

Weakness in Toronto and Vancouver

By Marc Pinsonneault

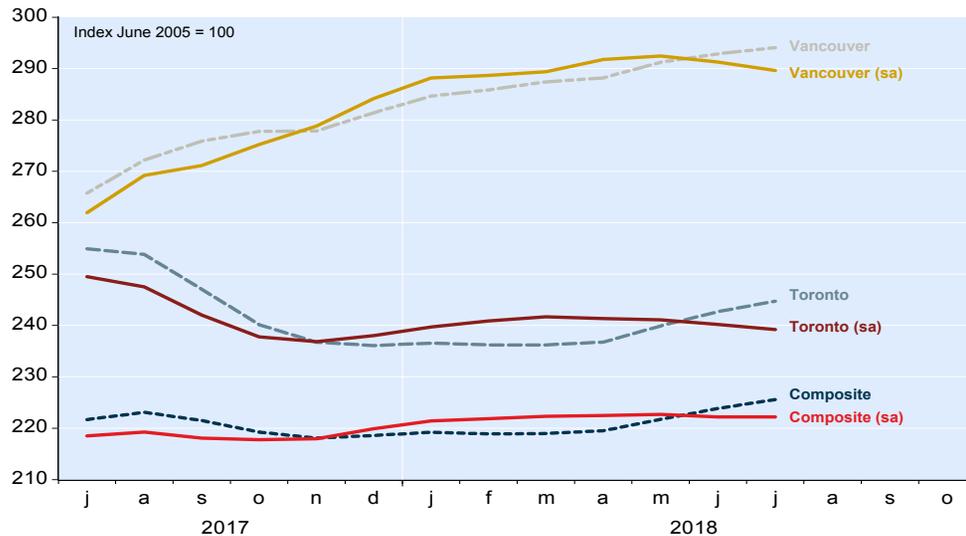
The published Composite index rose in August for a fifth month in a row, but these rises only reflect usual seasonal patterns over this time of the year. Indeed, after seasonal adjustment, the Composite index was actually flat in August after drops in June and July. So, at the national level, the national market is certainly not displaying underlying strength. This is mostly a reflection of Toronto and Vancouver, the two most important real estate markets in Canada. The published index for Toronto showed a fifth monthly increase in a row, but its seasonally adjusted counterpart displayed the opposite with five consecutive declines. In Vancouver, the seasonally adjusted index was down for a third month in a row (left chart). In August, seasonally adjusted indices declined or were flat in six of the nine other metropolitan regions covered. That being said, there are areas displaying underlying strength, such as Montreal and Ottawa-Gatineau, whose indices recorded a string of unusually large increases over the past few months (right chart). It is undeniable that these two real estate markets are favorable to sellers judging from the new-listings-to-sales ratio. See charts and table on pages 2 and 3.

HIGHLIGHTS:

- The Teranet-National Bank Composite National House Price Index™ rose 0.2% in August.
- Eight of the 11 constituent metropolitan areas recorded increases on the month: Ottawa-Gatineau (+1.4%), Hamilton (+1.4%), Montreal (+1.2%), Quebec City (+0.5%), Toronto (+0.3%), Edmonton (+0.2%), Victoria (+0.1%) and Winnipeg (+0.1%). The index declined in Calgary (-0.3%), Vancouver (-0.4%) and Halifax (-0.6%). For Vancouver, it was the first decline in 16 months.
- On a y/y basis, the Composite index rose 1.4%, the lowest reading since November 2009. Toronto (-3.3%), Hamilton (-0.7%), Calgary (-0.5%), Edmonton (-0.3%) contributed to this slowdown. Indexes for Winnipeg (+1.3%) and Quebec City (+1.4%) grew at about the same rate than the national average, while index for Halifax (+4.6%), Montreal (+4.8%). Victoria (+5.0%), Ottawa-Gatineau (+5.2%) and Vancouver (+7.6%) grew faster than the Composite index over the last 12 months.

Teranet-National Bank HPI: Published and seasonally adjusted

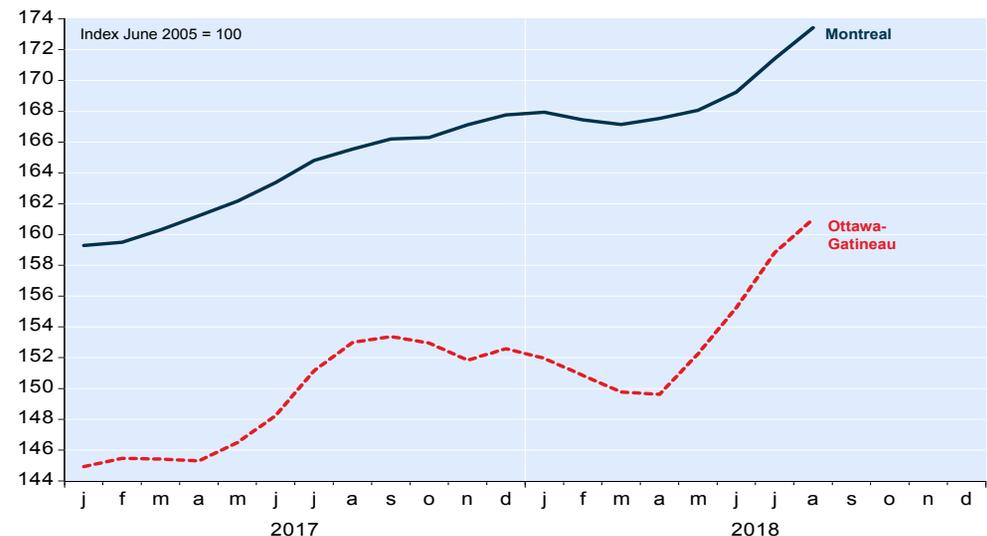
Composite and selected metropolitan areas indices (sa: seasonally adjusted)



NBF Economics and Strategy (data via Teranet-National Bank House Price Index seasonally adjusted by NBF)

Teranet-National Bank HPI for Montreal and Ottawa-Gatineau

Index level over the last 20 months

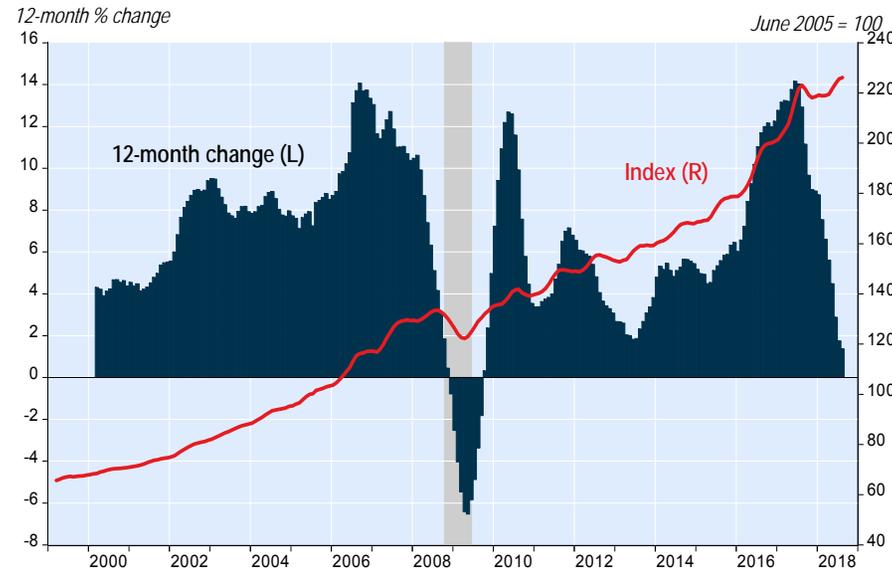


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NOTE ON METHODOLOGY:

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™

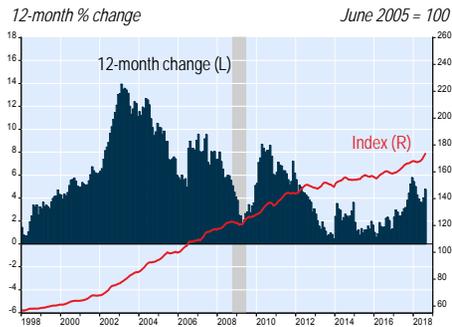


Metropolitan area	Index level August 2018	% change m/m	% change y/y	% change from peak	Peak date
Composite 11	226.12	0.2%	1.4%	0.0%	2018-08
Victoria	208.77	0.1%	5.0%	0.0%	2018-08
Vancouver	292.98	-0.4%	7.6%	-0.4%	2018-07
Calgary	181.33	-0.3%	-0.5%	-3.7%	2014-10
Edmonton	182.36	0.2%	-0.3%	-3.0%	2007-09
Winnipeg	209.10	0.1%	1.3%	0.0%	2017-12
Hamilton	235.86	1.4%	-0.7%	-0.7%	2017-08
Toronto	245.37	0.3%	-3.3%	-3.8%	2017-07
Ottawa-Gatineau	160.99	1.4%	5.2%	0.0%	2018-08
Montreal	173.43	1.2%	4.8%	0.0%	2018-08
Quebec	183.74	0.5%	1.4%	0.0%	2018-08
Halifax	149.11	-0.6%	4.6%	-0.6%	2018-07

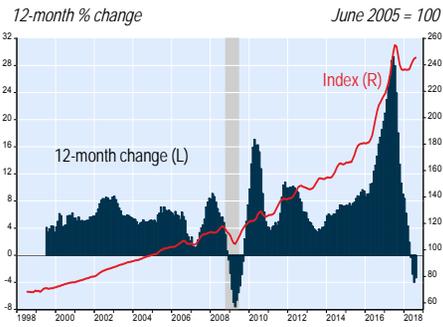
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Montreal



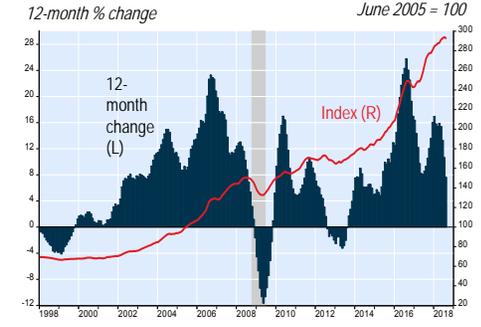
Toronto



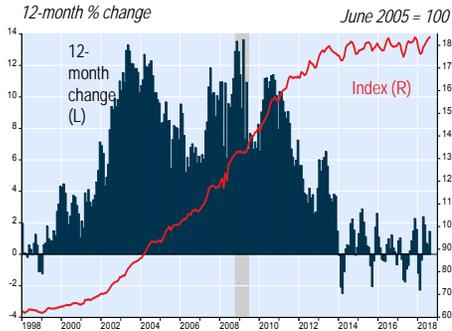
Victoria



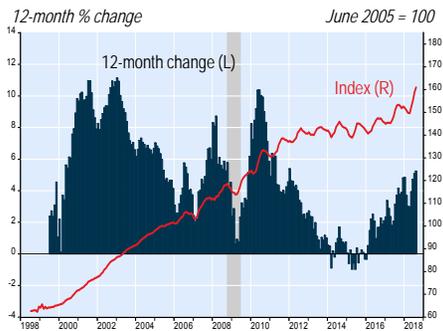
Vancouver



Quebec City



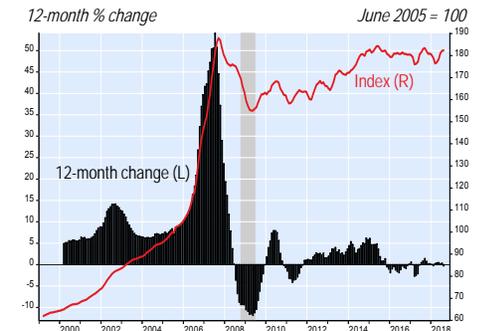
Ottawa-Gatineau



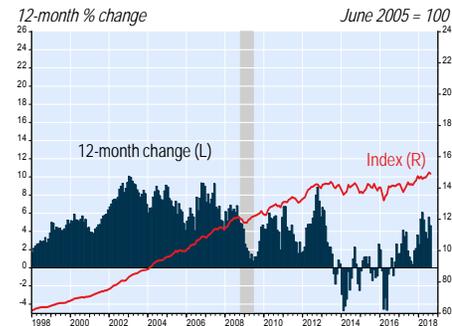
Calgary



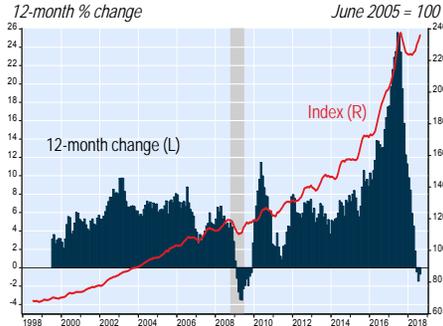
Edmonton



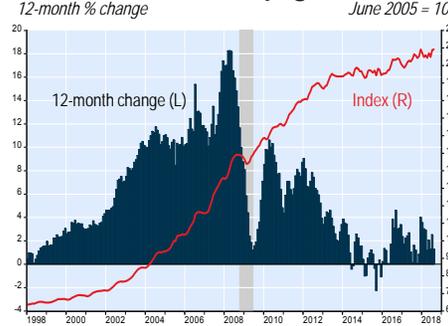
Halifax



Hamilton



Winnipeg



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Economics and Strategy



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Economics and Strategy



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