



## No Housing Crash Next Year — But Mortgage Rates Could Hit 2%

### Description

Some Canadians are racing against time and obtaining pre-approved mortgages before the interest rate hike in 2022. Benjamin Tai, Deputy Chief Economist at the **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) said, “There is no question about it that we are borrowing activity from the future.”

Homebuyers are panic-stricken because the Bank of Canada might raise its benchmark interest rate as early as April 2022. There is pressure among borrowers to lock in at mortgages at low rates today or refinance their mortgages of up to 2%.

Regarding the red-hot housing market, Tai expects it to slow down by the back half of 2022. Also, he thinks there won't be a [market crash](#) because the rise in immigration numbers to pre-pandemic levels will support housing demand. Similarly, some borrowers might turn to non-traditional lenders for their funding needs.

### Tip for investors

Real investors should hold off buying properties at inflated prices and instead invest in [dividend winners](#). Gabriel Dechaine, an analyst at the **National Bank of Canada** Financial Markets, said Canada's Big Banks are likely to announce significant dividend increases this month rather than make smaller increases spread over several quarters.

CIBC is among the top choices because it pays the second-highest yield (3.98%) in the banking sector. The bank stock is also a steady performer with its 39.15% year-to-date gain. Market analysts see a potential upside too. They forecast the current share price of \$146.56 to climb between 10.7% and 20.1% in the next 12 months.

Canada's fifth-largest lender boasts an outstanding dividend track record. The \$67.12 billion bank started paying dividends in 1868 or 153 years ago. Its total return in 48.99 years is 19,680.39% (11.4% compound annual growth rate).

Carissa Lucreziano, CIBC's Vice-President of Financial and Investment Advice, said the pandemic had changed the world in many ways. However, the 2021 CIBC Ambitions Survey results show that the ambition of 32% of Canadians is to save for retirement. Given the bank stock's dependability as an income provider, it's an ideal core holding or anchor for long-term investors. You can invest today and hold CIBC for decades.

## Alternative income stock

An alternative to owning real estate is **RioCan** ([TSX:REI.UN](#)). The \$7.15 real estate investment trust (REIT) is a [pure dividend play](#). Its current dividend yield is 4.71%, and at \$22.26 per share, investors enjoy a 38.11% year-to-date gain. RioCan is back on its feet after the stunning losses in 2020 due to the pandemic.

In the nine months ended September 30, 2021, net income has risen to \$389.6 million from a net loss of \$130.4 million in the same period last year. President and CEO Jonathan Gitlin said the quarterly results reflect the strength of RioCan's high-quality portfolio. The positives during the period include a high occupancy rate of 96.4% and a rent collection of 98.1%.

RioCan also reported improvements in blended leasing (6.8%), new leasing (10.5%), and renewal leasing (5.5%) spreads. Management said the leasing activity for the REIT's residential rental buildings in operation was extremely robust in Q3 2021. The same goes for the sales activity for condominium projects in the pre-construction phase.

## Mitigate the risks

With rising inflation and the inevitable increase in borrowing costs, it would be best to earn passive income in 2022. Dividend payers CIBC and RioCan can mitigate the twin risks.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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