

Composite Index relapsed in February

Teranet-National Bank Composite National HPI

m/m growth: Feb.: -0.1% Jan.: +0.3% Dec.: +0.2%

y/y growth: Feb.: +7.5% Jan.: +8.7% Dec.: +8.9%

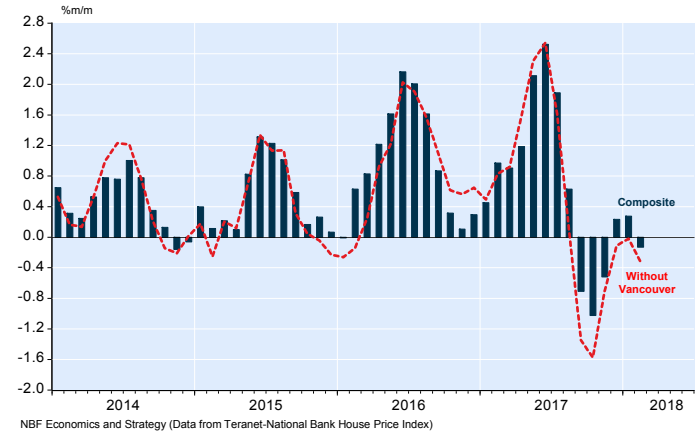
FACTS: The Teranet-National Bank Composite National House Price Index™ edged down 0.1% in February. The drop was rather broad-based, with only three of the 11 constituent cities recording increases in the month, something unobserved since October 2014. The index was up in Vancouver (+0.4%), Hamilton (+0.2%) and Halifax (+0.8%), flat in Victoria and declined in Toronto (-0.1%), Montreal (-0.3%), Ottawa-Gatineau (-0.7%), Edmonton (-0.8%), Calgary (-0.8%), Winnipeg (-1.0%) and Quebec City (-1.5%). On a y/y basis, the Composite index rose 7.5%, an eighth softer reading in a row following the record gain of 14.2% last June, and the lowest since March 2016. February's y/y rise was led by Vancouver (+15.8%), Victoria (+12.4%) and Hamilton (+8.4%). Although below the national average, the 12-month advance was respectable in Toronto (+6.2%), Halifax (+5.3%), Montreal (+5.0%), Ottawa-Gatineau (+3.7%) and Winnipeg (+3.0%). It was minimal in Calgary (+0.6%) while the index was down in Edmonton (-0.3%) and Quebec City (-2.3%). See charts on next page.

OPINION: The Composite Index relapsed in February, having lost ground in four of the last six months, for a cumulative drop of 1.9%. Moreover, over that period, indices declined in seven metropolitan regions out of 10. Excluding Vancouver, the Composite Index would have declined or stayed put in each of the last six months (top chart). Speaking of Vancouver, we estimate that home sales declined markedly in February (middle chart). Therefore home price pressures may fade out in that area over the next few months, even if for the moment the home resale market remains tight. For Toronto, home sales declined in January and February after a rush in Q4. In February, we estimate that sales were at their lowest seasonally adjusted level since July 2010 (bottom chart), with the active-listings-to-sales ratio indicating a 3-month supply, the highest since November 2012 and comfortably in the balanced territory. It therefore seems that the new stricter bylaws on qualification for uninsured mortgages together with increased interest rates are taking a bite at least in the two most unaffordable large markets in Canada.

Marc Pinsonneault

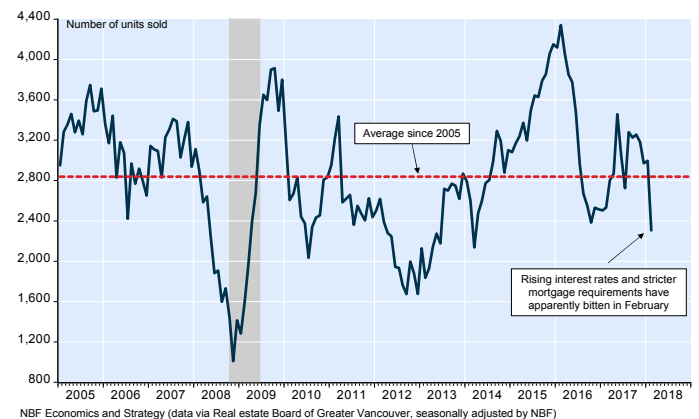
Teranet-National Bank Composite HPI relapsed in February

Fourth drop over the last six months



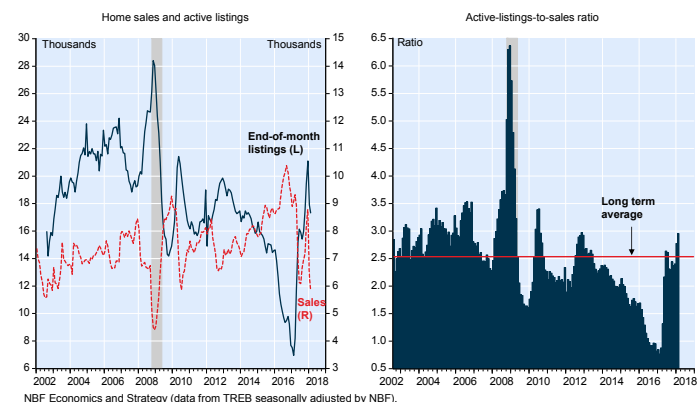
Vancouver: Monthly home sales

Seasonally adjusted by NBF. Last observation: February 2018



Toronto: Home resale market conditions

Active listings and sales. Last observation: February 2018

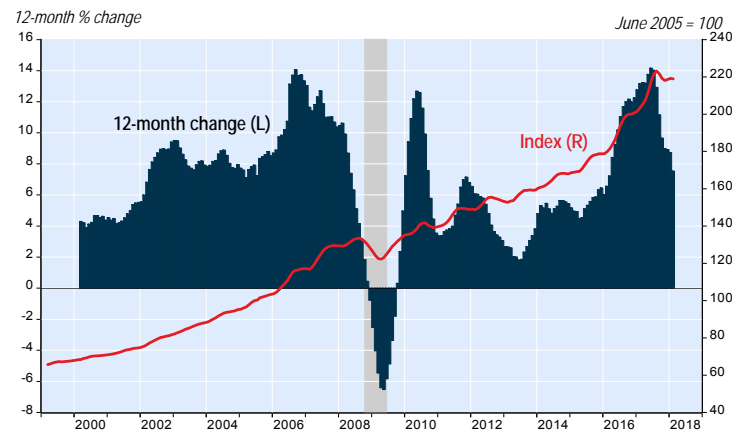


Teranet-National Bank House Price Index

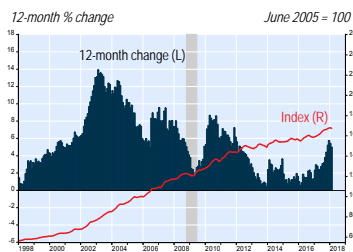
Note on methodology:

The indexes of the 11 metropolitan markets comprising the Teranet-National Bank Composite House Price Index™ are smoothed. Each month, the (unsmoothed) indexes estimated for each of the last three months are averaged to produce that month's index. This procedure allows evening-out month-to-month fluctuations.

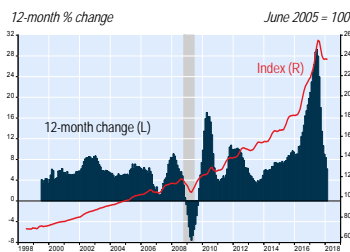
Teranet-National Bank National Composite House Price Index™



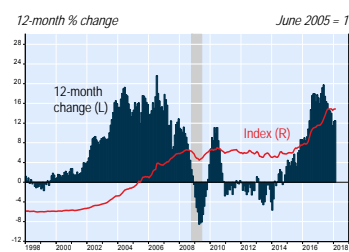
Montreal



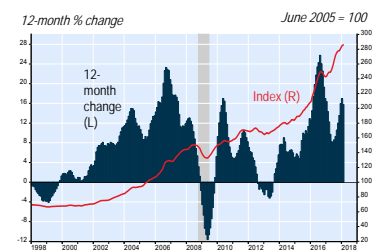
Toronto



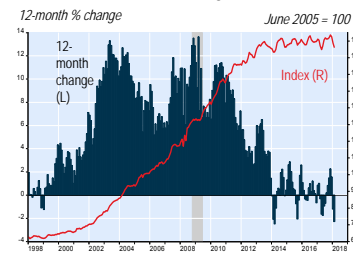
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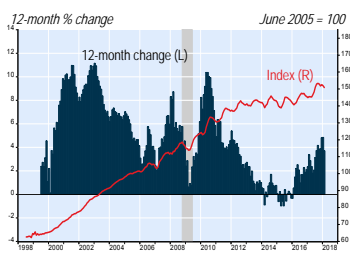
Vancouver



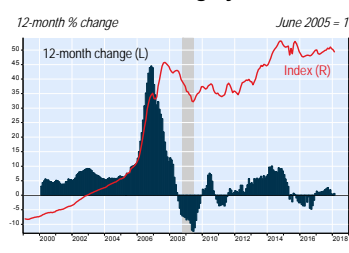
Quebec City



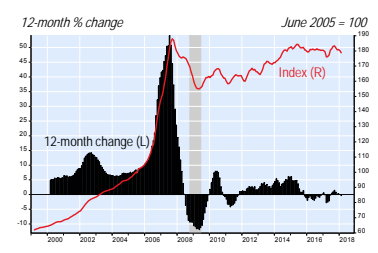
Ottawa-Gatineau



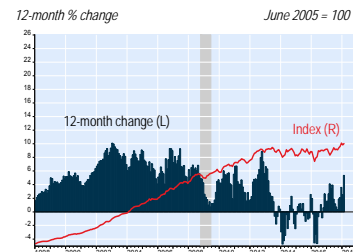
Calgary



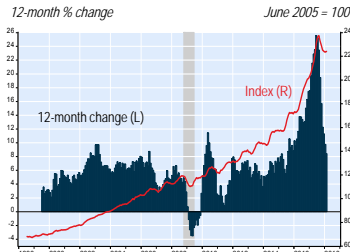
Edmonton



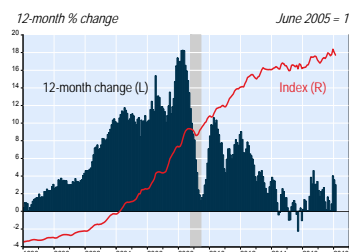
Halifax



Hamilton



Winnipeg



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