ALERT: 2 Housing Stocks to Buy Before November

Description

A recent Royal Lepage House Price Survey showed that the aggregate price of a home in Canada reached $749,800 in the third quarter of 2021. This was up from $617,800 in Q3 2020. Today, I want to discuss the current situation in Canadian real estate. Moreover, I'll zero in on two housing stocks that may be worth scooping up right now.

Here's why Canada housing may be on the cusp of another run

This past week, I'd discussed why the Canada housing market could still reward the faithful for the rest of 2021 and beyond. Home sales edged up in the month of September after posting year-over-year declines since the end of the spring. Housing starts fell last month, which will continue to exacerbate supply issues that have underpinned a market that is not suffering from a lack of demand.

More than ever, Canadians are hungry to enter the red-hot real estate market. However, soaring valuations have made it very difficult for prospective buyers. The Trudeau-led Liberals vowed to explore policies that would make it easier for Canadians to qualify for mortgage loans going forward. Meanwhile, the Bank of Canada (BoC) remains committed to low interest rates, as the COVID-19 pandemic has lingered. These factors are good news for Canadian real estate and housing stocks.

Investors should consider these two housing stocks in this environment

There is more than one way for individuals to own a stake in Canada's scorching housing market. Alternative lenders have gained attention, and with good reason. These entities have gorged on this tremendous bull market. The market got a scare in 2017, but housing and alternative lenders were able to quickly bounce with public and private support.

Home Capital (TSX:HCG) is a Toronto-based company that provides residential and non-residential mortgage lending, securitization of residential mortgage products, consumer lending, and credit card services. Shares of this housing stock have climbed 28% in 2021 as of close on October 20. The stock is up 67% from the prior year.

The company unveiled its second-quarter 2021 results on August 13. Adjusted net income came in at $73.9 million, or $1.44 per share — up from $1.26 per share in the previous quarter. Predictably, Home Capital benefited from the surging domestic housing market. Mortgage originations rose to $2.13 billion compared to $1.50 billion in the second quarter of 2020. Better yet, shares of this housing stock possess a very attractive price-to-earnings (P/E) ratio of 8.2.

Equitable Group (TSX:EQB) is another top alternative lenders that also operates the popular EQ Bank. This housing stock has increased 45% in the year-to-date period. Its shares are up 90% from the same period in 2020.

Investors can expect to see its third-quarter 2021 results in early November. In Q2 2021, Equitable Group delivered diluted earnings-per-share growth of 33% to $4.05. Its EQ Bank increased its daily customers by 79% to 222,000. Meanwhile, deposits rose 99% year over year to $6.5 billion. Moreover, loans under management climbed 9% from Q2 2020 to $3.0 billion. The alternative single-family mortgage principal tripled to record originations of $1.8 billion.

This housing stock also has a very favourable P/E ratio of 9.3. Moreover, it offers a quarterly dividend of $0.37 per share. That represents a modest 0.9% yield.

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