Mixed signals in the pandemic housing-market
By Kyle Dahms

The progression in the Composite index last month was the lowest for a month of July in 15 years (see left chart). This marks a second month of signs that the economic lockdown had an impact on slowing activity in the housing market. It should be noted that the official Teranet–National Bank House Price Index is smoothed using a 3-month moving average and employs land registry data. This means that it currently reflects home price evolution while the sector was still on slow motion (see Note on methodology on the next page). The seasonally adjusted raw index for July is rather showing a 0.9% rebound following two consecutive declines, a development consistent with the strong rebound in home sales happening since April. Does this mean that the housing market will be spared from difficulties in this recession? Not so fast. Pent-up demand accumulated during confinement boosted June and July sales numbers. A look at the 5-month moving average shows that activity on the resale market was rather weak since March (right chart). In that sense, we still think that the housing market is facing some challenges. Indeed, households have not yet suffered the consequences of the current economic difficulties. Consumers have benefited from deferred debt payments, and the income assistance programs established by the various levels of government have more than offset labour market losses. The end of those programs and a still healing labour market could mean some headwinds for the housing market at some point.

HIGHLIGHTS:
- The Teranet–National Bank Composite National House Price Index™ advanced 0.3% in July, the lowest July advance since 2005.
- On a monthly basis, there was a gain in 9 of the 11 markets covered: Quebec City (+1.4%), Ottawa–Gatineau (+1.2%), Winnipeg (+1.1%), Halifax (+1.0%), Montreal (+0.8%), Hamilton (+0.5%), Toronto (+0.3%), Edmonton (+0.3%) and Calgary (+0.1%). Prices were flat in the month in Vancouver and dropped in Victoria (~0.3%).
- From July 2019 to July 2020, the Composite index rose 5.5%, led by Ottawa–Gatineau (+12.1%), Halifax (+11.1%), Montreal (+9.3%), Toronto (+8.1%) and Hamilton (+7.5%). Lagging the countrywide average were Winnipeg (+3.3%), Vancouver (+2.2%), Quebec City (+1.4%) and Victoria (+1.2%). Deflating over the 12 months were Calgary (~1.9%) and Edmonton (~2.6%).

See charts and table on pages 2 and 3

Lowest increase in home prices in 15 years for a month of July
Monthly change for a month of July in the Composite index

Canada: Boom or latent demand from months of confinement?
Homes sales (last data: July)
**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™

<table>
<thead>
<tr>
<th>Metropolitan area</th>
<th>Index level July 2020</th>
<th>% change m/m</th>
<th>% change y/y</th>
<th>% change from peak</th>
<th>Peak date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Composite 11</td>
<td>239.01</td>
<td>0.3%</td>
<td>5.5%</td>
<td>0.0%</td>
<td>2020-07</td>
</tr>
<tr>
<td>Victoria</td>
<td>212.31</td>
<td>-0.3%</td>
<td>1.2%</td>
<td>-0.3%</td>
<td>2020-06</td>
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<tr>
<td>Vancouver</td>
<td>281.67</td>
<td>0.0%</td>
<td>2.2%</td>
<td>-4.2%</td>
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<td>Calgary</td>
<td>172.93</td>
<td>0.1%</td>
<td>-1.9%</td>
<td>-8.2%</td>
<td>2014-10</td>
</tr>
<tr>
<td>Edmonton</td>
<td>172.43</td>
<td>0.3%</td>
<td>-2.6%</td>
<td>-8.2%</td>
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<td>Winnipeg</td>
<td>216.76</td>
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<td>3.3%</td>
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<td>Hamilton</td>
<td>262.82</td>
<td>0.5%</td>
<td>7.5%</td>
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<tr>
<td>Toronto</td>
<td>272.98</td>
<td>0.3%</td>
<td>8.1%</td>
<td>0.0%</td>
<td>2020-07</td>
</tr>
<tr>
<td>Ottawa-Gatineau</td>
<td>188.80</td>
<td>1.2%</td>
<td>12.1%</td>
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<td>2020-07</td>
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<td>Montreal</td>
<td>198.25</td>
<td>0.8%</td>
<td>9.3%</td>
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<tr>
<td>Quebec</td>
<td>187.25</td>
<td>1.4%</td>
<td>1.4%</td>
<td>0.0%</td>
<td>2020-07</td>
</tr>
<tr>
<td>Halifax</td>
<td>171.80</td>
<td>1.0%</td>
<td>11.1%</td>
<td>0.0%</td>
<td>2020-07</td>
</tr>
</tbody>
</table>
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