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SUBMITTED 22 April 2025

ACCEPTED 28 May 2025

PUBLISHED 25 June 2025

VOLUME Vol.07 Issue 06 2025

CITATION

Jeniece Sampson. (2025). Evaluating The Investment Attractiveness of The Suburban Residential Real Estate Market: Trends, Determinants, And Strategic Implications (A Case Study of The United States and Canada). The American Journal of Management and Economics Innovations, 7(06), 90–97.
<https://doi.org/10.37547/tajmei/Volume07Issue06-09>

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Evaluating The Investment Attractiveness of The Suburban Residential Real Estate Market: Trends, Determinants, And Strategic Implications (A Case Study of The United States and Canada)

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Abstract: This study examines the investment appeal of the suburban residential segment in the United States and Canada following the COVID-19 pandemic, revealing structural shifts in demand, pricing, and financing structures. Its relevance stems from the rapid reallocation of capital from urban cores to peripheral areas—an evolution underrepresented in existing real-estate valuation models. The novelty lies in the development of a comparative “yield–resilience” framework that combines price trajectories, climate exposure, and ownership structure. Within this framework, macro- and microeconomic determinants of transactions are analysed—covering migration flows, household incomes, interest-rate burdens, and climate hazards. Construction-for-rent mechanisms, zoning regulations, and tax incentives shaping institutional participation in both markets are compared. Data sources include Bank of Canada transaction statistics, U.S. federal housing reports, inflationary scenarios, and a selection of eight academic and industry publications. The outcome is a suburban typology based on a yield-to-risk balance, accompanied by recommendations for portfolio diversification and regional capital allocation. Further application of the model is proposed to assess the impact of ESG standards, the energy transition, mortgage-program accessibility, and increased global

fintech capital participation on the long-term spatial distribution of investment. This material will benefit analysts, developers, fund managers, banking institutions, and municipal authorities planning investment and infrastructure strategies. The compiled database requires further validation through panel-data modelling, opening avenues for future academic research.

Keywords: suburban housing; investment attractiveness; suburbanisation; United States; Canada; build-to-rent; climate risk; yield; migration; remote work.

INTRODUCTION

The shift in demand from central business districts to smaller urban peripheries—driven by remote work, the aging of the millennial cohort, and rising mortgage rates—is radically transforming the North American housing market’s structure. Investors must revisit traditional yield metrics and pricing indicators in light of new household spatial preferences.

Article aim – to assess the attractiveness of the suburban residential real estate segment in the United States and Canada, and to identify the factors that determine its resilience in the post-pandemic environment.

Objectives:

1. Identify macro- and microeconomic determinants of suburban housing prices and rental rates, drawing on transaction statistics, migration flows, and income dynamics.
2. Compare financing models and levels of institutional participation across the two countries by analysing the impact of build-to-rent projects, zoning rules, and tax incentives.
3. Evaluate the risk profile of suburban residential investments—including interest-rate burdens, climate threats, and social effects from rental-stock concentration—and formulate recommendations for portfolio diversification.

The novelty of this research is embodied in a comparative “yield–resilience” model that integrates price trends, climate exposure, and ownership structure. This enables a quantitative ranking of suburban areas according to their yield-to-risk balance and substantiates a capital-reallocation strategy within

the North American housing market.

METHODS AND MATERIALS

J. Andrews [1] investigated the migration dynamics of homebuyers between suburban areas and urban centers. N. Belanova, D. Lebedev, and A. Garshin [2] analysed the impact of remote work on the spatial distribution of households. N. Biljanovska and G. Dell'Ariccia [3] described the long-term response of price indices to the pandemic shock. M. Carey [4] examined, in detail, the single-family rental model as an instrument for generating stable cash flow. N. Dale [5] assessed the capitalization of the entire U.S. housing stock and noted a slowdown in growth after the 2022 peak. K. M. Hill [6] studied the social consequences of institutional ownership of suburban homes. D. Johnson [7] presented a forecast for a new cycle in the Canadian market, taking investment demand into account. L. Morel [8] compared the pace of housing-cost increases in Canadian suburban and downtown zones.

To derive conclusions, a comparative approach was employed alongside statistical analysis, supplemented by a structured “yield–resilience” ranking that integrates price, climate, and financial indicators.

RESULTS

Research data confirm a marked shift in preferences toward suburbia—particularly in the United States—driven by the pandemic. From 2020 to 2022, higher-income households migrated en masse from downtown areas to suburban neighborhoods in search of more living space and to accommodate remote work [3]. This trend triggered an unprecedented surge in suburban home prices relative to those in urban cores. In American metropolitan regions, the historical “center–periphery” price gradient flattened: whereas property values traditionally declined with distance from downtown, in 2021–2022 suburban home-price growth outpaced that of the cities themselves, effectively closing the gap. For example, one U.S. study found that during the pandemic years, prices in distant suburbs of certain major metropolitan areas rose as quickly as—and, in some cases, even faster than—downtown prices.

A similar pattern emerged in Canada: according to a Bank of Canada briefing note, the price differential between central city neighborhoods and their suburbs had already been narrowing prior to the pandemic, but from 2020 to 2021 this compression accelerated

(Figures 1 and 2).

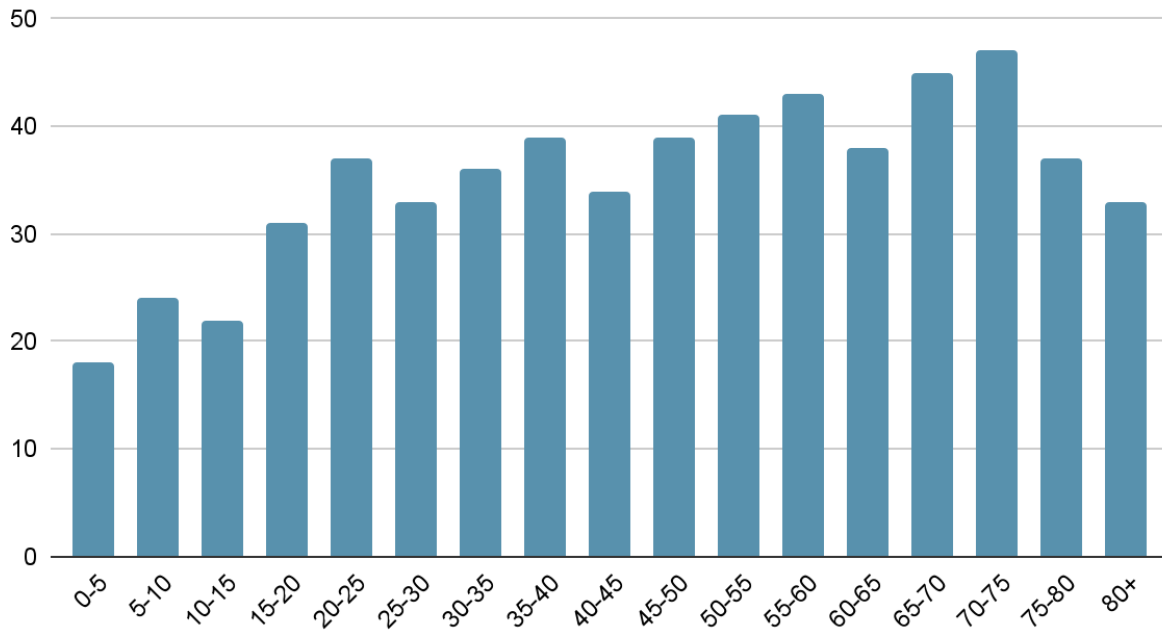


Figure 1. Average percentage increase in home prices from 2019 to 2021, by distance from city center [8]

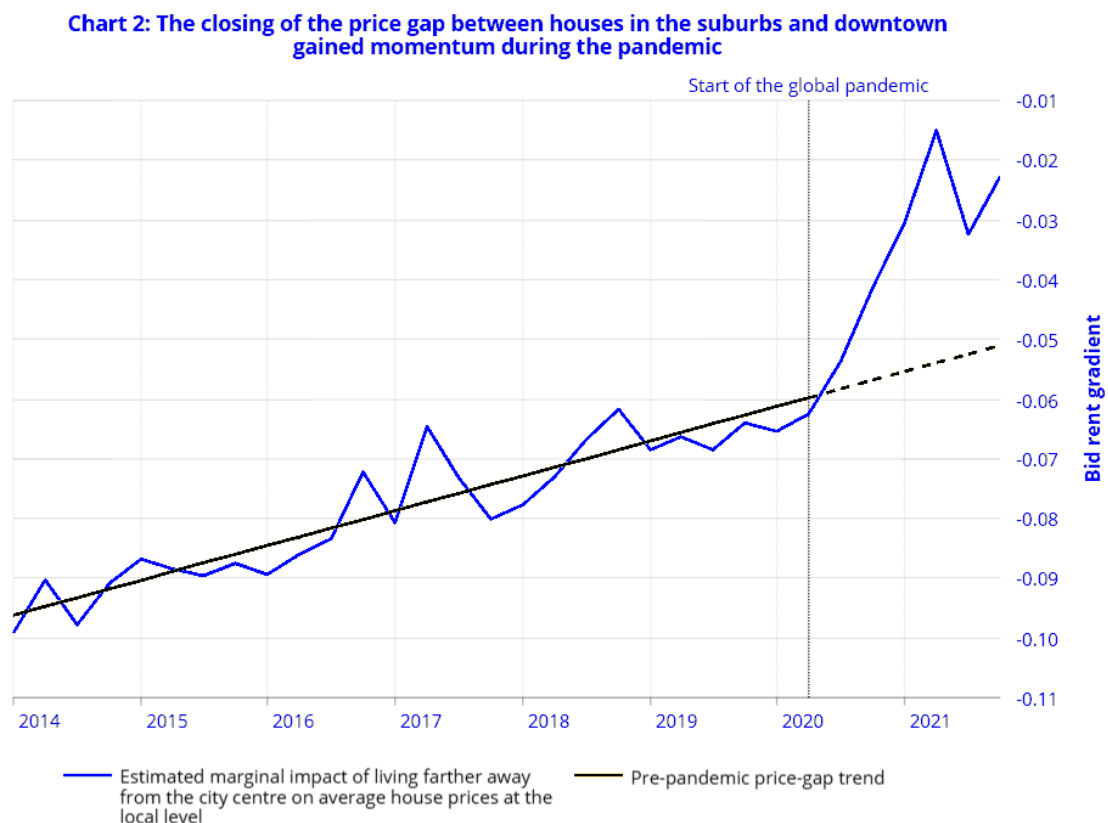


Figure 2. Reduction in the price gap between suburban and downtown homes during the pandemic [8]

Thus, the traditional price premium associated with proximity to the urban core has weakened over time—narrowing that gap. In Toronto and Montreal, suburban home prices rose by 30 – 50 percent from 2019 to 2021, but the pandemic provided an extra catalyst for while central-area price growth was more modest [8].

This evidences a structural shift in demand. been maintained.

However, beginning in 2023, the trend has somewhat adjusted. As pandemic-related factors subsided and some workers returned to offices, signs of renewed interest in urban cores emerged. Nevertheless, the suburban sector has retained its strengthened position: the share of suburban transactions in total real-estate deals remains consistently above pre-pandemic levels. For example, in the United States in 2024, suburbs accounted for approximately 45 percent of all home purchases—several percentage points higher than in the mid-2010s [1]. At the same time, the share of urban transactions declined to roughly 16 percent [1]. This indicates that a reverse exodus back to major cities did not occur; instead, the redistributed equilibrium has

The CEPR/IMF study [3] notes that the suburbanisation trend in the U.S. is enduring and rooted in long-term characteristics: American suburbs are inherently more spacious and socioeconomically varied than their European counterparts, which facilitated the migration of wealthier cohorts. In Canada, too, data for 2022–2023 show sustained high activity in suburban markets, although the extreme price growth has given way to stagnation or a modest correction following rate hikes.

Analysis has shown that the rise in the attractiveness of suburban housing is driven by a combination of factors (Table 1).

Table 1. Factors Driving the Appeal of Suburban Housing (Compiled by the author based on [2–5])

Factor	Commentary
Remote work and lifestyle	The proliferation of fully remote or hybrid work elevated demand for larger homes outside dense urban cores; buyers value a larger lot, additional rooms, and proximity to nature—especially families that continue on remote schedules.
Demographics	Millennials have reached family-forming age, forming the largest cohort of homebuyers, and increased their home values in the U.S. by 18.8 percent in 2024; young families choose suburbs for environmental quality and schools, while immigration to Canada (approximately 500 thousand people in 2022) boosts demand for affordable suburban segments.
Interest rates and investment appeal	Ultra-low rates in 2020–2021 reduced mortgage costs, spurring investment; since 2022, rising rates have lowered affordability for urban condos and shifted demand toward more spacious suburban homes, while single-family rental yields have remained attractive.
Supply and land availability	In the U.S., build-to-rent development is flourishing in the Sun Belt—where land is cheaper and population inflow is high—causing institutional investors to amass rental-home portfolios and drive up prices; in Canada, supply is constrained by zoning and infrastructure limits, causing existing suburban houses to appreciate.

Thus, the synergy of these factors has produced a durable market shift: remote work has intensified preference for suburban space; the demographic impetus of millennials and immigrants accelerates transaction turnover; differences in financing costs divert capital from condominiums to single-family homes; and institutional build-to-rent models induce a

persistent supply shortage on financed land, driving up the value of remaining suburban housing where land-use regulations restrict new development. Collectively, these drivers point to a sustained increase in both price and demand for suburban housing, while urban markets exhibit relative inertia—creating additional opportunities for investors, developers, and

municipalities that can adapt infrastructure and planning to these changed settlement patterns.

Despite their geographic proximity, the U.S. and Canadian markets exhibit distinct characteristics. In the United States, the market is more diversified: alongside expensive suburbs surrounding major metros (New York, San Francisco), there are rapidly expanding suburban areas in the Sun Belt states (Texas, Florida, North Carolina) with strong economies and robust inward migration. These Sun Belt markets offer high investment appeal due to relatively low base prices and significant growth potential. Redfin data show that in 2024, the greatest aggregate home-value gains occurred in northeastern suburbs and certain southern agglomerations, whereas some overheated markets (notably in parts of Florida) actually cooled off [5]. In other words, within the U.S., a redistribution is underway: investors are shifting focus to more stable markets with sound economic foundations (for example, the suburbs of Austin or Charlotte).

In Canada, the market is more monolithic, concentrated around a few major cities—Toronto, Vancouver, Montréal—and their suburban peripheries. Prices there are among the highest globally, and investing carries a correction risk. However, demand is underpinned by record-high immigration and chronically limited supply. Consequently, despite tighter credit conditions, no severe crash occurred: according to the Canada Mortgage and Housing Corporation (CMHC), 2023 saw a decline in transaction volume, but the average suburban home price remained roughly at its 2022 level, and in some regions (Alberta, the Atlantic provinces) it even continued to climb as Canadians migrated in search of affordable housing. Strategically, U.S. investors have more diversification options (regionally), whereas the Canadian market is narrower, and investors often rely on rental income because potential price appreciation can be constrained by a population already struggling with housing affordability. Nevertheless, the investment appeal of the burgeoning suburban market does not negate the existence of risks.

First, interest-rate risk: rising rates have made mortgage payments more expensive, which in turn dampens further price growth—especially in Canada, where most mortgages are short-term with variable rates. In five years, many borrowers must refinance at higher rates, potentially increasing listings and exerting downward pressure on prices.

Second, overheating risk: the rapid price surge from 2020 to 2022 may have led to overvaluation in some suburban markets. A Bank of Canada study [8] warns that if the pandemic-induced shift in preferences proves temporary, suburban home values could decline when demand normalises. Simulations indicate that, should urbanisation return to pre-pandemic levels and builders significantly ramp up suburban housing supply, prices on the periphery might face downward pressure. Current data suggest that preferences have not fully reverted, so this risk is moderate.

Another risk is geographic and climate exposure. Many popular suburbs lie in zones vulnerable to climate hazards: in the southern U.S., hurricanes and flooding; in the West, droughts and wildfires. Climate factors are already impacting markets—for example, in Florida, after a series of severe hurricanes in 2022–2023, insurance premiums spiked, cooling investor interest in certain areas. Strategically, investors are beginning to factor climate risk into location choices, favoring less vulnerable regions or budgeting for higher insurance costs.

Institutionalisation of the market is a significant strategic consequence: the growing role of large investors in the single-family home sector is reshaping ownership structures. Studies note that aggressive purchases of homes by institutional funds in certain neighbourhoods can produce social effects: reduced housing affordability for local residents and even a slight deterioration in neighbourhood quality. In the U.S., it has been documented that when institutions acquired and leased large numbers of homes in some suburbs (for example, counties in North Carolina), the surrounding home prices fell modestly (by up to 2 percent), and crime rates rose [6]. This is attributed to the fact that landlord-owners may invest less in property maintenance, and turnover among occupants in rental homes is higher. For investors, such an “environment” is double-edged: on the one hand, the entry of a major player signals a neighbourhood’s potential; on the other, overheating due to competition can lead to subsequent price cooling and social tensions. Therefore, when evaluating attractiveness, one must account for market-participant structure and local regulations (some municipalities impose limits on fund purchases of homes to protect family buyers).

In light of these trends, investors—both individual and institutional—should adopt a diversified approach and

conduct a thorough analysis of local factors. Promising opportunities lie in suburban markets underpinned by a strong economic base: regions with job growth (technology and logistics hubs, university towns), net immigration (especially of young people and families), and a relatively low price base. In the U.S., beyond the traditional suburbs of major metros, certain “secondary” cities meet these criteria—Austin, Raleigh, Nashville, Orlando, and so forth—where affordability combined with growth makes investments appealing. In Canada, Prairie cities (Calgary, Edmonton) and Atlantic centres (Halifax) have emerged as new areas of interest, since Toronto and Vancouver are perceived by many as overvalued.

A crucial strategy is to focus on yield—rental income—rather than speculative price appreciation alone. Given that the phase of ultra-rapid price growth has likely passed, buy-to-sell investments are now riskier. By contrast, rental demand in the suburbs has risen: households that cannot yet purchase are willing to rent houses, providing landlords with stable cash flow.

Another strategic aspect is innovation and development. Investors can consider participating in suburban development projects. Government policies are beginning to incentivise housing construction: in the U.S., the Inflation Reduction Act (IRA 2022) offers incentives for affordable-housing projects, and in Canada, 2023 saw the launch of subsidised housing-development programmes. Private investors may form partnerships with federal or municipal authorities to develop new suburban territories—thus gaining additional support and mitigating regulatory risks.

Finally, macroeconomic risks must be taken into account. In 2022–2023, the global housing market entered a cooling phase due to rising interest rates; 2024–2025 is expected to bring stabilisation, but much depends on monetary policy. If inflation accelerates again and rates remain elevated for an extended period, real estate may lose part of its appeal as an investment asset—potentially causing prices to fall even in suburban areas. Conversely, if rates decline (as anticipated in 2025), a renewed “window of opportunity” for suburban-market growth may open, albeit at a more moderate pace. Investors should craft strategies that accommodate multiple scenarios—e.g., hedging portfolios with a mix of real estate and other asset classes, rather than concentrating solely in one segment, whether suburban rentals or residential-

construction projects.

Overall, the strategic implications of the shift toward suburbs include reevaluating traditional real-estate portfolio models. Whereas housing in urban cores was once deemed the most reliable investment, it is now prudent to allocate a portion of capital to peripheral areas—especially given complementary trends (infrastructure expansion, new transit nodes, ubiquitous internet) that make suburban living more comfortable.

DISCUSSION

The results confirm that the pandemic served as a catalyst for changes in the U.S. and Canadian housing markets that were already underway. The investment appeal of the suburban sector increased, and although the extreme growth phase has given way to a more balanced state, structural factors will continue to support this segment in the medium term. These factors include:

1. Ongoing digitalisation of work (remote work). Remote or hybrid work arrangements mean a persistent layer of demand for homes with office space and locations farther from city centres.
2. Generational shift. Millennials and Generation Z tend to start families and purchase homes later in life, but by the 2020s they reached those life stages, expanding the buyer pool in suburbs—traditionally more family-oriented environments.
3. Policy interventions. Governments have recognised the housing-affordability issue and are taking measures to incentivise construction. For example, Canada implemented a temporary ban on home purchases by non-residents in 2023 and is preparing zoning reforms that may ease suburban development. In the United States, certain states (e.g., California) are enacting laws to relax single-family zoning standards—allowing duplexes and accessory dwelling units (ADUs)—to increase suburban housing density. For investors, such measures create both opportunities (more development projects) and competition (reduced exclusivity).
4. Local economic effects (“breakout” cities). With remote work gaining traction, many residents of expensive markets relocated to more affordable regions, bolstering those local economies. As a result, smaller cities have received an inflow of human

capital and capital investment, stimulating their housing markets. Although some migrants may eventually return, a significant share has become firmly established. For investors, this means new locations to consider—secondary cities can now offer high returns (for example, Boise, Idaho, was one of the leaders in price growth during 2020–2021, even though it corrected in 2022).

5. Urban-core opportunities. Conversely, there may now be investment prospects in major city centres that saw declining demand. For instance, condominium prices in downtown San Francisco or Toronto fell in 2023, and rental rates dropped—in the event that urban life revives, these assets could appreciate sharply. However, it remains unclear whether urban-centre demand will fully rebound.

In discussing strategies, it is important to account for capital-reallocation risks. In the U.S., the massive entry of institutional investors into the single-family rental (SFR) market has already drawn regulatory and public scrutiny. Legislative initiatives may emerge limiting the market share these owners can hold or requiring them to meet certain property-maintenance standards. Such measures might even benefit individual investors by reducing competition. In Canada, government intervention could intensify due to public pressure—as housing becomes increasingly unaffordable, proposals include new taxes on investment purchases and incentives for first-time buyers. These steps could alter market dynamics.

The long-term consequences of shifting demand to the suburbs remain to be fully assessed. One such consequence is infrastructure development: more roads, expanded utilities, and enhanced transit (for example, commuter-rail or bus systems) will be required. Infrastructure usually develops slowly, but investors should consider future plans: where new highways or rail lines are scheduled, suburban land values can appreciate in anticipation of improved connectivity to urban centres. For example, the planned Réseau express métropolitain (REM) light-rail expansion around Montréal is already influencing the prices of affected suburbs.

Another aspect is environmental impact and quality of life. Widespread suburbanisation can lead to urban sprawl, loss of agricultural land, and greater dependence on automobiles—resulting in increased emissions.

These trends run counter to sustainable-development objectives. Some municipalities are already exploring how to combine suburban advantages with sustainability principles—such as the “15-minute city” concept, where all necessities are within a short distance. Future suburban projects may adopt higher-density models (small apartment buildings, shared community spaces) rather than classic single-lot subdivisions. For investors, this shifts the target asset: in addition to individual houses, mixed-use or master-planned communities on the periphery—designed as self-sufficient neighbourhoods—could command a price premium due to their appeal to residents.

In conclusion, the suburban-housing market has become an arena of significant investment and transformation. This is a positive signal for long-term investors—it indicates that the market correction was relatively mild and that prices can now grow in line with fundamental drivers (household incomes, construction costs, etc.).

CONCLUSION

The suburban residential real-estate market in the United States and Canada exhibited a marked increase in investment attractiveness between 2020 and 2024, driven both by unique external circumstances (the pandemic) and by deeper determinants (demographics, new work technologies, limited urban supply). Our analysis identified key trends: sustained demand for suburban housing; faster price growth on the periphery compared to city centres; a large influx of investors—including institutional players—into the single-family rental segment; and the gradual narrowing of price disparities across locations. The underlying forces of this shift are social (a search for better quality of life, remote work), economic (affordability of lower-density housing, population migration), and financial (ultra-low rates early in the period, followed by a strategic reappraisal as rates rose).

The strategic implications for investors entail adapting to these new realities: diversifying geographically; accounting for overheating risks and regulatory changes; and focusing on income generation (rental yield) alongside expected capital gains. The U.S. market offers more manoeuvring room (a wide selection of regions with varying trajectories), whereas the Canadian market is more concentrated—calling for caution in overheated areas (Toronto, Vancouver) and a search for opportunities in emerging regions.

The scientific and practical significance of this study lies in its synthesis of data and analysis, which clarifies the nature and durability of these trends. Our findings can inform forecasts of future housing-market developments and guide investment strategies. For example, although extreme suburban-price growth has decelerated, a full reversion to pre-pandemic patterns (urban-centre dominance) is unlikely: a certain repolarisation of spatial demand will persist long term. This implies that developers and planners should focus on expanding suburban infrastructure and maintaining market balance. Investors, in turn, must monitor housing-affordability metrics—if those deteriorate, political or market corrections may ensue, affecting returns.

The North American suburban-housing market has entered a new, more dynamic, and complex phase. Its investment appeal remains strong, yet it brings fresh challenges. A sound evaluation of determinants and risks, as demonstrated here, enables the formulation of strategies that capitalize on the ongoing suburbanisation trend while hedging against potential adverse scenarios. For the academic community, these developments offer rich material for future research—for instance, on the impact of suburbanisation on productivity, transportation, and social structure. For practitioners in real-estate, they provide clarity about where the housing market is heading in the twenty-first century and how to adapt or refine investment decisions accordingly.

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