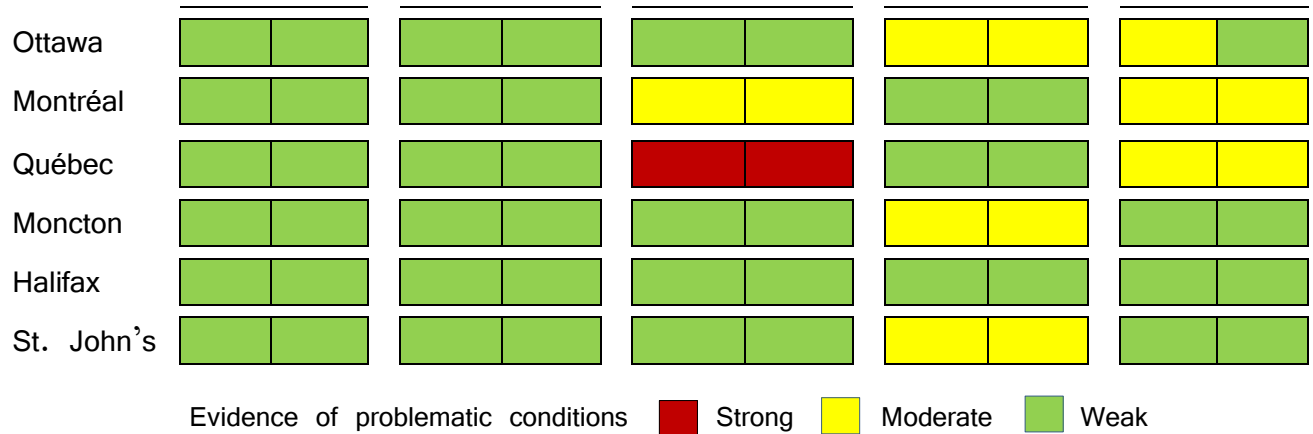**Backgrounder**

CMHC's HMA analytical framework is designed to evaluate the extent to which there is evidence of problematic conditions in Canadian housing markets. The framework assesses housing market conditions and considers the incidence, intensity and persistence of four main factors:

1. **Overheating of demand in the housing market,** wherein sales significantly outpace new listings.

2. **Acceleration in house prices,** which could be partially reflective of speculative activity.

3. **Overvaluation in the level of house prices,** which indicates that house price levels are not fully supported by fundamental drivers such as income, mortgage rates and population.

4. **Overbuilding of the housing market, when the rental market vacancy rate and/or the inventory of newly built housing units that are unsold is elevated.**

Each of these factors is measured using one or more indicators of housing demand, supply and/or price conditions. Table 1 outlines the results from the previous release in April 2016 and the current July 2016 release.

Table 1: Comparisons between the April 2016 and July 2016 reports

	Overheating		Price Acceleration		Overvaluation		Overbuilding		Overall Assessment	
	Apr. 2016	July 2016	Apr. 2016	July 2016	Apr. 2016	July 2016	Apr. 2016	July 2016	Apr. 2016	July 2016
Canada	green	green	green	green	yellow	red	green	green	green	yellow
Victoria	green	yellow	green	green	green	green	green	green	green	green
Vancouver	green	yellow	green	yellow	red	red	green	green	yellow	red
Edmonton	green	green	green	green	yellow	yellow	green	green	yellow	yellow
Calgary	green	green	green	green	yellow	yellow	yellow	yellow	red	red
Saskatoon	green	green	green	green	red	red	red	red	red	red
Regina	green	green	green	green	yellow	yellow	red	red	red	red
Winnipeg	green	green	green	green	green	green	yellow	yellow	yellow	yellow
Hamilton	yellow	yellow	green	green	yellow	red	green	green	green	yellow
Toronto	green	green	yellow	yellow	red	red	green	green	red	red

Ottawa	🟩🟩	🟩🟩	🟩🟩	🟨🟨	🟨🟩
Montréal	🟩🟩	🟩🟩	🟨🟨	🟩🟩	🟨🟨
Québec	🟩🟩	🟩🟩	🟥🟥	🟩🟩	🟨🟨
Moncton	🟩🟩	🟩🟩	🟩🟩	🟨🟨	🟩🟩
Halifax	🟩🟩	🟩🟩	🟩🟩	🟩🟩	🟩🟩
St. John's	🟩🟩	🟩🟩	🟩🟩	🟨🟨	🟩🟩

Evidence of problematic conditions 🟥 Strong 🟨 Moderate 🟩 Weak

Note 1: Colour codes indicate the level of evidence of problematic conditions: The HMA reflects a comprehensive framework that not only tests for the presence or incidence of signals of potentially problematic conditions, but also considers the intensity of signals (that is, how far the indicator is from its historical average) and the persistence of signals over time. Generally, low intensity and persistence are associated with a lower potential of upcoming problematic conditions. As the number of persistent signals increases, the evidence of a problematic condition developing increases.

Note 2: Results at the CMA level are not segmented by housing type or neighbourhood. They represent an assessment of the entire CMA. However, specific CMA reports provide further detailed analysis of these markets.

Note 3: The colour scale extends to red only for those factors that have multiple indicators signaling significant incidence, intensity and persistence of potentially problematic conditions. As a result, only overvaluation and overbuilding can receive a red rating, since they are assessed using more than one indicator.

Note 4: To ensure the framework is as current as possible, on a regular basis, we undertake a model selection process whereby our house price models for overvaluation are tested for statistical significance at the national and CMA level. The result of this process may change the number of indicators of a problematic condition from the previous assessment.