



## The Bank of Canada Could Trigger a Housing Market Boom

### Description

The Bank of Canada made announcements yesterday that could indicate a [housing market boom](#) in the years ahead. It seems factors that are beyond the central bank's control as well as variables the bank controls could culminate in a surge in house prices.

If you're looking to invest in real estate investment trusts (REITs) or buy a house this year, here's what you need to know.

### Bank of Canada's support measures

Supporting the economy is the primary function of the central bank. Like its counterparts in other countries, the Bank of Canada focuses on keeping inflation low and employment high. It does this mainly by controlling interest rates.

Yesterday, Bank of Canada's governor Tiff Macklem declared the interest rate would remain unchanged at current levels. The rate is 0.25% at the moment, and commercial banks across the country use this as a benchmark for their loan and mortgage interest rates.

Macklem claimed this rate is historically low and is likely to stay low for several years. In fact, he suggested that the Bank of Canada may not hike interest rates until 2022. That means several years of historically cheap mortgage rates for homebuyers.

Coupled with the economic rebound we expect later this year, the housing market could bounce back strongly in 2021. That's great for homeowners who got in early. It's also good news for property developers and publicly listed landlords.

If you can't buy a house right now, investing in residential REITs could be the next-best option.

### Top property stocks to buy

**Canadian Apartment Properties REIT** ([TSX:CAR.UN](#)) is the largest residential landlord in the country. The stock is down 16.7% from March 2020. It's trading at a price-to-earnings ratio of 9.6 and

offers a 2.7% dividend yield. The stock price is also trading on par with book value.

With the Bank of Canada keeping interest rates low, CAP REIT can borrow capital cheaply. This money could be used to develop or acquire more properties and expand the portfolio. Meanwhile, the housing market boom could hike the company's book value.

An economic rebound in the second half of 2021 should create more jobs; and the revival of immigration should add more potential tenants to the pool. In short, residential REITs like CAP could see a spike in book value and net income over the next few years.

That makes this an excellent long-term, low-risk dividend stock for investors. Of course, there are several other residential REITs that could be in a similar position, too.

## Bottom line

The Bank of Canada has positioned the housing market for a boom. As interest rates remain low, Canadians can afford more homes, eventually pushing prices higher. Meanwhile, immigration and an economic rebound could push rents higher.

Residential real estate trusts like Canadian Apartment Properties REIT could be the ultimate winners. Investors looking for a robust long-term dividend stock with low risk should add this to their watch list.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)

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**Author**

vraisinghani

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