2 Housing Dividend Stocks to Keep in Your TFSA in July

Description

In its most recent meeting, the Bank of Canada listed household debt and an unbalanced real estate market as the biggest vulnerabilities in the Canadian economy. The International Monetary Fund (IMF) raised the same concerns in early June, while also pointing to the risks from trade tensions. The IMF maintained its call for 2.1% growth in Canada in 2018 and also projected that it will fall to 2% in 2019.

Canadian housing prices have stabilized somewhat in 2018 after a steep plunge following the implementation of new regulations in the spring and summer of last year. Sales and home prices are still far below the peaks that we experienced in early 2017. Home sales have suffered the steepest fall. A Toronto Real Estate Board (TREB) report in May revealed that home sales were down 22% year over year.

The new Ontario government has outlined plans to streamline building and could look to end the foreign buyers' tax. Whether or not this will contribute to the long-term health of the housing market in the most populous province is a matter of some debate.

Record immigration into Canada and into its largest metropolitan areas continues to keep demand up. Single-family homes have failed to rebound in 2018, but the condominium market remains strong. The central bank pointed to the "imbalance" in the condo market as a concern going forward.

The housing industry is still a crucial part of the Canadian economy. Bank of Canada's dovishness in response to trade tensions may actually encourage more borrowing in the coming months. This could provide a boost in particular for prospective buyers who have chosen to wait out this choppy period.

Today, we are going to look at two housing stocks that can provide solid income this summer. Let's take a look.

Genworth MI Canada Inc. (TSX:MIC)

Genworth MI Canada is my top housing stock heading into July. Shares of Genworth were up 9.9% year over year as of close on June 29.

The company has avoided the worst blowback from the most recent regulations. New OSFI mortgage rules, which came into effect this January, stipulated that non-insured buyers had to go through a stress test. Insured buyers have been subject to this rule since October 2016. Genworth, which is the largest private residential insurer in Canada, has already passed through this transition period.

Genworth also offers a quarterly dividend of $0.47 per share, representing a 4.3% dividend yield.

Equitable Group Inc. (TSX:EQB)

Equitable Group is a Toronto-based alternative lender. Shares of Equitable Group have climbed 11.6% over a three-month span. Alternative lenders will continue to see a dip in earnings from the previous year, but Equitable Group may be an attractive buy-low candidate at this stage.

Mortgages Under Management rose 9% year over year in the second quarter to a record $23.8 billion. The stock is still down double digits for 2018. The board of directors also hiked the quarterly dividend by 17% from the prior year to $0.27 per share. This represents a 1.7% dividend yield.

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