, as immigration has climbed sharply. In order to catch up to the G7 average, Canada would need to build 1.8 million new homes. The Liberal plan aims to "build, preserve, or repair 1.4 million homes in four years."

In the end, Justin Trudeau's Liberals won another minority government. The lack of any real change at the political level is appropriate, as no party offered solutions that would do what is required to significantly curb the lack of supply in the Canada housing market.

Meanwhile, demand to enter the red-hot housing market has only increased. Housing sales in Canada had already surpassed the 2020 total by the end of November. These conditions should drive investors to consider a top alternative lender like **Home Capital** (TSX:HCG). Shares of Home Capital have climbed 27% in 2021 as of close on December 30. However, the stock has dipped 4.6% month over month.

Immigration is set to reach another record in 2022

Canada broke its all-time immigration record in 2021, bringing in 401,000 newcomers for the year. The last time Canada surpassed the 400,000 annual immigration levels was all the way back in 1913.Under the Immigration Levels Plan 2021-2023, the country will look to add 411,000 new immigrants in2022 and 421,000 in 2023. However, these targets may be subject to further increases.

The troubling lack of supply in the Canadian housing market means that these numbers will continue to contribute to soaring demand.

Going back to Home Capital, the alternative lender reported mortgage originations of $2.41 billion in Q3 2021 — up from $2.13 billion in the previous year. Shares of Home Capital possess a very attractive price-to-earnings (P/E) ratio of 8.2. This is a stock that is worth your attention in this friendly environment.

Interest rate hikes will not derail the Canada housing market

Will interest rate hikes threaten the strong fundamentals in the Canada housing market? The Bank of Canada maintained its overnight benchmark rate at 0.25% in its meeting earlier this month. It said that it will not seek to hike rates until the economy has adequately recovered "in the middle quarters of 2022."

However, the Omicron variant and coming restrictions may threaten those tightening plans. In any case, any rate hikes will be modest and gradual in this dangerous environment. The Canada housing market should remain robust in the face of this coming cycle.

Canadian investors hungry for income may want to consider Canada housing stocks like **Atrium Mortgage** and **Bridgemarq Real Estate**. Atrium offers a monthly dividend of $0.075 per share, which represents a tasty 6.3% yield. Meanwhile, Bridgemarq last paid out a monthly distribution of $0.113 per share. That represents a monster 8.2% yield.

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