

Home prices rise as the housing market catches up to pent-up demand

By Kyle Dahms

The Composite index of resale home prices continued to rise in August. Indeed, 10 of the 11 markets were showing an increase in the month with the exception being a flat print in Calgary. The increases in August were consistent with conditions present in the home resale market. Looking at the active-listings-to-sales ratio as published by CREA, half of the provinces were solidly a “sellers’ market” with B.C. and Manitoba very close to showing that same status (see left chart). This was the result of a new record level of home sales at the national level. The underlying data for the Composite House Price Index was consistent with the sharp rebound in activity. Indeed, the Teranet-National Bank HPI uses a sales-pair methodology to track home prices and the latter were down a mere 1.3% from a year earlier, in sharp contrast after three months of 12-month declines exceeding 20%. It must be said that there was a lot of catching up to be done given the pent-up demand from months of confinement. What’s more, mortgage interest rates have reached a record low and are an additional incentive for those looking for a property. When we seasonally adjust the unsmoothed composite index, August would be up a significant 1.7% from July, the highest monthly change in the last 40 months. Nonetheless, the housing market is facing several challenges in the months ahead. The tapering of income assistance programs in a still-depressed labour market combined with weaker immigration flows should translate into headwinds for housing demand.

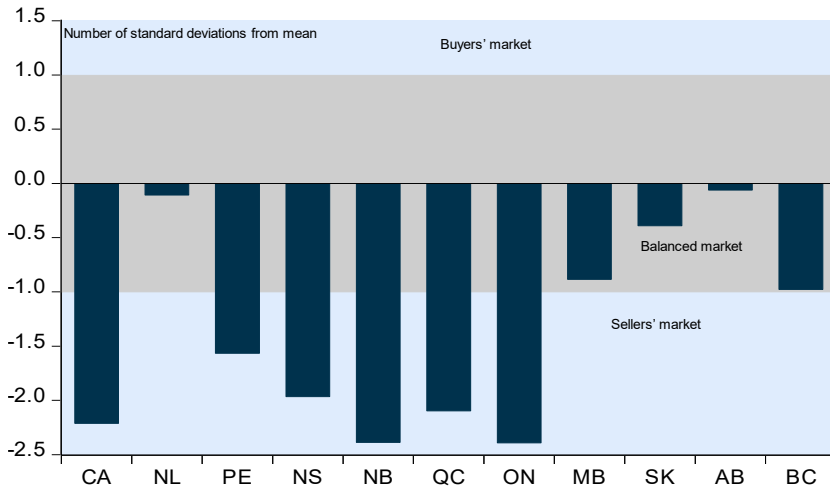
HIGHLIGHTS:

- The Teranet-National Bank Composite National House Price Index™ advanced 0.6% in August, slightly below the average over the last 22 years for a month of August (+0.7%, see right chart).
- On a monthly basis, there was a gain in 10 of the 11 markets covered: Victoria (+2.3%), Ottawa-Gatineau (+2.2%), Montreal (+1.9%), Halifax (+1.8%), Hamilton (+1.6%), Winnipeg (+0.7%), Quebec (+0.5%), Vancouver (+0.2%), Toronto (+0.1%) and Edmonton (+0.1%). Prices were essentially flat in the month in Calgary.
- From August 2019 to August 2020, the Composite index rose 5.7%, led by Ottawa-Gatineau (+12.6%), Halifax (+11.1%), Montreal (+10.1%), Hamilton (+8.4%) and Toronto (+7.3%). Lagging the countrywide average were Victoria (+3.3%), Winnipeg (+3.3%), Vancouver (+3.2%) and Quebec City (+2.3%). Deflating over the 12 months were Edmonton (-2.4%) and Calgary (-2.5%).

See charts and table on pages 2 and 3

Active-listings-to-sales ratio, August 2020

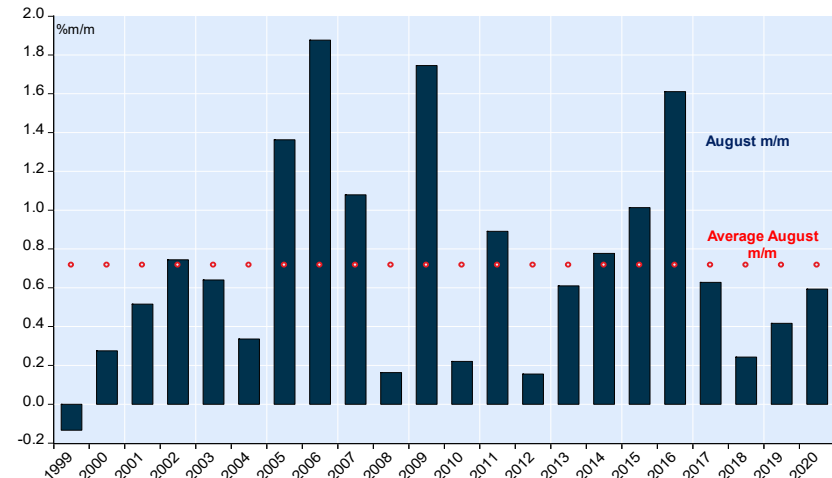
Seasonally adjusted data



NBF Economics and Strategy, data from CREA

August 2020 was a bit short of the historical average change

Monthly change for a month of August in the Composite index



NBF Economics and Strategy (data via Teranet-National Bank HPI, seasonally adjusted by NBF)

Teranet-National Bank House Price Index

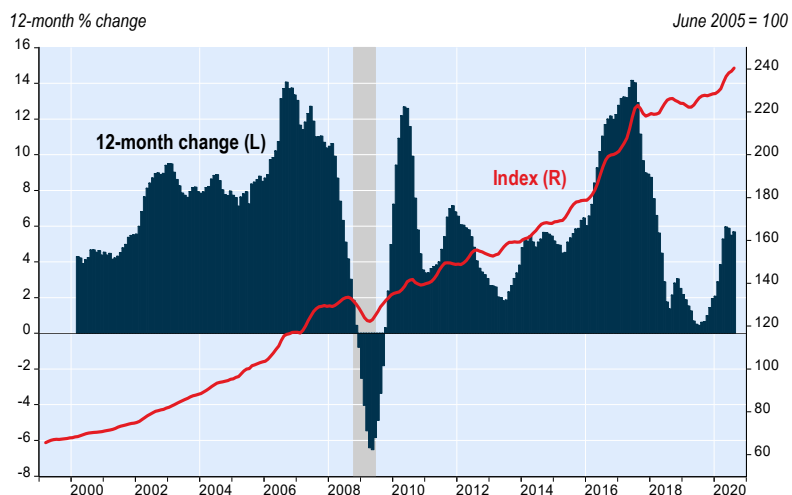
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NOTE ON METHODOLOGY:

The Teranet-National Bank House Price Index is based on the repeat sales methodology. The index is built from the price increase observed between two sales of the same property.

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 for the last month. This procedure allows evening-out month-to-month fluctuations.

Teranet-National Bank National Composite House Price Index™

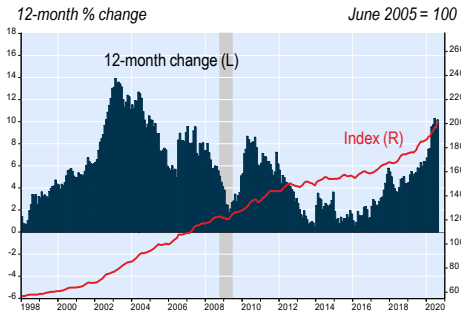


Metropolitan area	Index level * August 2020	% change m/m	% change y/y	% change from peak	Peak date
Composite 11	240.43	0.6%	5.7%	0.0%	2020-08
Victoria	217.19	2.3%	3.3%	0.0%	2020-08
Vancouver	282.34	0.2%	3.2%	-4.0%	2018-07
Calgary	172.88	0.0%	-2.5%	-8.2%	2014-10
Edmonton	172.59	0.1%	-2.4%	-8.2%	2007-09
Winnipeg	218.24	0.7%	3.3%	0.0%	2020-08
Hamilton	267.02	1.6%	8.4%	0.0%	2020-08
Toronto	273.31	0.1%	7.3%	0.0%	2020-08
Ottawa-Gatineau	192.92	2.2%	12.6%	0.0%	2020-08
Montreal	201.99	1.9%	10.1%	0.0%	2020-08
Quebec	188.17	0.5%	2.3%	0.0%	2020-08
Halifax	174.88	1.8%	11.1%	0.0%	2020-08

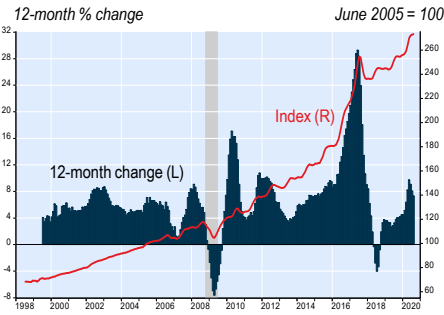
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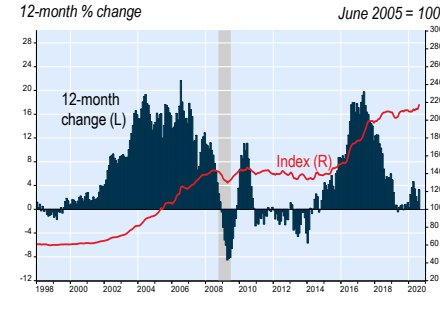
Montreal



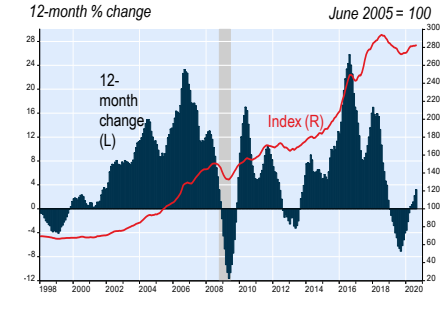
Toronto



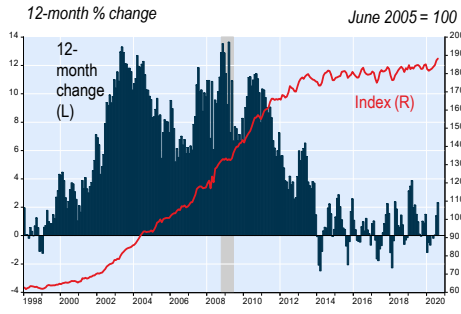
Victoria



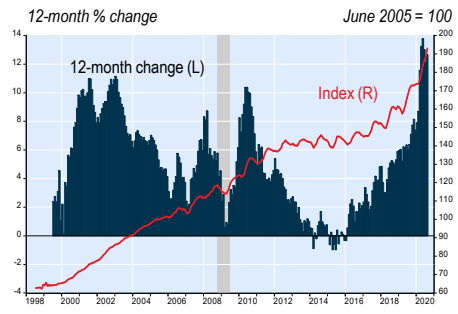
Vancouver



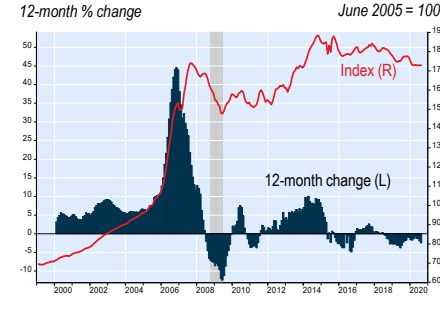
Quebec City



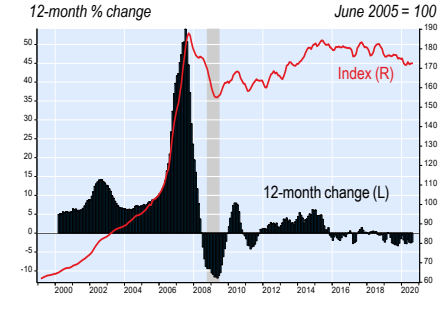
Ottawa-Gatineau



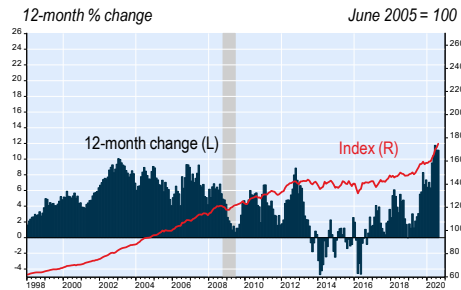
Calgary



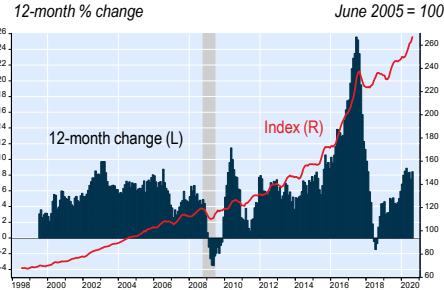
Edmonton



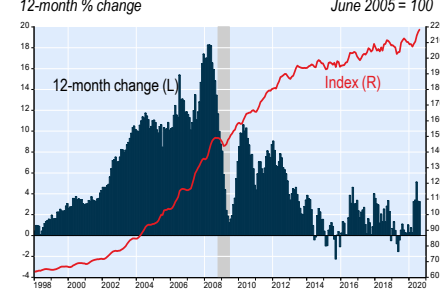
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Hamilton



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