
# Have $2,000? Here's How to Turn it Into a Downpayment on a House

### Description

The median price of a Canadian house is $531,000, which means a young Canadian family looking to buy a house must have between $10,000 to $100,000 to place a down payment on an average family home. For most potential buyers, investing in stocks could get them to this level.



## Stocks grow faster than real estate

Everyone knows Canadian real estate prices have surged over the past 20 years. On average, house prices have expanded 6% every year for the past two decades. However, Canadian companies have outperformed real estate.

The **iShares S&P/TSX 60 Index**, a fund that tracks the combined value of the 60 largest companies on the Canadian stock exchange, has delivered a compounded annual return of 6.88% since inception in 1990. That means over the long term, stocks have outperformed real estate. Investing in stocks seems like the better option.

However, some stocks tend to outperform their peers by a wide margin. These so-called hyper-growth stocks can help you meet your goals unbelievably fast.

## Investing in hyper-growth stocks

Canada's largest corporation is also its best example of a hyper-growth stock. **Shopify** (TSX:SHOP)( NYSE:SHOP) has surpassed even the most optimistic investor's expectations over the past few years.

Since its initial public offering in 2015, Shopify stock has surged 3,380%. In other words, a small $2,000 investment in Shopify stock in May 2015 would be worth over $67,600. That's enough to place a 20% downpayment on a house worth $338,000.

Hyper-growth stocks like this tend to have some common characteristics. They're usually relatively small technology companies in industries with massive potential. Shopify, for example, was worth just $337 million when it listed, while the global e-commerce market is now worth over $10 trillion.

However, not all companies live up to their potential and deliver returns like Shopify. Finding the next Shopify is incredibly difficult and risky. Instead, investors should take a more practical approach while investing in stocks to save for a house.

## Practical approach

To bolster your chances of creating wealth, you may need to wait longer, invest more and diversify your bets. In other words, you'll need a portfolio of promising growth stocks and invest $2,000 every year for next 15 years.

A portfolio that grows 10% on average could turn $2,000 in annual investments into $71,900 within 15 years. Waiting for longer or investing more every year could boost this return even further.

A good example of a steady growth stock is **Constellation Software**. The stock has tripled in just over five years, so it's not as impressive as Shopify. However, Constellation's compound annual growth rate of 24.5% is much more common than Shopify's 102% rate. A basket of stocks like Constellation is all you need to secure a downpayment.



## Bottom line

Investing in stocks is an excellent way to generate enough capital to buy a house eventually. Stock prices for growth companies tend to outperform real estate over the long term. If you're lucky enough to spot a hyper-growth stock early, you can easily accumulate enough capital to purchase a house within a few years. However, consistently investing in a portfolio of growth stocks is a more practical approach.

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