

Toronto unsmoothed HPI rose in November

Teranet-National Bank Composite National HPI

m/m growth: Nov.: -0.5% Oct.: -1.0%

y/y growth: Nov.: +9.2% Oct.: +10.0%

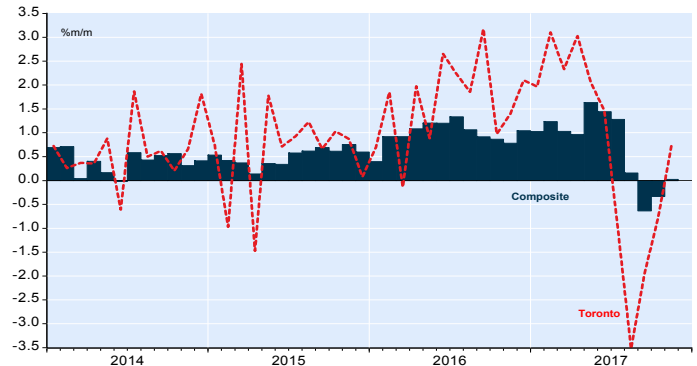
FACTS: The Teranet-National Bank Composite National House Price Index™ dropped 0.5% in November, a third monthly decline in a row. The index fell in four of the 11 constituents cities: Toronto (-1.4% - a fourth consecutive decline in the largest real estate market in Canada), Hamilton (-1.6%), Ottawa-Gatineau (-0.8%) and Edmonton (-0.7%). The indexes were stable in Vancouver and Victoria. They rose in Montreal (+1.0%), Quebec City (+0.9%), Halifax (+0.8%), Calgary (+0.7%) and Winnipeg (+0.5%). On a y/y basis, the Composite index rose 9.2%, a fourth softer reading in a row following the record gains of 14.2% in both June and July, and the lowest since June 2016. November's y/y rise was led by Victoria (+14.0%), Vancouver (+13.5%), Hamilton (+12.3%) and Toronto (+10.6%). The 12-month advance was much smaller in Montreal (+6.7%), Ottawa-Gatineau (+4.9%), Halifax (+2.1%), Calgary (+1.8%), Quebec City (+1.0%) and Edmonton (+0.2%). See charts on next page.

OPINION: After a string of four declines, Toronto's unsmoothed index (see note on methodology next page) rose in November, pushing the unsmoothed Composite Index in positive territory (top chart). True, fading downward pressures on prices were in the offing given that the Toronto home resale market has stabilized in balanced conditions over the last few months (middle chart). However, November's increase in the index might have been exacerbated by buyers who rushed to avoid the new bylaws on qualification for an uninsured mortgage (to be implemented next January). This view is supported by the increase in home sales from October to November in Toronto, bucking the usual seasonal trend (bottom chart). Therefore, a resumption of the downward price trend early next year cannot be excluded. Be it as it may, market conditions turning from extremely tight at the beginning of the year to balanced is good news for affordability. However, in Vancouver, market conditions remain tight. In particular, the index for condos (the most accessible type of dwellings in that city) has trended up a whopping 19.0% over the last 10 months.

Marc Pinsonneault

An increase in the unsmoothed index for Toronto in November

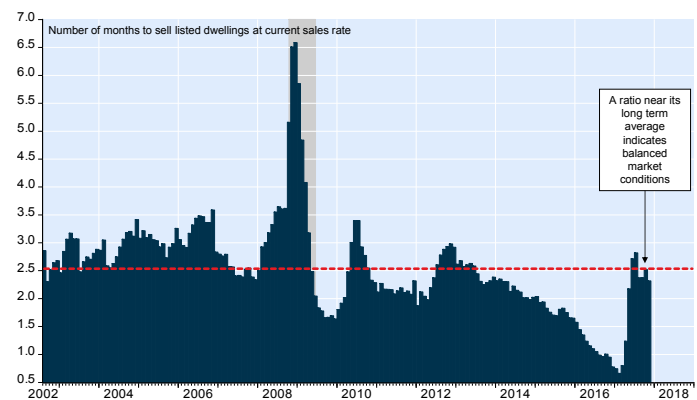
Teranet-National Bank House Price Index, unsmoothed, seasonally adjusted by NBF.



NBF Economics and Strategy (Data from Teranet-National Bank House Price Index)

Toronto: Home resale market

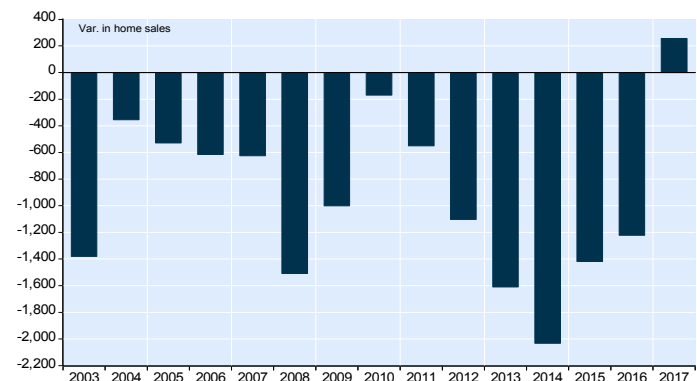
Active-listings-to-sales ratio, seasonally adjusted. Last observation: November 2017



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

Toronto: A rush in home sales in November

Variation in home sales from October to November each year.



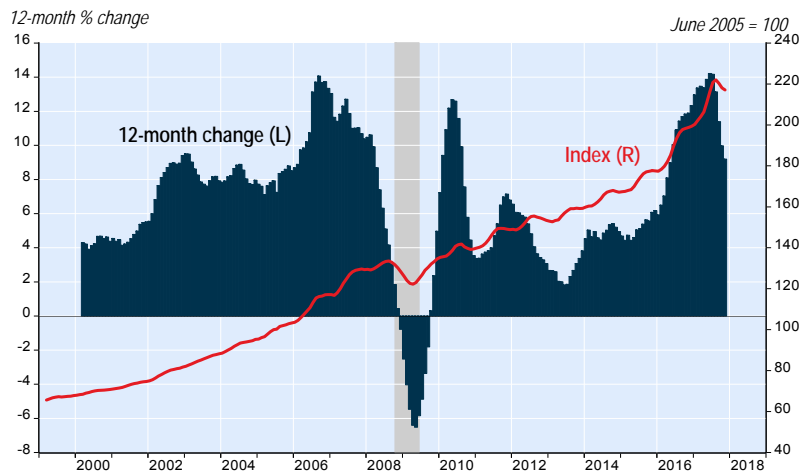
NBF Economics and Strategy (Data from TREB)

Teranet-National Bank House Price Index

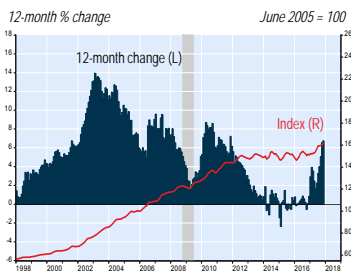
Note on methodology:

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.

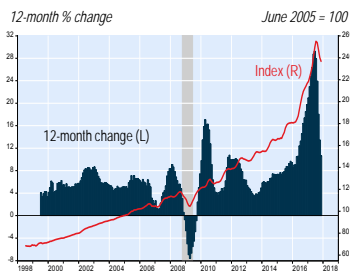
Teranet-National Bank National Composite House Price Index™



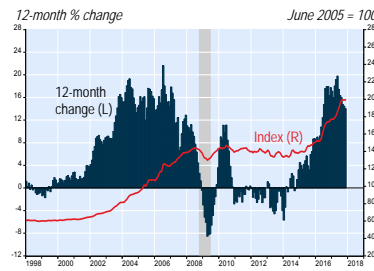
Montreal



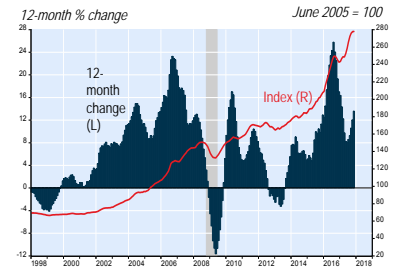
Toronto



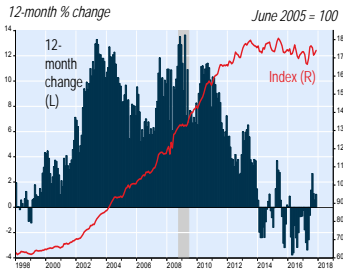
Victoria



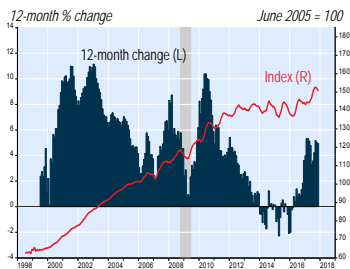
Vancouver



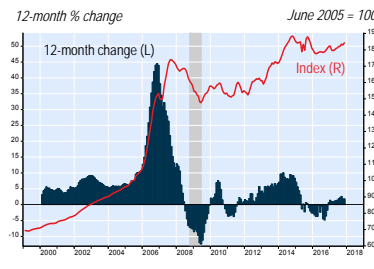
Quebec City



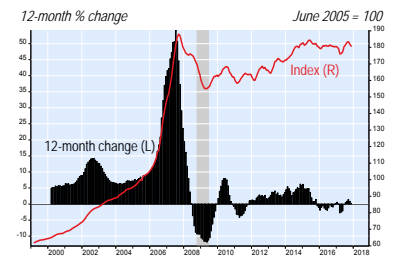
Ottawa-Gatineau



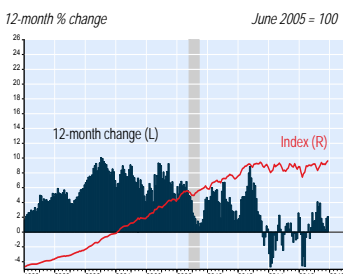
Calgary



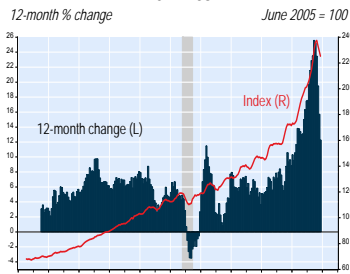
Edmonton



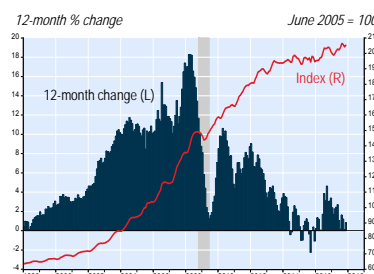
Halifax



Hamilton



Winnipeg



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