

Home price deflation about to ebb in Western Canada?

By Marc Pinsonneault

The national HPI has grown at a below-inflation rate of 0.4% over the last 12 months, the smallest gain since November 2009. However, the weakness is not regionally broad-based. The national HPI has been depressed by Vancouver's index loss of 6.2% during this period, corresponding to a 12-month string without a gain. Other Western metropolitan areas (Victoria, Calgary, Edmonton, and Winnipeg) also contributed to slow the national HPI. At the opposite, annual index growth has been decent in most of the six regions located in the central and eastern part of the country (left chart). The fact that the national HPI registered gains over the last three months does not mean that the market has turned the corner. Indeed, the three latest rises were weak compared to the 21-year average for those months. If seasonally adjusted, the national HPI would be down in these months this year. That being said, the recent rebound in home sales across Canada was also felt in the Western part of the country (right chart). This should help limit home-price deflation in this region.

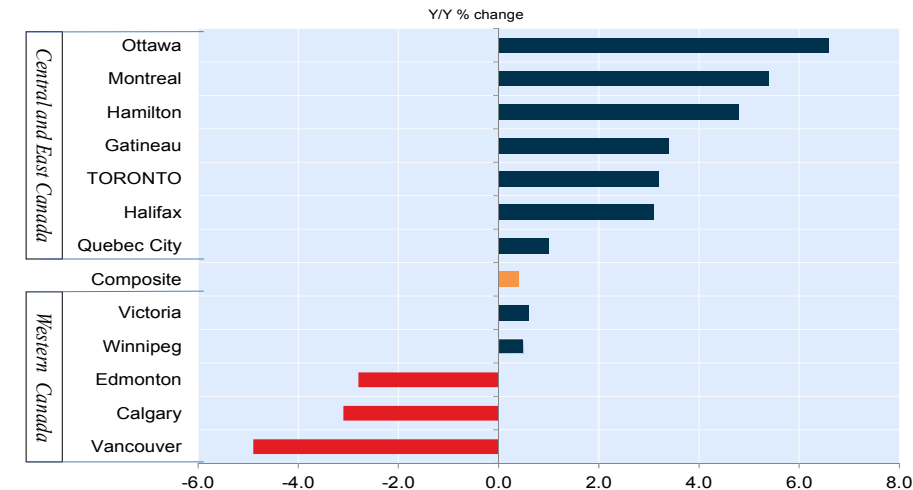
HIGHLIGHTS:

- The Teranet-National Bank Composite National House Price Index™ increased 0.7% in July, a third gain in a row after an eight-month string without a rise.
- On a monthly basis, the index rose in 10 of the 11 markets covered: Quebec City (+0.1%), Edmonton (+0.5%), Victoria (+0.6%), Calgary (+0.7%), Toronto (+1.3%), Hamilton (+1.3%), Halifax (+1.6%), Montreal (+1.7%), Ottawa-Gatineau (+2.0%) and Winnipeg (+2.9%). The index was down in Vancouver (-1.0%).
- From July 2018 to July 2019, the Composite index rose 0.4%, the smallest 12-month gain in almost ten years (see first chart next page). Over the period, the HPI declined in Vancouver (-6.2%), Calgary (-3.1%), Edmonton (-2.8%). It was marginally up in Winnipeg (+0.5%), Victoria (+0.6%) and Quebec City (+1.0%). It grew more convincingly in Halifax (+3.1%), Toronto (+3.2%), Hamilton (+5.1%), Montreal (+5.8%) and Ottawa-Gatineau (+6.0%).

See charts and table on pages 2 and 3

Home price deflation concentrated in the West

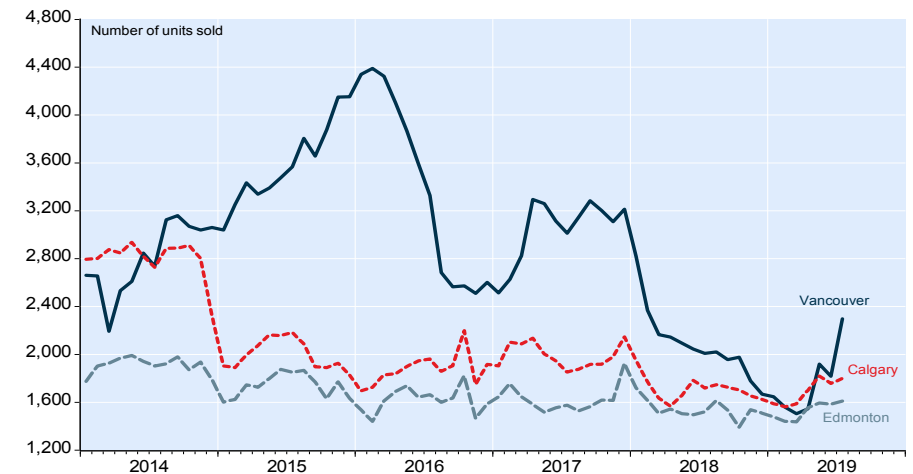
Teranet-National Bank HPI of metropolitan areas. As of July 2019.



NBF Economics and Strategy (data via Teranet-National Bank HPI)

Home sales in selected Western metropolitan areas

Seasonally adjusted monthly level. Last observation: July 2019.

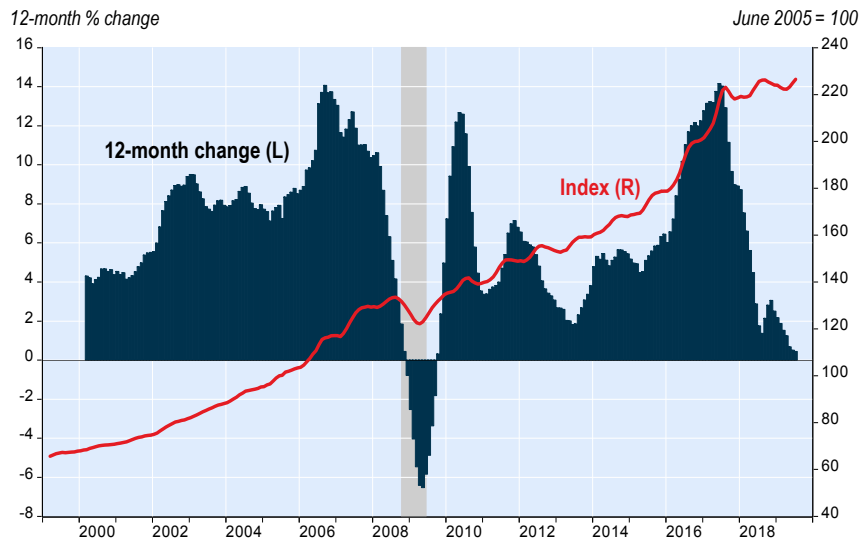


NBF Economics and Strategy (data via CREA)

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™

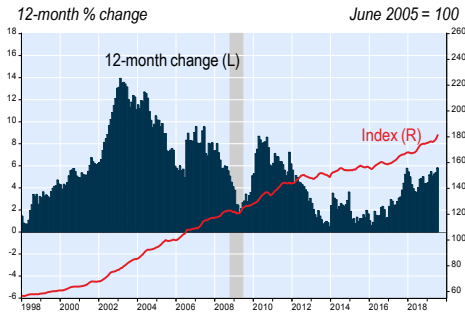


Metropolitan area	Index level July 2019	% change m/m	% change y/y	% change from peak	Peak date
Composite 11	226.57	0.7%	0.4%	0.0%	2019-07
Victoria	209.73	0.6%	0.6%	-0.1%	2018-09
Vancouver	275.70	-1.0%	-6.2%	-6.2%	2018-07
Calgary	176.24	0.7%	-3.1%	-6.4%	2014-10
Edmonton	177.01	0.5%	-2.8%	-5.8%	2007-09
Winnipeg	209.87	2.9%	0.5%	-0.8%	2018-09
Hamilton	244.52	1.3%	5.1%	0.0%	2019-07
Toronto	252.63	1.3%	3.2%	-0.9%	2017-07
Ottawa-Gatineau	168.39	2.0%	6.0%	0.0%	2019-07
Montreal	181.36	1.7%	5.8%	0.0%	2019-07
Quebec	184.67	0.1%	1.0%	0.0%	2019-07
Halifax	154.58	1.6%	3.1%	0.0%	2019-07

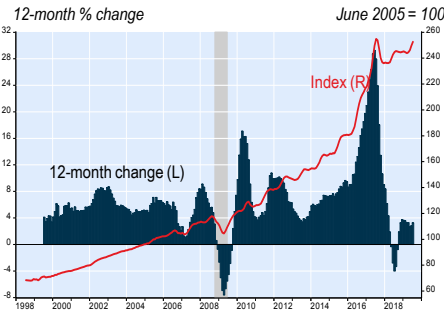
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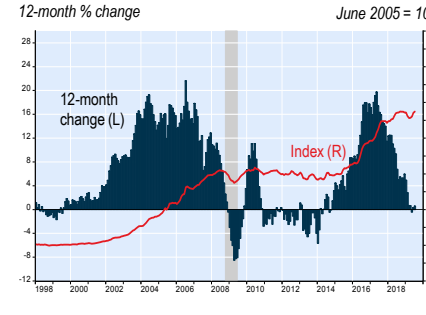
Montreal



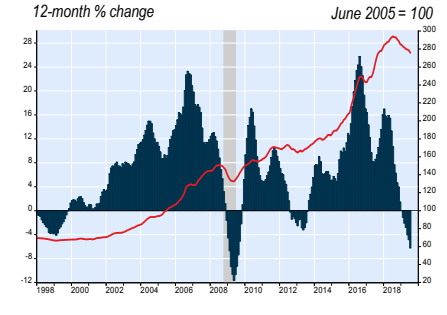
Toronto



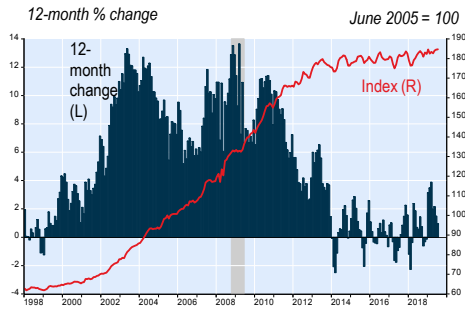
Victoria



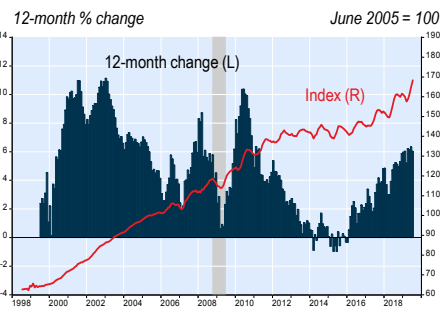
Vancouver



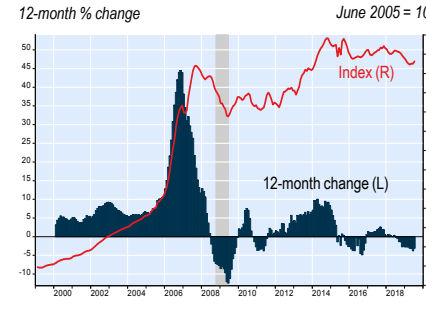
Quebec City



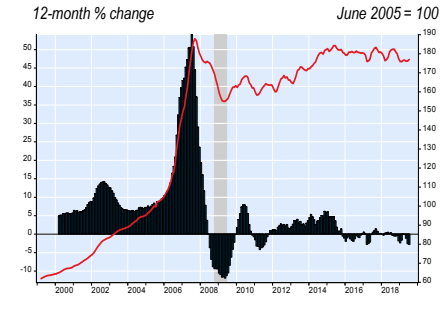
Ottawa-Gatineau



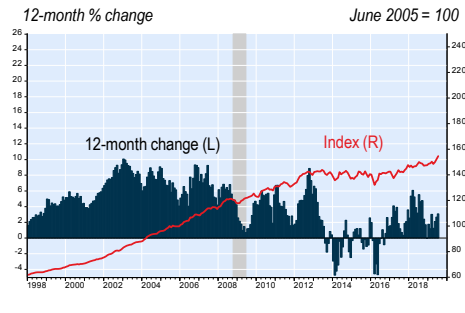
Calgary



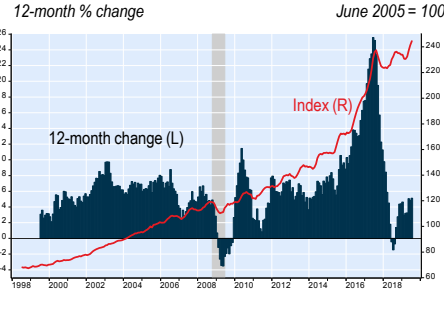
Edmonton



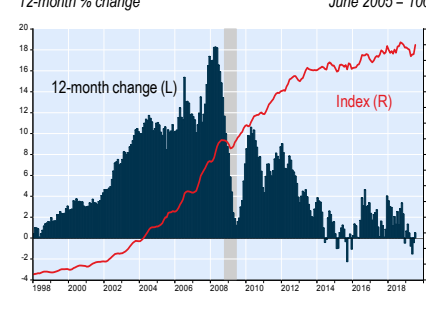
Halifax



Hamilton



Winnipeg



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