



## Don't Worry: Canada's Housing Market Is Fine!

### Description

Low-interest rates have fuelled fantastic home sales in Canada, especially Ottawa, where prices rose 10.3% in the past year. Higher prices are excellent for middle-class families whose primary asset is their home, but many analysts are speculating that this is a bubble.

Canada's interest rates are far from the lowest globally. Europe and the U.S. have more liquid central bank policies than Canada now, and Doug Porter, chief economist at Bank of Montreal, explains that responsible household borrowing gives the Bank of Canada less incentive to lower interest rates:

*"The related pick-up in household borrowing is a key reason that the Bank of Canada has been a bystander to the global rate-cut parade."*

## October saw growing home sales

October was a spectacular month for Canada's housing industry. The Canadian Real Estate Association shows strengthening home sales across all major real estate markets in Canada. Vancouver, in particular, saw a 45% increase in sales since last year, according to the Canadian Real Estate Association.

The critical point is that even though housing markets are at a high, it doesn't mean the market is going to crash. Rumours of a bubble began at market highs in 2016 when Toronto and Vancouver real estate markets were growing too quickly for comfort. In response, the government enacted public policies that worked to slow things down.

Everyone wants to buy when the market is low and sell when the demand is high, but the truth is that real estate is a very long-term, illiquid investment. If everyday Canadians want to make money in the housing market, it is best to look at a house as a 30-year commitment versus a get rich quick scheme. Same with the stock market.

## A good real estate stock

If a 30-year commitment to a physical asset isn't your thing, **Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY) is the best real estate stock you could own in your retirement portfolio. The stock has returned nearly 30% in the past five years, including dividends and capital gains.

[Earnings growth](#) has accelerated this past year to a 4.5% rate, faster than the real estate industry as a whole, which had negative earnings growth. The negative earnings growth probably had more to do with the Canadian government's policies to slow down the housing market than a downward correction.

The dividend yield on Brookfield's stock at its current market price is 6.79%, better than most stocks on the TSX. The dividend yield is like an interest rate on your savings account, except in the stock market, the principal balance can change.

The potential for capital losses, or a stock price decrease, is the reason why it is important to find stocks with stable price history. You want to find stocks that give you the [highest combined return](#) in dividends plus capital gains/losses.

## Foolish takeaway

If you think of every investment you make as a long-term commitment, you will begin to grow your returns more substantially. Housing, especially, is a long-term commitment. The market is bound to have some ups and downs. If you can ignore short-term concerns to fully capitalize on your investment in the future, focus on how much you will have to gain from patience.

### CATEGORY

1. Investing
2. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)

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1. Business Insider
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