



Boiling-Hot Housing Market in Canada: Here's 1 Way to Stop it

Description

Canada's housing market has been booming for the better part of the last decade and a half. The pandemic was slated to lead to a decline in housing prices by several experts and analysts. However, Canada's real estate sector's housing segment continued to be resilient in terms of sustaining its growth.

Many onlookers expected the [sharp correction](#), and when sales dipped early on, it seemed like the housing correction was about to happen. The slump did not last long, and Canada's housing market was already roaring back by the summer of 2020.

It seems that the housing market might not lose its momentum. However, there may be one thing that can slow down or even stop the momentum for the sector in 2021.

International attention for the housing market

Canada's astronomical spike in housing prices has started attracting global attention. Reports from the likes of *Bloomberg* and the *New York Times* on Canada's real estate sector are highlighting the price wars. Many experts believe that the sector is in a massive bubble, and the size of this bubble continues to increase.

The alarming rate of price increase in Canada's housing market is still supported by a low supply and high demand in major metropolitan areas. However, loose monetary policy has made borrowing to buy homes a lot easier. If these situations remain the same, it is challenging to imagine any substantial correction in housing prices.

Can government action put a stop to the rising prices?

Some of the most in-demand markets in Canada's real estate sector are driving the increasing rates. The market saw a similar situation in 2017, with a sharp spike in housing prices. Experts believed that foreign buyers in Canada's major metropolitan areas were fueling the insane valuations. British

Columbia and Ontario introduced a foreign buyers tax to cool down the housing market.

Ontario's "Fair Housing Plan" included a 15% non-resident speculation tax on home prices in the Greater Golden Horseshoe. The province also introduced other actions to bolster housing supply, and it expanded rent control. The plan successfully cooled the housing market for a short time before the prices started increasing again.

A similar move could cause a slowdown in the housing market's increasing prices.

A safer alternative to buying a house for rental income

Real estate investment trusts (REITs) could be a better way to enjoy the benefits of the Canadian housing market's rise without the upfront investment of buying a home. It is a more liquid method to gain exposure to real estate and reap its benefits. REITs like **Canadian Apartment Properties REIT** ([TSX:CAR.UN](#)) could be ideal for this purpose.

The company owns a diversified portfolio of residential units throughout Canada. It reported a remarkable 98.2% occupancy rate, and the average monthly rent for its portfolio is \$1,084. It can generate significant revenues through rental income. If rents increase across residential properties, CAP REIT could increase its cash flows further.

Investing in the REIT could provide you with the benefits of a growing housing market without the risk of owning expensive properties using mortgages. If there is a significant housing market correction, your losses might not be as significant as owning a property that loses its value.

Foolish takeaway

There is mounting evidence that the housing market is a massive bubble that is ripe to burst. But it is impossible to predict *when* or even *if* a major [housing market correction](#) will take place.

Canadian Apartment Properties could be a better alternative to buying a house for rental income if you are considering the real estate sector for investment returns. It is a more liquid method to invest in real estate without the upfront costs involved with buying a house.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn

4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/18

Date Created

2021/03/25

Author

adamothman

default watermark

default watermark