



The
nesto-meter

August Recap



nesto's mortgage trends August 2022

01 Rates

August 2022 had the lowest number of interest rate changes to date since March 2022. nesto logged only 1-2 changes this past month compared to last month's reported 5-7.

02 Mortgage Type Trends

Refinances are currently at the lowest levels since March 2021, 8.19%.

03 Purchase Timing Intent

There's another upward swing from 'ready to buy' vs. 'just looking'; with the latter clocking in at 65% and the former at just 35%. This continued disparity shows an improved state of intent with potential homebuyers in the market in 2022.

04 Property Value And Down Payment

The housing market continues to show signs of cooling down with the decrease in the median purchase price dropping another \$35,000 – from \$475,000 to \$440,000.



Median purchase prices dropping by \$20K: The buyer's market is here.

August Recap 2022

With all the volatility in the market today, you'd think that consumer credit would be taking a hit. However, when we look at the numbers, as we do in the deep dive within this report, it becomes clear that borrowers' credit have actually improved year over year. This is great news for potential homebuyers since strong credit is an important component of the mortgage qualification process!

Outside of that development, as most have been looped in by now, Bank of Canada continued their rate hikes on September 7. Prior to that, we saw 1 bps increase on July 13 2022. When we look to August (the month after the massive rate hike), we clearly see a significant switch in the market. It's fair to say that a buyer's market has arrived. Median home prices fell even further, with the total now at an annual low of \$440,000 and down payments down payments have slid in tandem.

Read on to learn about the mortgage industry trajectory.



Section 01

Rates

01



A. Volatility

Number of lowest rate changes per month

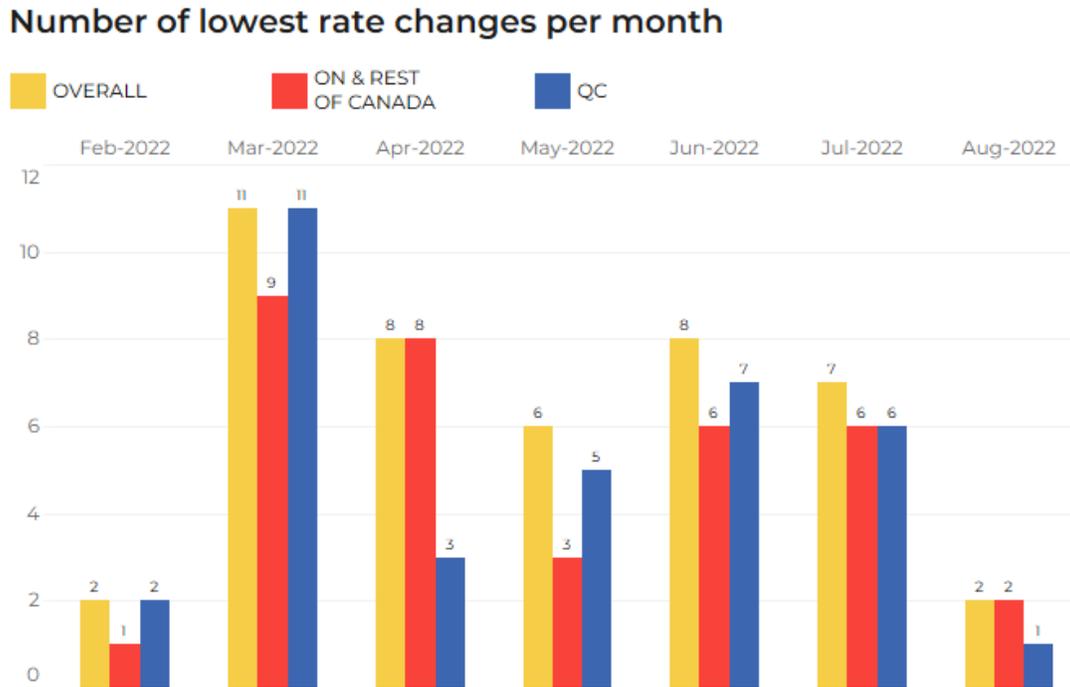


Fig. 1: Number of times the lowest rates offered by nesto to its borrowers users changed per month across provinces between February 2022 and August 2022.

Key Data To Know	TL;DR
<p>Looking at rate changes from February 2022 through August 2022, the impact of a rising prime rate has a clear impact on the rates offered to nesto’s clients users in our database. As shown, prior to the Bank of Canada policy rate changes which began in March, nesto had 2 average rates changes per month; however, In July 2022, we had 6 rate changes overall, slightly down from 8 total seen in June 2022. It is interesting to notice that when comparing to last month, in August 2022, we see that the number of rate changes fell drastically to what they were in early 2022. There were only 2 noted changes overall, with 1 pertaining to Quebec.</p>	<p>August 2022 had an average of 2 rate changes. The lowest number to date since March 2022.</p>



Volatility - by type

Number of lowest rate changes per month (fixed vs variable)

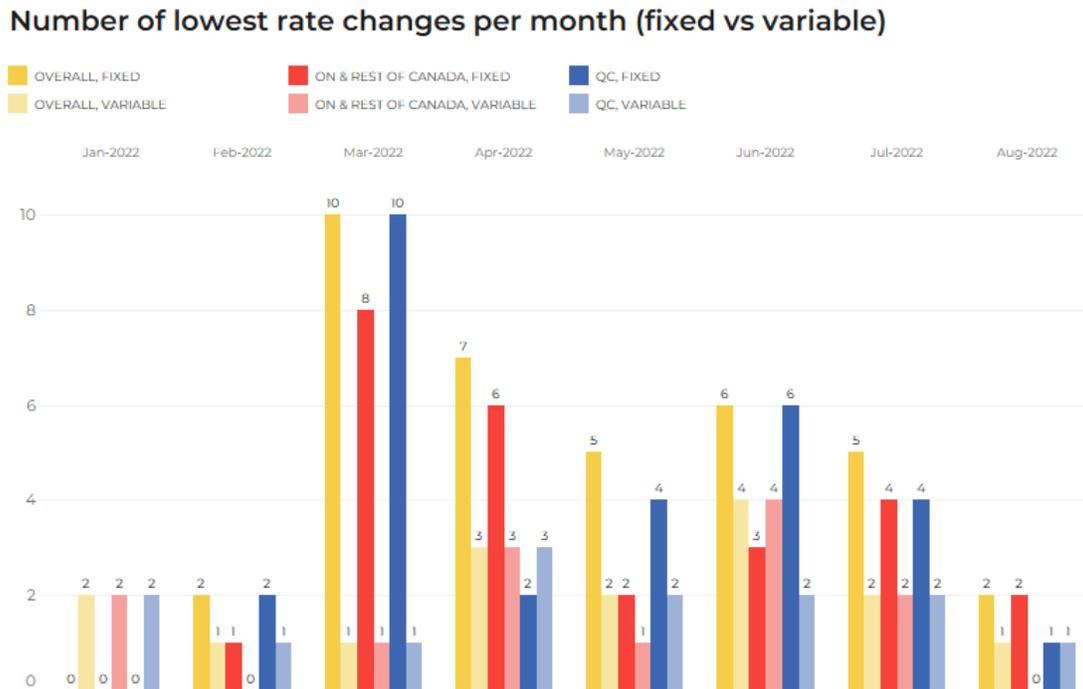


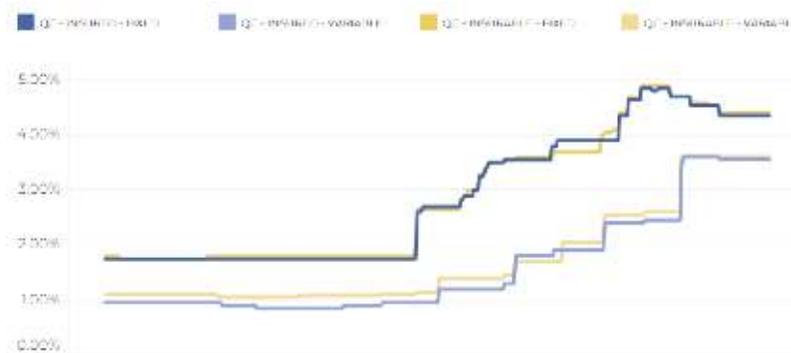
Fig. 2: Number of times the lowest rates offered by nesto to its borrowers changed per month across provinces between January 2022 and August 2022 comparing fixed to variable rates. August 2022 showed fewer rate changes for all rate types.

Key Data To Know	TL;DR
<p>Overall, the graph displays what many in the industry already know: Fixed rates are due for continual increases, while variable rates will take a considerably longer time to get to such high levels. Yes, both are going up, but they are not moving at the same speed. While August 2022 showed a slower pace for rate changes, the fixed rate changes were still twice that of variable rates.</p>	<p>There were the least amount of rate changes on the variable rate mortgage in august 2022</p>



B. Variance: Lowest Rates

QC - Rate Variation



ON & Rest of Canada - Rate Variation

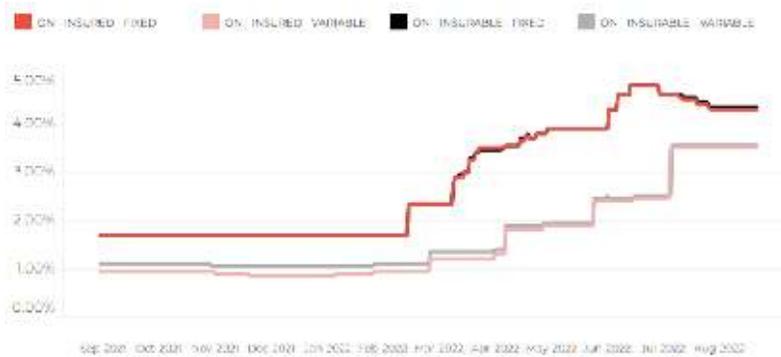


Fig. 3: These graphs show the rate variance in Quebec compared to Ontario and the rest of Canada.

Key Data To Know	TL;DR
<p>Now let's talk about variance! Fixed rates continue to rise at a faster pace than variables. This gap widened from March 2022 onwards (>4.0% for fixed, and < 4.0% for variable) which is attributed to the interest rate hikes from the Bank of Canada.</p>	<p>Fixed rates continue to rise at a faster pace than variables.</p>



Section 02

Mortgage Type Trends

02



Purchase vs. Renewal vs. Refinance

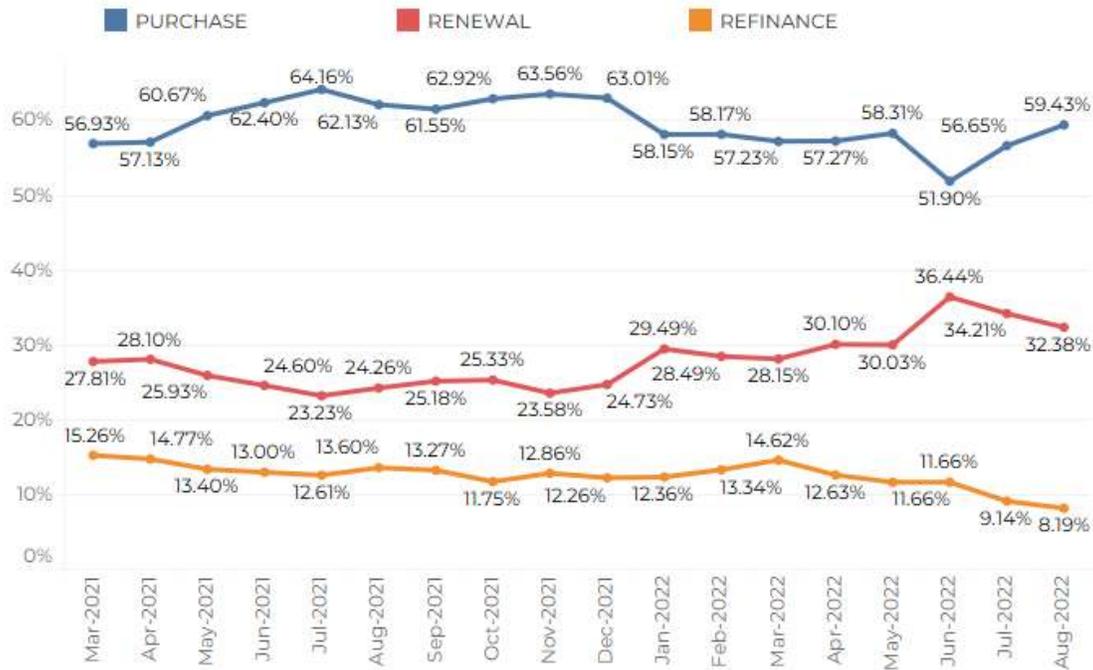


Fig. 4: Trends for proportion of purchases (new mortgages) vs renewals vs refinances from March 2021 to August 2022.

Key Data To Know	TL;DR
<p>As we look back at August 2022, we see a similar story emerge to last month. New purchases continued to rise, increasing an additional 2.78%, and renewals decreased by 1.83%. Refinances are currently at the lowest levels since March 2021, 8.19%. Our data points align with what we see happening in the real estate market. With home prices dropping, more homebuyers are able to purchase; albeit, many more clients are just not qualifying due to a higher interest rate used for qualifying when their application is stress tested. Refinances are taking a back seat as interest rates increase.</p>	<p>Refinances are currently at the lowest levels since March 2021, 8.19%.</p>



Section 03

Purchase Timing Intent

03



Purchase Timing Intent

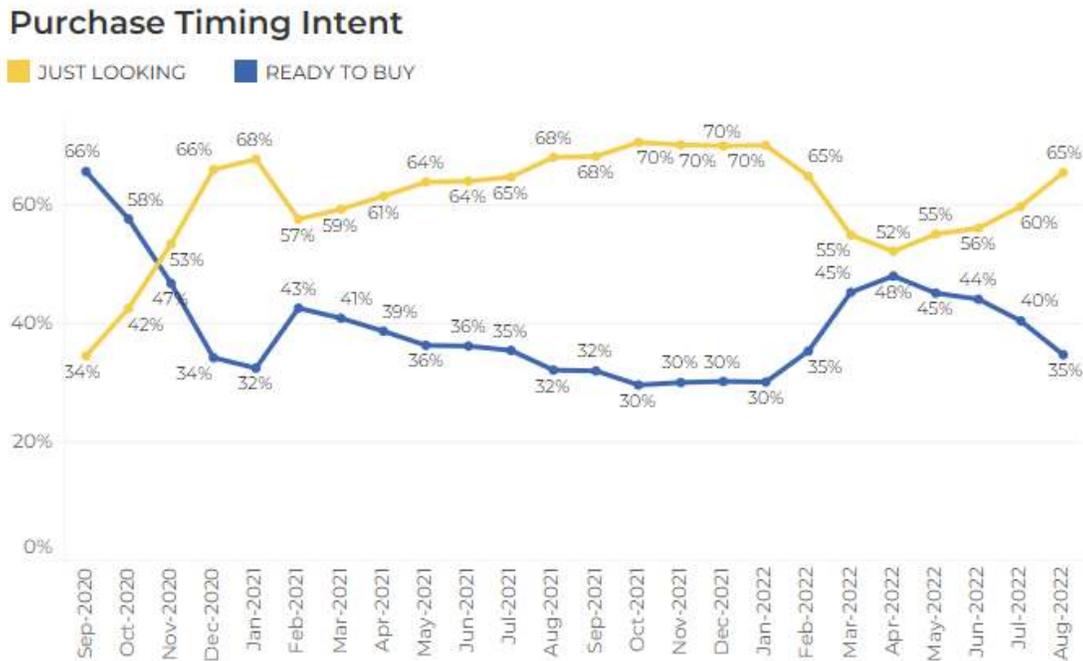


Fig. 5: Purchase intent: proportion of users “ready to buy” vs “just looking” in in their mortgage journey with nesto, illustrated over the last two years from September 2020 to August 2022.

Key Data To Know	TL;DR
<p>Looking at our client's intention in August 2022, the alignment around buyer caution is very much the same as July. Since home prices are still relatively high in key markets, and mortgage interest rates are at the highest point since pre-pandemic, it makes sense to see that 'just looking' continued to have a majority stake at 65% of nesto applicants, compared to 35% who were 'ready to buy'. This is certainly a noted change when we compare and look back at the demand outpacing seller's market craze back two years ago in September 2020, the exact numbers were inverted: 66% were 'ready to buy' and 34% were 'just looking'. This speaks volumes to the shift in the housing market from its height in 2020 (thanks to low interest rates) until today.</p>	<p>65% of nesto users are 'Just Looking' compared to 35% who were 'ready to buy'.</p>



Purchase Timing Intent - By Province

Purchase Timing Intent



Fig. 6: Purchase timing intent proportion of users “ready to buy” vs “just looking” in nesto’s mortgage process, from September 2020 through August 2022 in Quebec and Ontario.

Key Data To Know	TL;DR
<p>As can be seen above, in Ontario, potential buyers are more hesitant than their Quebec counterparts – with 65% reportedly ‘just looking’ (ON) compared to 54% (QC). Additionally, whereas only 35% are presumably ‘ready to buy’ in ON, in QC, we see 46% are. This difference could stem from the higher median purchase prices in ON and cost of living. ON median home prices are approximately \$300K more than QC’s.</p>	<p>only 35% are presumably ‘ready to buy’ in ON, in QC, we see 46% are ‘ready to buy’.</p>



Section 04

Property Value And Down Payment

04



Property Value and Down Payment

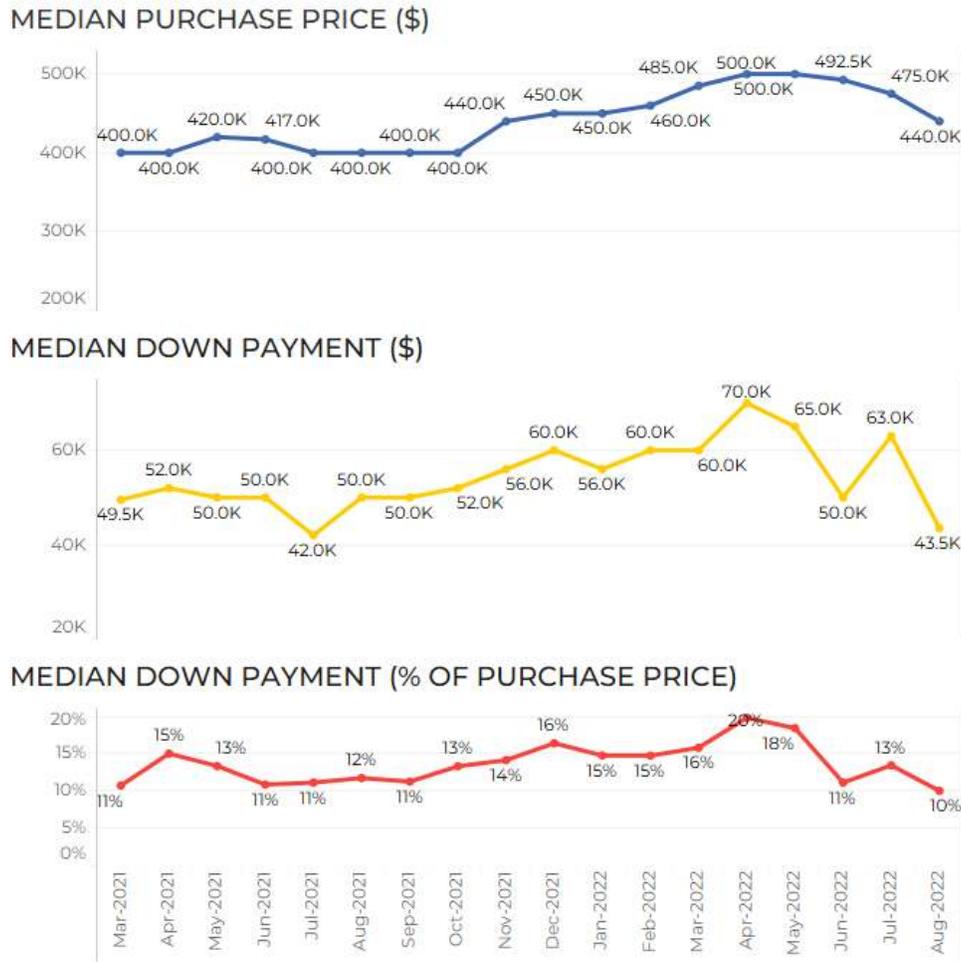


Fig. 7: This chart shows a continuation of the cooling market, with median purchase prices dropping \$35,000 over the course of one month.

Key Data To Know	TL;DR
In August 2022, both median down payments (dollars and percentages) were down across the board – from \$63,000 from \$43,500, and 13% to 10% respectively – the median purchase price continued to fall, dropping from \$475,000 to \$440,000.	In August, Median Down Payments Decreased by \$19,500 .



Property Value and Down Payment [1/2]

Median Purchase Price (\$)



Median Down Payment (\$)



Fig. 7: This chart shows a continuation of the cooling market, with median down payments dropping \$19,500 over the course of one month.



Property Value and Down Payment [2/2]

Median Down Payment (% of Purchase Price)

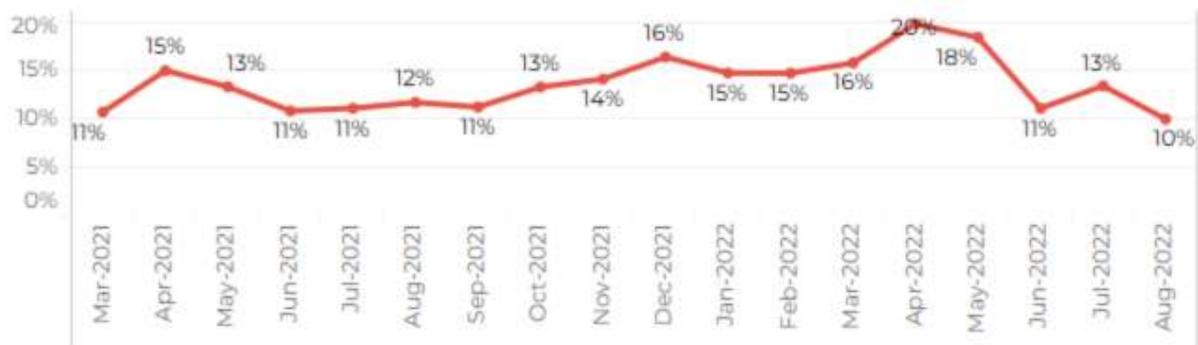


Fig. 7: This chart shows a continuation of the cooling market, with median down payment percentages dropping by 7%.

Key Data To Know	TL;DR
<p>As with all buyer's markets and what our data illustrates, it is becoming clear that the power is moving to buyers. Therefore, as interest rates continue to rise, we hope that a balance can be reached between supply and demand which will in turn create a balanced housing market for buyers and sellers.</p>	<p>It's clear: we are entering a Buyer's Market.</p>



By Province

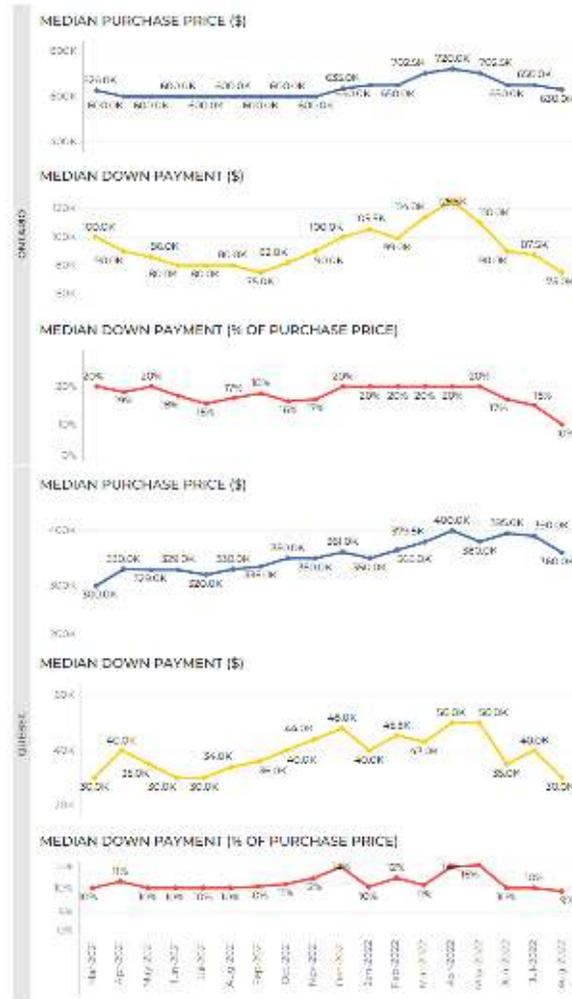


Fig. 8: Graph of intended purchase prices vs down payment (in dollars and percentage) from March 2020 through August 2022 in Alberta, Ontario, and Quebec.

Key Data To Know	TL;DR
<p>As seen in the charts to follow, there is a decline happening in all areas: Ontario (down \$20,000, Alberta (down \$27,700) and Quebec (down \$30,000) in regards to the median purchase price.</p>	<p>Median purchase price was down by \$30,000 in Quebec, August 2022.</p>

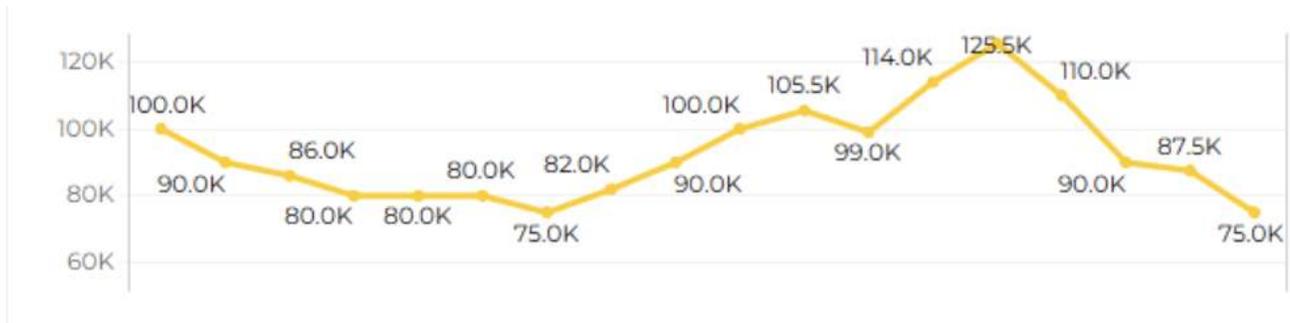


By Province: ON [1/3]

Median Purchase Price (\$)



Median Down Payment (\$)



Median Down Payment (% of Purchase Price)

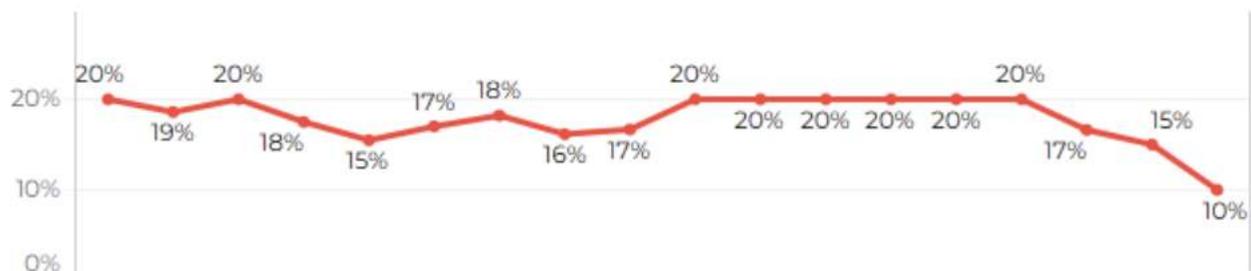
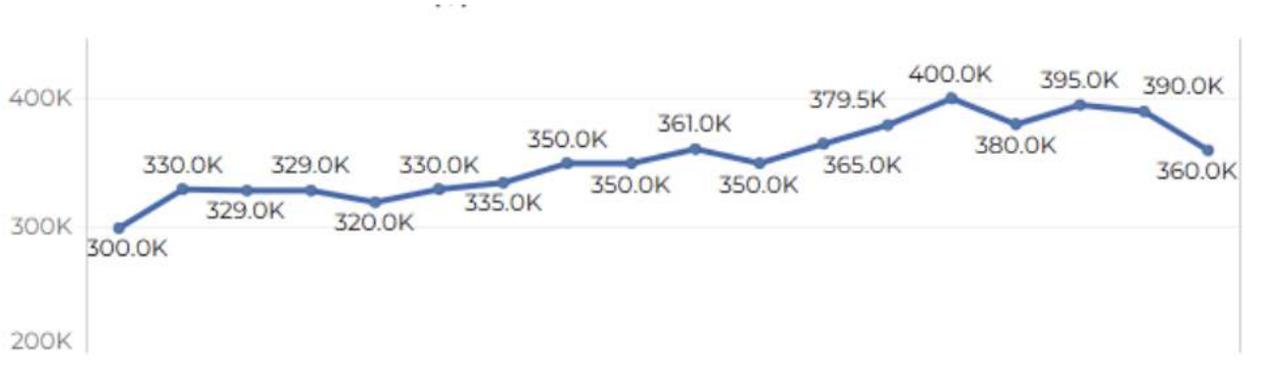


Fig. 8: Graph of intended purchase prices vs down payment (in dollars and percentage) from March 2021 through August 2022 in Ontario. As seen, down payment percentages dropped to 5% and total median purchase price decreased by \$20,000.

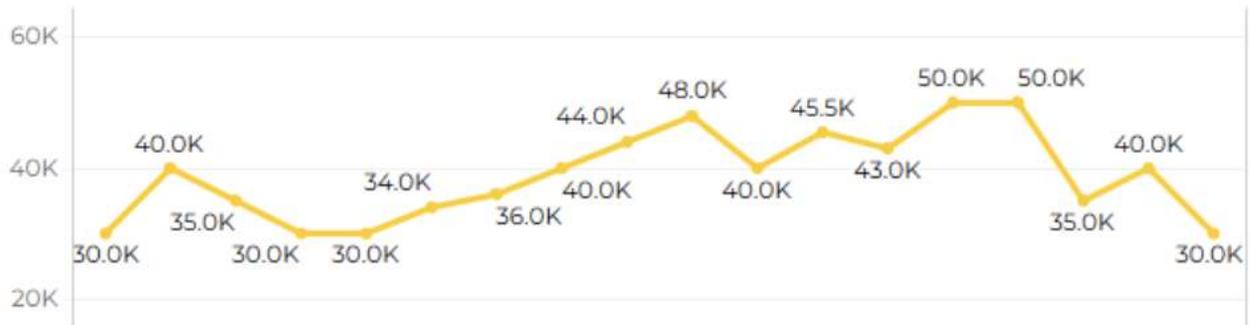


By Province: QC [2/3]

Median Purchase Price (\$)



Median Down Payment (\$)



Median Down Payment (% of Purchase Price)

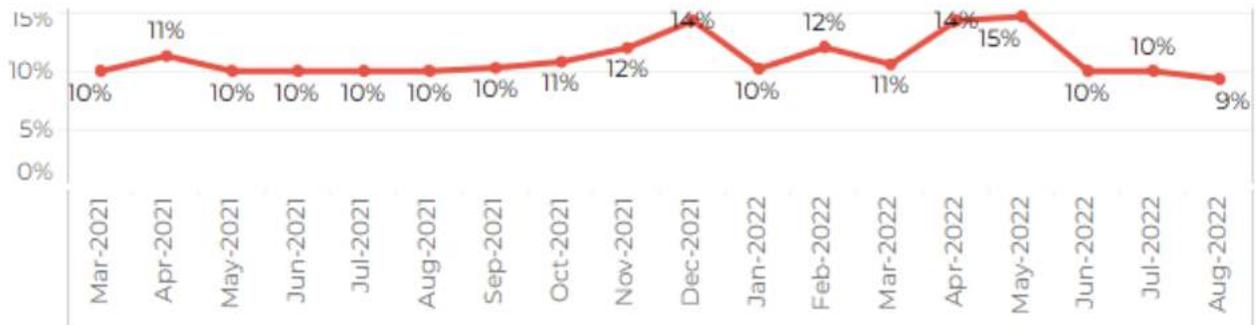


Fig. 8: Graph of intended purchase prices vs down payment (in dollars and percentage) from March 2021 through August 2022 in Quebec. As seen, down payment percentages dropped to 9% and total median purchase price decreased by \$30,000.



By Province: AB [3/3]

Median Purchase Price (\$)



Median Down Payment (\$)



Median Down Payment (% of Purchase Price)

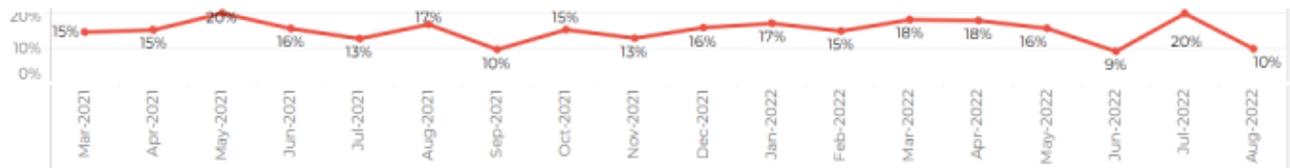


Fig. 8: Graph of intended purchase prices vs down payment (in dollars and percentage) from March 2021 through August 2022 in Alberta. As seen, down payment percentages were cut in half from July to August 2022 and the total median purchase price dropped by \$27,700.



Deep Dive





How are customer's credit scores?

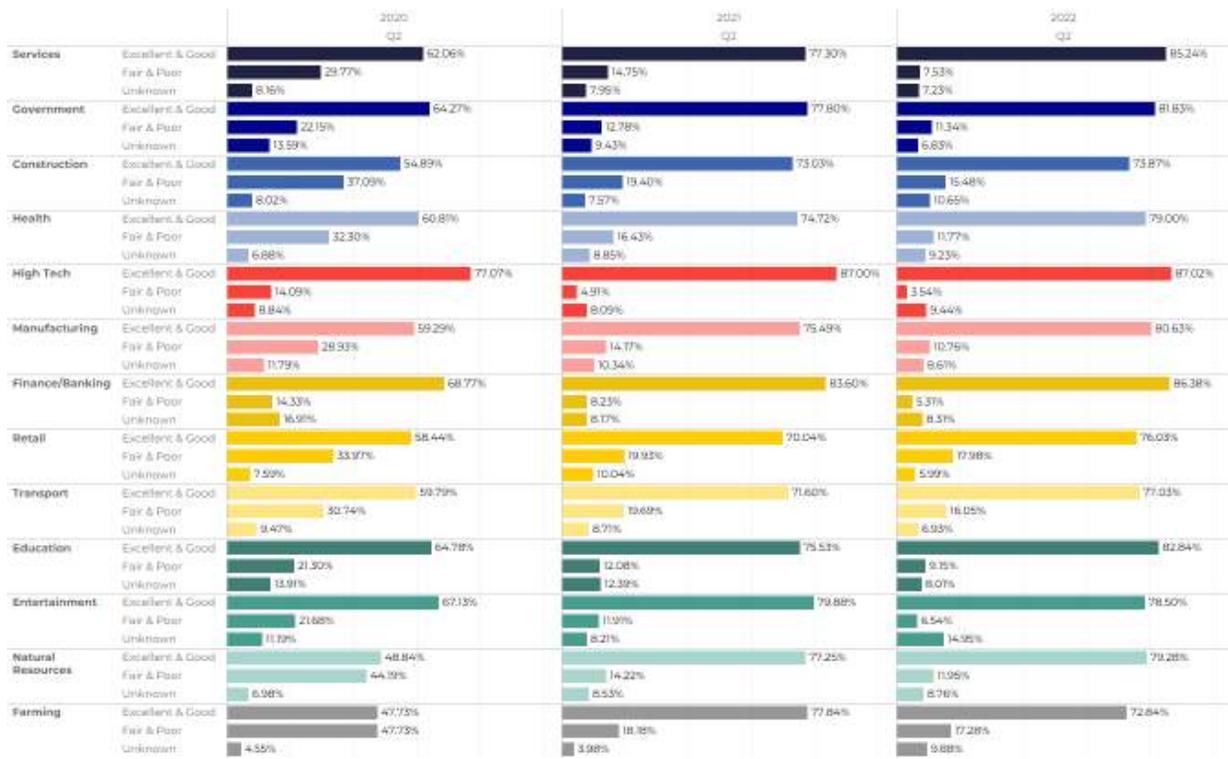


Fig. 9: As seen above, all provinces outside ON are experiencing declines. A key indicator of a cooling housing market on the rise.

For our deep dive, we decided to take a look at the correlation between our user's employment industry and their self-declared credit score from Q2 2020 through Q2 2022. Comparing the data sets, a few key things emerge..

While some are more noticeable than others – Borrowers in education clocked in the highest increase of 6.31% from 2021 to 2022 – overall, it was a great signal that use of credit lines are empowering people's chances for approval at home ownership.

There's some reasons we can derive for these numbers:

- With many continuing a remote lifestyle, they were able to cut costs on commuting and childcare. This helped curb additional credit card spending.
- The low interest rates seen 2020-2021 allowed many to take advantage of debt consolidation and pay down debt in a less expensive way further improving their credit scores.

It is worth noting that while the majority of industries noted a decrease in the knowledge and understanding about their credit ratings; healthcare and farming saw an increase in this area. This could be related to the volatility of those industries: exhaustion or ill health during the tail end of the pandemic in the case of healthcare workers, and global warming / environmental factors in the case of agricultural workers.



Methodology

The data used for this study comes from nesto's online application and is solely based on the experience of nesto.ca customers/users, not the national market as a whole.

Data is collected from thousands of monthly users declaring their intent or completing online applications across Canada. The data is anonymized and aggregated for analysis.

Data presented within our Rate volatility and variances report refer to nesto's "best rate" at any given moment. nesto's best rate comes from any one of our many lending partners at any given moment.

Author: Chase Belair,
Co-Founder and Principal Broker at nesto

For press and research-related requests,
email us at media@nesto.ca.