



Buy a Home, Rent, or Invest? The Bull and Bear Case for Each

Description

The housing crisis in Canada continues on, with the average cost to purchase a home up 11% in March 2022 compared to March 2021. It has many Canadians weighing their options when it comes to investing in this volatile market.

And it is certainly volatile. Buying a home is expensive, so perhaps rent could be better. But those costs could go up too. Then there's the stock market and real estate investment trusts (REIT) to consider. So, which is the best? Let's dig in.

Buying a home

It looks like the average cost of a home in Canada could finally be slowing down. The average cost peaked at about \$860,000 in February 2022, coming down to about \$796,000 in March 2022. But that's still an increase of 11%, as I stated in the introduction.

And, of course, this is the Canadian average. Home prices have skyrocketed in urban centres, especially places like Vancouver and Toronto. And with prices up and a shaky housing market, it may not be the best time to invest.

Should you purchase a home as an investment, it's unclear when or whether you'll get that money out of it anytime soon. A housing crash could see the price of your home drop. And even if you get the same out of it, you'll be investing in a loss given the taxes and payments you already paid towards the home.

So, is renting any better?

Choosing to rent

If you were to decide to rent, the nice thing is that your costs are fixed. You can lock in to usually a year-long agreement that won't see your prices go up or down. But some Canadians are choosing to

rent over buying. And that means in the future, you could see your prices come up.

The cost of maintaining a property continues to grow. This could lead landlords to increase your rent to make mortgage payments or, worse, sell the property to make a profit. This could lead you in an unstable situation where you don't have a place to live!

Plus, depending on where you live, renting can sometimes cost even more than buying a property. In fact, the work-from-home trend pushed rent to an all-time high in some cases. In Toronto, it currently costs about \$2,000 on average to rent as of April 2022. Thought that's still far cheaper than the \$5,000 it may cost you to own a home instead.

Investing in REITs

Then there's choosing to invest in real estate by investing in real estate investment trusts (REITs). This may be the cheapest option, but that doesn't make it any less volatile. If you're looking for an [investment](#), you'll have to do some digging to find the best choice for your portfolio.

Luckily, you've come to the right place. Given the volatility we've seen within the residential sector, I would recommend investing in real estate that's more steady. This would include something like **Dream Industrial REIT** ([TSX:DIR.UN](#)) that offers investment in industrial properties.

These properties are used for storage, shipping, and assembly for the large part. And they're in huge demand with supply demand only increasing. Further, the e-commerce growth we've seen may slow but not stop. And that leaves even more room for growth within the [industrial](#) sector.

Foolish takeaway

What it always comes down to is what you can afford. If you can buy a home and hold onto it for a decade or more, investing in property is always a strong option. However, if you're looking to move over the next few years, renting is certainly less risky, even if rental prices go up.

But if you just want an investment and don't have tonnes of cash on hand, investing in industrial REITs like Dream are great choices. You get a 4.99% dividend yield and a valuable share price trading at 5.2 times earnings. That's certainly a win in my books.

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1. Dividend Stocks
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