

A swan song before Covid-19 infects HPI?

By Marc Pinsonneault

Based on home sales reported in land registries, resale prices rose at the fastest rate for a month of April since 2010. Moreover, if we consider the 11 metropolitan areas included in the Composite index and 14 other metropolitan areas for which a HPI is available, the index increased in 22 of these 25 regions, the highest diffusion of monthly gains in nine months (left chart). Of course, given that the Canadian economy entered into a recession following sanitary measures taken in order to prevent the spread of COVID-19, it is not likely that this momentum will persist. The Canadian unemployment rate went from 5.6% in February to 13% in April (right chart), and is expected to remain elevated at least up to the end of next year. In this context, demand for housing may decrease due to a reduction in immigration and would-be first-time homebuyers not being able to qualify for a mortgage loan. At the opposite, supply may be fuelled by homeowners unable to meet mortgage payments and for that reason will look to sell their home. In other words, a lasting high unemployment rate could mean downward pressure on house prices.

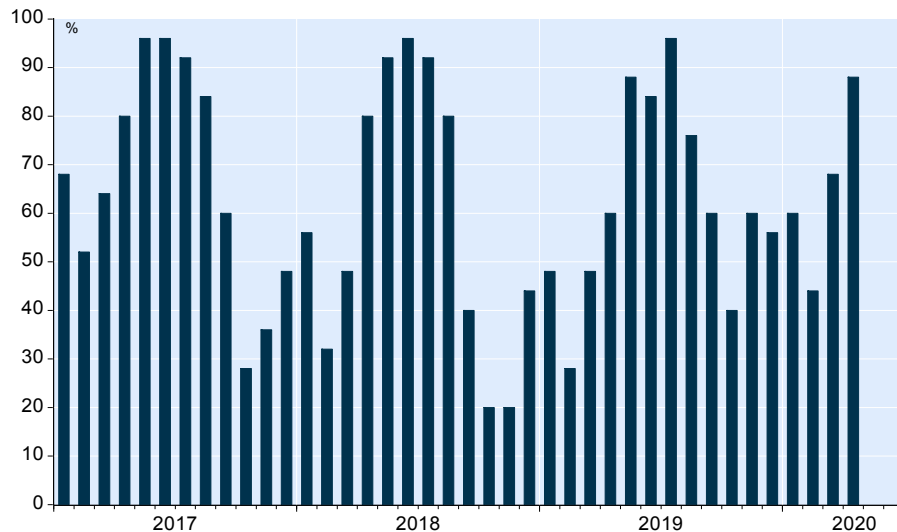
HIGHLIGHTS:

- The Teranet-National Bank Composite National House Price Index™ advanced 1.3% in April, a rather strong advance for that month.
- On a monthly basis, there was a gain in 10 of the 11 markets covered: Ottawa-Gatineau (+2.4%), Toronto (+2.0%), Halifax (+1.8%), Montreal (+1.7%), Victoria (+1.2%), Hamilton (+1.1%), Winnipeg (+0.9%), Vancouver (+0.6%), Quebec City (+0.3%) and Calgary (+0.2%). Edmonton's HPI was flat on the month.
- From April 2019 to April 2020, the Composite index rose 5.3%, pulled up by Ottawa-Gatineau (+13.2%), Montreal (+9.5%), Halifax (+9.5%), Hamilton (+8.9%) and Toronto (+8.2%). Lagging the countrywide average were Victoria (+4.6%), Winnipeg (+3.2%) and Vancouver (+0.4%). The Quebec City index was flat from a year earlier. Deflating over the 12 months were Calgary (-0.8%) and Edmonton (-2.8%).

See charts and table on pages 2 and 3

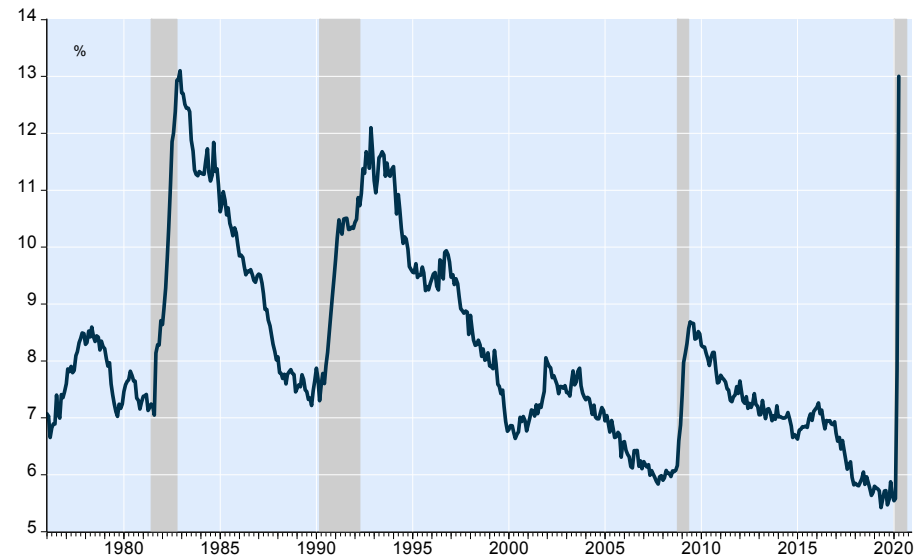
Canada: April saw the highest diffusion of monthly HPI gains in 9 months

Percentage of monthly HPI gains for 25 metropolitan areas



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

Canada: Unemployment rate

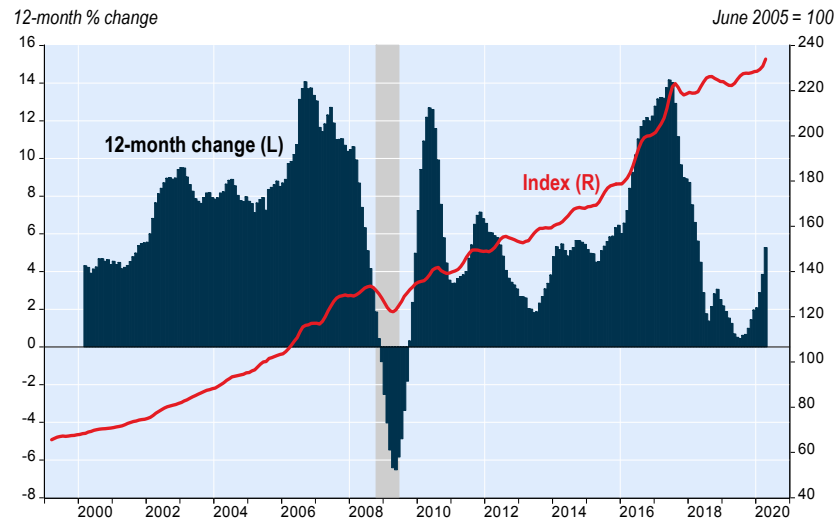


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NOTE ON METHODOLOGY:

The indexes of the 11 metropolitan markets comprising the Teranet-National Bank Composite House Price Index™ are smoothed. Each month, the (unsmoothed) indexes are estimated for each of the last three months. The average monthly growth rate of these indexes becomes the growth rate of the smoothed index. This procedure allows evening-out month-to-month fluctuations.

Teranet-National Bank National Composite House Price Index™

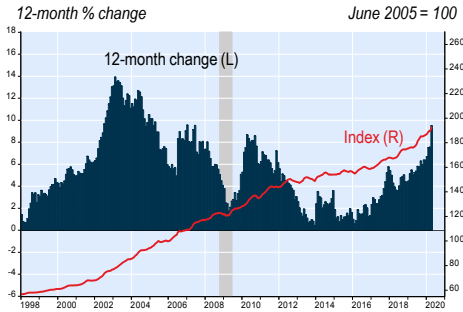


Metropolitan area	Index level April 2020	% change m/m	% change y/y	% change from peak	Peak date
Composite 11	233.94	1.3%	5.3%	0.0%	2020-04
Victoria	212.18	1.2%	4.6%	0.0%	2020-04
Vancouver	281.11	0.6%	0.4%	-4.4%	2018-07
Calgary	173.18	0.2%	-0.8%	-8.1%	2014-10
Edmonton	171.75	0.0%	-2.8%	-8.6%	2007-09
Winnipeg	209.24	0.9%	3.2%	-1.6%	2019-09
Hamilton	253.04	1.1%	8.9%	0.0%	2020-04
Toronto	264.58	2.0%	8.2%	0.0%	2020-04
Ottawa-Gatineau	179.95	2.4%	13.2%	0.0%	2020-04
Montreal	192.74	1.7%	9.5%	0.0%	2020-04
Quebec	182.65	0.3%	0.0%	-1.3%	2019-12
Halifax	162.63	1.8%	9.5%	0.0%	2020-04

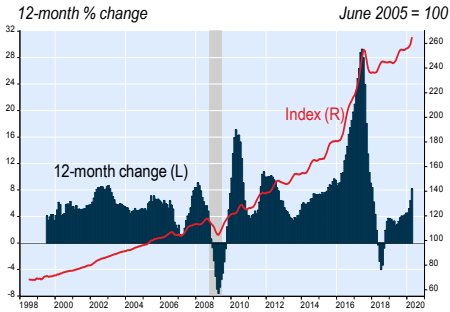
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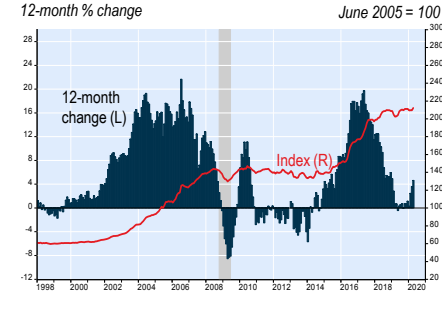
Montreal



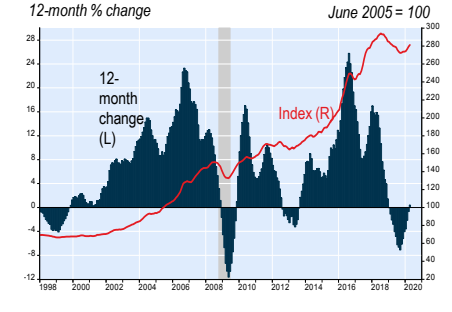
Toronto



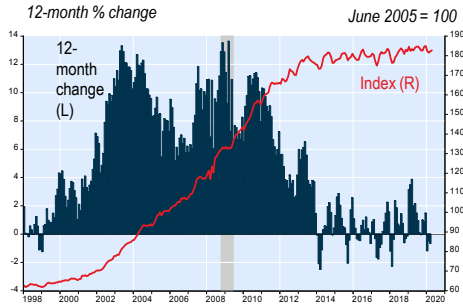
Victoria



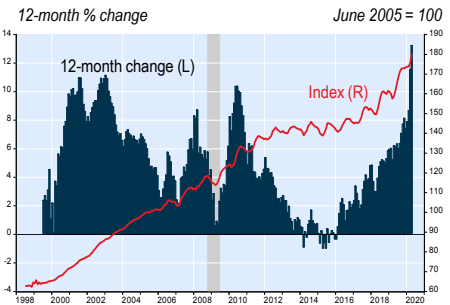
Vancouver



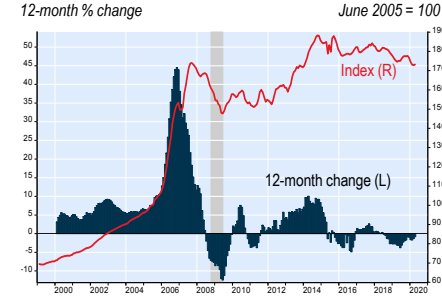
Quebec City



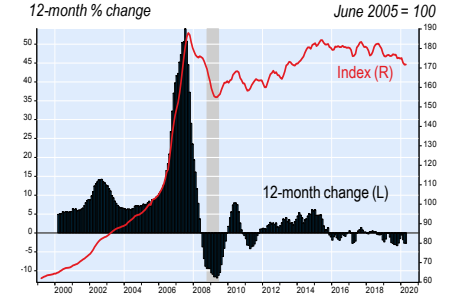
Ottawa-Gatineau



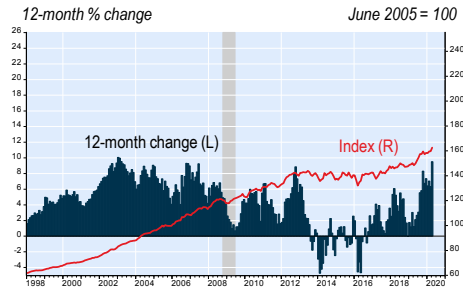
Calgary



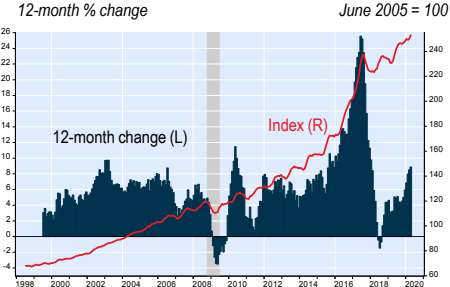
Edmonton



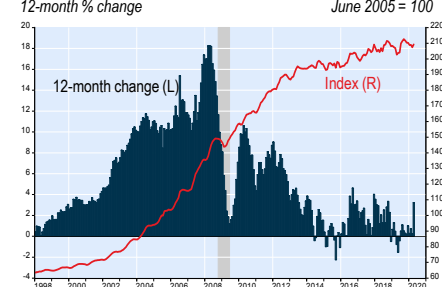
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Hamilton



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