



Canada: Historic loss of value in the residential market

By Daren King

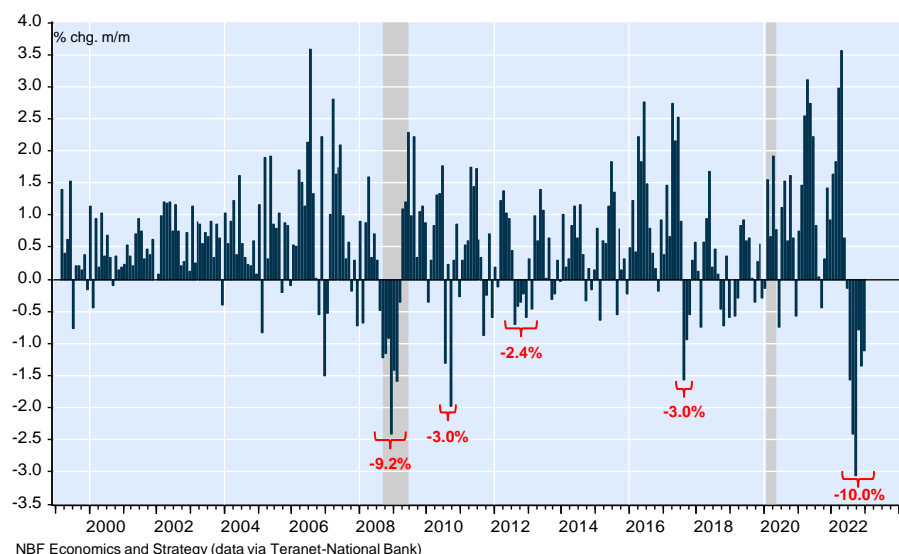
The Teranet-National Bank HPI continued to decline in December so that the cumulative drop in prices since their peak in May 2022 totaled 10.0%, the largest contraction in the index ever recorded. The current decline in prices has even surpassed the 9.2% loss in value that occurred during the 2008 financial crisis (left chart). However, there is some consolation in that the seasonally adjusted monthly decrease in prices in December was less significant than in November, going from -1.0% to -0.3%. With the Bank of Canada raising its key interest rate again in December and mortgage rates remaining high, we believe that the impact on property prices should continue to be felt in the coming months. All in all, we still expect the total correction to be limited to about 15% nationally by the end of 2023, but this assumes that policy rate hikes are coming to an end and that declines occur in the second half of 2023. Although corrections are occurring in all markets covered by the index (except Lethbridge), the CMAs that have experienced the largest price growth over the past two years are also the ones that have experienced the largest declines to date (right chart). Ontario, British Columbia and the Maritimes therefore appear to be more vulnerable, while the Prairie markets are less so, helped by a buoyant economic environment.

HIGHLIGHTS:

- The Teranet-National Bank Composite National House Price Index™ decreased by 0.3% in December compared to the previous month and after adjusting for seasonal effects, the sixth consecutive monthly decrease.
- After adjusting for seasonal effects, 6 of the 11 markets in the composite index were down during the month: Winnipeg (-1.8%), Calgary (-1.1%), Ottawa-Gatineau (-1.1%), Edmonton (-0.9%), Montreal (-0.5%) and Toronto (-0.4%). Conversely, the Quebec City (+1.3%), Victoria (+1.1%), Hamilton (+0.8%), Halifax (+0.4%) and Vancouver (+0.1%) markets were up.
- From December 2021 to December 2022, the composite index remained stable, the first time since the financial crisis of 2008-09 that the index did not increase over one year. Price increases in Calgary (12.4%), Edmonton (6.3%), Halifax (4.7%), Quebec City (4.7%) and Montreal (2.5%) were entirely offset by decreases in Victoria (-0.1%), Ottawa-Gatineau (-1.0%), Vancouver (-1.5%), Toronto (-1.9%), Winnipeg (-2.0%) and Hamilton (-2.9%).

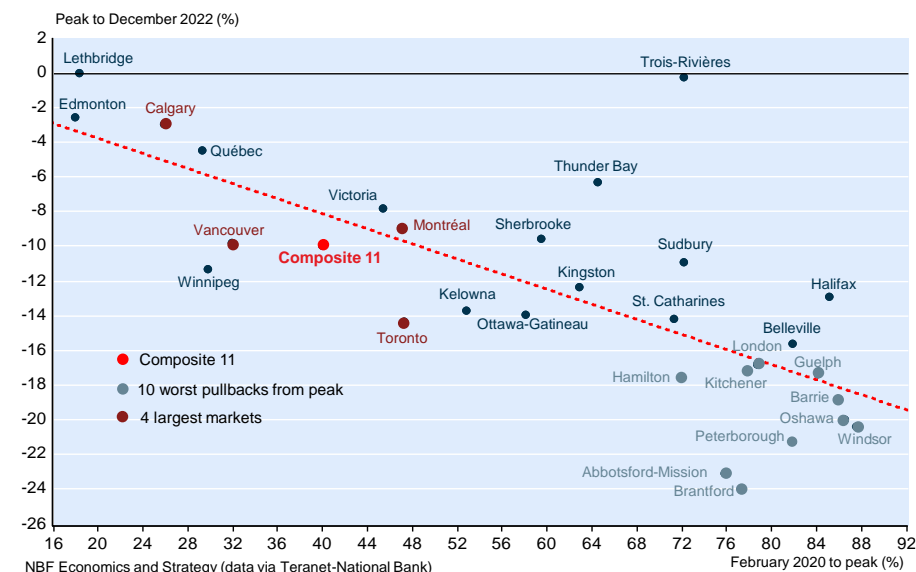
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Monthly variation of the Teranet-National Bank HPI



Canada: Rapid declines after soaring increases

Price change from February 2020 to peak and from peak to December 2022

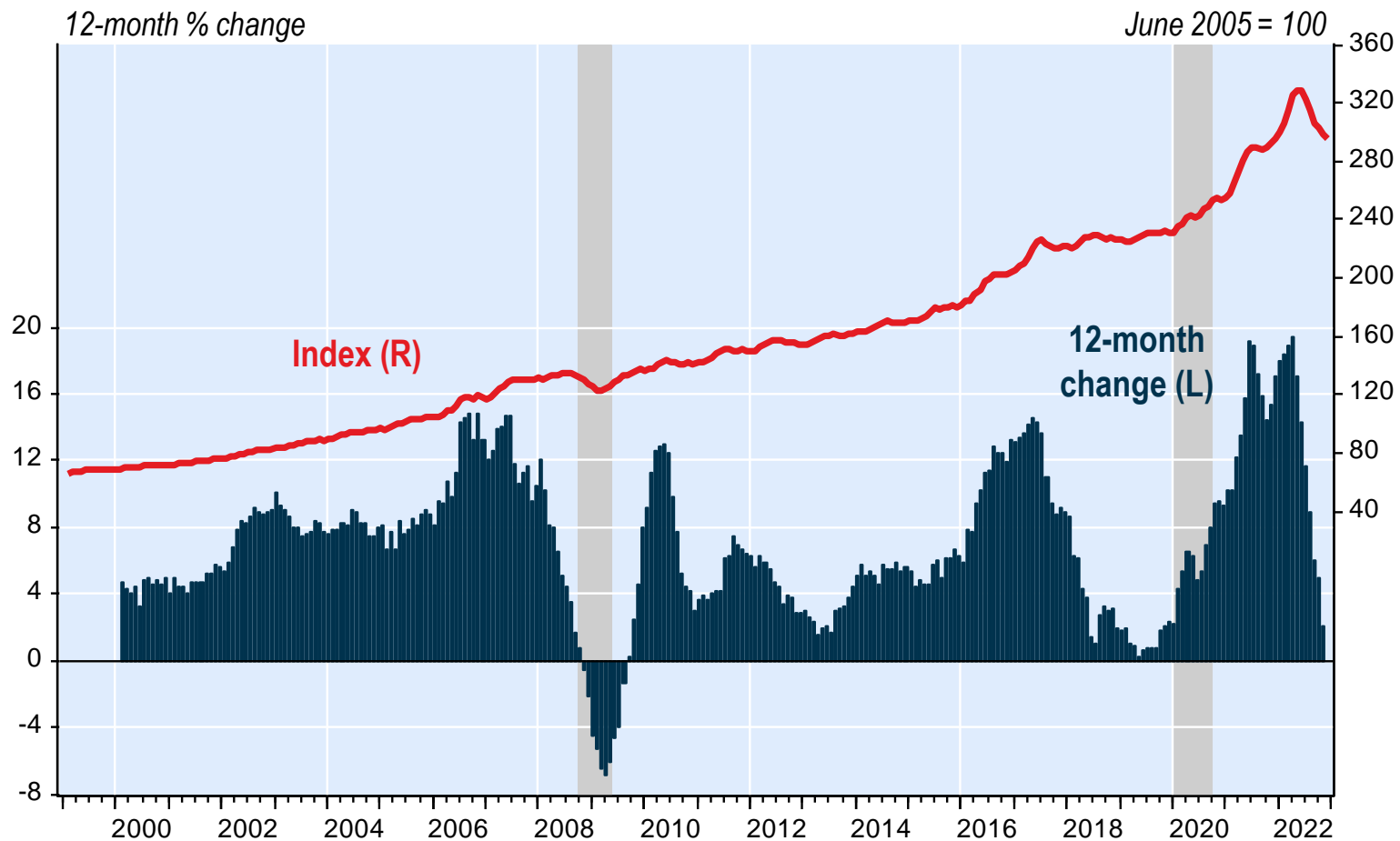


NOTE ON METHODOLOGY:

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.

Since September 2022, The Teranet-National Bank™ House Price Indices are presented on a raw (unsmoothed) basis, whereas their variation was previously smoothed over three months to allow evening-out month-to-month fluctuations. The unsmoothed version of the price measures allows for earlier detection of changes in market conditions. The provision of the unsmoothed version of the Teranet-National Bank™ indices also allows users to adjust the data to their specific needs.

Teranet-National Bank National Composite House Price Index™



Teranet-National Bank House Price Index

Economics and Strategy

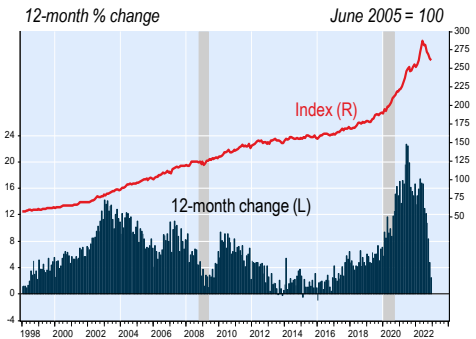
Metropolitan area	Index level *	% change m/m, NSA	% change m/m, SA	Prev. Month % change m/m, SA	% change y/y, NSA	% change from peak, NSA	Peak date, NSA
	December 2022						
Composite 11	294.86	-1.1%	-0.3%	-1.0%	0.0%	-10.0%	2022-05
Victoria	283.39	2.1%	1.1%	1.8%	-0.1%	-7.9%	2022-05
Vancouver	338.94	-0.1%	0.1%	-1.4%	-1.5%	-9.8%	2022-04
Calgary	213.55	-1.8%	-1.1%	-0.8%	12.4%	-3.0%	2022-10
Edmonton	196.66	-2.3%	-0.9%	0.2%	6.3%	-2.6%	2022-10
Winnipeg	243.43	-2.6%	-1.8%	-1.2%	-2.0%	-11.3%	2022-07
Hamilton	354.64	-0.8%	0.8%	-1.3%	-2.9%	-17.5%	2022-05
Toronto	330.79	-1.6%	-0.4%	-0.8%	-1.9%	-14.3%	2022-05
Ottawa-Gatineau	239.39	-2.9%	-1.1%	-1.1%	-1.0%	-13.9%	2022-06
Montreal	260.66	-0.9%	-0.5%	-2.1%	2.5%	-9.0%	2022-06
Quebec	229.18	0.4%	1.3%	-1.0%	4.7%	-4.5%	2022-07
Halifax	257.62	-0.1%	0.4%	2.0%	4.7%	-12.9%	2022-06
Other metropolitan areas							
Abbotsford-Mission, B.C.	329.60	-1.3%	-0.3%	0.7%	-5.8%	-23.1%	2022-04
Kelowna, B.C.	276.59	-3.6%	-3.8%	-4.1%	-5.2%	-13.7%	2022-07
Lethbridge, Alb.	207.81	3.5%	0.7%	-0.2%	7.4%	0.0%	2022-12
Barrie, Ont.	325.69	-1.5%	-0.2%	-2.4%	-5.5%	-18.8%	2022-05
Guelph, Ont.	332.10	1.7%	0.7%	-2.3%	0.4%	-17.4%	2022-05
Brantford, Ont.	319.87	-7.7%	-5.6%	0.8%	-12.1%	-24.0%	2022-05
Kitchener, Ont.	334.76	-1.7%	-0.5%	-1.5%	-4.3%	-17.2%	2022-04
St. Catharines, Ont.	339.77	-2.4%	-1.1%	2.6%	-0.7%	-14.2%	2022-05
Oshawa, Ont.	344.44	-1.7%	-0.5%	-1.7%	-5.2%	-20.0%	2022-05
Peterborough, Ont.	301.24	-2.7%	-2.0%	2.6%	-3.9%	-21.3%	2022-05
London, Ont.	303.46	-3.4%	-3.4%	0.0%	-5.7%	-16.8%	2022-04
Kingston, Ont.	262.82	1.5%	1.2%	-1.3%	1.7%	-12.3%	2022-05
Belleville, Ont.	297.14	-1.2%	1.3%	6.4%	1.0%	-15.7%	2022-04
Sudbury, Ont.	282.46	-3.8%	-2.3%	0.6%	6.8%	-11.0%	2022-05
Thunder Bay, Ont.	252.20	4.3%	4.1%	0.3%	5.8%	-6.3%	2022-07
Windsor, Ont.	277.32	-1.8%	0.3%	-1.3%	-3.5%	-20.4%	2022-05
Trois-Rivières, Qc	282.77	7.3%	4.6%	-3.1%	18.7%	-0.3%	2022-10
Sherbrooke, Qc	247.72	-5.1%	-3.7%	-0.1%	5.0%	-9.6%	2022-07

*June 2005=100 except indicated otherwise.

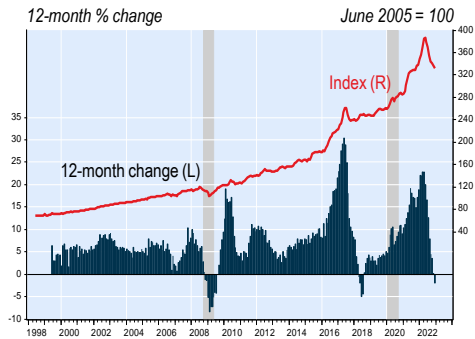
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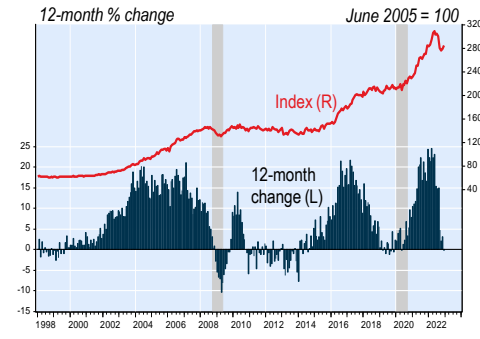
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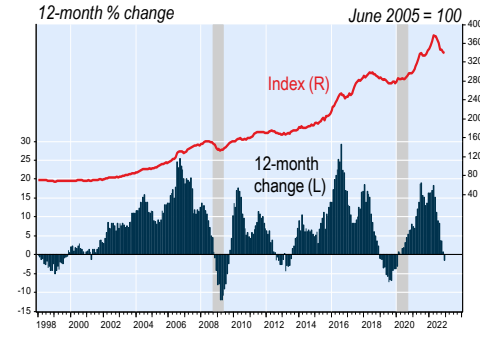
Toronto



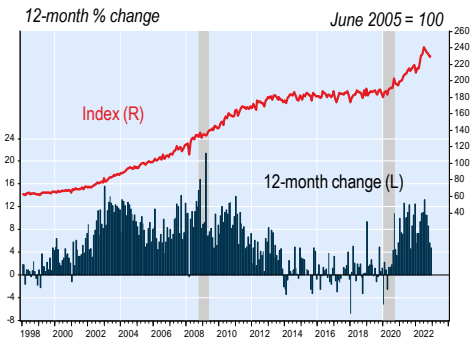
Victoria



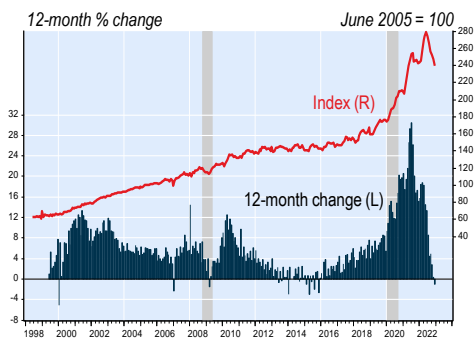
Vancouver



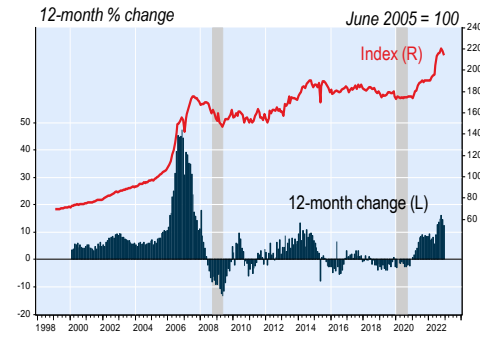
Quebec City



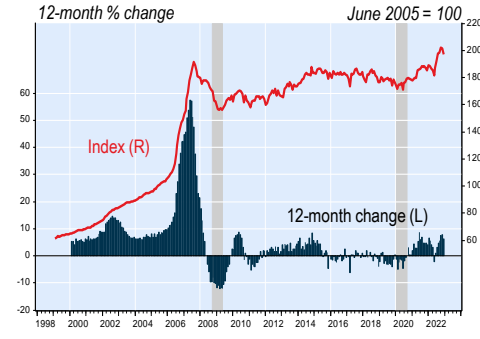
Ottawa-Gatineau



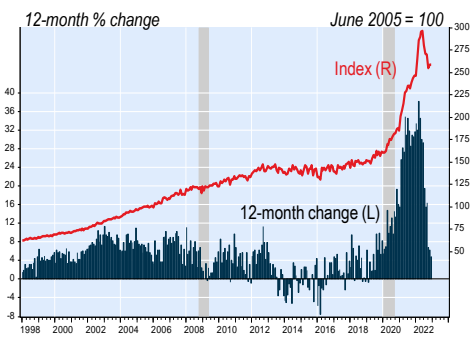
Calgary



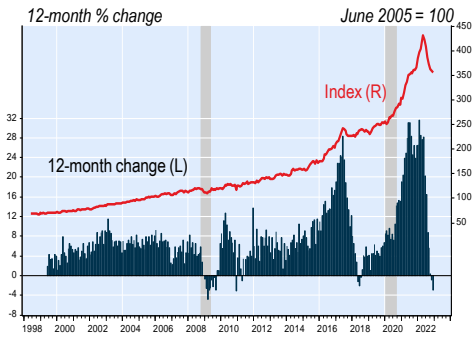
Edmonton



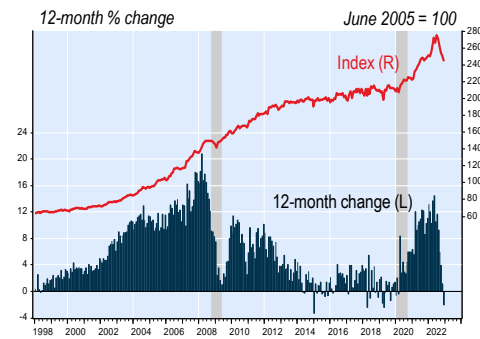
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