



NATIONAL BANK

FINANCIAL MARKETS

A division of National Bank of Canada

TERANET-NATIONAL BANK HOUSE PRICE INDEX

Economics and Strategy

March 14, 2016

House prices up 0.6% in February

m/m growth:

Latest: +0.6% prior month: -0.1%

y/y growth:

Latest: +6.5% prior month: +5.9%

FACTS: The Teranet–National Bank National Composite House Price Index™ grew 0.6% in February, reaching a new record (top chart). Prices rose in Vancouver (+3.2%), in Victoria (+0.9%), in Quebec City (+0.7%), in Toronto (+0.2%) and in Winnipeg and Edmonton (+0.1%). Prices fell in Hamilton and Ottawa-Gatineau (+0.4%), in Calgary (-0.9%), in Montreal (-1.2%) and in Halifax (-2.9%). The composite index was up 6.5% from a year earlier, the largest 12-month gain since January 2012. The 12-month gain was well above the national average in Vancouver (+14.5%), Hamilton (+9.5%), Toronto and Victoria (+9.0%). Quite a contrast with other regions characterized by little increases (Winnipeg: +1.3%, Quebec City: +0.9%) or outright house price deflation (Montreal: -0.2%, Halifax and Ottawa-Gatineau (-0.3%), Edmonton: -1.0% and Calgary: -3.3% - See charts next page).

OPINION: The last monthly increase in the composite index, the largest for a month of February since the recession, is totally due to the price jump in Vancouver. Without Vancouver, the index would have been about flat. The 12-month two-digit price gain in Vancouver is consistent with data reported by the Real Estate Board of Greater Vancouver, suggesting record sales last February together with historically low active listings (middle chart). Also, the Toronto Real Estate Board reported record existing home sales for a month of February. The high level of sales in both cities might be explained in part by the fact that the new measure requiring at least 10% down payment on the portion of the purchase price between \$500,000 and \$1 million applies to new mortgage applications received on February 15 or later. It is not binding for mortgage applications received between the announcement on December 11 and February 15 that do not conform to the measure, inasmuch as the mortgage is in place by July 1, 2016. So sales in these expensive cities can be stimulated over the coming months as well. In other areas, prices have overall declined lately (bottom chart), in particular in Calgary, where home price deflation has been the sharpest over the last twelve months.

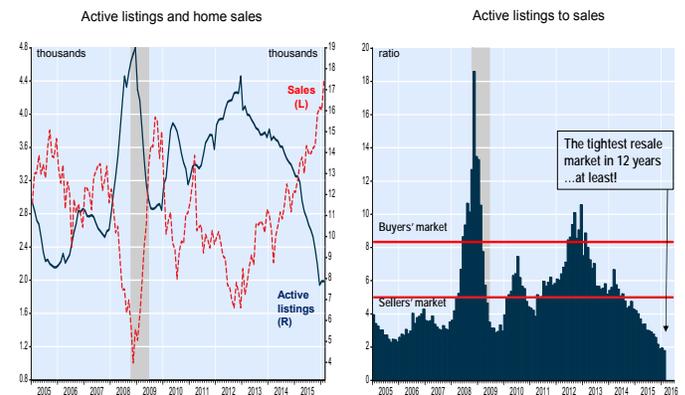
Marc Pinsonneault

Teranet–National Bank National Composite House Price Index™



NBF Economics and Strategy, Teranet-National Bank House Price Index.

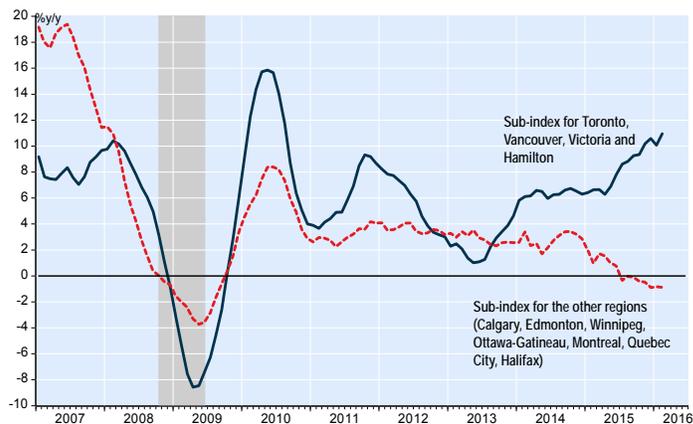
Vancouver: The tightest home resale market in 12 years



NBF Economics and Strategy, data from Real estate Board of Greater Vancouver seasonally adjusted by NBF

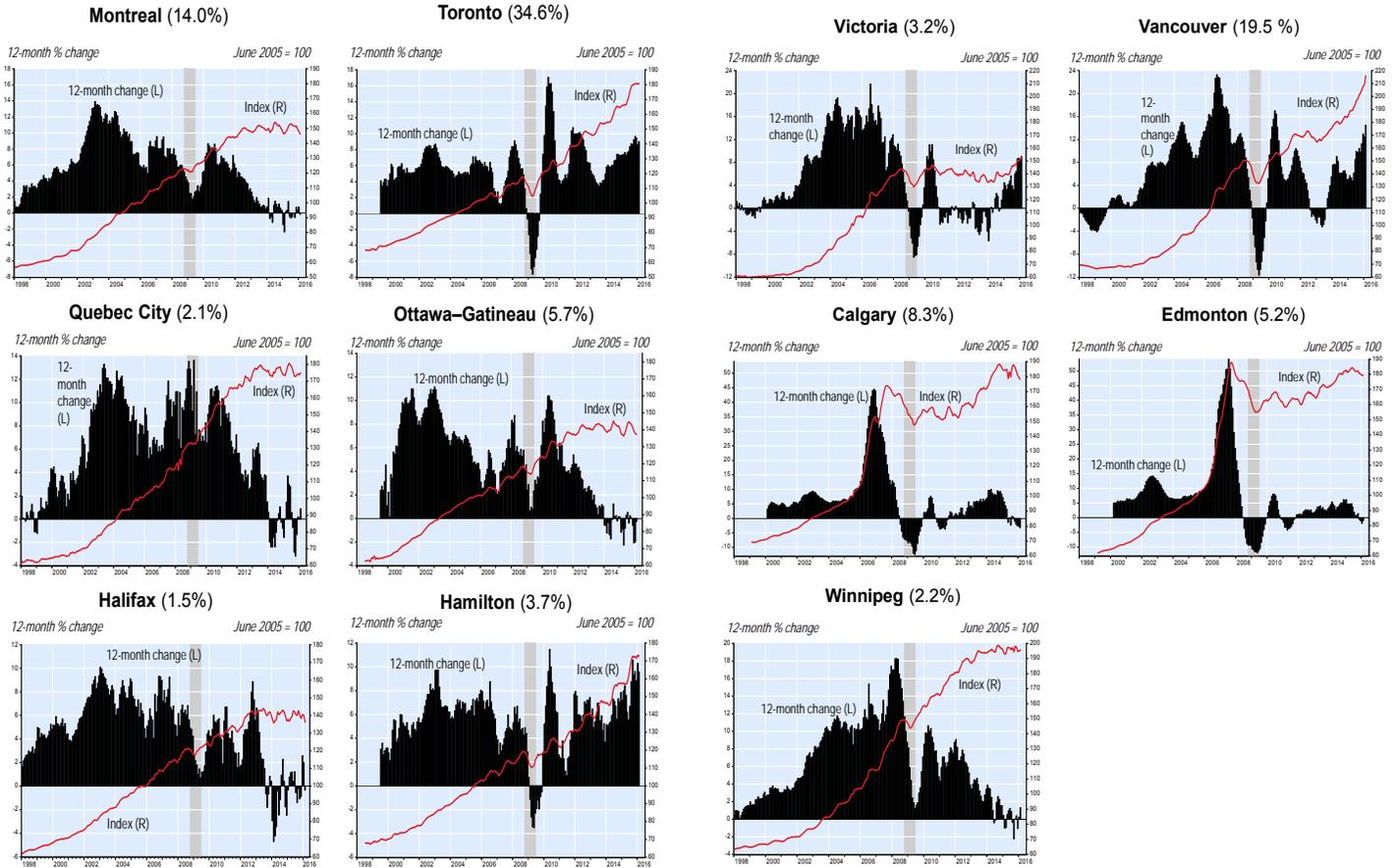
Regional dichotomy in house price growth rates

Teranet-National Bank regional sub-indices



NBF Economics and Strategy, Teranet-National Bank House Price Index.

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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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