



## Canada Election: Will Politics Hurt the Housing Market?

### Description

In August, Prime Minister Justin Trudeau called a snap election for September 20. The move did not come as a shock to onlookers, as Trudeau's Liberals have battled gridlock in a minority government. The red-hot Canada housing market has become a major talking point for the major political parties. Could new promises and a radical reshuffling threaten Canada's [real estate boom](#)? Let's dive in.

### Why the Canada housing market has taken over this election

Despite the hype, the Canada housing market has progressively cooled since peaking price and activity wise in the spring of 2021. Back in March, I'd [warned investors](#) that a correction may be imminent. In mid-August, the Canadian Real Estate Association (CREA) revealed that the number of homes sold had fallen for four straight months ending in July. The same was true for average selling prices. Sales dropped 15% year over year in July.

CREA chief economist Shaun Cathcart said that the housing market was returning to pre-COVID normality. However, he also warned that this "normality" still represented an extremely frothy environment. Soaring home prices have alienated much of the Canadian population, inspiring anger in some of the country's most expensive markets.

### What are political leaders promising to do about the real estate boom?

In February, I'd [suggested](#) that the Canada housing market would continue to surge. One of the reasons I'd remained confident was the lack of political will to push forward policy that could disrupt one of the few bright spots in the economy. As always, politicians have been colourful on the campaign trail, but the actual remedies should not scare real estate investors.

Trudeau's Liberals aims to cut Canada Mortgage and Housing Corp's (CMHC) rates for insured mortgages up to \$6,100. In doing this, the party hopes to give home buyers who bid less than 20%

some extra wiggle room. However, this will almost certainly serve to heat up the market. The Liberals have also pledged to enact a two-year moratorium on foreign buyers. This political red meat may steal headlines, but real estate industry leaders have already pointed out that this is unlikely to positively impact affordability. The Conservatives and NDP have taken a more moderate tone on foreign buyers.

The biggest change could come from the Liberal plan to introduce a “Home Buyers’ Bill of Rights.” One notable reform is a ban on blind bidding for houses. This would lead to some much-needed transparency, potentially putting an end to intense and sometimes traumatic bidding wars in major markets.

On the supply side, all three major parties have pledged to build more homes to tackle the Canada housing shortage. However, these promises have been either vague or inadequate. Canada needs to build 1.8 million homes to match the G7 average. The Liberal plan aims to “build, preserve, or repair 1.4 million homes in four years.” This will not come close to resolving the supply issues in the Canada housing market. The Conservative and NDP plans have aimed for the lower end of that target.

## Two housing stocks to watch before and after the election

Canadian investors should not expect big changes in the real estate space no matter who comes out on top in this election. That should drive you to consider housing-focused stocks like **Home Capital** ([TSX:HCG](#)) and **Equitable Group** ([TSX:EQB](#)). These are two of the top alternative lenders in the country.

Shares of Home Capital have climbed 28% in 2021 as of close on August 30. This housing stock last had a price-to-earnings ratio of 8.2, putting Home Capital in attractive value territory. Equitable Group stock has increased 45% in the year-to-date period. It also boasts a very favourable P/E ratio of 9.2. The conditions boosting the Canada housing market will not receive an overhaul no matter who wins this election. This is good news for Home Capital and Equitable Group going forward.

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