



## Buying a House in 2022? Here Are 3 Challenges You Can Expect in the New Year

### Description

2022: new year, same, old housing market.

Yes, we're opening the new year with a red-hot winter market that's showing little signs of cooling down. If you're serious about buying a home in 2022, here are the top three challenges you'll have to overcome.

### 1. Finding a home

Yes, perhaps the biggest challenge to homeownership in 2022 is, well, actually finding a home for sale.

This will be a challenge for two reasons. First, you have to find a home you can afford (more on that below). Second, you have to outbid the pool of homebuyers, who, like you, are desperate to buy a house.

That last one may be the biggest challenge of all. Right now, demand is unsustainably high. In fact, even though around 656,000 properties were sold on the MLS in 2021, many households still eagerly — no, *impatiently* — await the listing of new homes.

Home sales are expected to slow next year, but don't be fooled: the slowdown isn't because demand is cooling, but more than likely because no one can find a home to buy. With fewer homes to select from, you risk buying a home "just because it's available," which might lead to a severe case of buyer remorse when the real estate reaches a more sustainable level later on.

It's true that construction companies are working around the clock to meet the exuberant amount of buyer demand. But it's not likely these companies will build enough homes in 2022 to meet those demands.

## 2. Affordability

The real problem with a short supply of homes: it's pushing the price of houses *up*. In fact, across the board, nearly every major financial institution, from banks to mortgage lenders, predict that housing prices will grow even more next year.

Not only will that push homeownership away from low-income households and first-time homebuyers, but it could also make mortgages far too expensive for the average Canadian. In fact, home prices have become so high, even the Bank of Canada believes affordability will likely fall in 2022, putting Canadian homebuyers, especially those with a low downpayment, in a precarious position.

## 3. Mortgage rate hikes

Speaking of affordability, another factor that could challenge homebuyers in 2022 is the expected mortgage rate hike.

The Bank of Canada has warned us repeatedly that mortgage rates will go up around the second quarter of next year. In theory, if the cost of borrowing money goes up, we could see a decrease in demand. But I wouldn't hold your breath. Whereas higher mortgage rates will deter some speculators and investors from buying real estate property, those who leave the race will only be replaced by those waiting eagerly on the sidelines.

When mortgage rates go up, your monthly mortgage payment will also go up. That could take affordability to another level: not only are you making an extremely expensive purchase, but you're also paying more to borrow money for it.

## Should you buy a home in 2022?

My advice: wait.

Housing prices have reached unsustainable levels. If you were to break apart that \$750,000 home and then calculate the cost of putting that home together, wall by wall, I'm willing to bet you wouldn't reach \$750,000 — not this year and not in the next. In other words, there's a massive gap between what your home is actually worth and what people are willing to pay for it. That's what we call a "bubble." And, whenever homebuyers realize how much they're actually paying versus how much the property is worth, that bubble will pop.

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