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One in four Canadians plans to buy investment property in next five years: Royal LePage survey

Possibility for value to appreciate over long term top motivation

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Royal LePage said a new study uncovered a strong desire among Canadians to purchase a home for investment purposes. PHOTO BY ALEX UROSEVIC/TORONTO SUN

Approximately 11 per cent of Canadians currently invest in residential real estate, with more than half of current investors saying they are likely to purchase an additional residential investment property in the next five years, according to a survey by real estate firm Royal LePage.

The survey, conducted by Leger, said 64 per cent of residential real estate investors own one property, while 32 per cent own two or more.

“There are more small business landlords in the country than previous data would have indicated and considerably more people interested in becoming property investors,” Royal LePage chief executive Phil Soper said in an interview. “So it’s clearly a product of the time and the economic environment of the perceived opportunity.”

Since their research on real estate investors is new, there is no baseline to compare it to, but Soper said the numbers appear to be higher than he would have expected.

The report said more than a quarter, or 26 per cent, of all Canadians plan to buy an investment property before 2028, with 23 per cent of Canadians who do not own a residential investment property saying they are likely to purchase one in the next five years.

“Despite higher borrowing costs in today’s post-pandemic real estate environment, the aspiration to own property for the purpose of investment remains strong,” it said.

Investors understand that there’s a critical housing shortage in the country, and realize Canada is welcoming half a million new Canadians a year — a figure that’s likely to remain high or even grow, Soper said.

Another issue that’s driving people towards investing in real estate, he said, is that rents are at an all-time high and have leapt forward at a rate even outpacing the high level of inflation.

“The combination of supply shortage, high rents (and) more homeowners looking for rental to put a roof over their heads has attracted more people to the sector,” Soper explained.

The survey found the opportunity for their property’s value to appreciate over the long term was the top factor investors consider when buying property. Positive cash flow on a monthly basis ranked second, and the low maintenance and variable expenses was third.

Forty-four per cent of investors owned a single-family detached home, while 37 per cent invested in condominiums or apartments.

Soper said with the stock market being volatile and producing negative returns in many asset classes over the last years, investors have taken alternative investments into consideration. Young people in particular, he said, who might have been been thinking about investing in tech companies, have had a change of heart as the sector has been hit hard over the past months.

The study said the increased cost of borrowing has had a significant impact on variable-rate mortgage holders over the past year, with more than 30 per cent of investors in Canada having considered selling an investment property as a result.

Soper said that while that figure suggests there will be some churn in the pool of investors, it means the majority are not considering selling and that the sector could thus see material growth.

“Clearly, the big economic drivers at work here are leaning in favour of this particular investment class,” he said.

The study, completed online between March 2 to 17, 2023, surveyed 1,003 Canadian adults who own one or more residential investment properties. It said no margin of error can be associated with the web panel. The percentage of Canadians that owned at least one investment property, including renting out part of their home, was determined from an online survey of 10,021 respondents.

Earlier this year, data released by Statistics Canada showed that at least 20 per cent of residential real estate was owned by investors at the beginning of 2020 in each of the five provinces tracked: Nova Scotia, New Brunswick, Ontario, Manitoba and British Columbia.