2 Housing Dividend Stocks to Add Today

Description

In the beginning of 2018, there were concerns over how the Canadian housing market would respond to new OSFI mortgage rules that were announced in late 2017. These included a stress test for uninsured buyers. As expected, the market extended its cooling period into the early months of 2018 as sales dropped year over year.

It was not until the late spring and early summer that the market began to show signs of stabilization, with the hope of a rebound going forward. The fall has seen numbers improve with the market looking balanced in late 2018. New numbers from Teranet and the Canadian Real Estate Association showed a 2.3% increase in price year over year, which is modest compared to years past. National home sales also reverted to the 10-year average.

Bank of Montreal senior economist Robert Kavcic projected that the rate-tightening cycle would result in price adjustments that could mirror levels seen in the 1990s. The early results have to be looked at as a success for policymakers so far.

Back in September, I'd discussed three stocks that would benefit from more stability in the housing market. Today, we are going to review two out of those three.

Genworth MI Canada (TSX:MIC)

Genworth MI Canada is an Ontario-based private residential mortgage insurer. The stock was up 9.2% month over month as of early afternoon trading on November 20. Shares dipped near 52-week lows in October before its third-quarter report sparked a late surge.

Because Genworth is a mortgage insurance company, it was largely shielded from the negative impacts of the new OSFI mortgage rules. It has still experienced a slowdown with the broader market, but most of the shock had passed since a stress test was implemented for insured buyers back in 2016. In the third quarter, the company saw transactional premiums written rise 16% quarter over quarter to $192 million.

Net income and full diluted earnings per share both rose 10% to $128 million and $1.42, respectively. Net operating income rose 8% year over year to $121 million. The company approved a quarterly dividend of $0.51 per share in November which represents a 4.3% yield.

Equitable Group (TSX:EQB)

Equitable Group is a Toronto-based alternative lender. Shares have climbed 14% month over month as of early afternoon trading on November 20. Its stock also slipped to near-annual lows before bouncing back following its third-quarter earnings release. Shares are still down 2% in 2018 so far.

Diluted earnings per share shot up 27% year over year to $2.80 in the third quarter. Single Family Lending mortgage principal reached $10.2 billion, a 13% year-over-year increase, on the back of strong originations and improved renewal rates. Back in 2017, Equitable Group had projected that new mortgage rules would improve retention rates. However, it did not expect the growth it has seen in Family Lending.

Equitable Group came into the year forecasting 2% to 4% growth in Alternative Single Family Lending, but impressive results have bumped up this projection to between 11% and 13% growth in 2018. This is fantastic news considering the difficult first half of 2018 for lenders. The company is now in a good position to finish the year strongly.

The board of directors declared a dividend of $0.28 per share, which is up 12% year over year. This represents a modest yield of 1.5%.

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