



## Wait-and-See for Homebuyers: GTA Home Sales Fall 41.4%

### Description

The negative impact of higher borrowing costs is starting to show in Canada's housing market. Based on data from the Toronto Regional Real Estate Board (TRREB), home sales in the Greater Toronto Area (GTA) in June 2022 sank 41.4% compared to same month in 2021.

Notably, all types of properties saw double-digit sales declines. TRREB president Kevin Crigger, said, "Home sales have been impacted by both the affordability challenge presented by mortgage rate hikes and the psychological effect wherein home buyers who can afford higher borrowing costs have put their decision on hold to see where home prices end up."

On the stock market, the picture in the [real estate sector](#) (-22.41%) isn't quite good. It's the third-worst-performing sector after healthcare (-49.46%) and technology (-38.37%). Thus far in 2022, **Slate Grocery** ([TSX:SGR.U](#)) appears to be the most resilient among real estate investment trusts (REITs).

### Sidelined homebuyers

The Bank of Canada's policy rate could be 2.25% by the time this article comes out. Economists and bankers are sure of the 75-basis-point hike due to the four-decade high inflation. Rising interest rates have sidelined homebuyers who have taken a wait-and-see attitude.

Sellers aren't in a hurry or are playing the waiting game too. Data shows that newly listed homes for sale increased by only 1% year over year. Meanwhile, home prices have declined for the fourth consecutive month. The average selling price is now \$1,146,254, or 5.5% lower from a year ago.

Crigger added, "Expect current market conditions to remain in place during the slower summer months. Once home prices stabilize, some buyers will re-enter the market despite higher borrowing costs."

### Resilient REIT

Investors in Slate Grocery should be happy with the 1.02% year-to-date loss. At \$13.78 per share, the

trailing one-year price return is 12.24% while the dividend yield is a fantastic 6.24%. The resiliency of this \$835.67 million REIT comes from the grocery-anchored rental properties in United States.

Management acknowledges the impact of macroeconomic pressures, including rising interest rates, on the REIT. However, the portfolio has protection in an inflationary market because 97% are secured by net leases. Since 95% of Slate Grocery's debt is fixed, it mitigates near-term rising interest rate risk.

The defensive nature of the properties is the selling point of Slate Grocery. Its CEO, Blair Welch, said the REIT is uniquely positioned to continue providing long-term and stable income. The focus on organic growth and accretive investment opportunities should create more value for unitholders.

## Recession by year-end

The Canada Mortgage and Housing Corp. (CMHC) is pretty sure about a recession if the central bank's benchmark interest rate hits 3.5%. CMHC's chief economist Bob Dugan sees a technical recession coming. He predicts the national average home price to drop 5% from its peak in early 2022 by mid-2023. Dugan's model also estimates home sales to fall by 34%.

The federal housing agency notes the 9% growth in mortgage debt. Tania Bourassa-Ochoa, CMHC's senior economist and co-author of the mortgage trends report, said, "The levels of investments of households are quite high. So, it is a source of vulnerability." The advice to homebuyers is to evaluate their options carefully to avoid financial pain.

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