



NATIONAL BANK

FINANCIAL MARKETS

A division of National Bank of Canada

TERANET- NATIONAL BANK HOUSE PRICE INDEX

Economics and Strategy

February 12, 2016

House prices edged down in January

m/m growth:

Latest: -0.1% prior month: -0.1%

y/y growth:

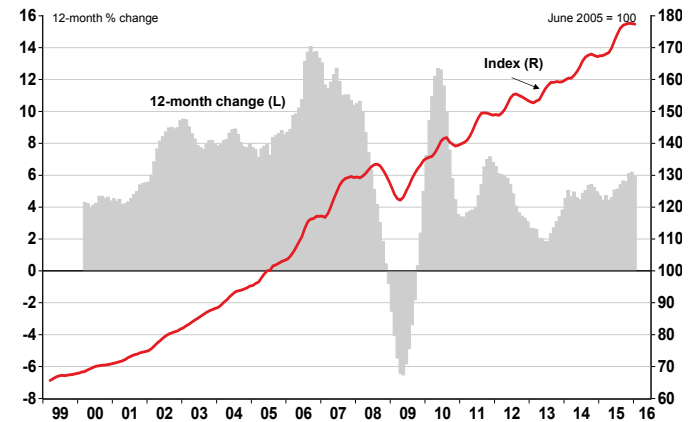
Latest: +5.9% prior month: +6.2%

FACTS: The Teranet–National Bank National Composite House Price Index™ declined 0.1% in January, a second monthly drop in a row. Prices fell in Montreal (-1.2%), Ottawa-Gatineau (-1.0%), Calgary (-0.7%), Edmonton (-0.5%), Quebec City (-0.4%), Toronto (-0.2%) and Halifax (-0.1%). Prices rose in Hamilton (+1.0%), Vancouver (+0.9%), Victoria (+0.7%) and Winnipeg (+0.3%). The composite index was up 5.9% from a year earlier, the lowest 12-month gain in three months (top chart). The 12-month gain was well above the national average in Vancouver (12.5%), Hamilton (10.3%), Toronto (8.6%), and Victoria (+8.5%). Quite a contrast with other regions characterized by little increases if not house price deflation (Halifax +2.0%, Montreal +0.8%, Winnipeg +0.2%, Quebec City +0.1%, Calgary -2.6%, Ottawa-Gatineau -2.0% and Edmonton -1.9% - See charts next page).

OPINION: The report confirms that housing markets in oil-dependent regions are reacting to the economic downturn resulting from the collapse of oil prices. In particular, prices declined for a fourth month in a row in Calgary, for a cumulative drop of 4.4%. Among the metropolitan areas covered, only Ottawa-Gatineau has a similar bad sequence with five consecutive declines totalling 4.7%. Compared to Calgary, the labour market has suffered less in Edmonton, and house prices there have declined more moderately, that is, 1.7% over the last three months. The Composite index has nevertheless grown 5.9% over the last twelve months, but only four of the 11 regions covered (Toronto, Hamilton, Vancouver, Victoria) explain that performance, prices having barely increased or even declined in the other regions (middle chart). With population and job growth in these markets continuing to exceed the national average for the foreseeable future, a major price correction is unlikely in these markets.

Marc Pinsonneault

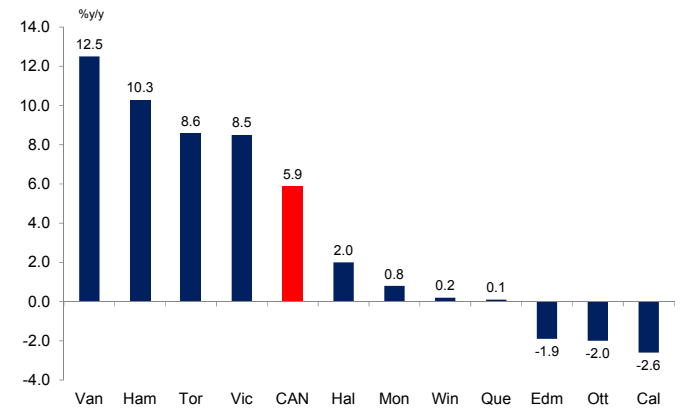
Teranet–National Bank National Composite House Price Index™



NBF Economics and Strategy, Teranet–National Bank House Price Index.

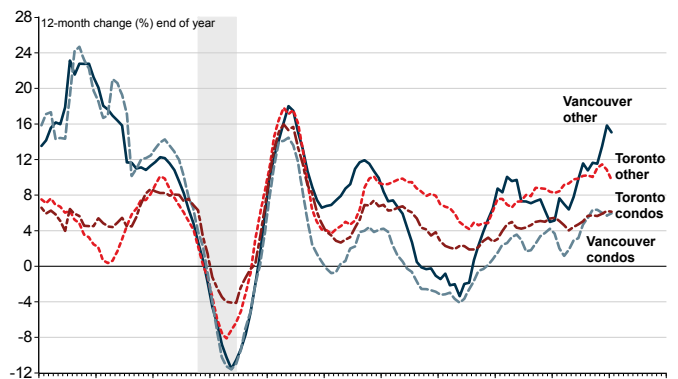
Four regions pull up the Composite price index

House price change per regional markets over the last 12 months



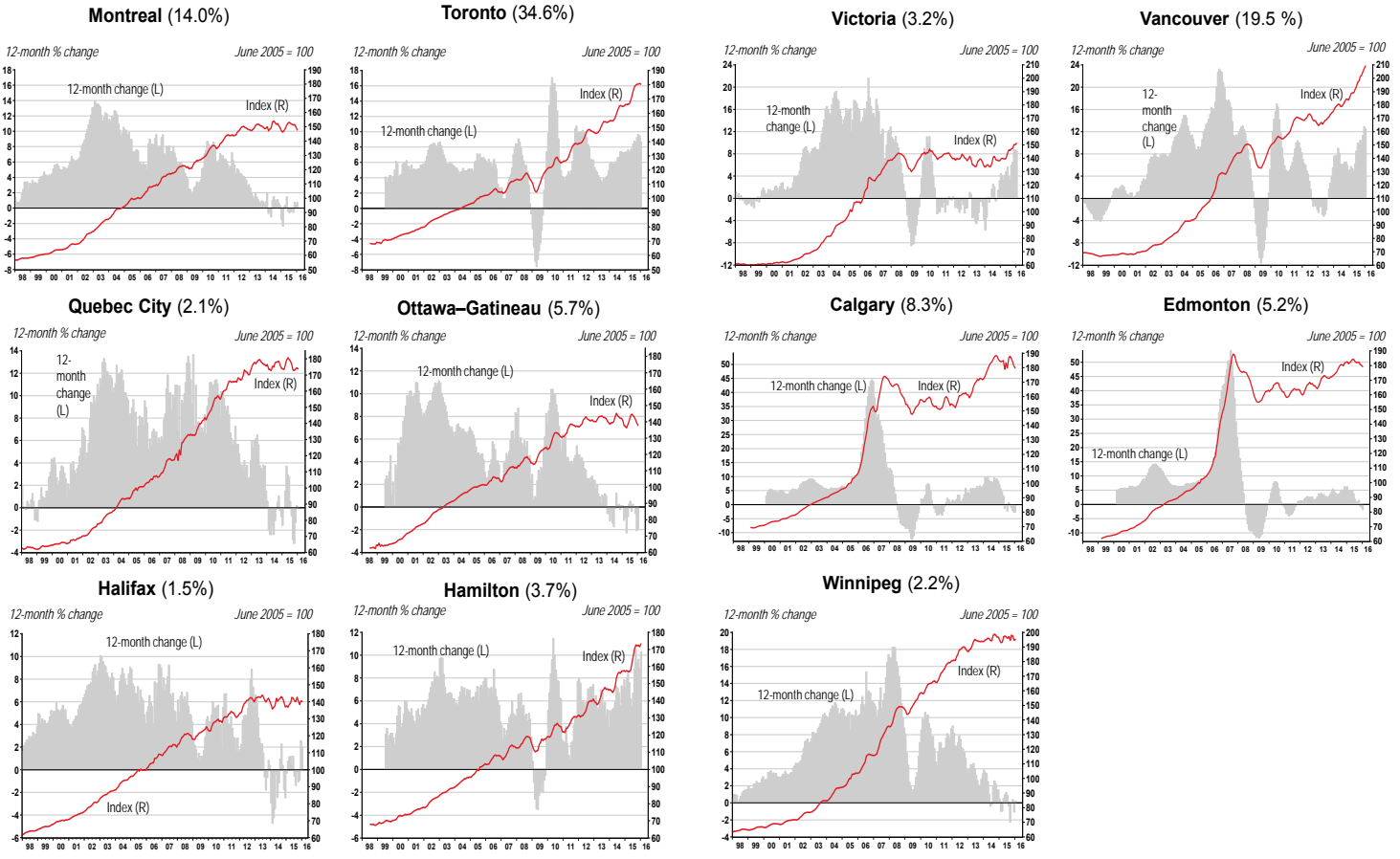
NBF Economics and Strategy, Teranet–National Bank House Price Index.

Dichotomy within Toronto and Vancouver home resale markets



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Weights in the National Composite Index are in parentheses

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