

Largest-ever increase for a month of May

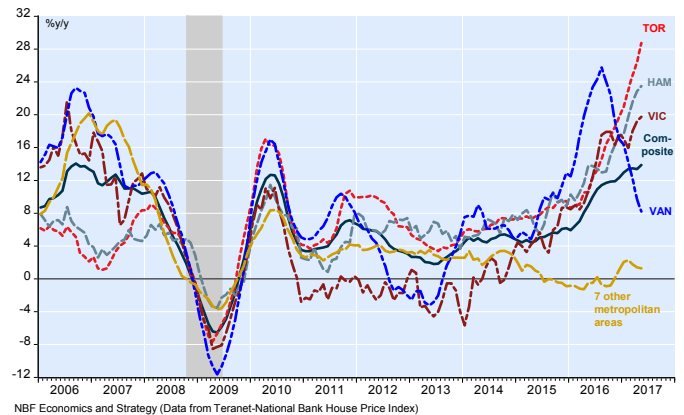
m/m growth: Latest: +2.2% prior month: +1.2%
y/y growth: Latest: +13.9% prior month: +13.4%

FACTS: The Teranet-National Bank National Composite House Price Index™ rose 2.2% in May, the largest-ever increase for that month over the 19 years for which the index is available. Home prices rose in all the eleven metropolitan regions covered, a first in 12 months. Price gains were above the national average in Toronto (+3.6%, a record for any month), Hamilton (+3.1%, matching the record of June 2014) and Victoria (+2.5%). Other strong gains were recorded in Quebec City (+1.9%), Vancouver (+1.5%), Halifax (+1.4%) and Montreal (+1.1%). Rises were healthy in Ottawa-Gatineau (+0.8%), Edmonton (+0.6%), Calgary (+0.5%) and Winnipeg (+0.4%). On a y/y basis, the national index was up 13.9%, close to the record 14.1% of September 2006. The 12-month increase was led by Toronto (+28.7%), Hamilton (+23.5%) and Victoria (+19.2%). Although strong, Vancouver's gain (+8.2%) was well below the countrywide average. Gains over a year earlier were much smaller in Ottawa-Gatineau (+4.8%), Halifax (+3.9%), Winnipeg (+2.7%), Montreal (+1.7%) and Calgary (+1.3%). Prices were down from a year earlier in Edmonton (-2.2%) and Quebec City (-2.6%). See charts on next page.

OPINION: The dichotomy of the Canadian residential market is more obvious than ever. The strength of the Canadian market is clearly driven by the Greater Toronto Area (GTA), Hamilton, Victoria (top chart) and seven other regions located in the Golden Horseshoe (region surrounding GTA) which are not incorporated in the Composite Index. All these regions have double-digit y/y house price growth and have displayed an impressive trend of price increases lately (middle table). The Non-Resident Speculation Tax introduced in April by the Ontario government in the GTA and the Golden Horseshoe apparently had a dampening effect on sales and induced a rush to put homes on sale, but its effect on home prices remain to be seen according to the Teranet-National Bank HPI and to benchmark prices published by the Toronto Real Estate Board and by the Guelph and District Association of Realtors. In the meantime, if the measures taken last year to cool Vancouver's market have worked for the detached and attached segments (with y/y price growth tumbling to 6.8% in May against 29.2% last August, the slowdown is much more mitigated for condo prices (up 17.8% y/y in May). This means that condo affordability in Vancouver could soon become as bad as it was at the beginning of 2008 (bottom chart).

Marc Pinsonneault

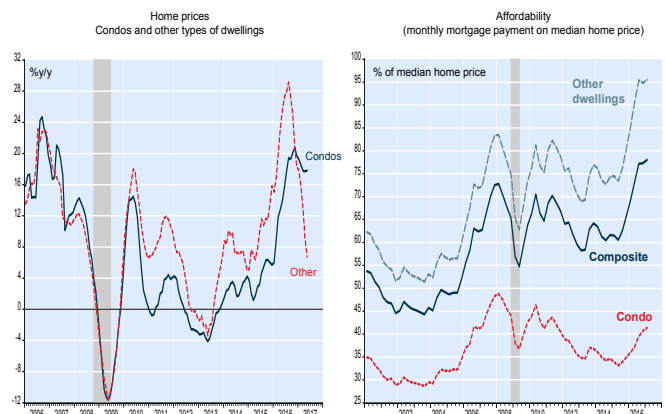
Teranet-National Bank House Price Index™
Composite Index and sub-indices. Last observation: May 2017



GTA and Golden Horseshoe Regions - Home Price Growth		
	%y/y	Latest trend
GTA	28.7	Gains in 16 straight months
Hamilton	23.5	Gains in 15 straight months
Oshawa	32.8	Gains in 15 straight months
Barrie	34.3	Gains in 15 straight months
St. Catharines-Niagara	26.3	Gains in 14 of the last 15 months
Peterborough	27.0	Gains in 15 straight months
Kitchener-Cambridge-Waterloo	26.4	Gains in 14 of the last 15 months
Brantford	18.9	Gains in 14 of the last 15 months
Guelph	18.1	Gains in 14 of the last 15 months

* HPI based on the Teranet-National Bank HPI methodology.

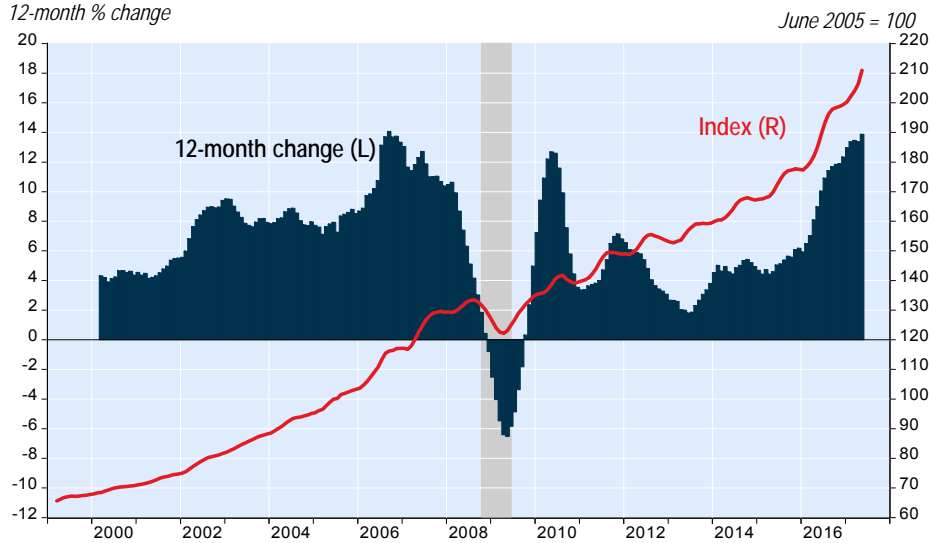
Vancouver: Condo prices still rise at a hefty pace



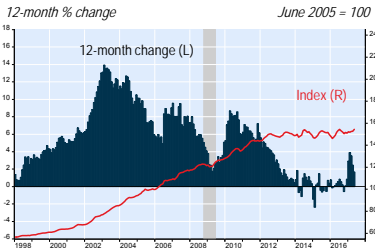
NBF Economics and Strategy (Data from Statistics Canada and Teranet-National Bank House Price Index)

Teranet-National Bank House Price Index

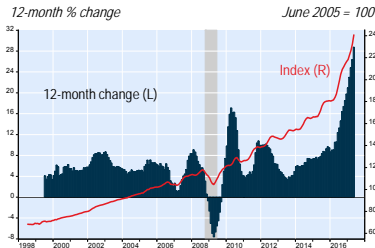
Teranet-National Bank National Composite House Price Index™



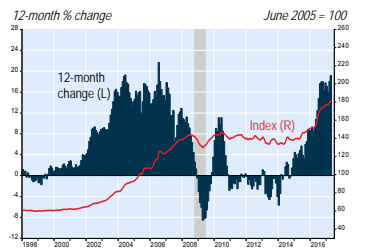
Montreal



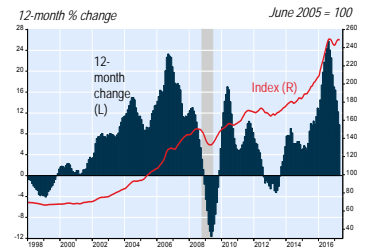
Toronto



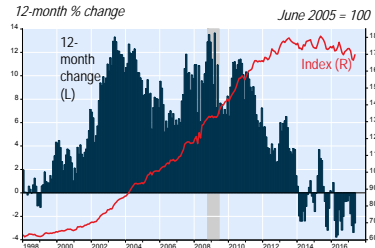
Victoria



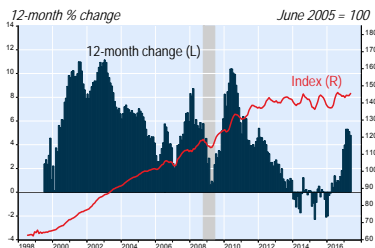
Vancouver



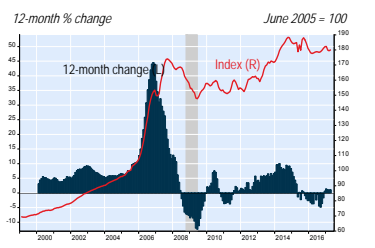
Quebec City



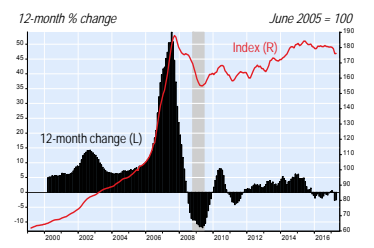
Ottawa-Gatineau



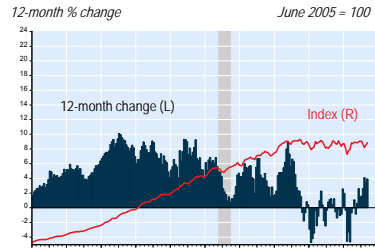
Calgary



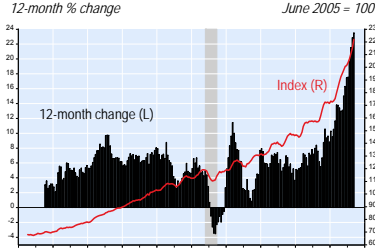
Edmonton



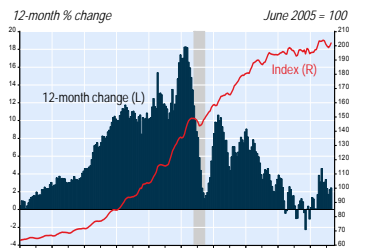
Halifax



Hamilton



Winnipeg



Teranet-National Bank House Price Index

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