



## 2 Stocks That Could Prove to Be the Best Real Estate Bet

### Description

Canada's real estate market has been under pressure for the past two years, embroiled in the tug of war between bulls and bears. Those who had bet against it shorted the nation's largest lenders on hopes that they will make a killing once the prices and sales will collapse after [a decade-long boom](#).

On the other side of the fence were investors who believed that the demand for homes and apartments is real in a country taking in about 300,000 new immigrants each year, and that the price gains of the past decade were supported by sound macro fundamentals.

The latest reports on the nation's real estate market show that the bulls may have rightly predicted the outcome. The housing market in Canada's largest city, Toronto, seems to have bottomed out in this spring, where sales surged 17% in April compared with a year earlier, and the average selling price of a home climbed 1.9% from a year ago.

The surging sales gives a strong signal that Canada's biggest real estate market is stabilizing after undergoing a two-year slump as officials tightened mortgage rules and imposed taxes on foreign buyers to curb speculation.

In a separate report released last week, the federal housing agency lowered its risk rating for the national market to "moderate," from "high," citing evidence of easing price acceleration for the country as a whole, with prices in Toronto and Vancouver moving closer to levels supported by fundamentals.

## 2 stocks offering the best bets on real estate

If you're an investor wanting to benefit from these signs of housing recovery, I would like to recommend buying **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) and [Home Capital Group Inc.](#) ([TSX:HCG](#)) — two financial stocks that were specifically targeted by short-sellers in the past two years.

CIBC stock has hardly budged over the past one year due to the bank's large exposure in the Canadian mortgage market on concerns that losses at the bank will mount as home market cools.

Home Capital, on the hand, staged a strong recovery after almost collapsing in the spring of 2017 after the regulator found that its brokers committed mortgage frauds to get clients' applications approved. Canada's largest alternate mortgage lender was only able to survive after Warren Buffett's **Berkshire Hathaway Inc.** provided \$400-million equity.

However, these threats have largely disappeared, and these two stocks are well positioned to outperform as the market recovers and the mortgage activity picks up.

Trading at \$112.73 at writing, CIBC also pays a healthy dividend and currently is yielding about 5%. Home Capital, trading at \$18.53 a share, still has a long way to go even after its 30% surge this year. The stock was trading more than \$50 a share when the liquidity crisis hit two years ago.

## Bottom line

Buying these two financial stocks might prove one of the best bets to benefit from Canada's real-estate recovery. Both stocks are trading at reasonable valuations and offer a good upside potential after their underperformance in the past two years.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:HCG (Home Capital Group)

### PARTNER-FEEDS

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