Will the Canadian Housing Market Crash?

Description

The North American housing market has seen prices soar to unprecedented levels during the pandemic. The phenomenal rise in prices has led many to question, "How much longer can this last?"

In fact, *Google* reported last week that the search question "When is the housing market going to crash?" spiked approximately 2,450% in the past month. Another query, "Why is the market so hot?" had doubled in the past week.

Looking specifically at the Canadian market, *The Wall Street Journal* reports that Canada has seen a more dramatic price run-up in housing than all Group of Seven countries. The run-up can be blamed on the unprecedented demand for more living space from a population that has been forced to stay largely at home during the COVID-19 pandemic. And the already-hot market has been exacerbated by low interest rates and millennials moving into their prime-buying years.

Canadians expect housing prices to continue to rise

The dramatic rise in housing prices in Canada has forced some would-be buyers to give up their dreams of home ownership. A recent **Royal Bank of Canada** poll found that 36% of respondents under the age of 40 have given up on the idea of becoming homeowners amid the expensive market.

When asked what Canadians think about the current market conditions, the survey found that 61% of Canadians agree that home values will keep rising in the foreseeable future. The percentage of people who believe home prices will increase is even higher in British Columbia and Ontario. The percentage of people who believe home prices will increase in those provinces is 72% and 70%, respectively.

Is housing in a bubble?

Billionaire Jeff Greene shorted subprime mortgages more than a decade ago and made a fortune with that strategic move.

When asked by *CNBC* if he believes the current housing market is in a bubble, Greene replied, “Absolutely. I think we’re in an omni-bubble. How long does it last? It depends. How long do you keep the faucet open and this money running?”

An alternative investment

If you want to invest in real estate, but are worried about a correction in home prices, you may want to consider a residential REIT.

Morguard North American Residential REIT (TSX:MRG.UN) operates a geographically diversified portfolio of 43 multi-suite residential properties, consisting of 12,255 suites. Of these properties, 16 are located in Alberta and Ontario. The remaining properties are located in the U.S. Currently, its American and Canadian properties have a 92% and 95% occupancy rate, respectively.

Despite the economic challenges of 2020, occupancy rates remained relatively stable from the previous year. The rate was down just over 3% across all properties, primarily due to a few properties directly impacted by university and local business closures stemming from the pandemic. The REIT’s average monthly rent per suite increased by 4.7% in Canada and 1.3% in the U.S.

Revenues rose by 1.3% to $248.7 million and total assets increased to $3.1 billion, up from $3.0 billion in 2019. The REIT ended the year with access to approximately $120 million in cash and available credit, providing plenty of liquidity for future growth.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:MRG.UN (Morguard North American Residential Real Estate Investment Trust)

PARTNER-FEEDS

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

Category

1. Investing

Date
2025/08/14
Date Created
2021/04/21

Author
cdye