3 Stocks That Will Benefit From a Stable Housing Market

Description

The fall season has sparked a review of the Canadian housing picture, and, for the most part, it has been a mixed bag.

The Canadian Real Estate Association (CREA) recently revised its fall housing forecast. It now projects that sales will fall 9.8% from the prior year and that prices will post 2.8% growth. CREA president Barb Sukkaku pointed to the newly implemented mortgage stress test as a reason for the drop in overall home sales. Meanwhile, continuing supply issues should continue to propel modest growth for home prices. In August, the average sales price nationwide increased 1% year over year to $475,500. Montreal, which, unlike Toronto and Vancouver, is not subject to a foreign buyers' tax, posted the fastest price growth in August at 6.4%.

Canadian household debt appears to have stabilized year over year. Statistics Canada shows that Canadian household debt was $1.69 of debt for every dollar in the second quarter of 2018. This is down from the over $1.70 reported at the same time last year, but still high relative to other developed nations.

These factors have contributed to market stability, but friendly ratios could re-emerge in the coming months that could favour sellers once again. However, CREA chief economist Gregory Klump appeared to suggest that the small recovery is already losing steam. "Recent monthly sales are diminishing," he said in the report. "Which suggests the rebound may be starting to lose steam."

With this in mind, let's take a look at three stocks that could benefit from milder market conditions in the fall.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

CIBC stock is up 2.1% over the past month as of close on September 20. Shares have performed well since the release of its third-quarter results. CIBC also raised its quarterly dividend to $1.36 per share, representing a 4.4% dividend yield.

CIBC reported that its mortgage balances rose 2.5% year over year to $208.5 billion in the quarter.

This represented the slowest growth in over four years and the first time in three that it failed to outpace its peers. The bank reported improved retention rates. Higher margins have also become a common theme across other institutions in this rate-tightening environment.

Equitable Group (TSX:EQB)

Equitable Group stock has climbed 20.8% over the past three months as of close on September 20. Back in July, I'd discussed why Equitable Group was a suitable target with housing on the slight rebound. In the second quarter, the company reported that its single-family mortgage lending principal and commercial lending mortgage principal both hit a record and were up 15% year over year. The board of directors also declared a quarterly dividend of $0.27 per share, representing a 1.5% dividend yield.

Genworth MI Canada (TSX:MIC)

Genworth stock is up 2.2% over the past three months as of close on September 20. Net and operating income was down year over year and quarter over quarter in Q2 2018. However, the company boasts a wide moat and has also benefited from higher rates. Genworth offers a quarterly dividend of $0.47 per share, representing a 4.3% dividend yield.

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