



**NATIONAL BANK**

**FINANCIAL MARKETS**

A division of National Bank of Canada

# TERANET- NATIONAL BANK HOUSE PRICE INDEX

Economics and Strategy

August 12, 2016

## House prices climbed 2.0% in July

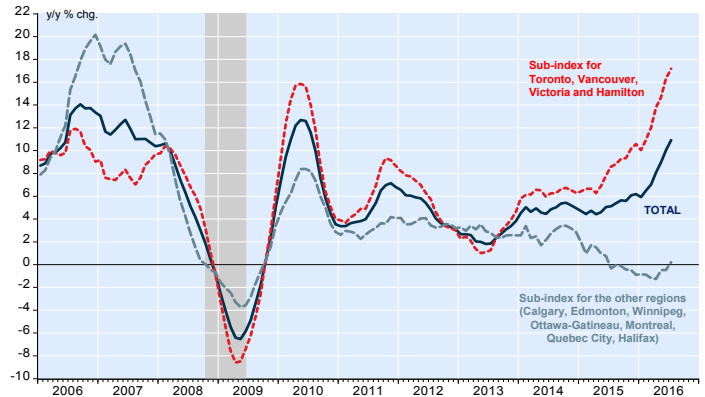
**m/m growth: Latest: +2.0% prior month: +2.3%**  
**y/y growth: Latest: +10.9% prior month: +10.0%**

**FACTS:** The Teranet–National Bank National Composite House Price Index™ rose 2.0% in July, thanks to monthly gains in seven of the eleven regions covered. It was the second largest rise for a month of July since the index began in 1999. Gains exceeded that of the Composite index in Victoria (+3.8%), Toronto (+3.1%), Hamilton (+2.4%) and Vancouver (+2.3%). There were also significant gains in Ottawa-Gatineau (+1.7%), Winnipeg (+1.6%) and Montreal (+0.6%). Prices were flat in Edmonton, and declined in Calgary (-0.1%), Halifax (-0.4%) and Quebec City (-1.6%). On a y/y basis, the national index was up 10.9%, the largest 12-month gain in six years. The annual increase was well above the national average in Vancouver (+24.3% - the largest increase on record), Victoria (+14.7%), Hamilton (+13.4%) and Toronto (+13.3%). Those massive gains contrast sharply with other regions, where prices rose in Winnipeg (+3.8%), Ottawa-Gatineau and Montreal (+0.8%) and declined in Halifax (-0.1%), Calgary (-0.6%), Edmonton (-1.2%) and Quebec City (-2.4%). See charts on next page.

**OPINION:** In July, the dichotomy in the Canadian home resale market continued, with large monthly 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 been flat over the last 12 months (top chart). Vancouver has been in a league of its own, with monthly price rises above 2% in each of the last six months. That sequence saw a surge in condos prices as well as for other types of dwellings (left panel middle chart). Some observers believe that prices are going to cool in Vancouver based on last July's 19% drop in home sales on a y/y basis and to the implementation of a 15% property transfer tax on foreigners purchases of residential real estate. However, despite the drop in existing home sales, the Vancouver resale market remains tight (middle chart – right panel). Furthermore, the labour market in Vancouver is red hot, with employment having risen 7.4% on a y/y basis (bottom chart). These two factors provide support to house prices. The story is not solely about alleged foreign capital flows.

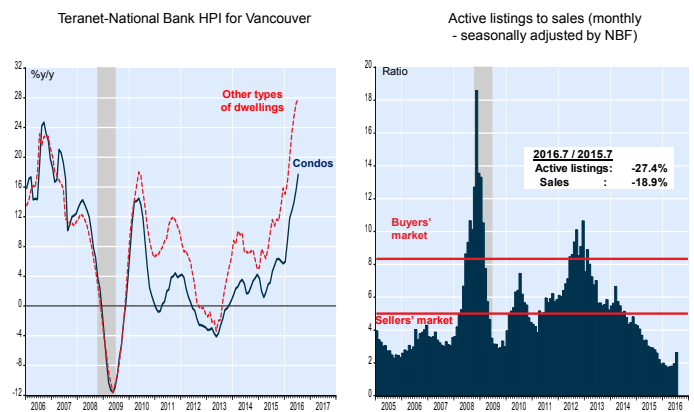
**Marc Pinsonneault**

### Canada: Dichotomy in housing market Teranet-National Bank regional sub-indices



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

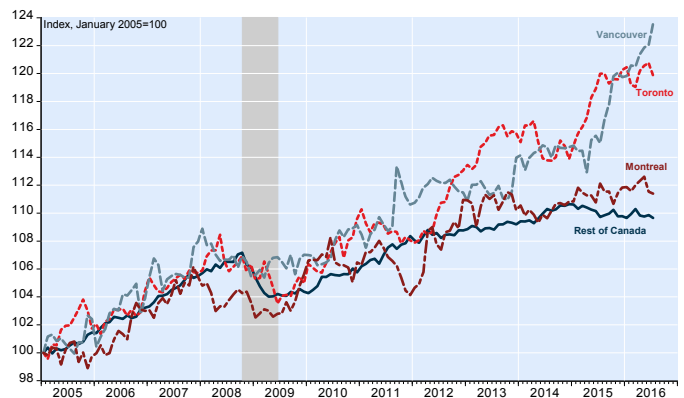
### Vancouver: Conditions still tight on the home resale market



NBF Economics and Strategy (data via Teranet-National Bank HPI and Real Estate Board of Greater Vancouver)

### Canada: Perspective on job creation

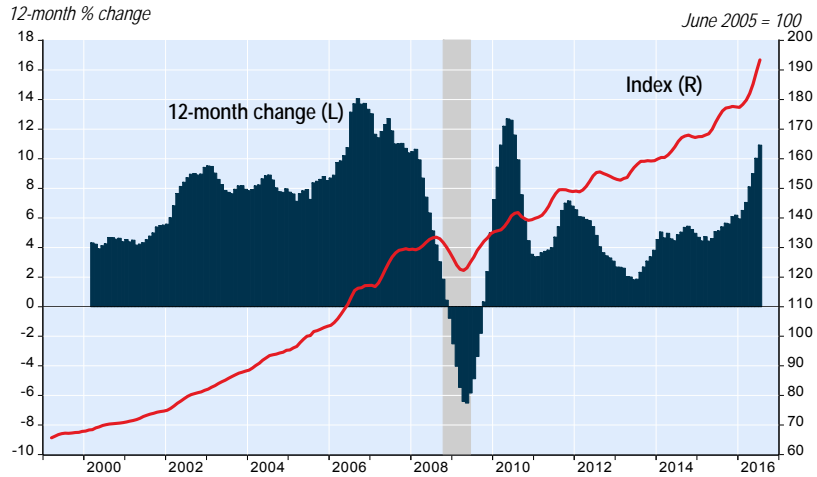
Job creation in Vancouver, Toronto, Montreal, and rest of Canada



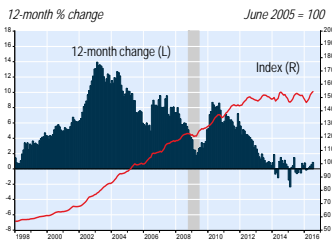
NBF Economics and Strategy (data via Statistics Canada)

# TERANET – NATIONAL BANK HOUSE PRICE INDEX

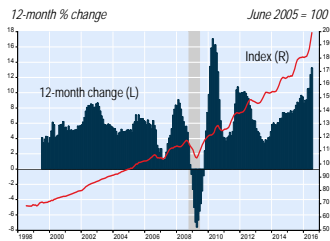
## Teranet-National Bank National Composite House Price Index™



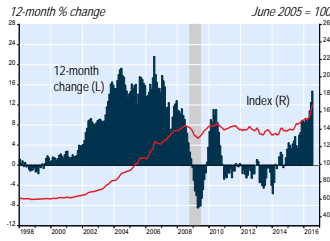
**Montreal (14.0%)**



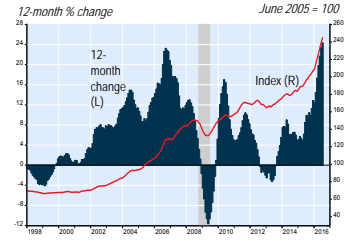
**Toronto (34.6%)**



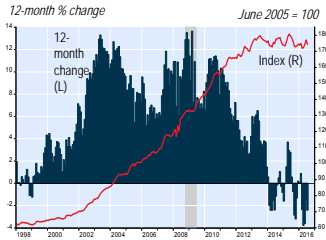
**Victoria (3.2%)**



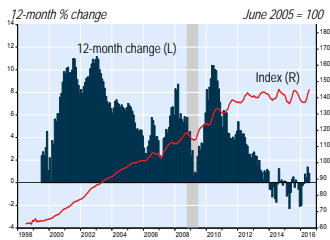
**Vancouver (19.5%)**



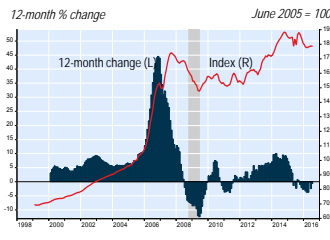
**Quebec City (2.1%)**



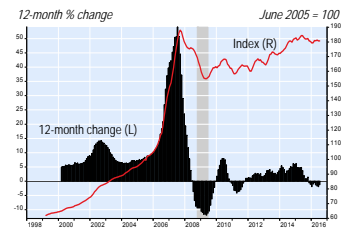
**Ottawa–Gatineau (5.7%)**



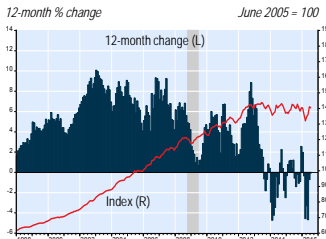
**Calgary (8.3%)**



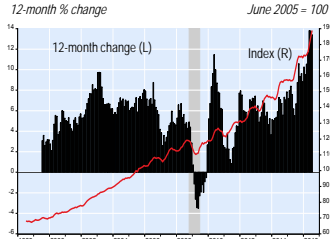
**Edmonton (5.2%)**



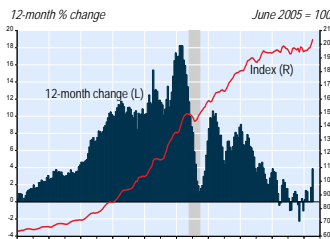
**Halifax (1.5%)**



**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.