



3 Reasons Canadian Housing Will Roar in 2018

Description

The real estate industry received some long overdue good news from the Toronto Real Estate Board, as home prices climbed 6%, representing the first monthly increase since the slide began in April. The housing correction that began when Ontario instituted a set of new regulations, including a 15% foreign buyers' tax, has caused house prices to slip almost 20% since the peak in April of this year.

Home Capital Group Inc. ([TSX:HCG](#)) also played a large part in souring investor sentiment. The crisis sparked a sell-off in other alternative lenders, like **Equitable Group Inc.** ([TSX:EQB](#)) and mortgage insurers like **Genworth MI Canada Inc.** ([TSX:MIC](#)). After a tumultuous spring and summer, Canada housing has shown signs that it may be ready for a significant bounce back in the coming months.

CMHC is set to explore loosening of regulations

The Canadian Mortgage and Housing Corporation (CMHC) is reportedly mulling regulatory changes to make it easier for small-business owners to qualify for new mortgages. Current mortgage regulations have stringent income stipulations that force small-business owners, contractors, and other non-salaried workers to qualify based on a two-year average. This can be especially complicated for younger workers in contract work, which is becoming more prevalent in the so-called gig economy.

Intuit Canada released a study in January in which it projected self-employed Canadians will make up 45% of the workforce in 2020. If and when these regulations are loosened to adapt to the new working environment, it could entice many new prospective buyers.

New construction and real estate investment continues at a record pace

Toronto and its surrounding cities saw an incredible rise in the first third of 2017. Hamilton, Ontario, was of particular interest as a city undergoing a transition into an affordable landing spot for those priced out of Toronto. On September 29, Hamilton surpassed the \$1 billion mark when it came to construction investment in the city. This represents the fastest growth in investment in the city's history.

RioCan Real Estate Investment Trust ([TSX:REI.UN](#)) announced that it plans to pursue a \$2 billion sale of its holdings in secondary markets and focus more on commercial and residential properties in

major cities.

Immigration is set to rise in 2018

Canadian immigration minister Ahmed Hussen indicated that immigration levels may increase in 2018 from the already record levels of 300,000 per year seen in 2015 and 2016. Some experts are predicting a rise in the 310,000-320,000 range.

Immigration from outside Canada into Ontario was the highest reported in five years in 2016. Immigration also remains one of the main sources of population growth in the city of Toronto, both from outside and inside Canada. There is still debate over how immigration has impacted demand, but the continuing surplus should yield positive results for the market.

Investors in housing and alternative lenders should also take solace in the recent comments by the Bank of Canada following the September 6th rate hike. Governor Stephen Poloz has assured that the bank will proceed with caution, which seems to indicate a gradual approach to rising interest rates. This should help lenders and the industry at large keep borrowing costs low.

CATEGORY

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1. TSX:EQB (EQB)
2. TSX:HCG (Home Capital Group)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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