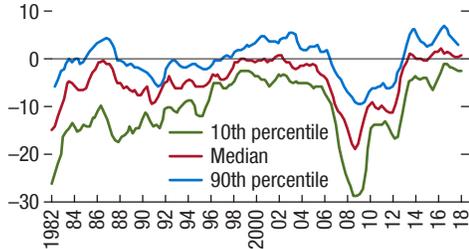


Figure 2.2.1. Downside Risks to House Prices in the United States and Canada

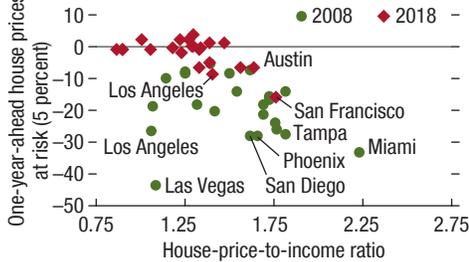
Housing downside risks across US cities are more volatile, with a large drop around the GFC.

1. Downside Risks to House Prices across US Cities (Five percent HaR, four quarters ahead)



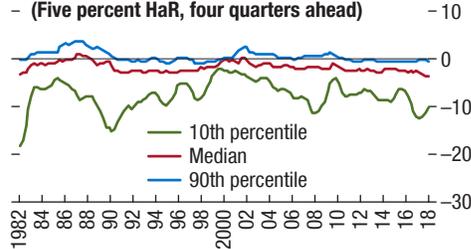
Valuations came down for most US cities in 2018 compared with 2008, partially mitigating tail risks.

3. House Prices at Risk and Valuations across US Cities



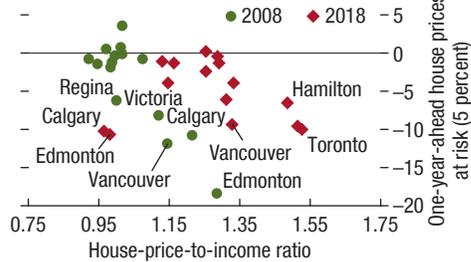
On average, cycles of downside risks across Canadian cities are relatively stable.

2. Downside Risks to House Prices across Canadian Cities (Five percent HaR, four quarters ahead)



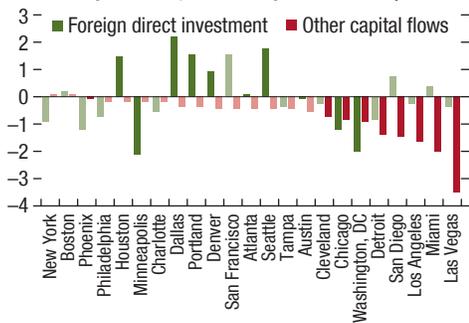
Amid stretched valuations, several Canadian cities were particularly vulnerable to downside risks in 2018.

4. House Prices at Risk and Valuations across Canadian Cities



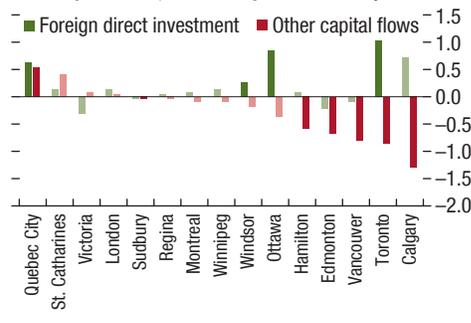
FDI inflows have a positive role in mitigating risk ...

5. Capital Flows as Drivers of HaR in the United States (Selected American cities; coefficients: 10th percentile; HaR four quarters ahead)



... whereas other capital inflows are a negative driver.

6. Capital Flows as Drivers of HaR in Canada (Selected Canadian cities; coefficients: 10th percentile; HaR four quarters ahead)



Source: IMF staff calculations.

Note: Panels 1 and 2 show the 10th and 90th percentiles of the cross-sectional city distribution in each period. In panels 3 and 4, one-year-ahead estimates of 5 percent HaR refer to 2019:Q1 and 2009:Q1, respectively. City-level house-price-to-income ratios refer to 2008 and 2018, respectively. Other capital flows refers to capital flows other than foreign direct investment or portfolio capital flows. Dark green and red bars refer to coefficients significant at the 10 percent level. FDI = foreign direct investment; GFC = global financial crisis; HaR = house prices at risk.