



\$10,000 of This 7.9%-Yielding Stock Will Earn You \$65 Per Month

Description

The [upward trajectory of housing prices](#) in Canada seems to be on pause following two consecutive months (May and June 2021) of decline in average selling prices. A Canadian Real Estate Association (CREA) report last month seems to suggest the market is starting to cool.

Some industry observers even say we're heading towards a post-pandemic housing bubble. However, Danny Ibrahim, CEO of brokerage firm KeyRate Corp., said the current down period is most likely a temporary period of calm. Royce Mendes, a senior economist at **CIBC** Capital Markets, added that pandemic savings of Canadians will impel significantly increased spending in housing over the next decade.

Property investors should heed the warnings, including the possible increase in interest rates soon. According to Charles St-Arnaud, an economist at Alberta Central, the housing market will be the first casualty when the Bank of Canada eventually increases rates.

Alternative to investment properties

If you want exposure to the real estate or mortgage sector, **MCAN Mortgage** ([TSX:MKP](#)) is the [alternative to investment properties](#) besides real estate investment trusts (REITs). The \$472.98 million non-bank lender pays an ultra-high 7.9% dividend. A \$10,000 investment will generate \$197.50 in quarterly dividends, or \$65.83 in extra income every month.

MCAN Mortgage is a loan company and mortgage investment corporation under the Trust and Loan Companies Act (Trust Act) and the Income Tax Act, respectively. Because the company is under the Trust Act, it should abide by the guidelines and regulations of the Office of the Superintendent of Financial Institutions Canada (OSFI).

The company generates income streams from investments in a diversified portfolio of Canadian mortgages. Among them are single-family residential, residential construction, non-residential construction, and commercial loans. They also accept other types of securities, loans, and real estate investments.

Investment thesis

MCAN is primarily a strategic investor in Canada's real estate market, and the investment thesis is straightforward. It has proven investment expertise with high-quality portfolios and actively manages mortgages in arrears. The business model is low cost, and MCAN uses it as leverage to generate shareholders' returns.

XMC Mortgage Corporation takes charge of in-house origination. The wholly owned subsidiary adapts and repositions according to market conditions. Apart from the proven investment expertise and low-cost business model, MCAN possesses a [stable earnings profile](#) backed by a strong capital position.

Management typically pays out all taxable income as dividends. Also, MCAN's primary core value is capital preservation. It makes sure that the common equity tier one, tier one, and total capital ratios are well more than OSFI minimum requirements.

Impressive Q1 2021 results

MCAN reported a robust net income in Q1 2021 (quarter ended March 31, 2021). From a net loss of \$9.7 million in Q1 2020, it grew to \$15.9 million. Its president and CEO Karen Weaver, said, "We continue to grow our mortgage portfolio through the pandemic in response to the housing and mortgage market dynamics." She added that reduced interest rates and remote working fueled the turnaround.

Other notable highlights during the quarter include the 17% increase in securitized mortgages and 34% growth in construction and commercial originations. At the current price of \$17.22, MCAN investors are up 19.5% year to date. This outperforming stock should be attractive to yield-hungry investors.

CATEGORY

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