



**NATIONAL BANK**

**FINANCIAL MARKETS**

A division of National Bank of Canada

# TERANET-NATIONAL BANK HOUSE PRICE INDEX

Economics and Strategy

May 12, 2016

## House prices up 1.2% in April

**m/m growth: Latest: +1.2% prior month: +0.8%**  
**y/y growth: Latest: +8.1% prior month: +7.0%**

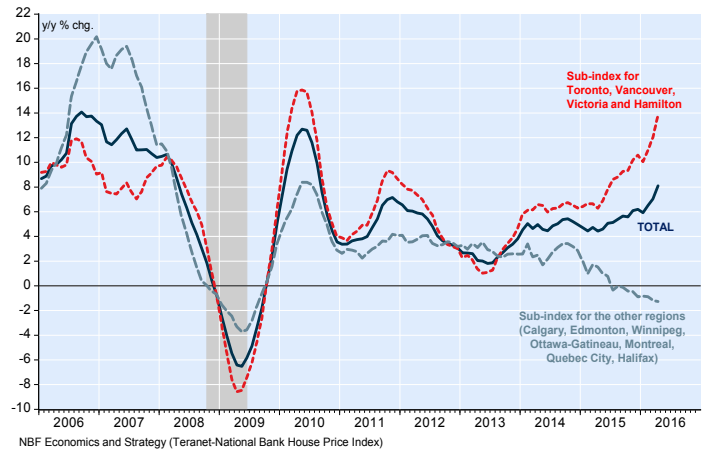
**FACTS:** The Teranet–National Bank National Composite House Price Index™ rose 1.2% in April thanks to monthly gains in ten of the eleven regions covered. Vancouver led the pack with a monthly rise exceeding 2% for a third month in a row. On a year-on-year basis, the composite index was up 8.1%, the largest 12-month gain since September 2010. The annual increase was well above the national average in Vancouver (+19.8%, the highest for that metropolitan area since 2007), Hamilton (+11.7%), Toronto (+10.5%) and Victoria (+9.2%). Those massive gains contrast sharply with other regions, where prices barely rose in Ottawa-Gatineau (+0.8%), Montreal and Winnipeg (+0.1%), and declined in Edmonton (-1.3%), Halifax (-3.3%), Calgary (-3.7%) and Quebec City (-3.8%). See charts on next page.

**OPINION:** For those living in Vancouver, Victoria, Toronto and Hamilton, the housing boom continues. Quite a contrast with the seven other metropolitan areas covered by the Index, where prices have on average declined on a y/y basis over the last ten months (top chart). Within the group of four hot housing markets, Vancouver is in a league of its own, with a y/y price gain of almost 20%. It must be said that the resale market in that metropolitan area is very tight judging from active listings and sales published by the Real Estate Board of Greater Vancouver (middle chart). While some will keep blaming foreign capital for the housing boom in Vancouver and Toronto, it's worth noting those cities are also blessed with the strongest labour markets in the country and hence are able to accommodate large migration flows (bottom chart – left panel). Especially in Vancouver, existing home sales are at a historically high level while supply is at a trough. Fortunately, real estate promoters and homebuilders are aware of that situation. Consequently, housing starts in Vancouver since the beginning of the year were almost 50% above the highest levels of the previous 15 years (bottom chart – right panel). This reaction in new housing construction should sooner or later help alleviate the price pressure on Vancouver's housing market.

**Marc Pinsonneault**

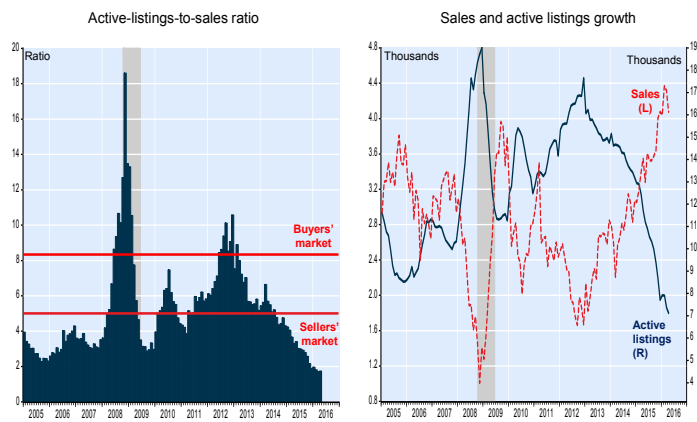
### Canada: Dichotomy in housing market

Teranet-National Bank regional sub-indices



### Vancouver: Very tight conditions on the home resale market

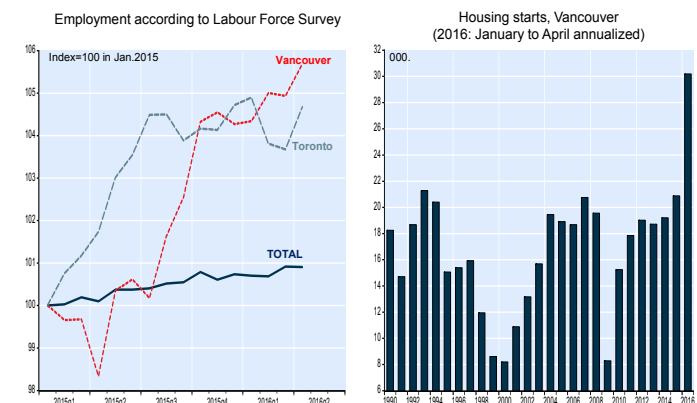
Data seasonally adjusted by NBF; last observation: April 2016



NBF Economics and Strategy (data from Real Estate Board of Greater Vancouver)

### Strong employment explains in part Vancouver's hot housing market

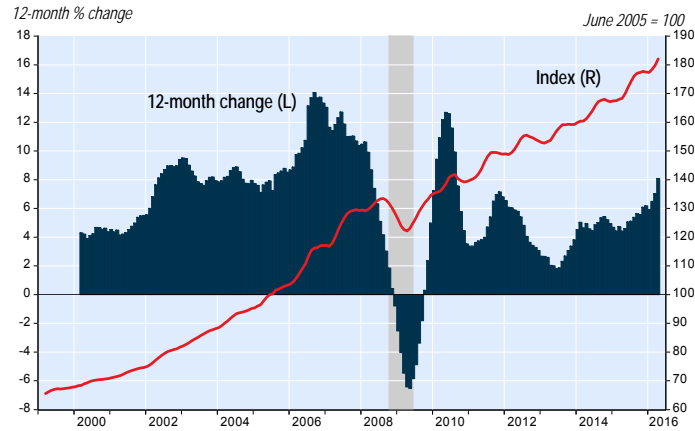
Home builders are already working on increasing house supply



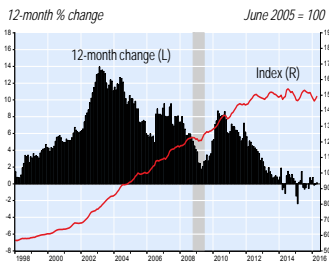
NBF Economics and Strategy (Teranet-National Bank House Price Index and data from CMHC)

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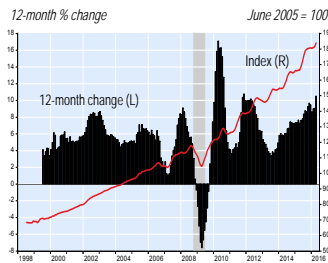
Teranet-National Bank National Composite House Price Index™



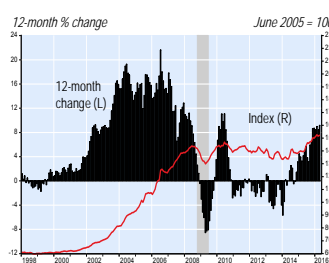
**Montreal (14.0%)**



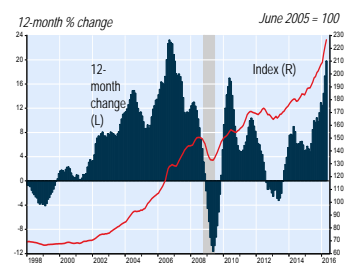
**Toronto (34.6%)**



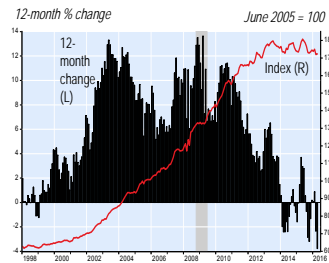
**Victoria (3.2%)**



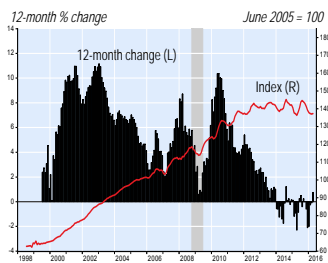
**Vancouver (19.5%)**



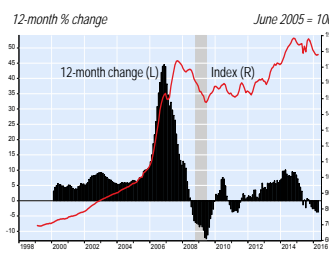
**Quebec City (2.1%)**



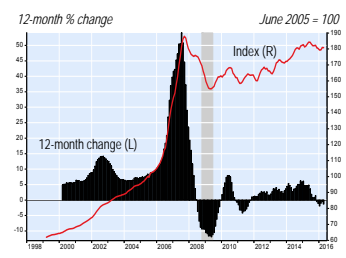
**Ottawa-Gatineau (5.7%)**



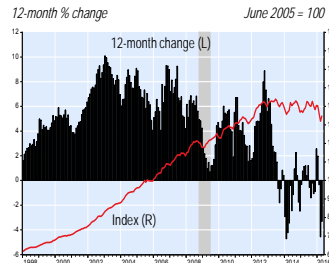
**Calgary (8.3%)**



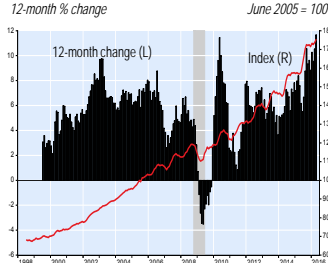
**Edmonton (5.2%)**



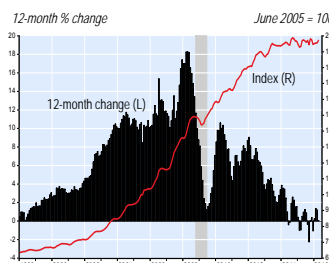
**Halifax (1.5%)**



**Hamilton (3.7%)**



**Winnipeg (2.2%)**



Weights in the National Composite Index are in parentheses

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