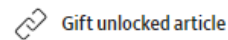


Housing Rebound in Canada Spurs Talk of a New Bubble

By Phred Dvorak

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(See [Correction & Amplification below.](#))

TORONTO—Dominic Carrasco first tried to sell his studio apartment here in January 2009. The only offers the 42-year-old massage therapist got were well below the 166,900 Canadian dollars he'd paid for it five years earlier.

Last month, Mr. Carrasco tried again. The condominium was snapped up by the woman in charge of posting the information to the real-estate listing site, for C\$209,900, or US\$196,003, 40% more than the highest bid last year.

"I couldn't believe it," says Mr. Carrasco, who says he's both relieved and unsettled by his change in fortune. "If my condo can go up that much in one year, it doesn't make sense."

As the U.S. struggles to get out of its housing slump, its neighbor to the north faces a different challenge: Canada's housing recovery has been so rapid that some here are worrying about a bubble.

The low interest rates and the eagerness of banks to lend attracted buyers such as **Cindy Girard of Red Deer, Alberta**, who invests in residential real estate to supplement the money her husband earns as a welding inspector for the oil-and-gas industry.

Ms. Girard has been buying and renting out apartments for years. In 2009, she went into overdrive, buying six units in six months, with mortgages at rates ranging from 2.45% to 3.95%. She says she "maxed out" on the last mortgage, which pushed the family's ratio of debt service to income into the mid-40% range—above the level many Canadian lenders are comfortable with.

Ms. Girard says she bought all the properties for below the asking prices. "Money is growing on trees these days, lending rates are so low," Ms. Girard wrote in December in an online forum for real-estate investors. "There are loads of properties to choose from, and the banks want to lend!"

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