71% of Canadians Think Housing Is Too Expensive

Description

The affordability crisis in the housing market wouldn't end just yet, even if the Bank of Canada began its rate-hike campaign early this month. Besides the low inventory, the bidding war among homebuyers is ongoing. Some Canadian families find houses that fit their budgets but eventually lose out because others pay more than the asking prices.

A recent survey by Oxford Economics for Mortgage Professionals Canada (MPC) reveals the dashed hopes of prospective homebuyers. About 71% of the poll respondents are unlikely to continue their house hunting because home prices are too expensive.

According to Paul Taylor, president and CEO of MPC, the 29% of respondents who said now is a good time to buy a home was the lowest share recorded in the history of their survey. Moreover, 26% expect home prices to jump significantly.

Real estate investors might also adopt a holding pattern or invest in real estate investment trusts (REITs) instead to earn passive income. Apart from the inflated prices of the properties, the cash outlay would be substantial if you were to include upfront costs and other related expenses.

Double threat

While rising interest rates can dampen excessive price growth, some economists don't think it will improve housing affordability. Rising inflation and higher mortgage rates are double threats to homebuyers. The financial risk is that the size or amount of down payment will increase along with rising home prices,

Market data shows that the average down payment has risen to 46% of the purchase price from only one-third in previous surveys. Putting up more money for the down payment will erode disposable income and personal savings. Meanwhile, it's better to wait until calmer conditions come, hopefully in the spring.

Dividend plays

Slate Grocery (TSX:SGR.U) and **Dream Industrial** (TSX:DIR.UN) are the top investment picks in TSX's real estate sector. Their share prices are below $20, but the dividend offers are generous. The former ($16.45 per share) pays a 5.26% dividend, while the latter's ($16.62 per share) yield is 4.25%.

In 2021, Slate Grocery reported strong financials and achieved record growth. While net income declined 5.1%, rental revenue and net operating income (NOI) rose 20.3% and 41.3% versus 2020. Its CEO Blair Welch said, "We have significantly accelerated the REIT's growth and enhanced the overall stability and durability of our portfolio."

The $963.67 million REIT owns and operates grocery-anchored real estate in the United States. Management made several accretive acquisitions in 2021 and increased its exposure to leading omnichannel grocers in America's largest metropolitan areas.

Dream Industrial enjoys a robust leasing momentum, because industrial properties are in high demand due to the e-commerce boom. In 2021, the $4.17 billion REIT reported NOI and net income growth of 29% and 204% versus 2020. As of year-end 2021, the REIT had 239 incoming-producing industrial assets or properties and a high occupancy rate (in-place and committed) of 97.7%.

Relief in sight

The problem today is the market imbalance, where demand outstrips supply. However, the spring market could bring relief. **National Bank of Canada** reports a 23% surge in new listings in February. If the trend sustains, competition could ease, and home prices could drop to be more affordable to home seekers.

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