Confusing Forecasts: Will Home Prices Fall in 2022, 2023, or 2024?

Description

Homebuyers, particularly those obtaining mortgage loans, are a confused lot. The predictions from various groups regarding home prices makes it difficult to time their purchases. An affordability crisis exists because of market imbalance. Multiple rate hikes by the Bank of Canada could compound their woes, because mortgages will get bigger and bigger.

The housing market's record-setting run since 2020 will eventually end. However, nothing is sure as to when homes will be affordable again. Will prices fall this year, next year, or in 2024?

Out of control

Canada's housing market is out of control that even real estate experts disagree on when it will really cool down. The central bank raised its key interest rate twice already and many expect the third one on June 1, 2022, to be larger. As expected, the first increase in March did little to bring down home prices.

James Laird, Canwise Financial president and Ratehub.ca co-founder, said the second hike on April 13, 2022, will have a cooling effect. However, the supply problem will not bring down prices so soon. Also, if ever prices decrease, mortgage payments would be higher because of higher interest rates.

Differing forecasts

Robert Hogue, the assistant chief economist at **Royal Bank of Canada**, forecasted the residential real estate market to top out this spring. Because of the fed's rate-hike campaign, activity will slow down and prices will moderate. However, Hogue said the average annual prices will still be higher compared to a year ago.

For this year, RBC sees aggregate prices to increase 8.1% then fall 2.2% in 2023. Meanwhile, Oxford Economics has a different take. While higher interest rates and a two-year ban on foreign ownership would help cool down the market, the significant drop in home prices will happen by mid-2024.

Oxford added that market will achieve balance in 2025. From there until 2030, supply should outpace demand and the annual growth rate for five years would be under 1%. Also, household incomes should catch up during the period. Oxford expects housing affordability to return in 2028.

Be a mock landlord

For real estate investors, now is not the time to purchase investment properties. Real estate investment trusts (REITs) are the go-to assets if real estate prices are inflated. You'll still earn passive income.

Among the defensive but profitable options are **Slate Grocery** (TSX:SGR.U) and **Crombie** (TSX:CRR.UN). Both leases high-quality grocery-anchored real estate properties. The former operates in the U.S., while the latter is a national retail property landlord in Canada.

According to Blair Welch, Slate Grocery's CEO, the impressive financial results in Q4 2021 shows the strength and resiliency of the grocery-anchored sector. The $965.85 million REIT reported 20.3% and 41.2% increases in rental revenue and net operating income versus Q4 2020.

Strong fundamentals helped Crombie record a 5.2% and 9.3% year-over-year growth (2021 versus 2020) in property revenue and net property income. **Empire Company** owns 41.5% of this $3.21 billion REIT and is also the anchor tenant. At $18.34 per share, Crombie's dividend offer is 4.85%. Slate Grocery trades at $16.40 per share and pays a 6.65% dividend.

Lower mortgage size

Whether home prices drop in 2022, 2023, or 2024, higher interest rates will reduce the size of mortgages. Thus, homebuyers must evaluate their options carefully.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CRR.UN (Crombie Real Estate Investment Trust)
2. TSX:SGR.U (Slate Retail REIT)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

8. Yahoo CA

PP NOTIFY USER

1. cliew
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/06/29
Date Created
2022/04/24
Author
cliew