



NATIONAL BANK

FINANCIAL MARKETS

A division of National Bank of Canada

TERANET- NATIONAL BANK HOUSE PRICE INDEX

Economics and Strategy

September 14, 2016

House prices up 1.5% in August

m/m growth: Latest: +1.5% prior month: +2.0%
y/y growth: Latest: +11.4% prior month: +10.9%

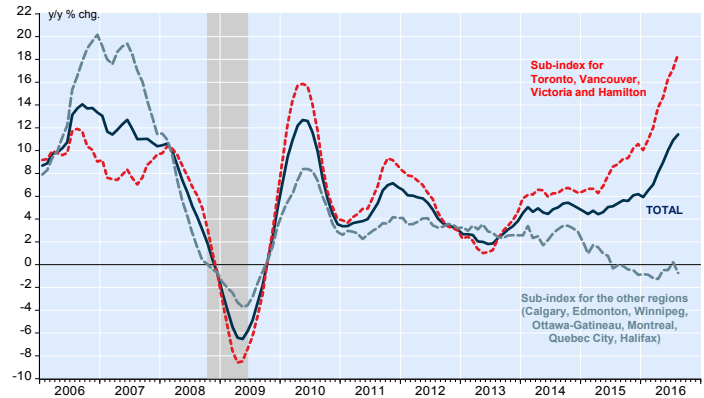
FACTS: The Teranet–National Bank National Composite House Price Index™ rose 1.5% in August, thanks to monthly gains in seven of the eleven regions covered. It was the third largest rise for a month of August since the index began in 1999. Gains exceeded that of the Composite index in the four markets that have been driving it in recent months: Toronto (+2.8%), Victoria (+2.2%), Hamilton (2.0%) and Vancouver (+1.7%). There were also gains in Ottawa-Gatineau (+0.8%), Halifax (+0.7%) and Edmonton (+0.4%). Prices were down from the month before in Winnipeg (-0.1%), Calgary (-0.2%), Montreal (-0.8%) and Quebec City (-1.9%). On a y/y basis, the national index was up 11.4%, the largest 12-month gain since July 2010. It was driven by Vancouver (+25.8% - the largest increase on record), Victoria (+17.5%), Toronto (+14.6%) and Hamilton (+13.0%). The 12-month increases were much smaller in Winnipeg (+3.1%), Halifax (+1.1%), Ottawa-Gatineau (+1.0%) and Montreal (+0.6%). Prices were down from a year earlier in Edmonton (-0.3%), Quebec City (-3.2%) and Calgary (-4.5%). See charts on next page.

OPINION: In August, the dichotomy in the Canadian home resale market continued, with large gains in the four metropolitan areas (Vancouver, Toronto, Victoria and Hamilton) that have been driving the national index recently. Apart from these four regions, prices have overall decreased over the last 12 months (top chart). That being said, for the first time in seven months, the monthly price increase in Vancouver was below 2%. Market conditions, although still tight, have eased in that city with the decrease in home sales since their peak last February. That sets the stage for a moderate price correction in Vancouver. In contrast, due to a combination of high sales and shrinking supply, market conditions are the tightest in Toronto since at least 14 years, with the number of dwellings listed for sale representing only 1.1 month of sales (middle chart). As a result, house price growth in Toronto has accelerated to a monthly average of 3.1% over the last three months. On a year-over-year basis, price increases in these two metropolitan areas have accelerated for condos as well as for other types of dwellings (bottom chart).

Marc Pinsonneault

Canada: Dichotomy in housing market

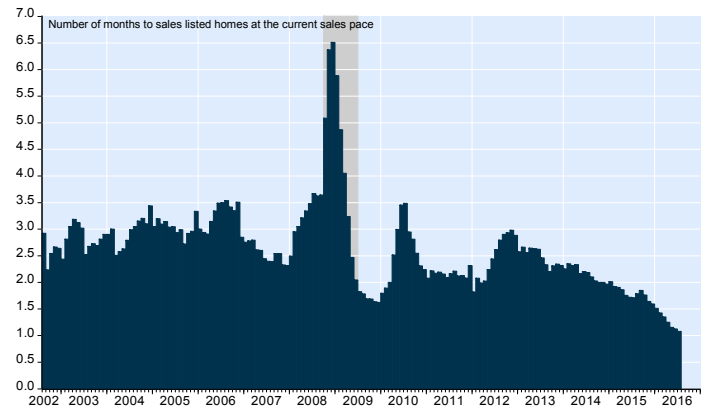
Teranet-National Bank regional sub-indices



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

Toronto: Home resale market conditions

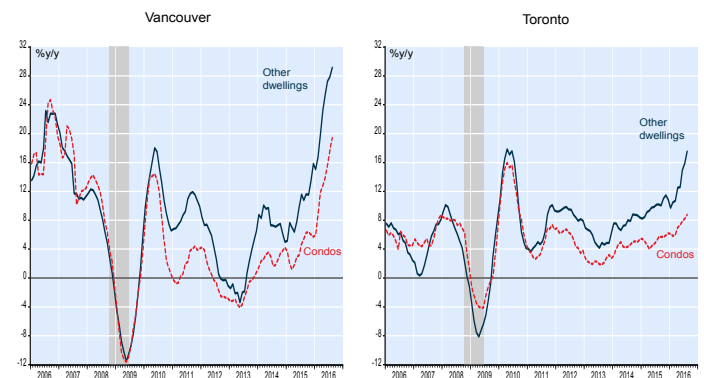
Active-listings-to-sales ratio



NBF Economics and Strategy (Data from TREB and CREA; active listings seasonally adjusted by NBF)

Vancouver and Toronto: House price growth by type of dwellings

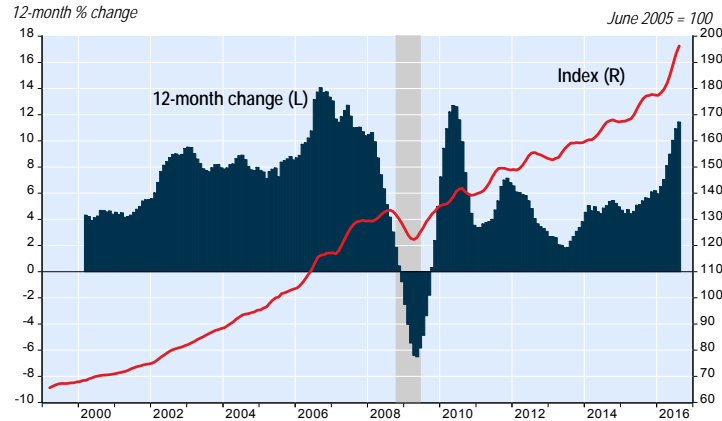
Price growth for condos and other types of dwellings



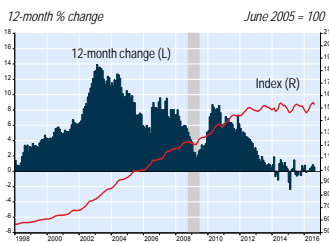
NBF Economics and Strategy (Teranet-National Bank House Price Index)

TERANET – NATIONAL BANK HOUSE PRICE INDEX

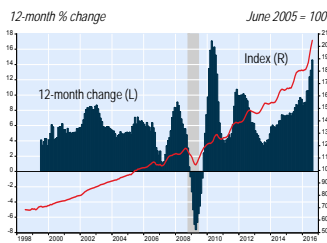
Teranet-National Bank National Composite House Price Index™



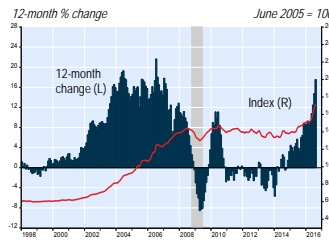
Montreal (14.0%)



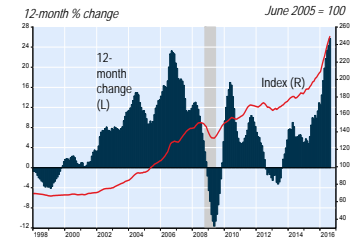
Toronto (34.6%)



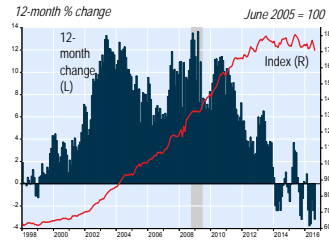
Victoria (3.2%)



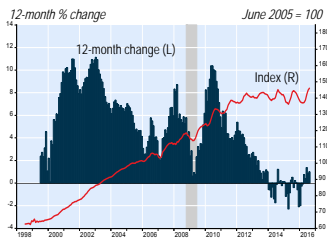
Vancouver (19.5%)



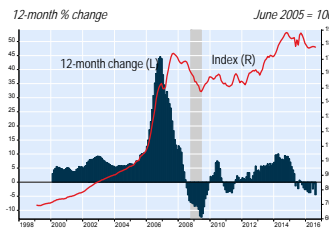
Quebec City (2.1%)



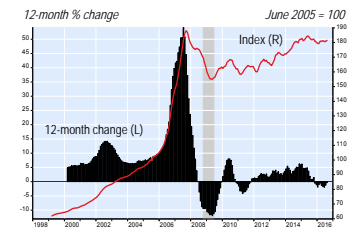
Ottawa-Gatineau (5.7%)



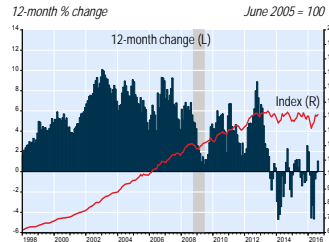
Calgary (8.3%)



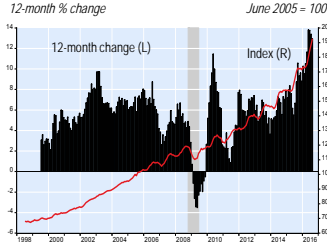
Edmonton (5.2%)



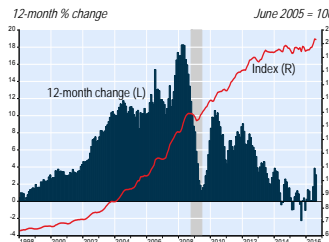
Halifax (1.5%)



Hamilton (3.7%)



Winnipeg (2.2%)



Weights in the National Composite Index are in parentheses

Weights in the National Composite Index are in parentheses

TERANET – NATIONAL BANK HOUSE PRICE INDEX

ECONOMICS AND STRATEGY

Montreal Office
514-879-2529

Toronto Office
416-869-8598

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

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

General – National Bank Financial (NBF) is an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on Canadian stock exchanges.

The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein.

Research Analysts – The Research Analyst(s) who prepare these reports certify that their respective report accurately reflects his or her personal opinion and that no part of his/her compensation was, is, or will be directly or indirectly related to the specific recommendations or views as to the securities or companies.

NBF compensates its Research Analysts from a variety of sources. The Research Department is a cost centre and is funded by the business activities of NBF including, Institutional Equity Sales and Trading, Retail Sales, the correspondent clearing business, and Corporate and Investment Banking. Since the revenues from these businesses vary, the funds for research compensation vary. No one business line has a greater influence than any other for Research Analyst compensation.

Canadian Residents – In respect of the distribution of this report in Canada, NBF accepts responsibility for its contents. To make further inquiry related to this report, Canadian residents should contact their NBF professional representative. To effect any transaction, Canadian residents should contact their NBF Investment advisor.

U.S. Residents – With respect to the distribution of this report in the United States, National Bank of Canada Financial Inc. (NBCFI) is regulated by the Financial Industry Regulatory Authority (FINRA) and a member of the Securities Investor Protection Corporation (SIPC). This report has been prepared in whole or in part by, research analysts employed by non-US affiliates of NBCFI that are not registered as broker/dealers in the US. These non-US research analysts are not registered as associated persons of NBCFI and are not licensed or qualified as research analysts with FINRA or any other US regulatory authority and, accordingly, may not be subject (among other things) to FINRA restrictions regarding communications by a research analyst with the subject company, public appearances by research analysts and trading securities held a research analyst account.

All of the views expressed in this research report accurately reflect the research analysts' personal views regarding any and all of the subject securities or issuers. No part of the analysts' compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report. The analyst responsible for the production of this report certifies that the views expressed herein reflect his or her accurate personal and technical judgment at the moment of publication. Because the views of analysts may differ, members of the National Bank Financial Group may have or may in the future issue reports that are inconsistent with this report, or that reach conclusions different from those in this report. To make further inquiry related to this report, United States residents should contact their NBCFI registered representative.

UK Residents – In respect of the distribution of this report to UK residents, National Bank Financial Inc. has approved the contents (including, where necessary, for the purposes of Section 21(1) of the Financial Services and Markets Act 2000). National Bank Financial Inc. and/or its parent and/or any companies within or affiliates of the National Bank of Canada group and/or any of their directors, officers and employees may have or may have had interests or long or short positions in, and may at any time make purchases and/or sales as principal or agent, or may act or may have acted as market maker in the relevant investments or related investments discussed in this report, or may act or have acted as investment and/or commercial banker with respect thereto. The value of investments can go down as well as up. Past performance will not necessarily be repeated in the future. The investments contained in this report are not available to retail customers. This report does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for the securities described herein nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

This information is only for distribution to Eligible Counterparties and Professional Clients in the United Kingdom within the meaning of the rules of the Financial Conduct Authority. National Bank Financial Inc. is authorised and regulated by the Financial Conduct Authority and has its registered office at 71 Fenchurch Street, London, EC3M 4HD.

National Bank Financial Inc. is not authorised by the Prudential Regulation Authority and the Financial Conduct Authority to accept deposits in the United Kingdom.

Copyright – This report may not be reproduced in whole or in part, or further distributed or published or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of National Bank Financial.