



**NATIONAL
BANK**

FINANCIAL MARKETS

A division of National Bank of Canada

TERANET- NATIONAL BANK HOUSE PRICE INDEX

Economics and Strategy

July 13, 2016

House prices surged 2.3% in June

m/m growth: Latest: +2.3% prior month: +1.8%
y/y growth: Latest: +10.0% prior month: +9.0%

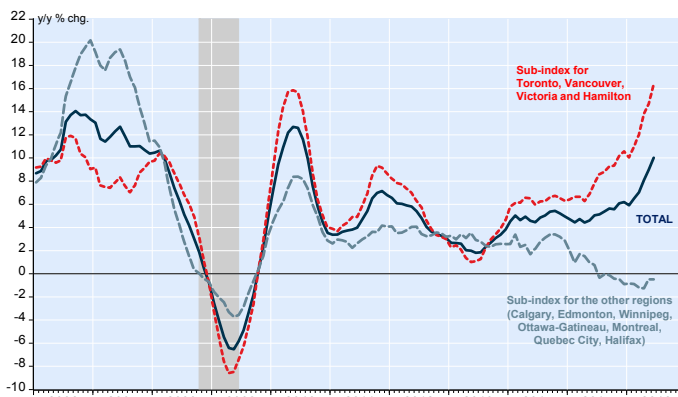
FACTS: The Teranet–National Bank National Composite House Price Index™ rose 2.3% in June thanks to monthly gains in ten of the eleven regions covered. Vancouver led the pack with a monthly rise exceeding 2% for a fifth month in a row. On a y/y basis, the national index was up 10.0%, the largest 12-month gain since July 2010. The annual increase was well above the national average in Vancouver (+23.4% - the largest increase on record), Hamilton (+13.8%), Victoria (+12.5%) and Toronto (+12.4%). Those massive gains contrast sharply with other regions, where prices barely rose in Winnipeg (+1.7%), Ottawa-Gatineau (+1.4%), and Montreal (+0.5%) and declined in Calgary (-2.4%), Edmonton (-1.9%), Quebec City (-1.4%) and Halifax (-0.7%). See charts on next page.

OPINION: In June, the monthly rise in home prices was the strongest in a decade, with all markets except for Calgary and Edmonton experiencing gains above the historical norm. What is even more striking is that this surge occurred after strong gains in the previous months. As a result, on a year-to-date basis, home prices are already up a whopping 6.8%, well above the historical average of 4.0% for the first six months of the year. On a year-over-year basis, the dichotomy continued in the Canadian housing market with gains for the sub-index which includes Toronto, Vancouver, Victoria and Hamilton accelerating over 16% while deflation persisted in the seven other regions covered (top chart). In regards to the continued strength in Vancouver and Toronto, it's worth noting that both labour markets are still booming, a sharp contrast with what we observe in the rest of the country (middle chart). Employment at record highs combined with record low supply (bottom chart) and mortgage rates continue to fuel home price inflation in those markets.

Matthieu Arseneau

Canada: Dichotomy in housing market

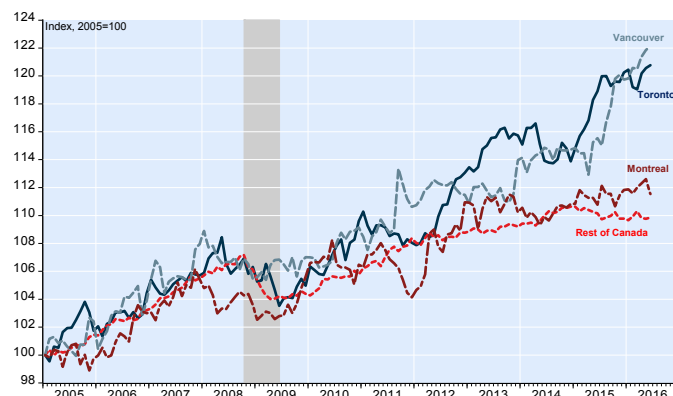
Teranet-National Bank regional sub-indices



NBF Economics and Strategy (Teranet-National Bank House Price Index)

Canada: Perspective on job creation

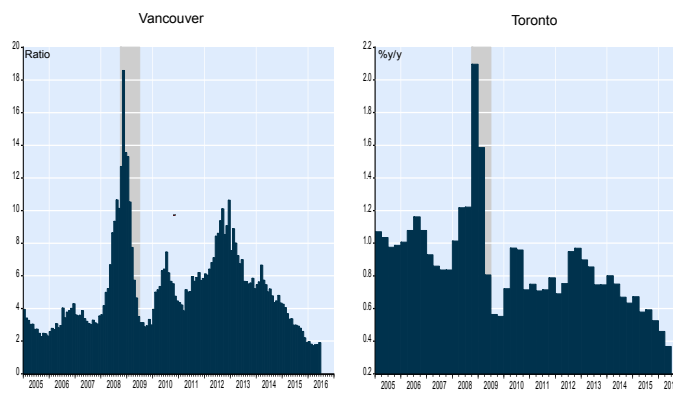
Job creation in Vancouver, Toronto, Montreal, and rest of Canada



NBF Economics and Strategy (data via Statistics Canada)

Vancouver & Toronto: Very tight conditions on the home resale market

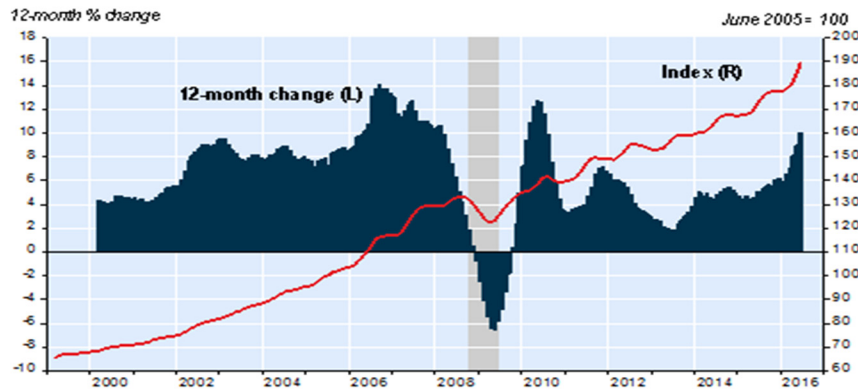
Active-listings-to-sales ratio



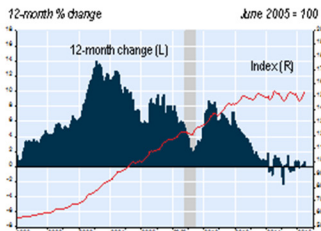
NBF Economics and Strategy (data from REBGV and TREB)

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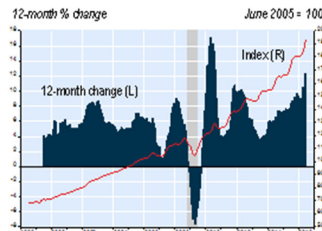
Teranet-National Bank National Composite House Price Index™



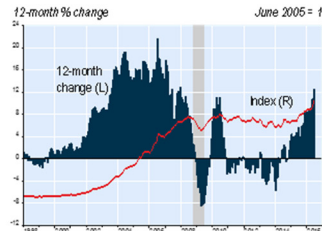
Montreal (14.0%)



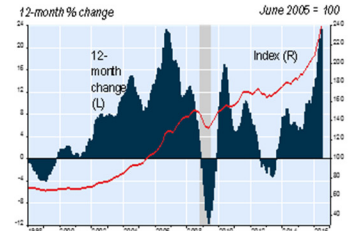
Toronto (34.6%)



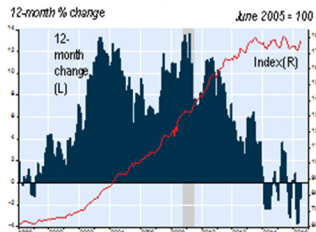
Victoria (3.2%)



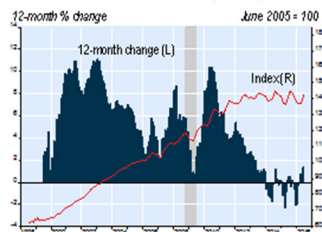
Vancouver (19.5%)



Quebec City (2.1%)



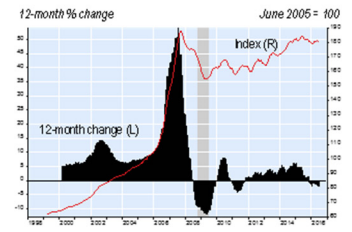
Ottawa–Gatineau (5.7%)



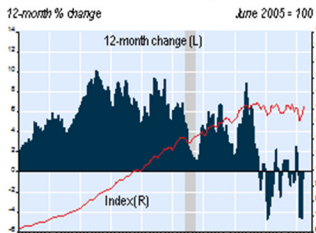
Calgary (8.3%)



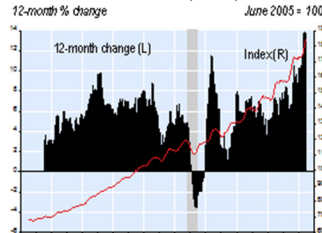
Edmonton (5.2%)



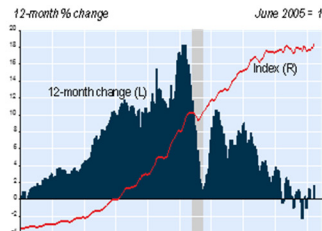
Halifax (1.5%)



Hamilton (3.7%)



Winnipeg (2.2%)



Weights in the National Composite Index are in parentheses

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ECONOMICS AND STRATEGY

Montreal Office
514-879-2529

Stéfane Marion
Chief Economist & Strategist
stefane.marion@nbc.ca

Paul-André Pinsonnault
Senior Fixed Income Economist
paulandre.pinsonnault@nbc.ca

Krishen Rangasamy
Senior Economist
krishen.rangasamy@nbc.ca

Marc Pinsonneault
Senior Economist
marc.pinsonneault@nbc.ca

Matthieu Arseneau
Senior Economist
matthieu.arseneau@nbc.ca

Angelo Katsoras
Geopolitical Analyst
angelo.katsoras@nbc.ca

Toronto Office
416-869-8598

Warren Lovely
MD, Public Sector Research and Strategy
warren.lovely@nbc.ca

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