

Home prices up 0.9% in March

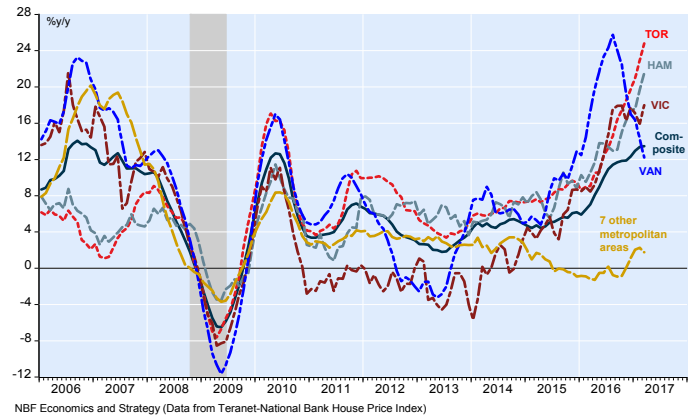
m/m growth: Latest: +0.9% prior month: +1.0%
y/y growth: Latest: +13.5% prior month: +13.4%

FACTS: The Teranet-National Bank National Composite House Price Index™ rose 0.9% in March, the largest gain for that month over the last ten years. This increase is attributable to four of the 11 metropolitan markets surveyed: Hamilton (+2.1%), Toronto (+1.8%), Victoria (+1.0%) and Vancouver (+0.9%). Prices also rose in Winnipeg (+0.6%) and Montreal (+0.5%), but declined in all of the other five markets surveyed: Ottawa-Gatineau (-0.1%), Calgary (-0.3%), Halifax (-1.7%), Edmonton (-1.8%) and Quebec City (-2.7%). On a y/y basis, the national index was up 13.5%, the largest 12-month gain since November 2006. This surge was driven by Toronto (a record +24.8%), Hamilton (a record +21.5%) and Victoria (+18.0%). Vancouver's gain (+12.2%) was slightly below the average. Gains in Ottawa-Gatineau (+5.3%), Halifax (+4.1%), Montreal (+3.5%), Winnipeg (+2.2%) and Calgary (+1.0%) were much smaller. Prices were down from a year earlier in Edmonton (-2.8%) and Quebec City (-2.8%). See charts on next page.

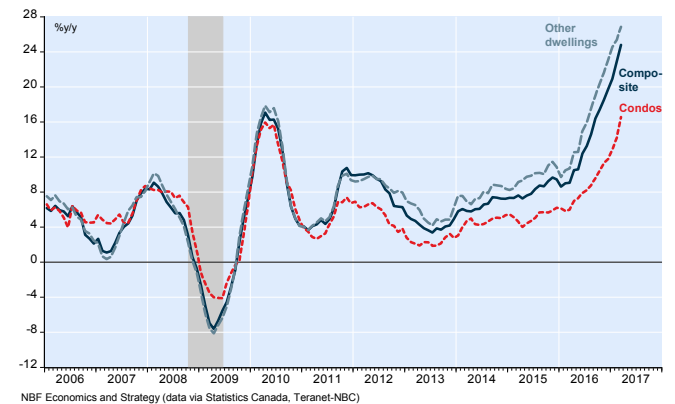
OPINION: The strength of 12-month home price growth at the national level is mostly explained by four markets: Toronto, Hamilton, Victoria and Vancouver (top chart). Toronto has garnered media attention in light of the house price surge. While large price gains in that city were isolated earlier to single family homes, that's not the case anymore – condo prices are up a stunning 17% (middle chart). Shut out of the unaffordable single family house market, many buyers are now heading towards apartments, boosting the latter's prices as a result. Regardless, Toronto's almost 25% year-on-year house price gains cannot be fully explained by increases in employment and household formation. Outside of Toronto, home prices are also rising in several cities. Indeed, indexes based on the same Teranet-National Bank methodology were calculated for 15 cities not currently covered by the Composite. We found double-digit home price inflation in 10 of them. Together with the metropolitan areas covered by the Composite, it means that 58% of the 26 markets surveyed experienced double-digit home price inflation. This record proportion is very similar to that observed in the United States in 2005 at the peak of the market (bottom chart). That may get government to impose additional measures to put the housing market on a more sustainable footing. The Bank of Canada could also help address the problem by ditching its dovish rhetoric and signal tighter monetary policy ahead to reflect improving economic data but also mounting risks to financial stability.

Marc Pinsonneault

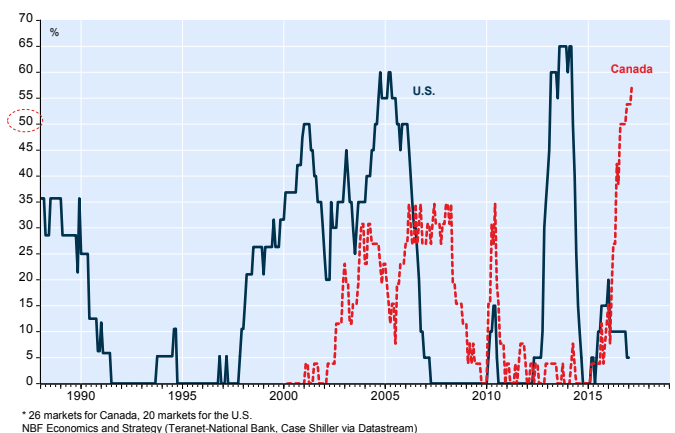
Teranet-National Bank House Price Index™
Composite Index and sub-indices. Last observation: March 2017



Toronto : Home price growth by types of dwellings



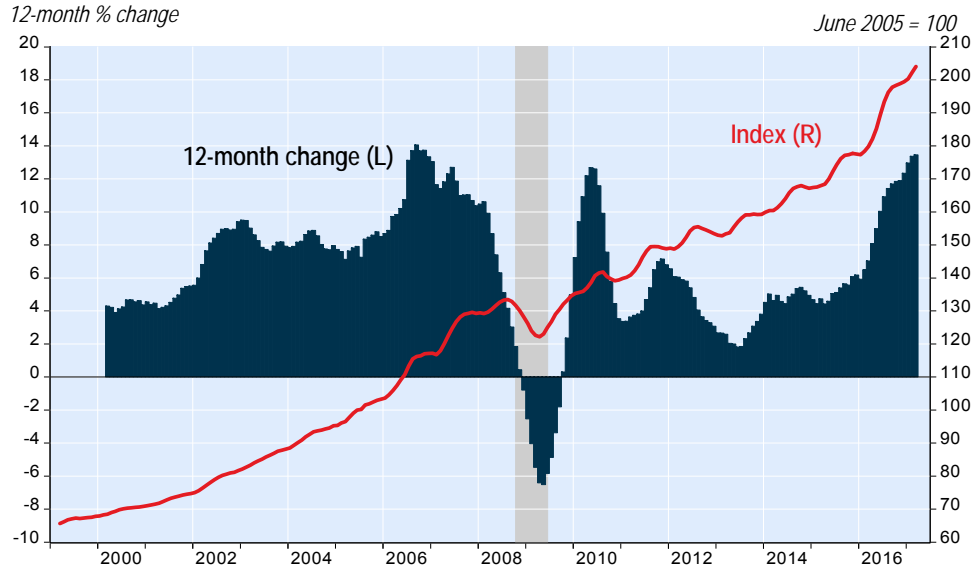
Canada: A majority of markets with double-digit home price inflation
Share of regional markets* where resale price inflation is 10% or more year over year



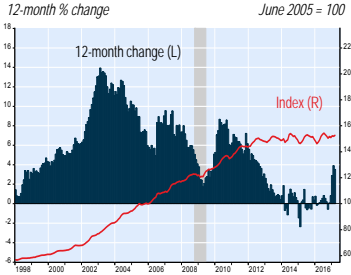
* 26 markets for Canada, 20 markets for the U.S.
NBF Economics and Strategy (Teranet-National Bank, Case Shiller via Datastream)

Teranet-National Bank House Price Index

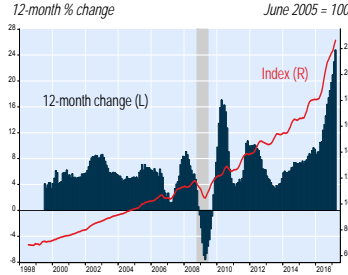
Teranet-National Bank National Composite House Price Index™



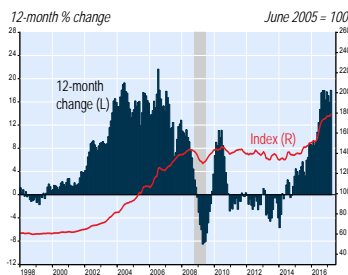
Montreal



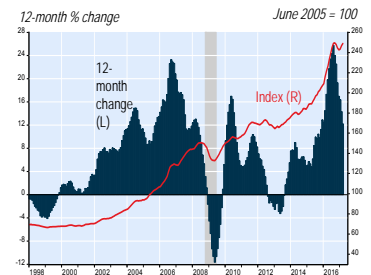
Toronto



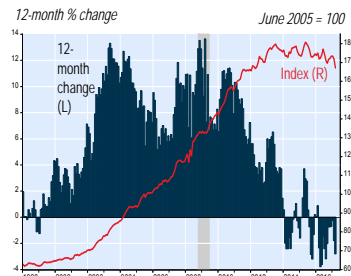
Victoria



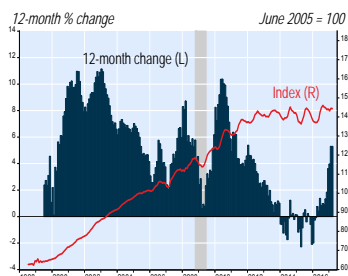
Vancouver



Quebec City



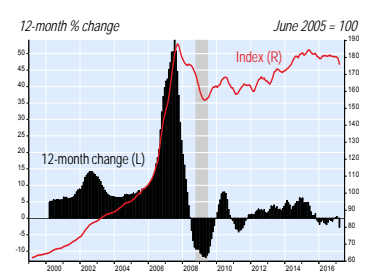
Ottawa-Gatineau



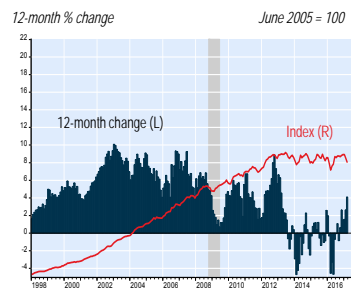
Calgary



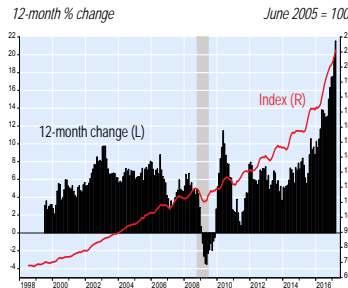
Edmonton



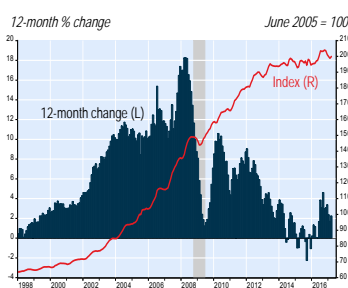
Halifax



Hamilton



Winnipeg



Teranet-National Bank House Price Index

Economics and Strategy

Montreal Office

514-879-2529

Stéfane Marion

Chief Economist and 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

Kyle Dahms

Economist
kyle.dahms@nbc.ca

Toronto Office

416-869-8598

Warren Lovely

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

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