



Renters Will Rise in Number vs. Homebuyers in 2022

Description

Canada's housing market is starting to cool, but home sales are dropping, not increasing, based on data (April and May 2022) from the Canadian Real Estate Association (CREA). The rate-hike campaign of the Bank of Canada is a deal buster for prospective homebuyers and homeowners, because mortgage payments are climbing higher.

Renters have doubts too about their abilities to purchase a home. According to Paul Orlander, executive vice-president of individual customers at Canada Life, surging inflation and rising interest rates impacts the availability of funds. He said, "These factors will likely have Canadians continuing to see homeownership as increasingly challenging."

Increasing pressure

The poll results of a recent survey by Canada Life revealed the sentiment of renters. About 73% of respondents said it's a bad time to buy a house, while 17% confirmed they'd never buy one. The reasons for staying away from the housing market are a lack of cash, fear, and uncertainty.

Notably, 91% of renters believe purchasing a home is getting harder every year. Furthermore, 89% expect the next generation to have an even harder time getting into the homeownership. Even current homeowners are under pressure, as the next round of rate increases could be more significant than the three previous hikes.

With inflation soaring to 7.7% in May 2022, a 75-basis-point increase on July 13, 2022, isn't farfetched. The central bank will not hesitate to be forceful in curbing runaway inflation. On the investment side, the [real estate sector](#) continues to underperform so far in 2022. However, residential real estate investment trusts (REITs) should stand out due to increasing rental demand.

Headwinds for residential REITs

Boardwalk ([TSX:BEI.UN](#)) and **Killam Apartment** ([TSX:KMP.UN](#)) should be on investors' watchlists, if

not on the buy lists. The former owns and operates multi-family rental communities, while the latter's property portfolio consists of apartments and manufactured home communities.

In Q1 2022, Boardwalk trades at \$42.87 per share and pays a 2.54% dividend. In Q1 2022, the \$2.16 billion REIT reported solid operational and financial results. Its net operating income (NOI), funds from operations (FFO), and net income increased 1.6%, 3.8%, and 139.6% versus Q1 2021.

Sam Kolas, Boardwalk's chairman and CEO, said, "We are pleased to report on another solid quarter to begin 2022, with growth in NOI, FFO, and profit." He added that increased interest rates and anticipated significantly higher utility costs in 2022 are headwinds for community providers.

Killam enhances value and profitability through leasing activities, portfolio expansion, and diversifying geographical diversification. Also, this \$1.98 billion REIT acquires newer properties and develops high-quality properties in its core markets. If you invest today, the share price is \$17.11, while the dividend offer is 4.09%.

In Q1 2022, Killam's property revenue, NOI, and net income climbed 15%, 12.4%, and 118.9% versus Q1 2021. Its president and CEO Philip Fraser said, "Killam's first-quarter earnings growth and operating performance were strong. Our development program will deliver much-anticipated growth to our portfolio in 2022 and 2023."

Homeownership could displace Canadians

Mr. Orlander said homeownership and the cost of maintaining a house could displace Canadians' ability to save for retirement. He believes that renting is a practical option at this time if you want more flexibility or need to preserve free cash flow for savings and investments.

CATEGORY

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