Don’t Buy a House! Bet on This Stock Instead

Description

More and more Canadians are buying houses. In 2018, 460,000 homes were sold. In 2019, the figure rose to 490,000. This year, despite the pandemic, we’re on pace for 530,000 units sold.

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Should you join the fun? Not so fast.

If you’re looking to buy a home, are able to find something within your price range, and are willing to make a long-term commitment, you likely shouldn’t be discouraged by short-term market data points, even if they look concerning. But if you want your house to be an investment, take caution.

The housing market is scary

Canada’s housing market has been red hot for years. When U.S. home prices crashed in 2008, Canadian real estate was spared. In the years since, domestic prices have continued to increase, particularly in major metropolitan areas like Toronto and Vancouver.

“Canadians know real estate prices have grown quickly, but most have no idea how it compares to the world,” reported *Better Dwelling*. “Canadian real estate prices have grown at nearly triple the pace of any G7 country, since 2005.”

Analysts have warned that Canada’s housing market is deep into bubble territory, but there hasn’t been a shock to disrupt the party. The coronavirus could be the shock everyone feared.

Bank of Nova Scotia has seen sales fall by 42% and listings drop by 36%. **Royal Bank of Canada** reported that buying activity is 50% below 2019 levels. **Bank of Montreal** revealed that new listings are spiking faster than sales.

“The Canadian economy has been increasingly driven over the past decade by the real estate boom and debt-fueled consumption binge,” highlighted a report from Macro Research Board Partners. “In turn, a substantial housing and credit bubble has developed on the back of overly accommodative policy. The heightened uncertainty caused by the surge in unemployment and plunge in household confidence may encourage many Canadians to reconsider stretching beyond their means heading forward," the report concluded.

Buy this stock instead

Now is *not* the time to buy a house for investment reasons. Even if you're thinking long term, it's a scary moment to take on a large amount of debt with fixed payments.

The best move is to invest your capital in real estate that's already plunged in value. **Brookfield Property Partners** (TSX:BPY.UN)(NASDAQ:BPY) is a perfect fit.

Brookfield does have some exposure to the residential housing market, but 80% of its portfolio comprises office and retail space. These property types have been crushed due to the coronavirus pandemic. Businesses are working from home, and retail stores remain depressed.

Unlike Canada's housing market, however, Brookfield stock has already corrected. The stock trades at a 70% *discount* to its book value. As conditions normalize, shares could triple in value. Even if the recovery takes years, your returns could be sizable.

If you buy a house, the return profile could be the opposite, as residential prices remain artificially high. Plus, there are friction costs that prevent you from quickly entering and exiting the market. With Brookfield stock, your flexibility is much higher.

For most Canadians, the choice is clear: resist buying a house. Instead, consider investing the capital in beaten-down real estate stocks.

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CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
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4. Newscred
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