MOODY'S ANALYTICS

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News

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MOODY'S ANALYTICS

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NO HARD LANDING FOR CANADIAN HOUSE PRICES

TORONTO, October 18, 2016 – Canadian house prices will experience slower growth over the next five years, but avoid significant declines at the national level, according to new forecasts from Moody's Analytics. The forecasts, which are based on the Brookfield RPS House Price Indices, project that a number of metropolitan areas, most notably Vancouver and Edmonton, will experience some modest price declines in the near-term.

"While there has been much concern in Canada about an overheating housing market, we expect national house prices to avoid a significant correction," says Andres Carbacho-Burgos, an economist with Moody's Analytics. "House price growth will slow, but not decline."

Moody's Analytics projects that Canadian detached single family house prices will increase by 9% this year, and 2.9% per annum growth over the next five years. Condominium prices will increase by 4.6% this year, and 2.2% per annum over the next five years.

Vancouver's house prices will be negatively impacted by the recent imposition of a 15% transfer tax on home purchases by foreigners, plus an additional tax on vacant homes and increased regulation of the Vancouver real estate industry. Moody's Analytics believes that Vancouver house prices for detached single-family homes will decline over the coming year. While the price declines will be modest at less than 3% in 2017, there are downside risks of even bigger declines given that detached single-family homes in this market are more than 60% overvalued relative to the long-term price trend.

Moody's Analytics also believes that Toronto's detached single-family housing market is also significantly overvalued, by nearly 30%. "Such high overvaluation does not necessarily mean that prices will decline, given that the Toronto market is also supported by strong demand from foreign buyers," Carbacho-Burgos says.

Canada's energy and agriculture-based regions will also experience continued house price weakness. Saskatoon and Regina will suffer the most. Slower demographics and the decline in oil prices will also lead to a price correction in Newfoundland and Labrador.

In addition to its baseline forecast, Moody's Analytics looks at the risks of various macroeconomic scenarios that have the greatest potential to adversely affect housing prices. For the oil-production belt of Canada's economy, including metro areas such as Calgary, a scenario of protracted low oil prices would seriously reduce long-term income growth and lead house prices to be close to 10% lower than in the baseline scenario over the coming decade.

Read the full forecasts for the Canadian housing market in Moody's Analytics report: Canada Housing Market Outlook: More Moderation, No Hard Landing

About the Brookfield RPS – Moody's Analytics House Price Forecasts

The Brookfield RPS – Moody's Analytics House Price Forecasts are based on fully specified regional econometric models that account for both housing supply-demand dynamics and long-term influences on house prices such as unemployment and changes in mortgage rates. Updated monthly and providing a 10-year forward-time horizon, the forecasts are available for the nation overall, its ten provinces and for 33 metropolitan areas, and cover three property style categories, comprising single-family detached, condominium apartments and aggregate, in a number of scenarios: a baseline house price scenario, reflecting the most likely outcome, and six alternative scenarios.

About Moody's Analytics

Moody's Analytics helps capital markets and risk management professionals worldwide respond to an evolving marketplace with confidence. The company offers unique tools and best practices for measuring and managing risk through expertise and experience in credit analysis, economic research and financial risk management. Moody's Analytics is a subsidiary of Moody's Corporation (NYSE: MCO). Further information is available at www.moodysanalytics.com.

About Brookfield RPS

Brookfield RPS is a leading Canadian provider of outsourced appraisal management, mortgage-related services and residential real estate data and analytics to financial institutions, real estate professionals and consumers. The company's expertise in network management and real estate valuation, together with its innovative technologies and services, has established Brookfield RPS as the trusted source for residential real estate intelligence and analytics. Brookfield RPS is a division of Brookfield Asset Management Inc. (NYSE: BAM). More information is available at www.brookfieldrps.com.

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