



NATIONAL BANK

FINANCIAL MARKETS

A division of National Bank of Canada

TERANET-NATIONAL BANK HOUSE PRICE INDEX

Economics and Strategy

January 12, 2017

House prices up 0.3% in December

m/m growth: Latest: +0.3% prior month: +0.2%
y/y growth: Latest: +12.3% prior month: +11.9%

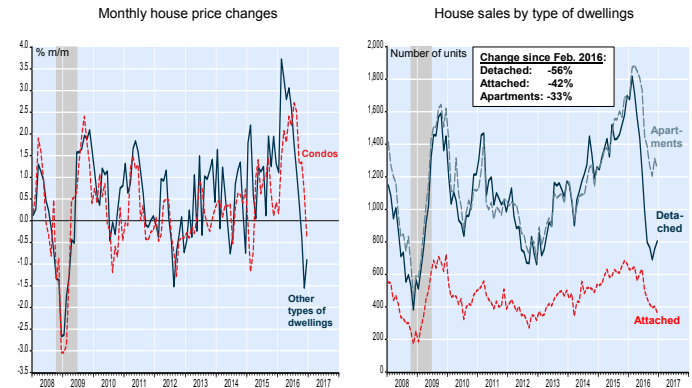
FACTS: The Teranet–National Bank National Composite House Price Index™ rose 0.3% in December, thanks to monthly gains in eight of the eleven regions covered. The monthly advance exceeded the average of 0.1% for a month of December since the Index began in 1999. Prices were up in Toronto (+1.2%), Victoria (+1.2%), Quebec City (+0.6%), Calgary (+0.6%), Hamilton (+0.4%), Halifax (0.4%), Ottawa-Gatineau (+0.3%) and Edmonton (+0.1%). Prices were down from the month before in Montreal (-0.5%), Vancouver (-0.8%) and Winnipeg (-1.2%). On a y/y basis, the national index was up 12.3%, the largest 12-month gain since June 2010. It was driven by Toronto (+19.7%), Victoria (+17.7%), Hamilton (+17.5%) and Vancouver (+17.0%). The 12-month increases were much smaller in Ottawa-Gatineau (+3.6%), Winnipeg (+3.4%), Halifax (+1.5%), Montreal (+0.8%), Calgary (+0.6%) and Edmonton (+0.1%). Prices were down from a year earlier in Quebec City (-0.7%). See charts on next page.

OPINION: National house price inflation has shed some momentum in recent months as Vancouver continues to deflate. Canada's priciest city experienced its third consecutive monthly decline, and more is in store. The price drop so far was mostly concentrated in dwellings other than condos. This is consistent with house sales decline (since their February peak) mostly concentrated in detached dwellings (top chart). In contrast, according to Toronto Real Estate Board, existing home sales reached another record in 2016, while the market faced a very tight supply (middle chart). We have yet to see it, but sooner or later, low affordability and the new ruling regarding the qualification for an insured mortgage will take some steam out of demand and prices. In the meantime, Toronto, Hamilton and Victoria are the three metropolitan regions pulling up the Composite index growth month after month. Apart from Vancouver and these three regions, house prices have been flat over the last six months (bottom chart).

Marc Pinsonneault

Vancouver: Three consecutive monthly price drops

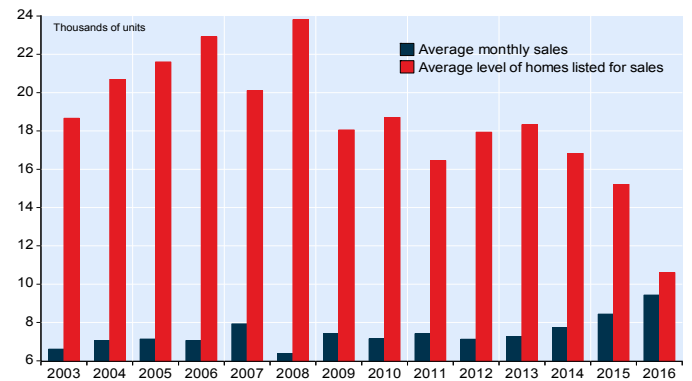
Last observation: November



NBF Economics and Strategy (Data from Teranet-National Bank House Price Index and REBGV, the latter seasonally adjusted by NBF)

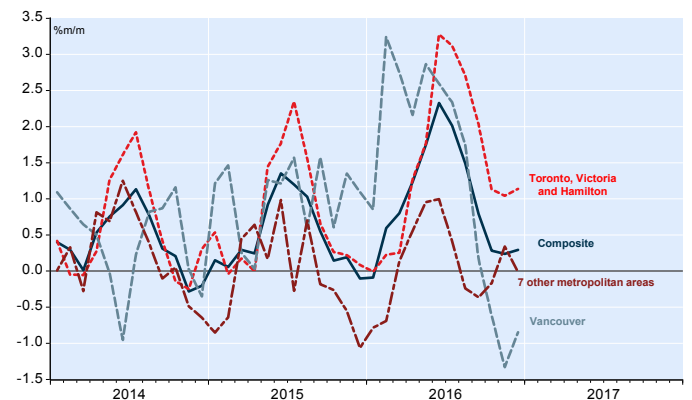
Toronto: Record home sales combined with very tight supply

Last observation: December



NBF Economics and Strategy (Data from TREB)

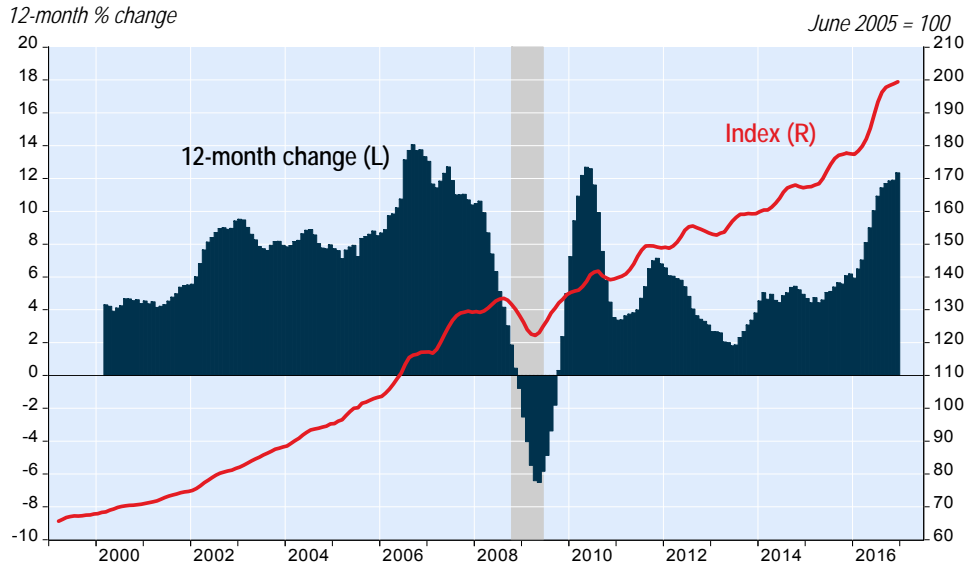
Teranet-National Bank House Price Index™



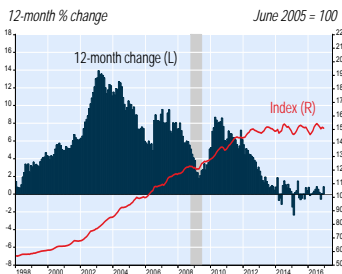
NBF Economics and Strategy (Data from Teranet-National Bank House Price Index)

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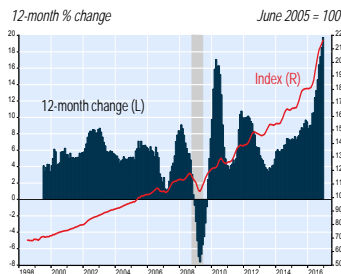
Teranet-National Bank National Composite House Price Index™



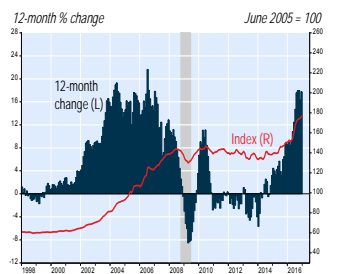
Montreal



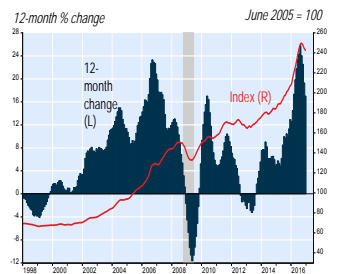
Toronto



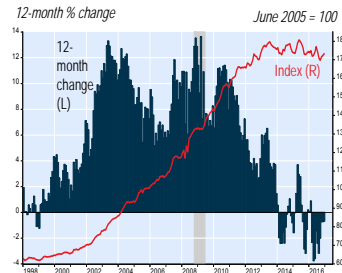
Victoria



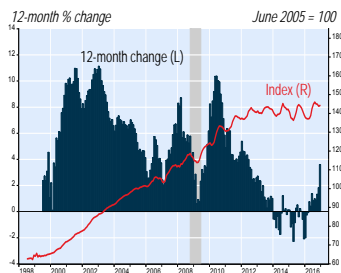
Vancouver



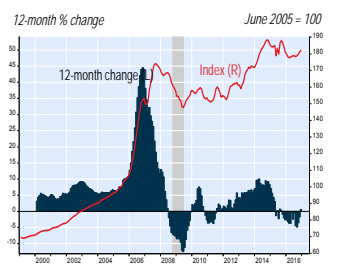
Quebec City



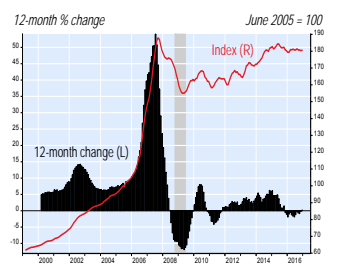
Ottawa-Gatineau



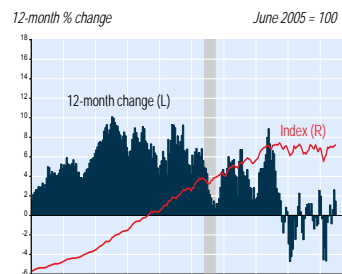
Calgary



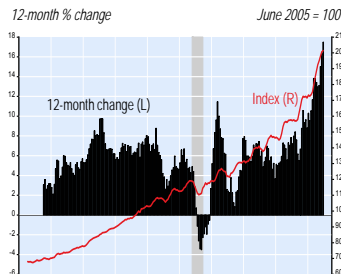
Edmonton



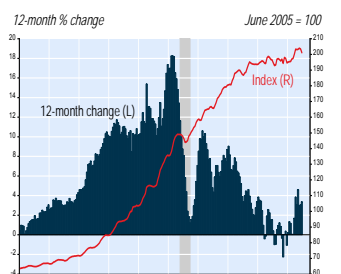
Halifax



Hamilton



Winnipeg



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