

The national HPI grew at its slowest annual pace in this cycle

By Matthieu Arseneau/Kyle Dahms

One should not rejoice about the first rise in home prices in seven months as May is historically the second strongest month of the year. In effect, the 0.5% increase represents the weakest performance on record for a month of May. As a result, the annual increase moderated to 0.7%, the lowest since the recession (see left chart). While a combination of stress testing measures, foreign buyer's taxes and earlier increases in mortgage rates have contributed to the slowdown, recent data shows that the Canadian housing market is stabilizing. Home sales increased for a third month in a row in May, rebounding close to their past ten year average, a development which was made possible thanks to a booming labour market and a plunge in mortgage rates. In Toronto, both condos and other dwellings prices showed pullbacks in May but resale market conditions (see right chart) are not suggestive of a significant deterioration in the coming months especially since the GTA created a whopping 92K jobs so far this year. The Vancouver market showed the weakest performance on an annual basis among covered markets (-4.1%, y/y) but its job market is also firing on all cylinders in 2019 a development that could have contributed to the strong rebound in resales observed in May (+24%).

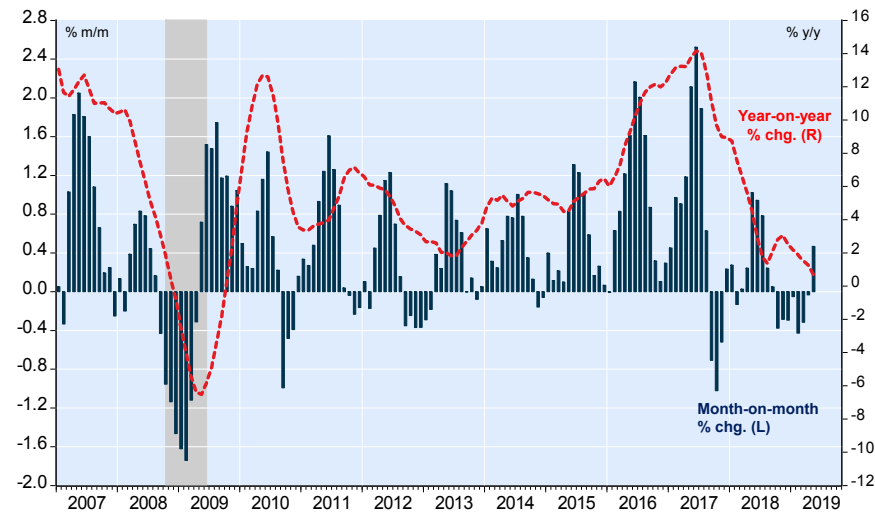
HIGHLIGHTS:

- The Teranet-National Bank Composite National House Price Index™ increased 0.5% in May, a first gain in seven months.
- On a monthly basis, the index rose in 9 of the 11 markets covered. Prices rose in Hamilton (+2.2%), Ottawa-Gatineau (+1.7%), Halifax (+0.9%), Québec (+0.8%), Victoria (+0.7%), Toronto (+0.7%), Montréal (+0.5%), Winnipeg (+0.5%), Calgary (+0.3%). The indexes were down in Vancouver (-0.2%) and Edmonton (-0.3%).
- From May 2018 to May 2019, the Composite index rose 0.7%. The HPI declined in Vancouver (-4.1%), Calgary (-3.2%), Winnipeg (-1.5%), Edmonton (-1.1%) and Victoria (-0.4%). In contrast, prices rose on a year on year basis in Ottawa-Gatineau (+6.1%), Montréal (+5.3%), Hamilton (+5.1%), Toronto (+2.6%), Québec (+2.1%) and Halifax (+2.1%).

See charts and table on pages 2 and 3.

Canada: Home prices growing at their slowest pace since 2009

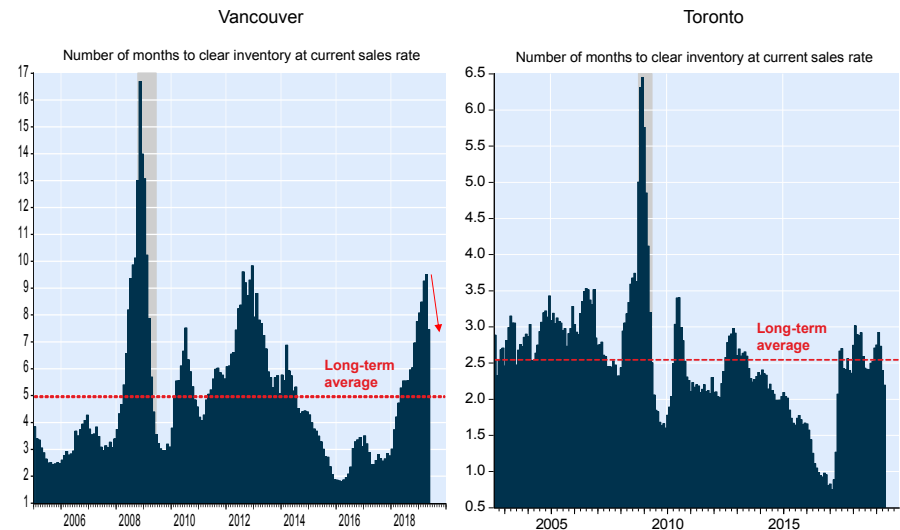
Teranet/National Bank Home Price Index, Last Observation: May 2019



NBF Economics and Strategy (data via Teranet/National Bank)

Canada: Perspective on resale market conditions

Active-listings-to-sales ratio, last observation: May 2019

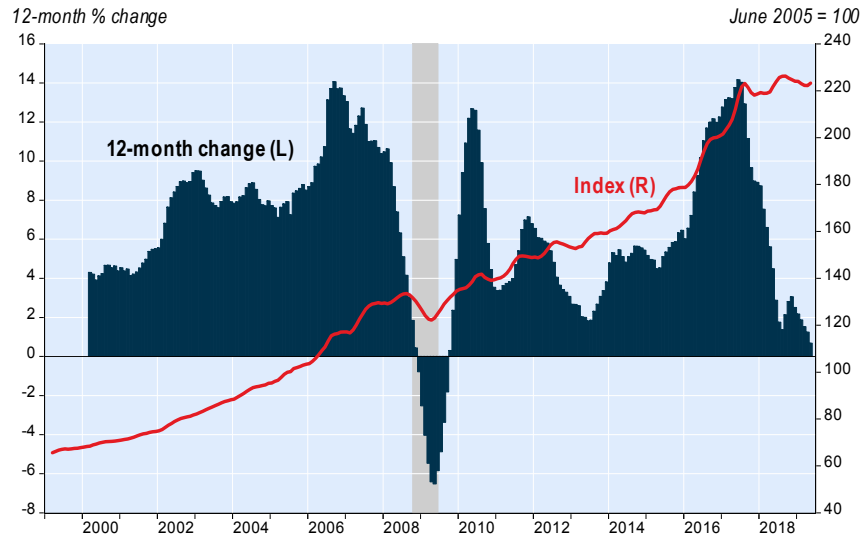


NBF Economics and Strategy (data from REBGV, TREB and CREA, seasonally adjusted by CREA or NBF)

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™

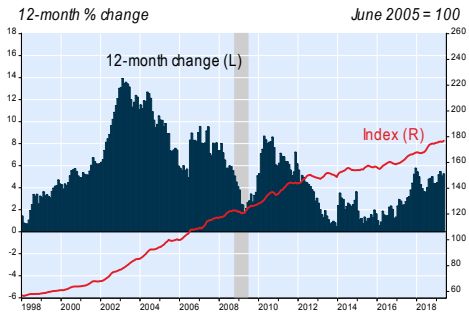


Metropolitan area	Index level May 2019	% change m/m	% change y/y	% change from peak	Peak date
Composite 11	223.26	0.5%	0.7%	-1.3%	2018-09
Victoria	204.17	0.7%	-0.4%	-2.7%	2018-09
Vancouver	279.40	-0.2%	-4.1%	-5.0%	2018-07
Calgary	175.12	0.3%	-3.2%	-7.0%	2014-10
Edmonton	176.16	-0.3%	-1.1%	-6.3%	2007-09
Winnipeg	203.77	0.5%	-1.5%	-3.7%	2018-09
Hamilton	237.47	2.2%	5.1%	0.0%	2017-08
Toronto	246.21	0.7%	2.6%	-3.4%	2017-07
Ottawa-Gatineau	161.58	1.7%	6.1%	0.0%	2019-05
Montreal	176.89	0.5%	5.3%	0.0%	2019-05
Quebec	184.06	0.8%	2.1%	-0.3%	2019-01
Halifax	149.84	0.9%	2.1%	-0.2%	2019-03

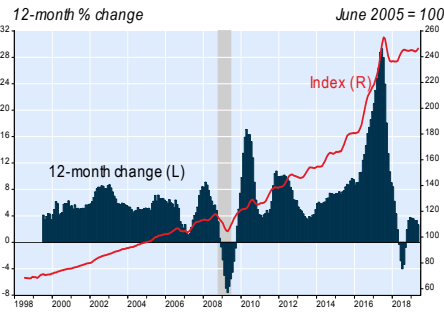
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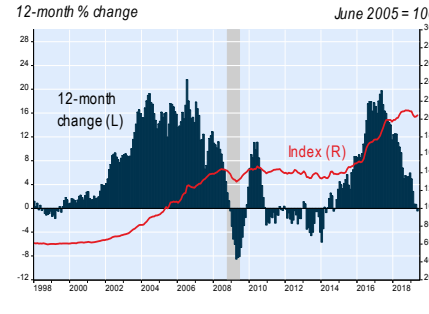
Montreal



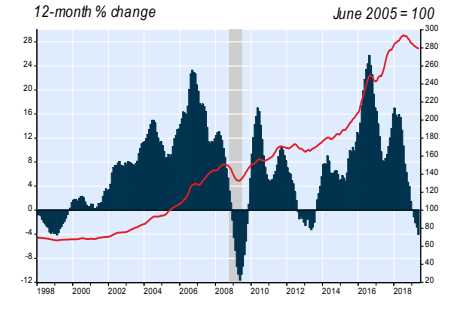
Toronto



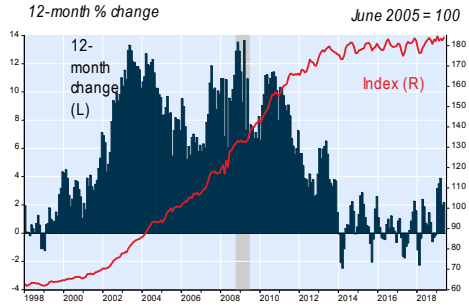
Victoria



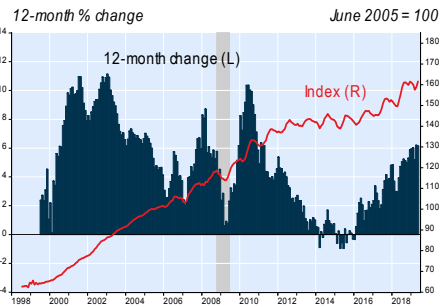
Vancouver



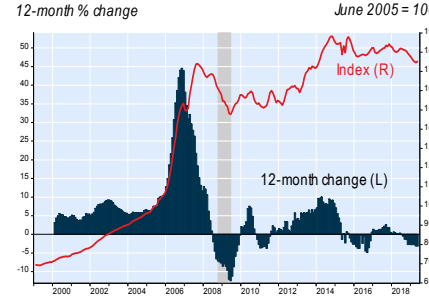
Quebec City



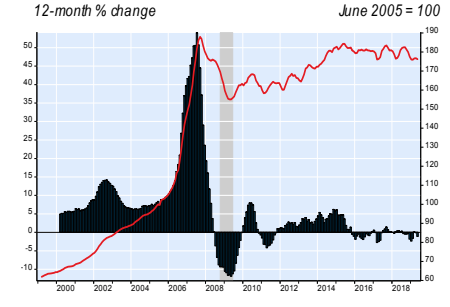
Ottawa-Gatineau



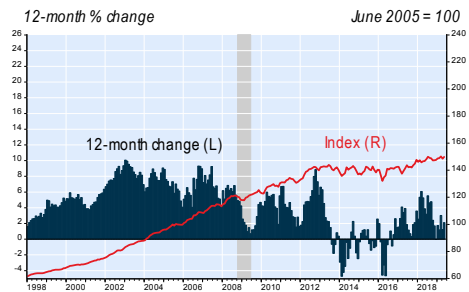
Calgary



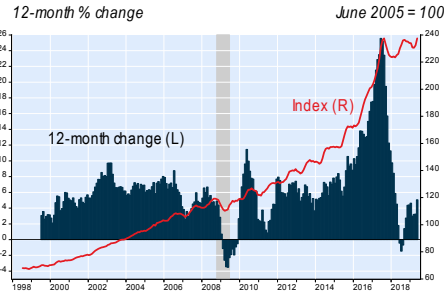
Edmonton



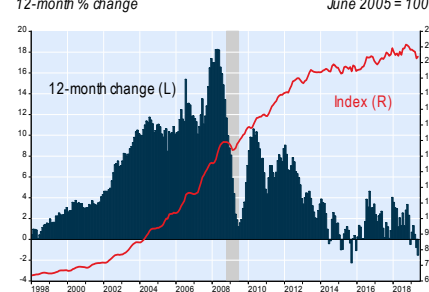
Halifax



Hamilton



Winnipeg



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