



2 Housing Stocks I Love This Fall

Description

The Canadian housing market has stormed back in the spring and summer of 2019. This has inspired **Royal Bank** and **Bank of Montreal** to declare that the market is back and balanced for the first time in two years. In August, the CREA reported that home sales rose 5% from the prior year, while average prices also posted 3.9% growth. Transactions are still running roughly 10% below the highs seen in 2016 and 2017, but the overall health of the market holds promise as we look ahead to the New Year.

Homes are not the only assets that have enjoyed a resurgence in 2019. Housing-linked stocks have also thrived in this environment. Today, I want to look at two stocks that are well positioned in an improving housing market.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) stock has jumped 10.9% over the past month as of close on September 19. Back in August, I'd [recommended that investors jump on the stock](#) ahead of its earnings release. It briefly dropped below the \$100 before earnings but closed at \$111.15 on September 19.

CIBC has faced turbulence due to issues in the Canadian housing market. The bank bet big on housing growth in Canada's largest metropolitan areas. Sales fell sharply in the Greater Vancouver Area and the Greater Toronto Area over the past two years. In the third quarter, CIBC's domestic mortgage book shrank 1% year over year to \$201 billion. Improved conditions and lower rates should give lenders a jolt in the quarters to come.

Shares of CIBC still boast a P/E ratio of 9.6 and a favourable P/B of 1.4. The bank bumped up its quarterly payout to \$1.44 per share, representing a tasty 5.2% yield.

Genworth MI Canada

Genworth MI Canada (TSX:MIC) is a private residential mortgage insurer. Its stock has climbed

35.4% in 2019 at the time of this writing. Back in the summer of 2018, I'd explained why Genworth was [my favourite housing stock](#). The company was in a stable position after new OSFI regulations and stood to continue to post growth due to underlying fundamentals in the market.

The company reported quarter-over-quarter increases across the board in its Q2 2019 report. Net income rose 13% from Q1 to \$110 million and fully diluted operating earnings per share rose 5% from the prior year to \$1.38. Transactional premiums written and total premiums written climbed 12% and 14%, respectively, over the previous year. This growth was driven by improved overall health in the transactional insurance market.

Genworth offers a quarterly dividend of \$0.51 per share, which represents a 3.9% yield. It recently announced a special dividend to be paid out to shareholders on October 11 totaling \$1.45 per share. As far as value is concerned, Genworth looks solid in its sector. The stock possesses a P/E ratio of 11.2 and a P/B of 1.1. Shares are hovering close to 52-week highs, but I still like Genworth as we move into the fall.

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