Bullish on Real Estate? 4 Stocks That Pay Dividend Yields up to 7.5%

Description

The last 12 months have been fairly tumultuous for real estate in Canada. The introduction of "stress tests," hikes in lending rates, new rules to stifle foreign buyers, and poorly performing months in the hot Toronto & Vancouver markets were factors in a choppy real estate market.

default watermark

Rules and scrutiny are good things in the long run. Meanwhile, the new conditions are largely tailwinds for mortgage investment companies, secondary lenders, and mortgage insurers. The list below details some of these businesses that trade on the TSX. What they also have in common is a sizable yield, between 4% and 7.5%.

Genworth MI Canada (TSX:MIC)

Genworth has been a solid investment, up 20% year to date. It is the best-performing stock on this list.

This $3.95-billion-market-cap company has a great business of selling mortgage insurance and collecting premiums, which amounted to $171 million in premiums (revenue) in the last quarter. Premium payments are counterbalanced against the losses incurred by paying out claims, and the loss ratio is currently 14% for Genworth. Meanwhile, the company pays a dividend yield greater than 4%.

Fellow Fool contributor Ambrose O'Callaghan picked Genworth as a top pick back in June. I'm pleased that I've held this stock for two years and have beat the market. I'm still quite bullish because the earnings-per-share ratio (EPS) continues to look really strong.

Atrium Mortgage Investment (TSX:AI)

Atrium is a non-bank lender and 74% of mortgages are residential. This $498-million-market-cap company is concentrated with 60% of investments in the Greater Toronto Area. Atrium has had a nice run, up 13% year to date. Add to this the monthly dividend that is just shy of 7%, and this small-cap financial has been market beating. The core strategy of maintaining 80% of investments being "first mortgages" plus strong management are two reasons I hold a small position in Atrium.

Timbercreek Financial (TSX:TF)

This $732-million-market-cap company is a non-bank lender for commercial real estate investors. It's hard to find a lot of articles on this small cap, but Will Ashworth gave a good perspective on it back in April. Timbercreek is willing to loan up to 85% of the loan-to-value ratio and most of the assets held are from 113 mortgage investments, with a concentration of deals in Ontario. Timbercreek also owns investment properties, so there is balance from revenue sources to help support the 7.38% yield.

Firm Capital Mortgage Investment (TSX:FC)

The smallest market cap on this list is Firm Capital, another non-bank lender with a market cap $340 million. Firm Capital shares some resemblance to Atrium, with a heavy concentration of the portfolio in Ontario (>90%). In this case, mortgage deals are skewed towards land and construction stages, which makes this business fairly distinct from competitor Atrium.

The payout on the >7% dividend is close to 100% of revenues, which could be a concern. Management must be reasonably confident that they can keep this dividend train going, however, as in June the company announced a special dividend to shareholders to tick the total dividend payment up to 7.5%.

default watermark

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AI (Atrium Mortgage Investment Corporation)
2. TSX:FC (Firm Capital Mortgage Investment Corporation)
3. TSX:TF (Timbercreek Financial Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/25
Date Created
2018/09/20
Author
bmacintosh

default watermark

default watermark