

Illiquid Investments in Canada: Meaning, Examples, and Risks

When discussing liquidity, we refer to how quickly an investment asset can be exchanged for cash. It's not just any amount of cash either; it needs to be the fair market value for the asset.

Illiquid investments are assets that cannot be immediately or easily exchanged for cash. They are also usually not correlated to major markets like the stock market, which means they can provide some asset diversification in your portfolio.

Anyone can own and invest in illiquid assets. They do tend to have a higher market price, which can be a barrier to entry for many investors.

This article will discuss everything you need to know about illiquid assets and how they might fit into your investment strategy.

Best Illiquid Investments in Canada

Real Estate Properties

There simply cannot be a discussion of illiquid investments in Canada without mentioning [real estate](#). Canada is one of the hottest real estate markets in the world and many Canadians and international investors hold real estate property as an illiquid investment.

Why real estate? In markets like Vancouver and Toronto, real estate prices have marched steadily higher over the past few decades, providing generous returns for property owners.

Real estate markets do not crash as often as the stock markets do, making real estate a more stable asset. The primary barrier to entry for real estate is the massive down payment, which has prevented many younger Canadians from investing in real estate.

Real estate is highly illiquid as far as liquidity goes. Selling a home quickly can be a challenge, and there is no guarantee that you will receive the funds in a timely manner.

Collectibles

Humans have always desired to collect things, especially if they are rare or of high value. Artwork or antiques can be great investments, but like real estate, they can be difficult to liquidate into cash unless you find the right buyer.

Collectibles are a broad category of alternative investments. Once again, due to their rarity and authenticity, a significant number of collectible assets have a high price tag, which prevents many people from investing in them.

Not only are collectibles challenging to sell, but they can also be difficult to obtain. Often, you will have to buy them at an auction or from a private art seller. The risk level for collectibles like artwork is fairly low as long as they are authentic. They can be a very rewarding asset class if you have the patience to hold them and keep your thumb on the pulse of the market demand.

Private Equity and Hedge Funds

These are both [alternative](#) and illiquid investments that are best left to the wealthy. The high

