3 Reasons Canadians Still Love Buying Real Estate

Description

The 2010s was a decade of unprecedented growth of Canadian housing market prices. Major metropolitan areas like Vancouver and Toronto saw an immense surge in the demand and value of houses and condominiums. As the last decade progressed, investors began worrying that there could be a significant correction in housing prices that could devalue their investment.

Despite all the fears, the housing market crash never came. Each year we saw several worrying signs, but the prices kept rising without signs of slowing down. 2017 came with turbulence in major housing markets, but the provincial and federal governments responded with a regulatory crackdown to stabilize the markets.

Wealth tied up in houses

If you take a look at a typical Canadian's balance sheet, it is likely that most of their assets are tied up in the house. The outstanding long-term performance of key markets like Toronto and Vancouver showed promise. Everybody wants a piece of the pie, despite rising concerns about an imminent housing market crash.

Why do Canadians still love buying real estate? The prices do not seem to be going down, and houses are becoming more expensive. Despite the sky-high valuations, Canadians are still investing in real estate.

It's a tangible asset

Investing in real estate and becoming a landlord can come with several challenges besides the mortgage payments. It can generate reliable revenue to bolster your passive income, but it is challenging and could require a full-time commitment to be a landlord.

Regardless of its challenges, there is no denying the fact that investing in real estate provides you with a tangible asset that you can touch and feel. Unlike stocks, owning properties allows you to have something in the real world, unlike shares of a company that you can trade on the stock market.

The prices keep going up

Another reason Canadians still love buying real estate is the market's ability to keep appreciating through thick and thin. We've seen housing prices increase, despite significant challenges that should devastate the housing market.

Several reasons could be contributing to the rising value of houses, like mortgage deferrals and the low interest rate environment. Despite the weakened state of the economy and diminished earning power, Canadians could be relying on the guaranteed long-term returns on the investment.

You can choose one as well

Real estate investment trusts (REITs) are another reason Canadians love buying real estate. Investing in the shares of REITs like **H&R REIT** (TSX:HR.UN) allows Canadians to leverage the market movements without exposing themselves to the risk of actually buying houses.

REITs invest in a portfolio of real estate properties across the country and provide investors returns through the income generated from the portfolio. The nature of REITs requires the underlying companies to distribute monthly payments to shareholders, making REITs like H&R REIT an excellent investment to consider.

H&R is a diversified real estate stock that took a massive beating from the pandemic-induced sell-off. However, its non-retail assets remain resilient in the market today. The August rent collection for its residential, industrial, and office properties were 90%, 97%, and 99%.

As the operating environment improves, the REIT can return to its pre-pandemic valuation. At writing, the REIT is trading for an almost 50% discount from its price at the beginning of the year at $10.43 per share. It means that investors can see substantial returns through capital gains and its juicy 6.62% dividend yield.

Foolish takeaway

Buying a house involves tying up significant funds for an asset that you might have to continue paying off for several years. Buying shares of a REIT like H&R can help you benefit from any gains in the real estate market without substantial upfront investment and incurring long-term debt.

There is no telling if and when the housing market will crash. However, it is still a popular sector among Canadian investors. A REIT like H&R could be an ideal way to gain real estate exposure without taking on too much risk for your capital.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. TSX:HR.UN (H&R Real Estate Investment Trust)

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Date
2025/08/22
Date Created
2020/11/05
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