



NATIONAL BANK

FINANCIAL MARKETS

A division of National Bank of Canada

TERANET-NATIONAL BANK HOUSE PRICE INDEX

Economics and Strategy

January 13, 2016

House prices up 6.2% in 2015, with quite a regional contrast

m/m growth:

Latest: -0.1% prior month: +0.2%

y/y growth:

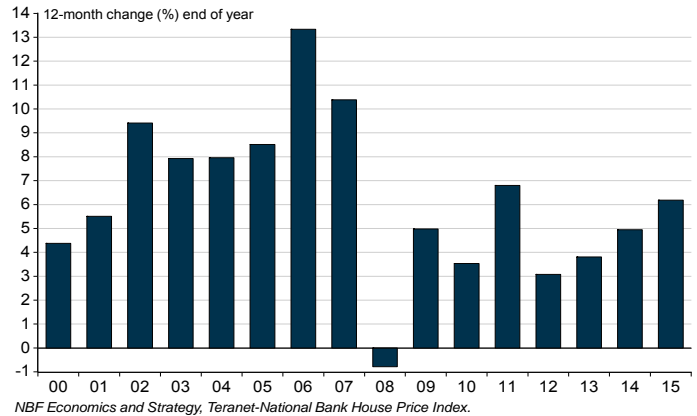
Latest: +6.2% prior month: +6.1%

FACTS: The Teranet-National Bank National Composite House Price Index™ declined 0.1% in December, the first drop in 10 months. Prices fell in Calgary (-1.7%), Winnipeg (-1.5%), Ottawa-Gatineau (-1.4%), Montreal (-1.3%), Hamilton (-0.6%) and Edmonton (-0.3%). They were stable in Victoria. Prices rose in Halifax (+1.5%), Vancouver (+1.1%), Quebec City (+0.5%) and Toronto (+0.2%). The composite index was up 6.2% from a year earlier, the largest 12-month gain since February 2012. Among component indexes, the 12-month gain was well above the national average in Vancouver (12.9%), Toronto (9.5%), Hamilton (8.8%) and Victoria (+8.7%). Quite a contrast with other regions characterized by little increases if not house price deflation (Halifax +2.6%, Montreal +0.4%, Quebec City +0.2%, Calgary -2.6%, Ottawa-Gatineau -2.1%, Edmonton and Winnipeg -1.1% - See charts next page).

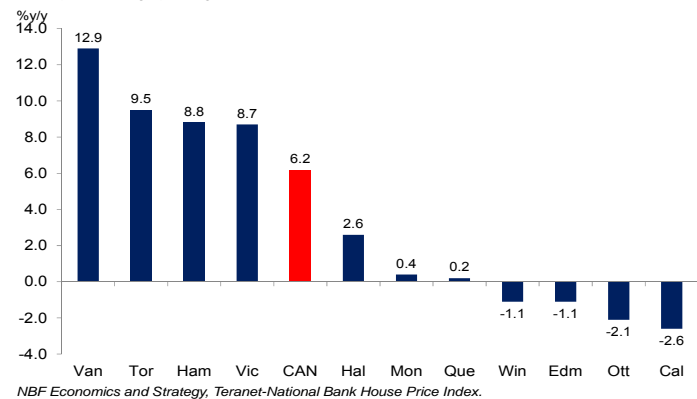
OPINION: For Canada as a whole, 2015 saw the largest house price increase in four years (top chart), but only four regional markets were the drivers of that performance. At the other end of the spectrum, the collapse in oil prices has translated into house price deflation in Calgary and Edmonton, with the remaining five markets showing little price growth if not declines (middle chart). Even in Vancouver and Toronto, there was a dichotomy in the market, with condos prices up roughly 6% in 2015, while prices for other types of dwellings surged 15.8% in Vancouver and 10.9% in Toronto (bottom chart). Some believe that the story in Vancouver and Toronto is all about speculation and demand from foreigners, and nothing is fundamental. Data tell a different story. Indeed, fundamentals are playing a role, judging from job growth over the last 12 months of no less than 4.9% in Toronto and 4.0% in Vancouver. Looking ahead, deteriorating economic conditions in Canada should translate in softer job creation in the hot markets, while weak resale markets should persist elsewhere. Under these circumstances, we expect a significant deceleration in the national house price index growth rate in 2016.

Marc Pinsonneault

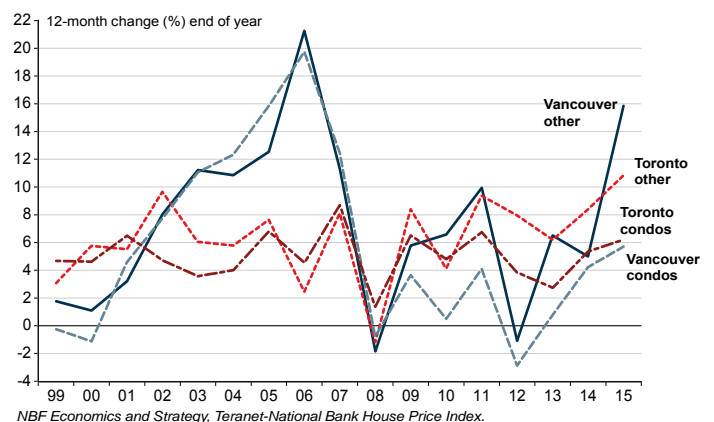
Canada: Largest annual house price increase in four years
Teranet-National Bank Composite House Price Index



House price changes in 2015: Quite a regional contrast
House price change per regional markets, from December 2014 to December 2015

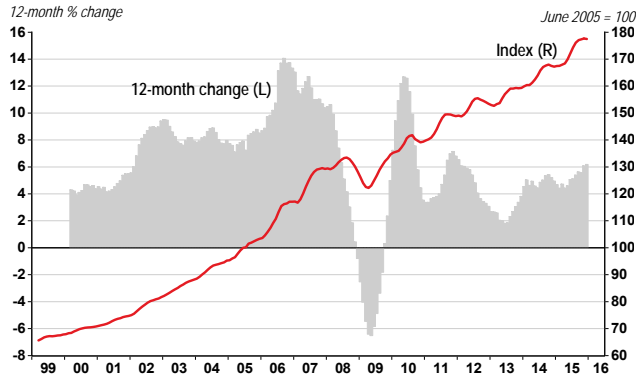


Dichotomy within Toronto and Vancouver home resale markets

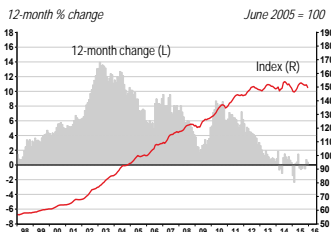


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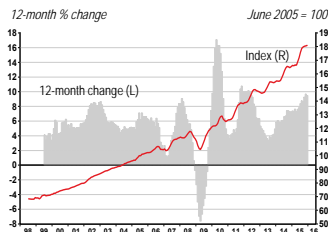
Teranet-National Bank National Composite House Price Index™



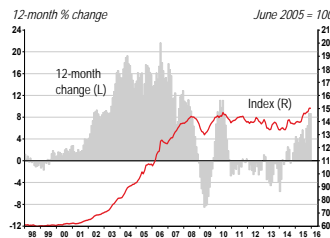
Montreal (14.0%)



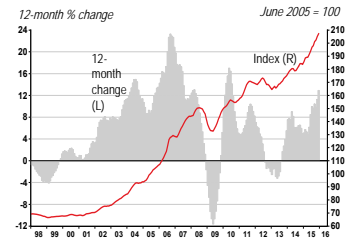
Toronto (34.6%)



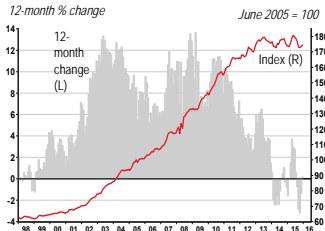
Victoria (3.2%)



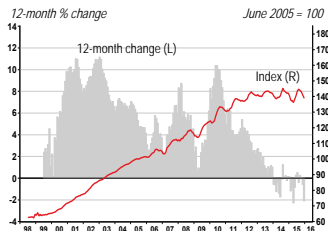
Vancouver (19.5%)



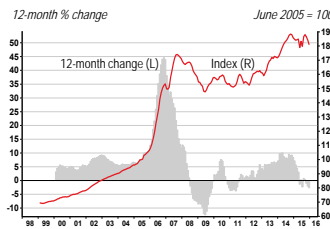
Quebec City (2.1%)



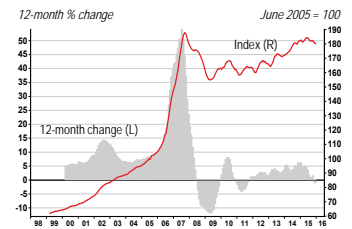
Ottawa–Gatineau (5.7%)



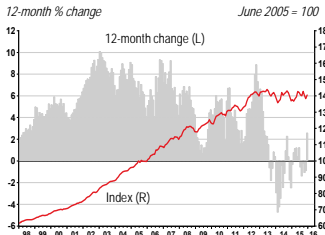
Calgary (8.3%)



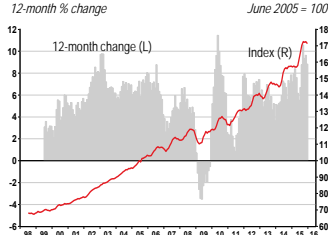
Edmonton (5.2%)



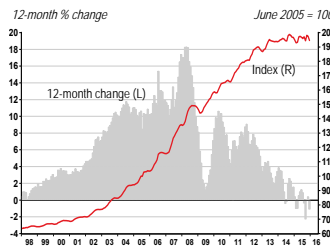
Halifax (1.5%)



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 Associate 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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