







Table 1: Overall housing market assessment for Canada’s major centres

HPAA Risks Factors		Current Overall Assessment	Overheating	Acceleration in house prices	Overvaluation	Overbuilding
National	●	Low Risk – At the national level, modest overvaluation is observed meaning house prices are slightly higher than levels consistent with personal disposable income and population growth. Overheating, acceleration in house prices and overbuilding are not a concern at this time.	↔	↔	↓	↔
Vancouver	●	Low Risk – The level of home prices in Vancouver is supported by local growth in personal disposable income and long-term population growth.	↔	↔	↔	↔
Calgary	●	Low Risk – Overvaluation in Calgary reflects the combination of strong growth in house prices and modest gains in personal disposable income.	↔	↔	↑	↔
Edmonton	●	Low Risk – While price growth in Edmonton has increased slightly since 2011, price increases remain in line with growth in the population of first-time homebuyers and growth in personal disposable income.	↔	↔	↔	↔
Toronto	●	Moderate Risk – Overvaluation in Toronto is due to steady price growth that has not quite been matched by growth in personal disposable income. The level of completed and unabsorbed units and the rental vacancy rate are both below their respective historical averages. However, the level of units under construction relative to population is near historical peaks – inventories need to be managed.	↔	↔	↓	↑
Ottawa	●	Low Risk – House prices in Ottawa are in line with population growth and growth in personal disposable income.	↔	↔	↔	↔
Montréal	●	Moderate Risk – In Montreal, overvaluation reflects slower growth in the pool of first time home buyers since 2012, impacting demand, combined with house price growth that has generally exceeded growth in personal disposable income since 2004. The level of completed and unabsorbed units is close to its average but the level of units under construction relative to population is near a historical peak – inventories need to be managed.	↓	↔	↓	↑
Québec	●	Moderate Risk – In Québec, overvaluation reflects slower growth in the pool of first time home buyers since 2012, impacting demand, combined with house price growth that has generally exceeded growth in personal disposable income since the early 2000s. The supply in the new home market relative to population is elevated but remains within historical norms.	↔	↔	↓	↑
Halifax	●	Low Risk – In Halifax, despite essentially flat home price growth overvaluation is detected due to a decrease in the borrowing capacity of households due to higher inflation-adjusted mortgage rates in late 2013. The level of completed and unabsorbed units relative to population increased recently but remains below historical peaks. The risk of overvaluation has moderated in 2014 as a result of decreases in mortgage rates combined with stronger growth in the 25 to 35 year-old population.	↓	↔	↓	↑

Level of risk
 Low risk
 Moderate risk
 High risk

Direction of risk from the last assessment
 Stable, unchanged
 Increased
 Decreased

Note 1: Colour codes indicate the level of risk: The HPAA does not only test for the presence or incidence of signals of potentially problematic conditions, but also considers the intensity of signals (that is, how far the signal is from its historical average) and the persistence of signals over time.

Generally, low intensity and persistence are associated with a lower potential of evolving into a problematic condition. As the number of persistent signals increases, the associated risk of a problematic condition developing increases.

Note 2: Arrows indicate the direction of risk since the last assessment: The HPAA is regularly updated over time, as new data becomes available. As a result, we are able to monitor the direction in which risks are moving or if they are stable. Also, local market analysts provide insight based on their local market intelligence that can influence the direction of risk.

For example, in the chart above, upward pointing green arrows are used to indicate that the risk has increased since the last evaluation, but the risk of problematic conditions arising remains low, nonetheless. An arrow that points downward, on the other hand, is used to indicate that the risk has lessened since the last evaluation. For example, a downward pointing red arrow indicates that risks remain elevated, but have nonetheless decreased since the last evaluation. A sideways pointing arrow indicates that the risk has not changed significantly since the previous evaluation.

Note 3: Results at the CMA level are not segmented by housing type or neighbourhood. They represent an assessment of the entire CMA.

Note 4: The colour scale extends to red only for those risk factors that have multiple indicators signalling 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.

Table 2: HPAA risk factors and related indicators

Risk Factor	Indicator(s)
Overheating	<ul style="list-style-type: none"> • Multiple Listings Service (MLS[®]) sales-to-new listings ratio
Acceleration in house prices	<ul style="list-style-type: none"> • MLS[®] average price
Overvaluation	<ul style="list-style-type: none"> • MLS[®] average price • Statistics Canada's New Housing Price Index (NHPI) • Teranet-National Bank House Price Index
Overbuilding	<ul style="list-style-type: none"> • Rental vacancy rate • Inventory of completed and unabsorbed housing units by 10,000 population