

Is Canada Really in a Housing Bubble? (EP.180)

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Synopsis

There is no doubt that housing in Canada is expensive, but are we really in a bubble? Today on the show we explore the user cost equation and how it can help us answer this question. Before the main topic, we get warmed up with a behind-the-scenes look at Dell's growth path in Cameron's review of *Play Nice But Win*. From there we address Peter Lynch's recent warning against passive investing as well as reiterate our position on the performance of small-cap value versus large-cap growth. Heading into our discussion on housing in Canada, we provide a working definition of a housing bubble and present the model used to work out user cost, addressing each factor in some detail. We discuss the risk premium for owning versus renting and highlight an interesting point on high price sensitivity during low-interest rates. The major takeaway after looking at Canada from within this framework is that user costs are in line with what they should be historically, and that saying we are in a housing bubble would be a little drastic!

Key Points From This Episode:

- The effects of the plot of *Sex and The City* 2021 on Peloton stocks. [0:00:20.1]
- A book review on *Play Nice But Win* which tells the story of Dell. [0:08:01.1]
- Mixed responses to the paper, '*Want to Be Happy? Hire a Financial Advisor*'. [0:13:01.1]
- Active fund performance and thoughts on Peter Lynch's recent warning against passive investing. [0:17:14.1]
- Responding to listener disagreement with our research on the high returns of small-cap value ETFs. [0:22:46.1]
- The huge delta between the performance of ARC versus AVUV. [0:30:27.1]
- Using the concept of user cost to assess whether there is a housing bubble in Canada. [0:33:52.1]
- The different inputs into the model used to work out user cost. [0:38:22.1]
- The definition of a housing bubble and how the facts hold up. [0:39:36.1]
- The risk premium for owning instead of renting; why owning could be risky. [0:43:39.1]
- Perspectives on the chance that high prices could be driven by real estate

investors.[0:47:03.1]An offsetting factor in the form of a reason for why owning is not risky. [0:49:06.1]If owning a home in Ontario is expensive from a user cost perspective.[0:52:45.1]Whether homeowners are willing to pay inflated prices for housing because they expect unrealistically high housing appreciation in the future. [0:53:54.1]Prices are sensitive to interest rates when interest rates are already low. [0:55:59.1]Tradeoffs, insurance, and taxes in this week's iteration of Talking Sense. [0:59:27.1]

Reader's comments

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