



Canada Housing: Are New Rules Coming in 2021?

Description

The Canada housing market has put together a stunning rally over the past year. Homes in major metropolitan areas have seen extraordinary bidding wars. Sometimes these bidding wars end with a detached home going hundreds of thousands over asking. Today, I want to discuss whether new rules could arise for the Canada housing market in 2021. Should this worry investors?

Canada housing has continued to erupt in early 2021

On March 17, the Teranet-**National Bank** House Price Index was updated. It was another red-hot month for real estate across Canada. In previous years, major metropolitan areas have dominated in terms of sales and price increases. However, even small towns across Canada have started to experience bidding wars in 2021.

In Toronto, the House Price Index saw home prices rise 10% from the prior year in March. Meanwhile, house prices in Hamilton recorded an 18% jump from the same period in 2020. Ottawa, Halifax, and Montreal also saw home price increases between 15-18% year over year.

Bridgemark Real Estate is a Toronto-based company that provides various services to residential real estate brokers and REALTORS in Canada. Its shares have increased 13% in 2021 as of close on April 8. This Canada housing-linked stock has soared 105% from the prior year.

Better yet, this stock also offers a monthly dividend of \$0.113 per share. That represents a monster 8% yield. Canadians on the hunt for growth and [income](#) have been richly rewarded with Bridgemark in this scorching housing market.

Why top economists are starting to get nervous

The stunning momentum for the Canada housing market has started to attract international attention. Here at home, **Royal Bank** warned in March that the housing market was “overheating.” Royal Bank economist Robert Hogue said the market was powered by strong demand and low inventories. These

factors are unlikely to shift in any significant way in the near term. **Bank of Montreal** has urged policymakers to watch market conditions closely. However, BMO stopped short of calling for any major shift in policy.

Last month, I'd suggested that the [only thing](#) that could cool the Canada housing market was government intervention. The Bank of Canada (BoC) has shown little interest in pursuing policy that would disrupt Canada's soaring real estate industry. The bank is especially cautious as real estate is one of the few industries that is thriving during the devastating pandemic. Canada has lagged its peers with its vaccine rollout, which means it may be forced to lean heavily on real estate for the rest of 2021.

Will the government step in and cool the Canada housing market?

At the end of March, I'd [discussed](#) whether a Canada housing correction was on the horizon. Policy makers have made it clear that they are in no rush to make any major moves to curb the stunning growth in this sector. Meanwhile, we have entered the spring season, historically the busiest period for Canadian real estate. We are likely to see valuations continue to balloon in the months ahead.

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