

Widespread declines in home prices over Q4 2018

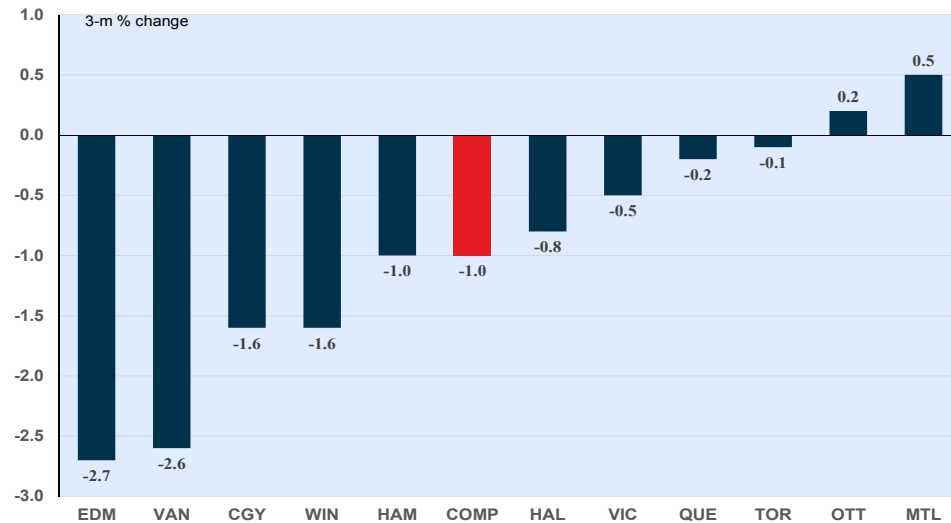
By Marc Pinsonneault

Home prices weakened in the second half of 2018 in most of the metropolitan areas constituents of the Teranet-National Bank Composite HPI. The Calgary index did not rise for a sixth month in a row in December. It was a fifth month in a row for Vancouver, and a fourth one for Edmonton. Weakness became apparent in Q4 for six other metropolitan areas, when only Montreal and Ottawa-Gatineau experienced home price growth (left chart). This is the worst 3-month diffusion for December in five years. This conclusion still holds if we also include in the sample 14 other Canadian metropolitan areas for which a Teranet-National Bank HPI is available (although not integrated in the national composite index) - right chart. Higher mortgage rates and tougher qualification rules are causing the cooling in most major home resale markets in Canada. The recent increase in vacant new dwellings may also add to downward price pressure in some markets. At this juncture, we continue to expect a soft landing of the Canadian home resale market.

See charts and table on pages 2 and 3.

Near generalized weakness in home prices in Q4 2018

Change in Teranet-National Bank HPI over last three months of 2018 for constituent metropolitan areas



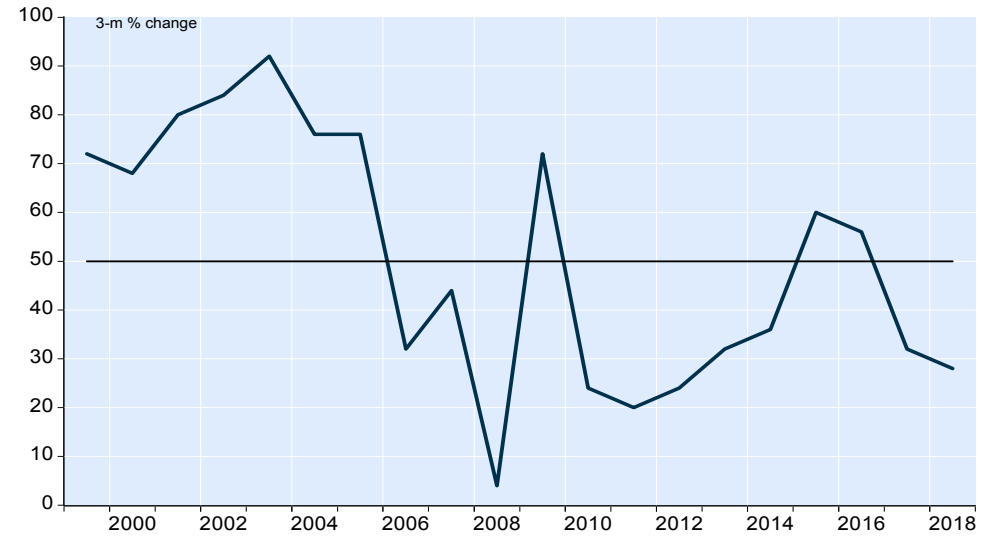
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HIGHLIGHTS:

- The Teranet-National Bank Composite National House Price Index™ dropped 0.3% in December, a third decline in a row.
- On a monthly basis, the index fell in December in seven of the eleven constituent metropolitan areas: Edmonton (-1.4%), Vancouver (-1.2%), Winnipeg (-0.9%), Calgary (-0.6%), Victoria (-0.4%), Hamilton (-0.4%) and Quebec City (-0.4%). Indexes were up for Ottawa-Gatineau (1.0%), Montreal (0.4%), Toronto (0.2%) and Halifax (0.1%).
- From December 2017 to December 2018, the Composite index rose 2.5%, the smallest advance since 2009. The index was down or flat for five markets: Calgary (-2.6%), Edmonton (-0.9%), Winnipeg (-0.5%), Quebec City (-0.1%) and Halifax (flat). It was the narrowest diffusion of annual gains in a calendar year since 2008. Indexes were up in Victoria (6.0%), Ottawa-Gatineau (5.9%), Hamilton (4.4%), Montreal (4.4%), Toronto (3.7%) and Vancouver (1.4%).

The worst diffusion in five years

% of markets with price increases, 25 metropolitan areas, December of each year

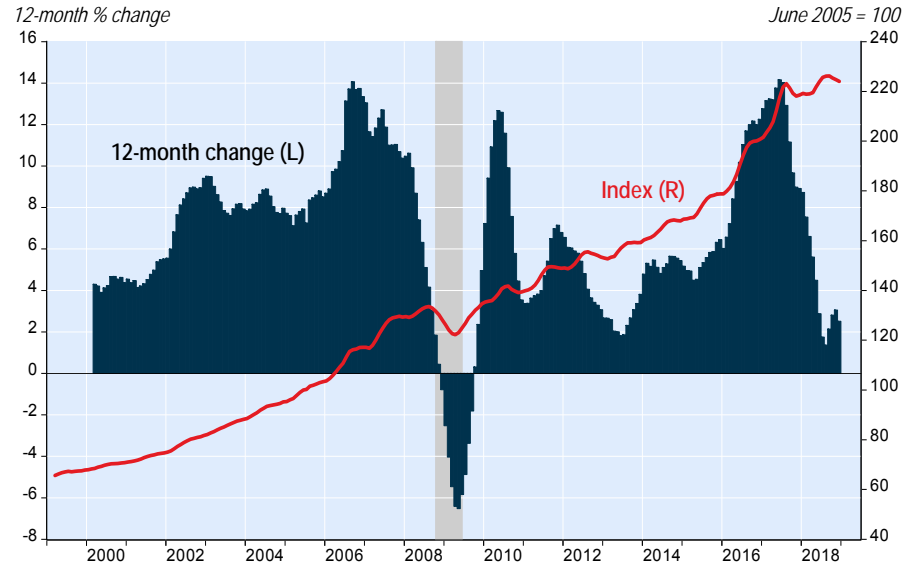


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NOTE ON METHODOLOGY:

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™

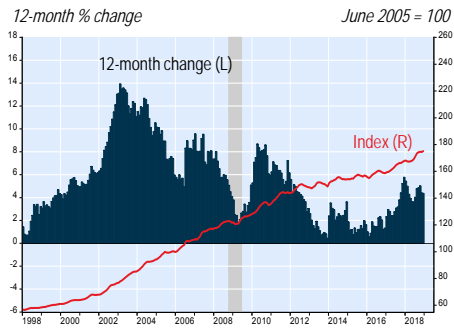


Metropolitan area	Index level December 2018	% change m/m	% change y/y	% change from peak	Peak date
Composite 11	224.07	-0.3%	2.5%	-1.0%	2018-09
Victoria	208.79	-0.4%	6.0%	-0.5%	2018-09
Vancouver	285.36	-1.2%	1.4%	-2.9%	2018-07
Calgary	178.27	-0.6%	-2.6%	-5.4%	2014-10
Edmonton	177.48	-1.4%	-1.9%	-5.6%	2007-09
Winnipeg	208.16	-0.9%	-0.5%	-1.6%	2018-09
Hamilton	234.06	-0.4%	4.4%	-1.5%	2017-08
Toronto	244.85	0.2%	3.7%	-4.0%	2017-07
Ottawa-Gatineau	161.54	1.0%	5.9%	0.0%	2018-12
Montreal	175.10	0.4%	4.4%	0.0%	2018-12
Quebec	182.30	-0.4%	-0.1%	-0.8%	2018-08
Halifax	147.56	0.1%	0.0%	-1.6%	2018-07

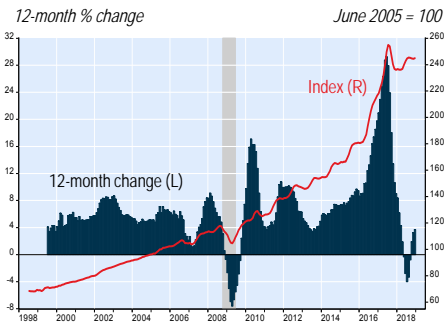
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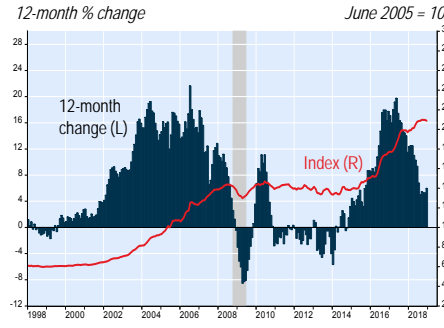
Montreal



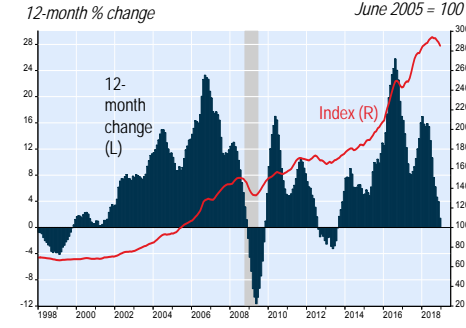
Toronto



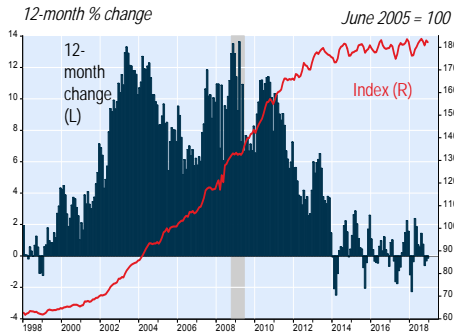
Victoria



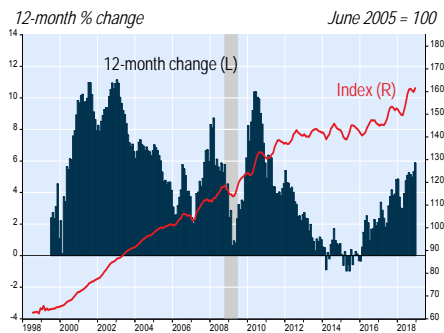
Vancouver



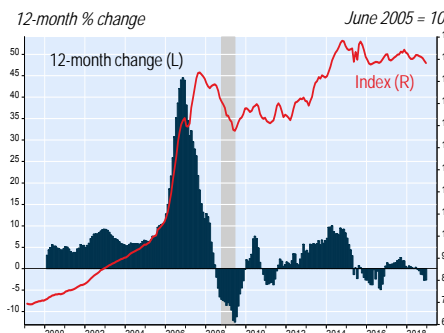
Quebec City



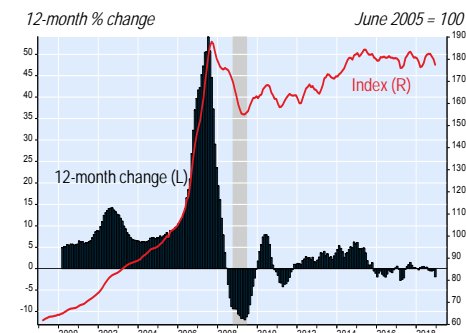
Ottawa-Gatineau



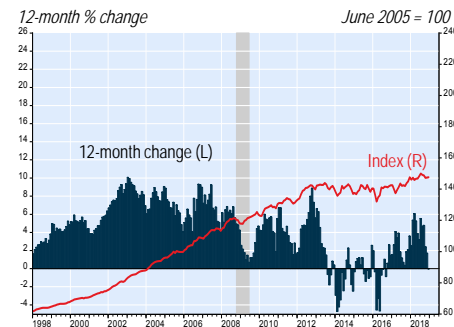
Calgary



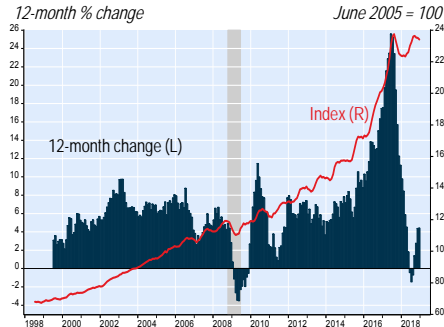
Edmonton



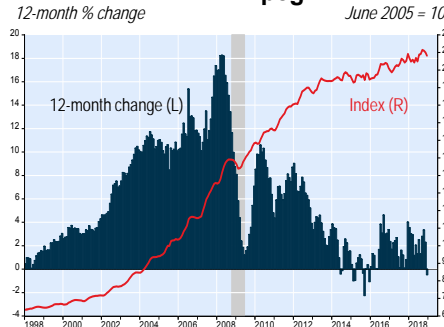
Halifax



Hamilton



Winnipeg



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Teranet-National Bank House Price Index

Economics and Strategy



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