

Resale home prices fell again in October

Teranet-National Bank Composite National HPI

m/m growth: Oct.: -1.0% Sept.: -0.8%

y/y growth: Oct.: +10.0% Sept.: +11.4%

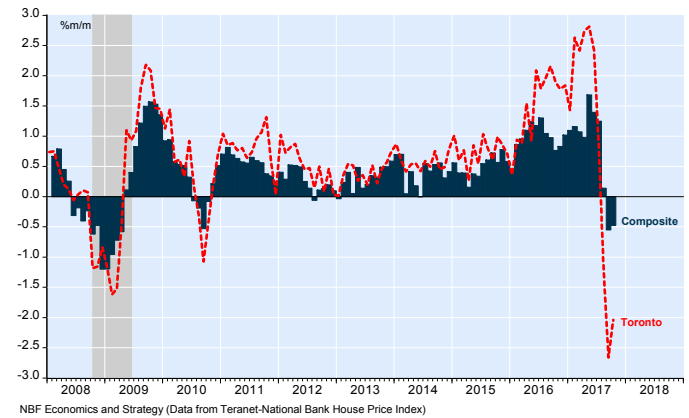
FACTS: The Teranet-National Bank Composite National House Price Index™ fell 1.0% in October, on the heels of a 0.8% drop in September. These two back-to-back declines were mostly due to Toronto, the country's largest residential market. Toronto's index declined 2.8% in October (-2.7% in September). In October, the index fell in five other metropolitan areas comprised in the Composite: Hamilton (-1.8%), Edmonton (-0.7%), Winnipeg (-0.7%), Ottawa-Gatineau (-0.3%) and Calgary (-0.2%). But these declines were offset by gains in Halifax (+1.3%), Vancouver (+0.7%), Quebec City (+0.6%), Montreal (+0.4%) and Victoria (+0.1%). On a y/y basis, the Composite index rose 10.0%, a third softer reading in a row following the record gains of 14.2% in both June and July, and the lowest since June 2016. October's y/y rise was led by Toronto (+13.4%), Hamilton (+15.7%), Vancouver (+12.0%) and Victoria (+14.4%). The 12-month advance was much smaller in Montreal (+6.5%), Ottawa-Gatineau (+5.0%), Halifax (+1.9%), Calgary (+1.8%), Edmonton (+0.8%), Quebec City (+0.6%) and Winnipeg (+0.1%). See charts on next page.

OPINION: The last two monthly declines in the Composite index are mostly due to Toronto (top chart), but there are signs that the downward pressure on prices in that city is fading. For instance, its unsmoothed index (see note on methodology next page) fell 0.7% in October after declining 3.7% in August and 2.1% in September (middle chart). Following the introduction last April of a tax on foreigners' acquisitions, market conditions (as depicted by the active-listings-to-sales ratio) loosened in Toronto. But they went from extremely tight to balanced (active-listings-to-sales close to its long-term average - bottom chart). Furthermore, market conditions have stabilized over the last few months. Balanced and stable market conditions support the view that downward pressure on home prices is fading in that city. Market conditions evolving from tight to balanced is a positive development for affordability. Unfortunately, this cannot be said of Vancouver, where conditions remained tight despite the implementation in August 2016 of a tax on foreigners' acquisitions. In the latter city, prices of condos (the most affordable category of dwellings) rose more than 17% over the last 12 months.

Marc Pinsonneault

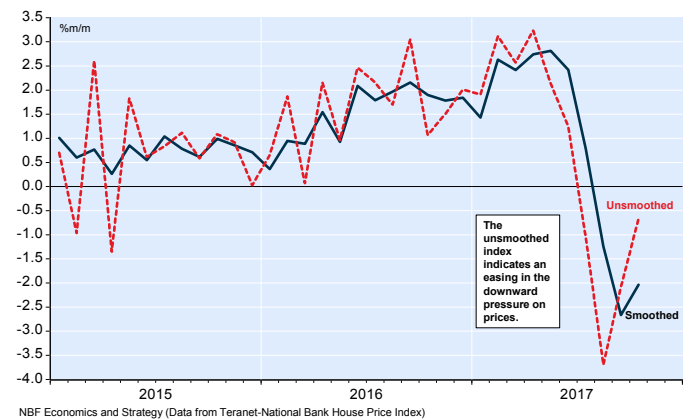
Two monthly declines in the Composite due to Toronto

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



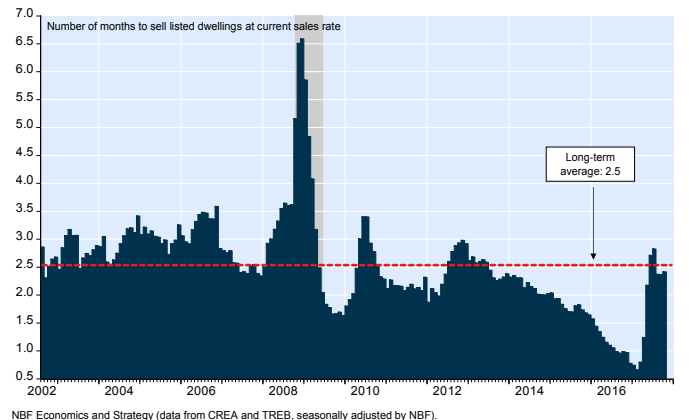
Toronto: Teranet-National Bank House Price Index

Last observation: October 2017. Seasonally adjusted by NBF.



Toronto: Home resale market

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

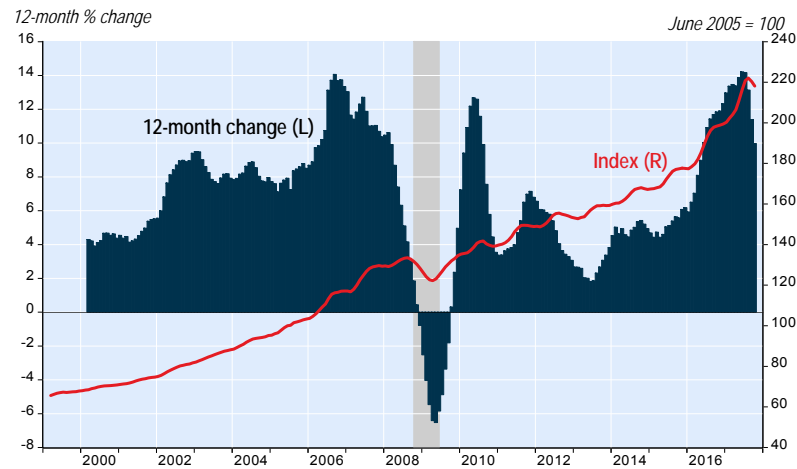


Teranet-National Bank House Price Index

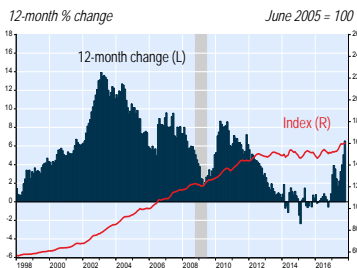
Note on methodology:

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.

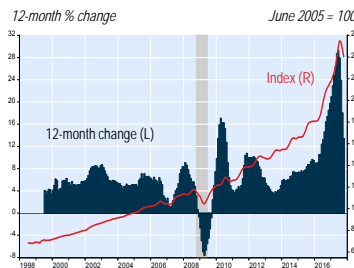
Teranet-National Bank National Composite House Price Index™



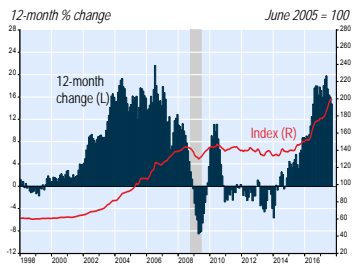
Montreal



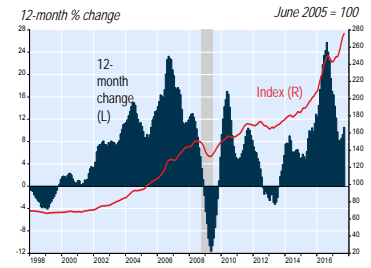
Toronto



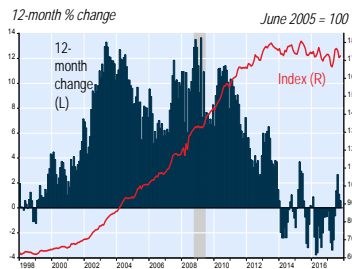
Victoria



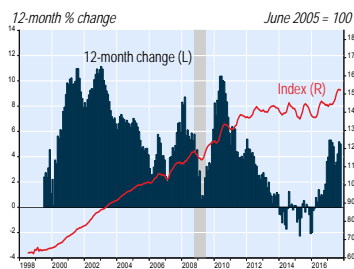
Vancouver



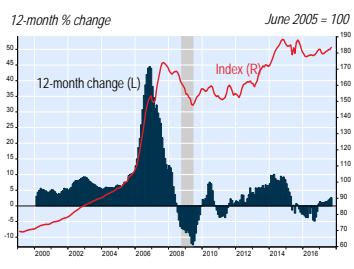
Quebec City



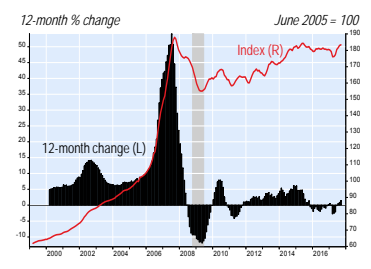
Ottawa-Gatineau



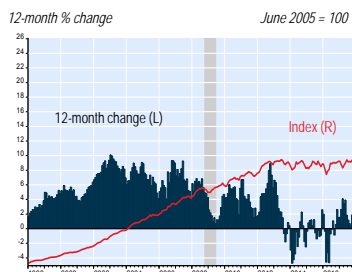
Calgary



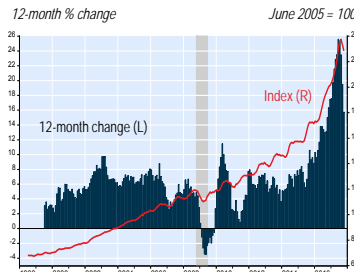
Edmonton



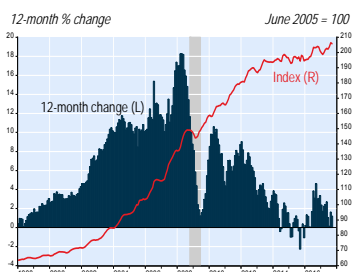
Halifax



Hamilton



Winnipeg



Teranet-National Bank House Price Index

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Teranet-National Bank House Price Index

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