



NATIONAL BANK

FINANCIAL MARKETS

A division of National Bank of Canada

TERANET-NATIONAL BANK HOUSE PRICE INDEX

Economics and Strategy

June 14, 2016

House prices up 1.8% in May

m/m growth: Latest: +1.8% prior month: +1.2%
y/y growth: Latest: +9.0% prior month: +8.1%

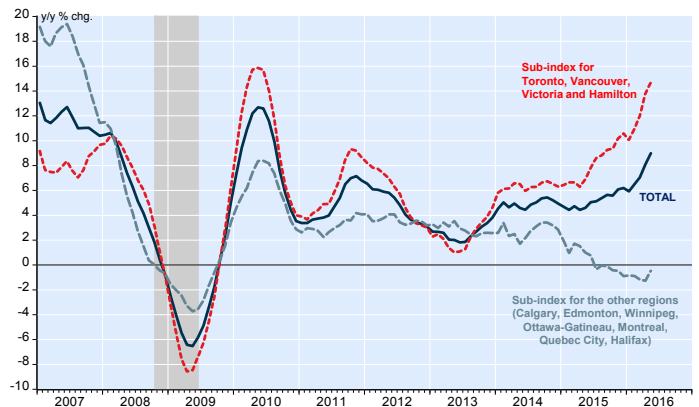
FACTS: The Teranet–National Bank National Composite House Price Index™ rose 1.8% in May thanks to monthly gains in all of the eleven regions covered. Vancouver led the pack with a monthly rise exceeding 2% for a fourth month in a row. On a y/y basis, the national index was up 9.0%, the largest 12-month gain since September 2010. The annual increase was well above the national average in Vancouver (+21.7% - the largest since November 2006), Hamilton (+13.8%), Victoria (+10.8%) and Toronto (+10.6%). Those massive gains contrast sharply with other regions, where prices barely rose in Ottawa-Gatineau (+0.4%) and Montreal (+0.3%), were flat in Winnipeg and declined in Calgary (-0.2%), Edmonton (-1.7%), Quebec City (-3.6%) and Halifax (-4.7%). See charts on next page.

OPINION: The dichotomy continues on the Canadian home resale market. Year-over-year price growth exceeds 10% in Vancouver, Victoria, Toronto and Hamilton, while deflation persists in the seven other regions covered (top chart). New trends are also emerging. First, Vancouver is in a league of its own with prices up more than 20% over the last twelve months. Second, the surge in house prices in that city does not anymore mostly characterize single-family homes (price up at a record 25.1% in May) but also condos (prices up 13.9% in May against 6% in January - middle chart). To a lesser extent, this new trend also applies to Toronto. In that city, availability of land had restricted the supply of low-rise residential buildings, and steep house price growth used to be concentrated in that segment. But with record sales of apartments since the beginning of the year, condos prices have moved up in sync with those of other types of dwellings lately (bottom chart). The generalization of steep price growth to condos should feed concerns about affordability in these metropolitan areas and household indebtedness.

Marc Pinsonneault

Canada: Dichotomy in housing market

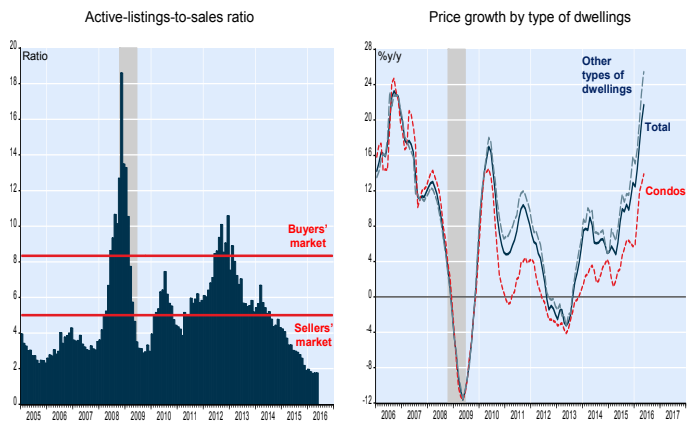
Teranet-National Bank regional sub-indices



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

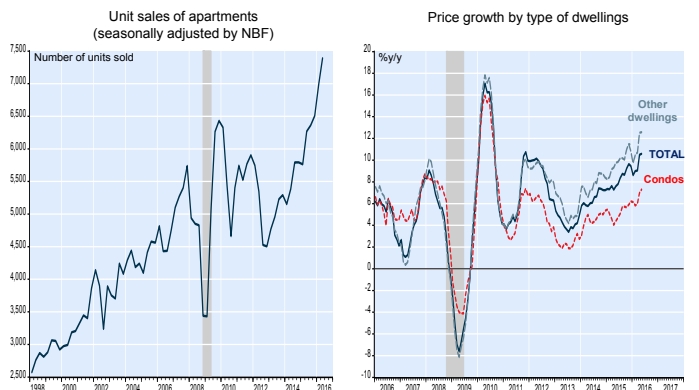
Vancouver: Very tight conditions on the home resale market

Prices of condos have accelerated in synch with other dwellings lately



NBF Economics and Strategy (data from Real Estate Board of Greater Vancouver seasonally adjusted by NBF and from Teranet-National Bank HPI)

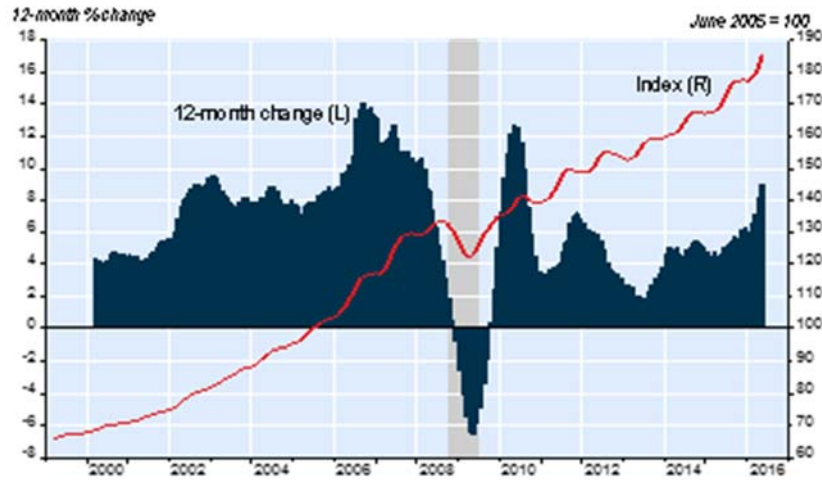
Toronto: Record sales of apartments impact condo prices



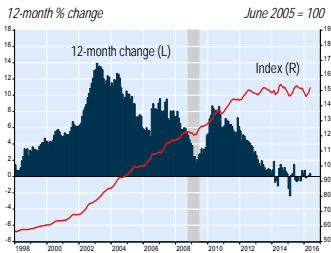
NBF Economics and Strategy (data from Toronto Real estate Board and Teranet-National Bank HPI)

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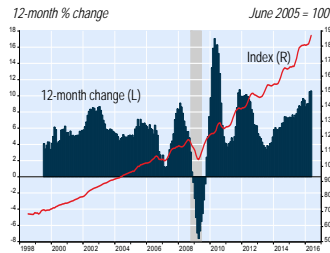
Teranet-National Bank National Composite House Price Index™



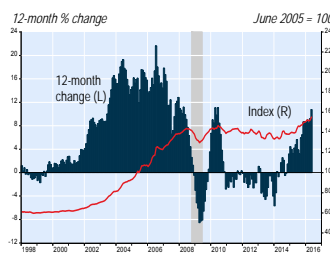
Montreal (14.0%)



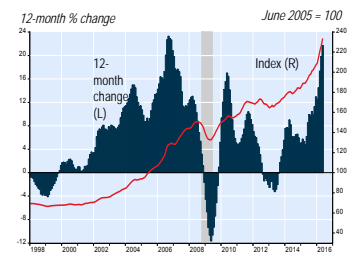
Toronto (34.6%)



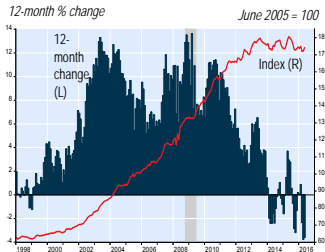
Victoria (3.2%)



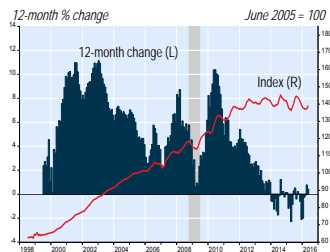
Vancouver (19.5%)



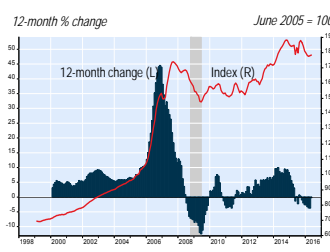
Quebec City (2.1%)



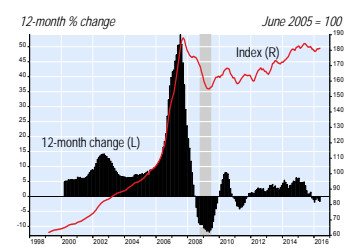
Ottawa-Gatineau (5.7%)



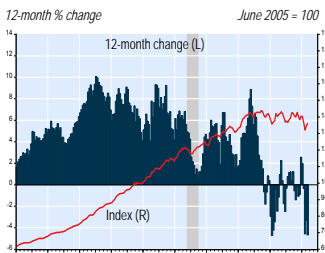
Calgary (8.3%)



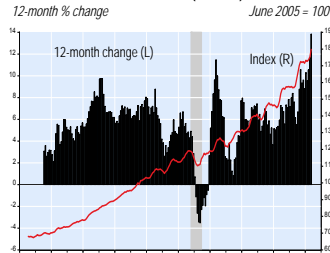
Edmonton (5.2%)



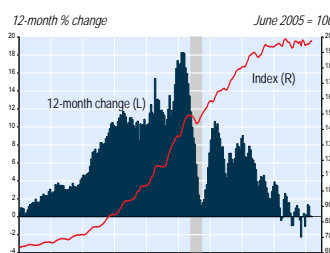
Halifax (1.5%)



Hamilton (3.7%)



Winnipeg (2.2%)



Weights in the National Composite Index are in parentheses

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