Canada Housing Pullback: Here's 3 TSX Stocks I'd Buy Now

Description

The Canada housing market has enjoyed more than a decade of consistent growth. However, home prices have been hit hard by volatility in the late spring and early summer of 2022. That pullback has also impacted housing-linked **TSX** stocks.

For years, an investment in Canadian real estate has been viewed as one of the few sure things on the market. However, this strength has attracted calls for the "bubble" to burst. The last big shock came in 2017. **Home Capital Group**, a top alternative lender, nearly collapsed due to questionable underwriting practices. Canadian home prices suffered a sharp dip and provinces moved to apply a tax on foreign buyers. Today, I want to discuss the recent bout of turbulence facing the Canadian housing market. Moreover, I want to zero-in on three TSX stocks that might be worth snatching up in this environment.

The Canada housing correction has finally arrived

The Canada Real Estate Association (CREA) reported that the national home price index suffered a 1.9% decline in the month of June. That brought the average price to $807,400 on a seasonally adjusted basis. Experts and analysts had projected that prices would soften in the face of aggressive rate tightening from the **Bank of Canada** (BoC). Policymakers have been committed to interest rate hikes due to soaring inflation.

Price declines have been more pronounced in Ontario. This should come as no surprise since the province also enjoyed the largest uptick during the COVID-19 pandemic. Indeed, this decline looks meagre compared to the roughly 50% home price increase over the past two years.

Back in 2017, investors who were opportunistic were rewarded with big gains.

Here's a TSX stock that's been punished in this bear market

EQB (TSX:EQB) is a top alternative lender. Shares of this TSX stock plunged 22% in 2022 as of close on July 21. That's pushed the stock into negative territory in the year-over-year period. EQB may suffer a slowdown in this environment, but it should still benefit from strong Canadian real estate fundamentals over the long term.

Investors can expect to see EQB's next batch of results on August 9. Shares of this TSX stock possess a very favourable price-to-earnings ratio of 6.2 at the time of this writing. This stock last paid out a quarterly dividend of $0.29 per share which represents a 2% yield.

This housing-linked TSX stock offers a monster dividend

Atrium Mortgage (TSX:AI) is a Toronto-based, non-bank lender that provides financing solutions to real estate communities across Canada. This dividend stock has declined 16% so far in 2022. Its shares are down 19% in the year-over-year period.

The company released its first quarter 2022 results on May 11. Its mortgage portfolio grew 3.2% to $791 million. Net income increased 7.3% year-over-year to $10.6 million. Shares of this TSX stock last had an attractive price-to-earnings ratio of 11. Moreover, it offers a monthly dividend of $0.075 per share, which represents a huge 7.6% yield.

Bank stocks are also broadly undervalued right now

Canadian banks have been key players in the national housing boom. This slowdown will hurt credit growth, but higher interest rates should also serve to bolster profit margins in the near-term. That should spur investors to snatch up discounted TSX stocks like **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM).

Shares of this bank stock possess a very attractive price-to-earnings ratio of 8.8. It offers a quarterly distribution of $0.83 per share, which represents a strong 5.3% yield.

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Date
2025/08/16
Date Created
2022/07/25
Author
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