

COMPARATIVE ANALYSIS OF THE INDIAN AND CANADIAN REAL ESTATE MARKETS

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Abstract. Financial and real estate crises have been the most prevalent forms of economic catastrophe over the past three decades. In 2008, India endured a financial crisis unprecedented in its history. Canada seems to be creating a real estate bubble recently; Bloomberg Economics puts Canada as the OECD's second greatest housing bubble in 2019 and 2021. In the case of the Indian real estate bubble, the capital and large cities saw the largest increase in house prices initially, then comparable increase spread gradually to smaller towns and provinces. Thus, this paper conducts a comparative study of the real estate markets in India and Canada and presents a basic analysis of the Canadian real estate market based on the Indian experience with the real estate crisis. Specifically, the article explores the recent economic history and deduces the elements that contributed to the real estate catastrophe. After collecting data and gaining a thorough knowledge of both nations' real estate markets, the article performs a comparison study employing indices such as the housing index, the corruption rate, and the Business Survey Index (BSI). The research indicates that property prices in Canada are projected to rise because of a significant association between corruption and house prices and a decline in the BSI index. The research provides some recommendations to avert a full-fledged real estate meltdown.

Keywords: *Comparative analysis, Canada, India, real estate bubble.*

INTRODUCTION

Canada's economy achieved a strong partial recovery from its imprisonment in spring 2020 but since then faltered. In the first wave of the pandemic, output fell by more than 15 %, and unemployment increased to about 14 %. Economic activity first recovered rapidly, but then the rate of recovery slowed. The travel, leisure, and entertainment industries remain much less active than they were in the pre-crisis period. In 2020, output decreased by 5.4 %. Activity increased significantly as limitations began to be lifted in May 2020. By August 2021, real GDP had fallen by around 5 % from its pre-crisis level (OECD, 2021). According to the National Statistical Office's (NSO) preliminary estimates of national income announced on 31 May 2021, India's Real Gross Domestic Product (GDP) contracted by 7.3 % in FY 21. Real GDP growth in the March 2021 quarter was 1.6 % year on year. The

increase in March 2021 quarter was mostly driven by the manufacturing and construction industries (Mekherjee et al., 2021).

Each country's economy may have grown in a unique manner. Real estate, renting, and leasing are the primary pillars of the Canadian economy followed by manufacturing and mining (OECD, 2021). Agriculture, mining, manufacturing, and construction sectors are major contributors to India's economy (Gandhi, 2022).

Prices of residential real estate in Canada from 1921 to 2012 for the whole nation, including a brief pause shortly after World War II.

Prior to World War II, Canadian real estate values were relatively constant. They increased at an average annual rate of 2.8 % during the postwar decades, until development slowed in the 1990s. Following a short period of stagnation, Canada enjoyed a huge housing boom in the 2000s, with yearly growth rates near to 5 % on average (Schularick & Steger, 2014).

Since the end of 2019, a dangerous illness caused by a novel coronavirus, COVID-19, has spread around the globe. It has resulted in millions of fatalities and a worldwide economic downturn. Business activities are being severely hampered in several places as a result of prolonged lockdown orders. Unemployment rates of numerous rich countries have reached a historic high. For instance, Canada's jobless rate increased to 13.7 % in 2020. Knight Frank's Global Home Price Index revealed that 91 % and 93 %, respectively, of the 56 tested nations saw year-on-year house price gains in Q2 2020 and Q1 2021. It recorded yearly rises in home prices of 13.2 % in Canada (Yiu, 2021).

The goal of this research is to undertake a comparative analysis of the Indian and Canadian real estate markets. Given that India suffered a massive real estate bubble in 2008, it would be beneficial to evaluate India's experience in order to draw lessons for the Canadian real estate market. This section concentrates on the Indian real estate bubble. After examining the mechanisms that led to India's real estate bubble, the Canadian real estate market is compared to the Indian real estate market.

1. INDIAN REAL ESTATE BUBBLE

A real estate bubble is described as a financial market collapse that arises as a result of a massive increase in property values, such as residential home prices. Numerous real estate bubbles have occurred throughout economic history, from the 1920s Florida housing boom through Japan in 1990 to the United States and European nations in 2006 (Rapp, 2009).

The global crisis's first effect on India was evident in the stock market in January 2008. This occurred as a result of a reversal of foreign institutional investor (FII) inflows into the nation. India received around US \$ 17.7 billion in net stock inflows from FIIs in 2007. This resulted in a net outflow of US \$ 13.3 billion between January 2008 and February 2009. This was a direct outcome of the financial meltdown's huge deleveraging of US institutions (Joseph, 2009).

1.1. Global Financial Crisis

The September 2008 collapse of Lehman Brothers triggered an anxiety tsunami across the world's financial markets. Banks effectively ceased lending to one another. The risk premium on interbank borrowing increased substantially to 5 %, from near nothing in the past. Despite regulators' haste to pump liquidity into financial markets, the harm had already been done. The risk premium on corporate bonds increased even more to nearly 6 %. Large CAPEX projects were delayed, the business sector essentially ceased borrowing, trade credit became scarce, and trade volumes plunged as demand fell, notably for investment goods and industrial durables such as autos. Consequently, the global financial crisis precipitated the greatest and fastest decline in global economic activity in the contemporary history. In 2009, most industrialized economies entered a serious recession. The repercussions for global commerce have been substantial, both in terms of volume and pattern of trade. According to the OECD, global trade volumes declined by 13 % in 2009 compared to 2008 levels. The primary shock coincided with the commencement of the global financial crisis, when the housing bubble burst, resulting in capital reallocation, loss of family wealth, and a decline in consumption (McKibbin & Stoeckel, 2009).

The economic slump is a result of lax underwriting standards and regulatory oversight, notably in Indian mortgage lending. The subsequent implosion of the housing bubble and the ensuing financial mayhem grabbed the world's main economies. The resulting suboptimal conclusion has a wide range of consequences for production and employment, notably in construction and real estate (Chaturvedi et al., 2013).

1.2. Corruption

When a few prominent banks went bankrupt, the whole financial system was engulfed in an extreme crisis. In the face of widespread dread, banks in financial hubs ceased lending to one another. Banks were disinclined to engage in proactive lending. Western financial markets have been paralyzed by fear. The whole affair has shown excessive greed and widespread corruption, which have been supported by governments that have lost sight of their obligation to safeguard their population. The main stakeholders' credibility has been undermined. Trust, the most valuable and necessary component of human interaction, has disappeared. The globe is facing setbacks that are already wreaking havoc (Rajya Sabha Secretariat, 2009).

1.3. Land Policies and Taxes

Numerous concerns emerge when attempting to determine the elements that contributed to the real estate bubble: whether lax rules or taxes had a role, or if a lack of available land contributed to such a large increase in house prices. In the Indian federation, the Constitution's Seventh Schedule allocates legislative authority between the Union and State governments. Entry 4 of the state list vests state governments with authority over all local government matters, including "... the establishment of municipal corporations, improvement trusts, district

boards, mining settlement authorities, and other local authorities for the purpose of local self-government or village administration”. Article 243-W empowers the legislature of a State to delegate authority to local governments for the responsibilities enumerated in Schedule 12 of the Constitution. Similarly, Article 243-X empowers State governments to delegate the authority to impose taxes, duties, fees, and tolls within the parameters and procedures established by the State legislature. This assignment method had three critical components. To begin, although there is a distinct timetable for devolution of municipal government responsibilities, the precise function to be devolved and the scope of devolution remain with the state government, the Constitution has no separate list of taxes to be assigned to municipal governments. Due to the absence of a distinct list for local governments, State governments are obligated to delegate tax authority to local governments using the State List in the Seventh Schedule. Second, State governments retain total discretion over the distribution of tasks and sources of funding to local organisations. Finally, local governments are authorized to impose taxes, duties, fees, and tolls in conformity with the processes and limitations established by the State governments (Rao, 2013).

Finally, there is no definitive answer to the question of whether land availability had a role in the real estate boom. For instance, Mallick & Mahalik (2015) claim that increasing land availability did not result in an increase in home prices. While land supply seems to have had little direct influence on home prices, it did indirectly misallocate resources and encourage speculation. The inflation rate and a proxy for wealth (market capitalization) have a detrimental effect on house prices.

1.4. Rental vs. Ownership

Residential rental housing markets differ per city, since they are affected by and react to local economic, political, and regulatory circumstances and frameworks. Landlords, renters, and investors all create and use rental housing in innovative and adaptable ways to meet requirements and maximize asset values. These variables combine to make rental housing a necessary component of healthy housing markets.

In 2011, India had 24.7 million vacant census houses (7.5 % of total census houses), of which 13.6 million (6.2 % of total rural census houses) and 11.1 million (10.1 % of total urban census houses) were in the rural sector and 11.1 million (10.1 % of total urban census houses) were in the urban sector, respectively. In India, the ratio of empty census homes in total census houses grew slightly from 6.3 % in 2001 to 7.5 % in 2011, across both rural and urban sectors. From 15.8 million in 2001 to 24.7 million in 2011, the number of unoccupied census dwellings climbed by 8.9 million (56 %). The growth in the number of such dwellings over the last decade was 45.1 % in rural areas and 71.9 % in urban areas, respectively. The decadal growth rate of unoccupied census homes (56 %) was much larger than that of census houses (32.8 %) and families (28.5 %) throughout India, and also in both rural and urban areas (Kumar, 2016).

The most intriguing, if alarming, aspect of the urbanization conundrum is the long-term shift of salaries in comparison with property prices. It is clear that prices increased significantly throughout the first decade of the new century and became

very expensive. While a pullback has occurred, prices remain about 8–9 times the sweet spot (which is about 5 times the annual income) (Savills India, 2020).

1.5. Banks of India

The Reserve Bank has taken a number of initiatives in the housing industry. Commercial banks are required by the Reserve Bank to lend 3 % of additional deposits to the priority sector, which includes funding people and other entities, such as co-operatives. The Reserve Bank considers bank investments in bonds issued by specified housing businesses as part of priority sector financing. Additionally, data collection on banks' direct and indirect exposure to the housing industry has begun. Bank investment in mortgage-backed securities (MBS) as a source of credit to housing since 2004, as well as allocating a reduced risk weight to housing and a benign interest rate environment has contributed to the growth in housing loans. Housing loan growth has also been aided by the relative safety of such assets, owing to the tangible nature of the primary security and the assurance provided by the 2002 Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act and its December 2012 amendment. The National Home Bank has been a critical regulator and supervisor of housing financing enterprises. In recent years, particularly after 2001, a slew of new competitors has joined the housing finance market with competitive products, helping to boost demand for home loans. These mortgage financing companies/banks have been passing the savings on to their clients. Apart from streamlining the loan application procedure, a majority of these financing institutions have created new products and variations aimed at certain consumer demographics (Singh, 2013).

Indian leaders just refused to acknowledge and prepare for what was about to happen. Corruption and poor administration made it hard to build effective measures to address the real estate bubble, which would have economic and political ramifications for India.

2. CANADIAN REAL ESTATE MARKET

Formal, structured markets for residential real estate have existed in Canada for well over a century, with the first real estate board established in 1888 in Vancouver – less than two decades after the country's formation in 1867. By 1943, a coalition of provincial real estate boards had formed a national association to reflect the industry's national scope. In the decades that followed, as the nation expanded, the industry adapted to shifting demographics, lifestyles, and housing preferences. The 1950s saw the growth of the modest but economical single-family suburban houses, which quickly became the favoured housing option for millions of returning veterans and their young families. By the late 1950s, single-family houses accounted for more than half of all new residential buildings in Canada. By contrast, the 1960s saw a surge in demand for flats and multi-family housing, mostly due to an increasing inflow of recent immigrants to Canada from Europe and emerging countries. Multi-family buildings were an enticing alternative to single-family

homes due to their affordability. With increasing consumer wealth, the 1970s and 1980s witnessed a 40 % fall in multi-family apartments and a return to single-family housing, with multi- and single-family projects eventually levelling out and accounting for an equal share of new construction. Changing gears once again, the 1990s had a significant impact on the Canadian real estate market, as an age marked by high interest rates, recessionary economic circumstances in the early years of the decade, and a decline in residential building. By the twenty-first century and the advent of the internet, demand had resumed its increasing trend, owing to lower mortgage rates and easy access to listings through the CREA-operated realtor.ca, as well as the increased popularity and availability of condos. Since the early 2000s, apartment condos have surpassed all other types of condominium building on a nationwide scale (LeBlanc, 2021).

2.1. Housing Price

The national average house price in March 2022 decreased from a record high of \$ 816 720 in February 2022 to \$ 796 068, which was still 11 % higher than March 2021. The fact that this small softening coincides with the Bank of Canada's (BoC) commencement of a rate rise cycle implies that we may be entering a period of housing market cooling. Meanwhile, the March 2022 MLS Benchmark Price climbed by 27 % year over year to \$ 887 100, i.e., the largest year-over-year increase in the history of Canada's housing market. Additionally, this is the 23rd consecutive month-over-month increase in the MLS Benchmark price (Since April 2020). The average Ontario house price of \$ 1 052 920 was down 3 % from February 2022, when it was \$ 1 086 490, but remained up 21 % year over year. For March 2022, Toronto house sales prices grew 18.5 % year over year to \$ 1 299 900. By contrast, the benchmark house price in March 2022 in Vancouver was \$ 1 360 500, up 21 % year over year and reaching an all-time high. Toronto and Vancouver are anomalous property markets in Canada. Canada's average house price, excluding Toronto and Vancouver, was \$ 633 000 in March 2022. In comparison with other Ontario cities, Hamilton's housing market had a 25 % year-over-year rise in average house prices, Mississauga's witnessed a 27 % year-over-year increase in Benchmark home prices, while Ottawa's housing market trailed behind with an 11 % year-over-year increase in home prices. Meanwhile, London's property market saw a 30 % spike in house prices year over year. Many large Ontario communities set all-time price records in February 2022, but many fell somewhat short of their peaks in March, while a handful maintained their stratospheric increase (Bayat, 2022).

Fig. 1 illustrates how the average sales price of real estate has increased over the previous two years. Similarly, Nova Scotia recorded the largest year-over-year price rise of all provinces, with benchmark house prices in March 2022 up 37 % year over year to \$ 390 200. The costliest province in Canada to purchase a house is British Columbia. In March 2022, the average house price in British Columbia was \$ 1 089 600, up 15 % year over year. This is more than the average property price in Ontario, which is \$ 1 052 900 (Bayat, 2022).

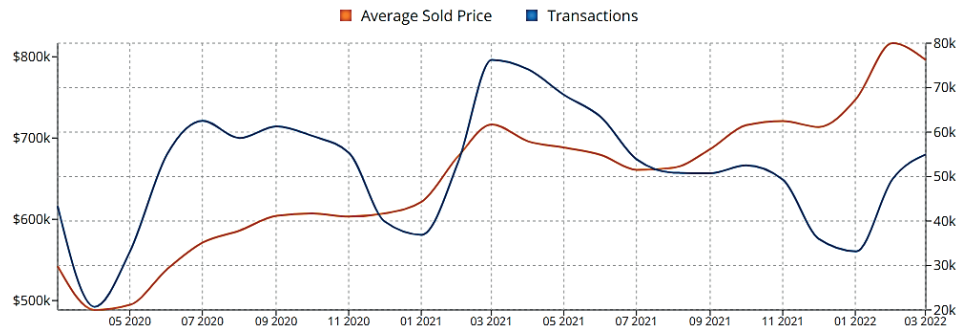


Fig. 1. Trends in the Canadian real estate market housing price (Bayat, 2022).

2.2. Current Scenario in the Housing Sector

COVID-19 was designated a pandemic by the World Health Organization in March 2020. Canada's governments responded by enacting essential limitations to prevent the spread of the new coronavirus that causes the sickness. These limitations resulted in major economic and employment disruptions, which were exacerbated by families withdrawing from usual activities in order to prevent infection. As a consequence, housing starts, house sales, and price increases all fell significantly in the first half of 2020 compared to the previous quarter. This occurred despite the continuing epidemic and the inability of the economy and labour market to fully recover. Housing patterns so far in the epidemic are a result of a number of variables. One critical element has been the unequal distribution of the pandemic's economic consequences. Higher-income families have historically been able to preserve their income, since their occupations more often than not allow for work-from-home flexibility. In contrast, workers in low-wage sectors have been less adaptable to pandemic circumstances. Pandemic limitations also restrained consumer spending, as seen by the average household savings rate increasing to record highs in 2020. Increased savings, along with low mortgage rates, enabled those families that adapted to pandemic work circumstances to finance home purchases. As the existing-home market rebounded, total sales surpassed total new listings, sustaining overall price rise. Simultaneously, sales growth has been faster for comparatively more costly single-detached apartments, as people have sought bigger residences from which to work, which has aided total average price increase (Housing Market Information, 2021).

Rental demand, on the other hand, has decreased as a result of the higher negative effect on less wealthy families, who choose to rent. Reduced immigration and student demand have worsened the shrinkage. Additionally, the pre-COVID trend of families fleeing more costly city centres, such as Toronto and Vancouver, for cheaper suburbs and surrounding census metropolitan areas (CMAs), intensified. Interprovincial movement to markets in the Atlantic, which were less affected by COVID-19, grew as well, assisting in offsetting losses in international migration. Oil prices fell and stayed below pre-COVID levels until 2020, putting a strain on oil-producing regions.

2.3. Mortgages

Mortgage rates continue to decline in Canada. In January 2021, the average rate for one-year mortgages was 2.79 %, down from 3.64 % in January 2020. In January 2021, the average rate for three-year mortgages was 3.49 %, down from 3.94 % in January 2020. In January 2021, the average rate for 5-year mortgages was 4.79 %, down from 5.19 % the previous year. The central bank maintained its key rate at a record low of 0.25 % in January 2021, after a cumulative 150 basis point rate decrease in March 2020 in response to the commencement of the COVID-19 epidemic. The mortgage industry continues to develop, aided by very low interest rates. According to Statistics Canada, the amount of outstanding home mortgage debt increased by 5.3 % year over year to CA\$1.7 trillion (US \$ 1.33 trillion) in August 2020. Mortgage lending has grown rapidly in recent years, increasing from 39.8 % of GDP in 2000 to 54.2 % of GDP in 2008, to 63.3 % of GDP in 2014, and eventually to almost 78 % of GDP in 2020 (Delmendo, 2021).

2.4. Housing Policy

The First-Ever National Housing Strategy in Canada. Every Canadian, the Government of Canada believes, deserves a safe and affordable home. Affordable housing is critical to the inclusion of all members of a community. It contributes to the strengthening of the middle class and economic growth. The first-ever National Housing Strategy in Canada is a ten-year, \$ 40 billion strategy to provide more Canadians with a place to call home. The National Housing Strategy of Canada has lofty goals to guarantee that unprecedented investments and innovative program provide results. This resulted in a 50 % decrease in chronic homelessness and the eviction of up to 530 000 families. The National Housing Strategy will result in the construction of up to 100 000 new housing units and the repair or renewal of 300 000 existing housing units. The National Housing Strategy is building a new generation of housing in Canada via new program such as the National Housing Co-Investment Fund and the Canada Community Housing Initiative. Strategy will foster a sense of community diversity. It constructs sustainable, accessible, mixed-income, and mixed-use homes. It constructs housing that is completely integrated into the community – close to public transportation, employment, and public services. Expanded and reformed federal homelessness program, a new Canada Housing Benefit, and a rights-based approach to housing will ensure that the National Housing Strategy prioritizes the most vulnerable Canadians, including women and children fleeing family violence, Indigenous peoples, seniors, people with disabilities, people struggling with mental health and addiction issues, veterans, and young adults. All activities in the National Housing Strategy are evidence-based and include continuing feedback from individuals who have lived with housing insecurity (Government of Canada, 2018).

3. COMPARATIVE ANALYSIS

The comparative study focuses on the period between 2005 and 2021, since this span encompasses the most significant economic developments in both nations.

Canada witnessed a real estate bubble in 2021, whereas India suffered an eruption of the real estate bubble in 2008. As a result, these significant economic events are evaluated because they include essential information about real estate markets. Thus, in this part, this research compares the Canadian and Indian real estate markets.

3.1. Housing Price Index

Between 1981 and 2022, the Housing Index in Canada averaged 70.23 points, hitting an all-time high of 124.70 points in March 2022 and a record low of 37.70 points in May 1983. According to global macro models and expert estimates of Trading Economics, the Housing Index in Canada is predicted to reach 125.00 points by the end of this quarter. According to our econometric models, the Canada New Housing Price Index is expected to trend around 130.00 points in 2023. In India's third quarter of 2021, the Housing Index stayed constant at 106 points, up from 106 points in the second quarter of 2021.

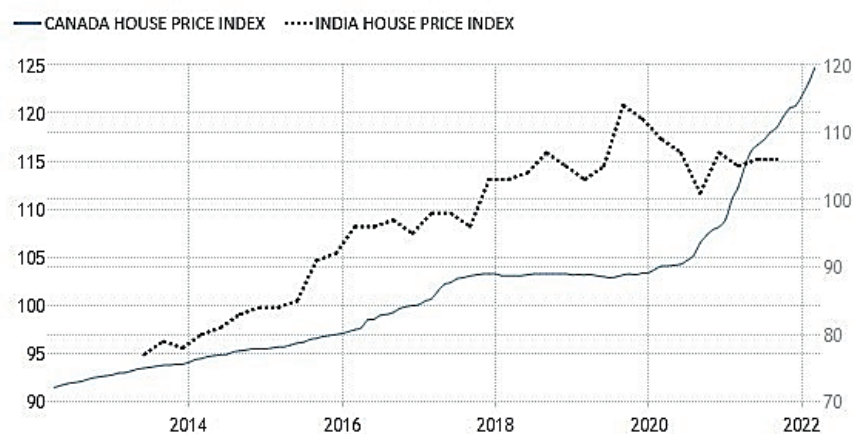


Fig. 2. House price index: India vs Canada. Source: (Trading Economics, 2022A).

According to global macro models and expert estimates of Trading Economics, the Housing Index in India is predicted to reach 112.00 points by the end of this quarter. In a long-term period, our econometric models predict that the India House Price Index will trend around 120.00 points in 2023 (Trading Economics, 2022A). From 2013 to 2021, the Housing Index in India averaged 96.68 points, peaking at 114 points in the third quarter of 2019 and falling to a record low of 77 points in the second quarter of 2013.

If one of the world's best forecasters is correct, Canadian real estate prices may see a little decline. According to the latest projection of Oxford Economics, property prices would decline by 24 % by mid-2024. This autumn, higher interest rates and anti-speculation laws are expected to kick-start the price decreases. If these efforts fail to fix prices and they continue to climb, a 40 % drop and financial disaster are likely (Punwasi, 2022).

3.2. Corruption Index

Canada received a score of 74 out of 100 on Transparency International's 2021 Corruption Perceptions Index. Between 1995 and 2021, the Corruption Index in Canada averaged 85.34 points, hitting an all-time high of 92 points in 1998 and a record low of 74 points in 2021. India received a score of 40 out of 100 on Transparency International's 2021 Corruption Perceptions Index. From 1995 to 2021, India's corruption index averaged 33.21 points, hitting a record high of 41 points in 2018 and a record low of 26.30 points in 1996 (Trading Economics, 2022B).

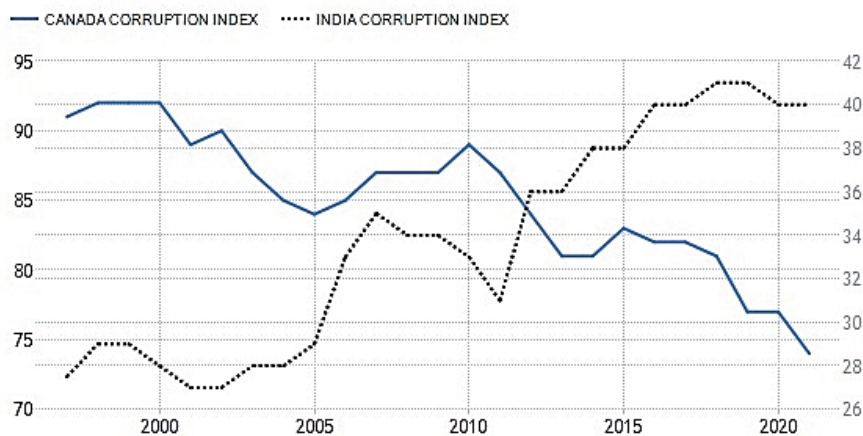


Fig. 3. Corruption index: India vs Canada. Source: (Trading Economics, 2022B).

By examining Figs. 2 and 3, it is evident that there is a strong association between real estate prices and corruption. When India's real estate bubble peaked in 2002, the corruption index reached a record high of 35 points. For Canada, an upward trend in the pricing index is inextricably linked to an upward trend in the corruption index.

3.3. Business Confidence Index

In India, business confidence fell to 134.70 points in the second quarter of 2022, down from 137.80 points in the first quarter. According to global macro models and expert estimates of Trading Economics, business confidence in India is likely to reach 115.00 points by the end of this quarter. According to our econometric models, the India Business Expectations Index (BEI) is expected to trend around 102.00 points in 2023 (Trading Economics, 2022C).

From 2000 to 2022, Business Confidence in India averaged 117.88 points, peaking at 139.30 points in the fourth quarter of 2021 and dipping to a record low of 96.40 points in the second quarter of 2009. By the end of this quarter, Business Confidence in Canada is predicted to reach 65.00 points, according to global macro models and analyst forecasts of Trading Economics. According to our econometric models, Canada is expected to trend around 58.00 points in 2023 (Housing Market Information, 2021).

From 1999 to 2022, Canadian business confidence averaged 56.92 points, hitting an all-time high of 75 points in May 2006 and a record low of 22.80 points in April 2020.

Unlike other indices, such as the housing index, the business confidence index reflects entrepreneurs' optimism about the future growth of industrial activity. Industrial activity is inextricably linked to the construction industry in both Canada and India, which is likewise inextricably linked to real estate. Thus, it is an appropriate measure that reflects individual predictions about the economy's future status.

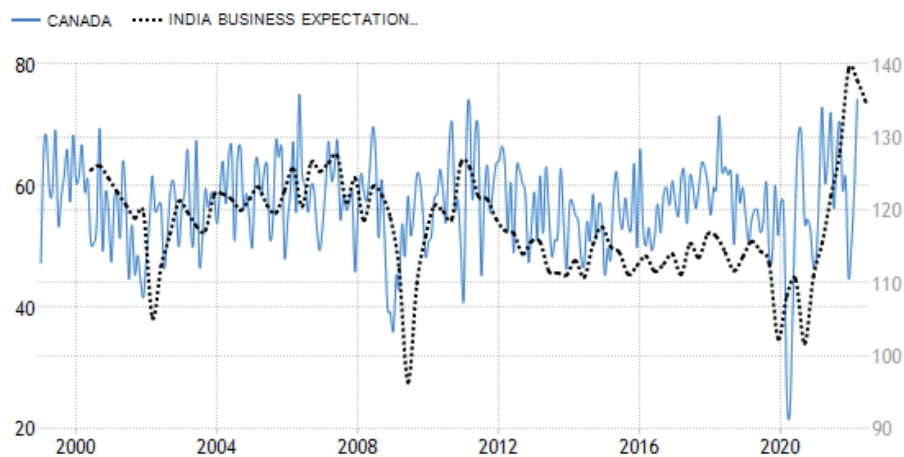


Fig. 4. Business confidence index: India vs Canada. Source: (Trading Economics, 2022C).

As seen in Fig. 4, prior to the 2008 real estate bubble explosion, India's business confidence index fell precipitously in 2009 because of the global financial crisis and the implosion of the real estate bubble. The burst of the bubble in India had both bad and good consequences on the economy, lowering the amount of corruption and increasing openness among financial institutions. Additionally, the financial crisis eliminated all "toxic assets" in Indian financial institutions, with the market returning to pre-crisis levels in late 2012.

Between 2005 and 2010, India's unit labour costs climbed by an average of 5.5 % per year, much more than other countries such as the United States, where unit labour costs increased by just 2 % per year. Labour costs have a major impact on an entrepreneur's confidence. As a result, the BSI index dropped between 2005 and 2010. On the other hand, job creation is more effective than salary increases in raising consumer confidence in Canada. The reason for this is that Canada has a high unit labour cost, making it difficult for businesses to boost salaries. Thus, employment creation is the primary element contributing to consumer confidence. Increasing consumer or business confidence will result in an increase in the BSI index.

CONCLUSION

The article compares and analyses the Canadian real estate market using historical house price data from the Indian real estate sector. As this study indicates, a real estate bubble is likely to develop in Canada for the following reasons. To begin, a quick and continuous growth in real estate prices has been noticed in several states and across major cities and their neighbouring cities, spreading to other locations. Second, there is a good chance that house prices will continue to rise in the foreseeable future. Third, the corruption index indicates a lack of market openness. Additionally, the Business Survey Index indicates that entrepreneurs and consumers lack confidence in the future industrial activities of Canada.

According to this report, the following recommendations are made to avert a real estate catastrophe in Canada. To begin, the Canadian government must implement new measures to rein in speculative demand for real estate in order to prevent the impact from spreading to other cities. Additionally, the government should examine the reasons of home price increases on a case-by-case basis. This is an excellent method of determining if a real estate bubble is occurring in a particular location. Second, Canada is distinguished by a sizable elderly population. Thus, the government should promote a shift in housing demand away from middle-to-large homes and toward middle-to-small ones. The objective here is to address real demand via adequate floor space adjustment rather than by constructing new communities.

Finally, the real estate bubble should be immediately addressed by the Bank of Canada, which is capable of enacting appropriate monetary policies. Unlike the Indian banking system, which lacks monetary policy tools, the Canadian central bank should raise interest rates to discourage and restrain speculators.

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