The

nesto-meter

November Recap

nesto

Mortgage Experts™

nesto's mortgage trends November 2022

01 Rates

There were no changes in variable rates offered by nesto across all of Canada.

02 Mortgage Type Trends

The gap in rate variance closes, as fixed rates and variable rates start to catch up to each other.

03 Purchase Timing Intent

There is a slight decrease in overall purchase hesitancy among buyers, compared to previous months.

04 Property Value And Down Payment

Ontario's median down payment increases significantly by $22,500, while Quebec's falls by $15,000.

For The First Time Since 2006, the Best Variable Rate Is 0.46% Higher Than the Best Fixed Rate

November Recap 2022

As expected in a cooling market, November greeted us with a small, but much appreciated decrease in median purchase price in Quebec, Ontario, and Alberta. This led to a resulting increase in new purchases across Canada, as well as a shift in purchase intention with a rise in potential buyers who are 'ready to buy' and a decrease in those who are 'just looking.'

With no interest rate hikes from the Bank of Canada in November 2022, the number of changes in the variable rate offered to nesto clients was 0! This also resulted in a decrease in overall rate changes, from 7 in October to just 3 this month.

Meanwhile, median down payments are in contrast between Ontario and Quebec, with Ontario's on a significant rise and Quebec's on the decline.

Read on to learn about the mortgage industry trajectory.

Section 01

Rates

01

A. Volatility

Number of lowest rate changes per month

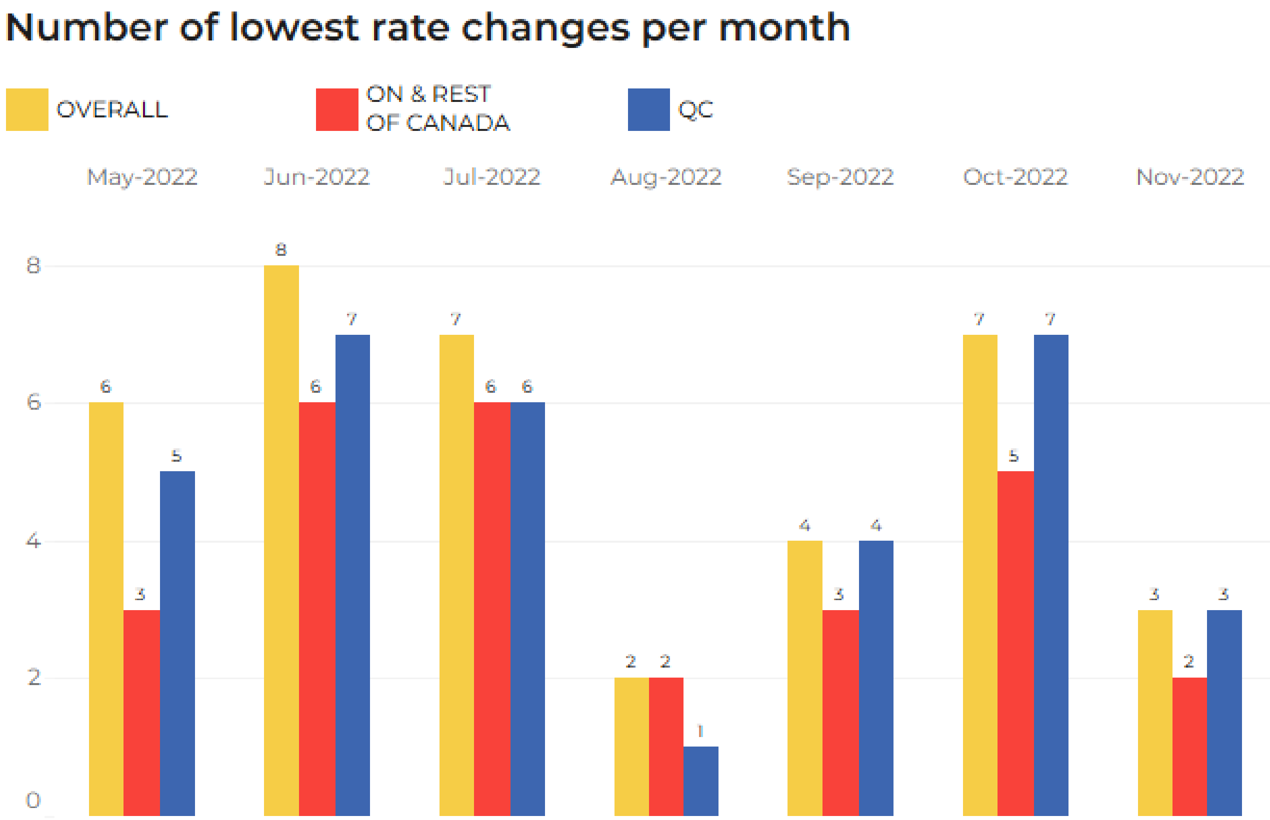


Fig. 1: Number of times the lowest rates offered by nesto to its borrowers changed per month across provinces between May 2022 and November 2022.

Key Data To Know	TL;DR
Looking at rate changes from May 2022 through November 2022, the rising prime rate has a clear impact on the rates offered to nesto's clients in our database. The number of rate changes dropped in November, falling to 3 changes from 7 changes last month. This decrease could be due to the fact that there was no risk changes to nesto's portfolio regarding variable rates. The reality is that we should have seen some decreases on fixed rates as well considering the bond yield went down by roughly 50bps in November. When the cost of borrowing (for banks) increases, they do not hesitate to pass that cost to consumers immediately. The same cannot be said when the cost of borrowing for banks decreases, as it seems to take weeks for those savings to reach consumers.	The number of lowest rate changes offered by nesto **dropped from 7 rate changes in October to 3 changes in November.**

Volatility - by type

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

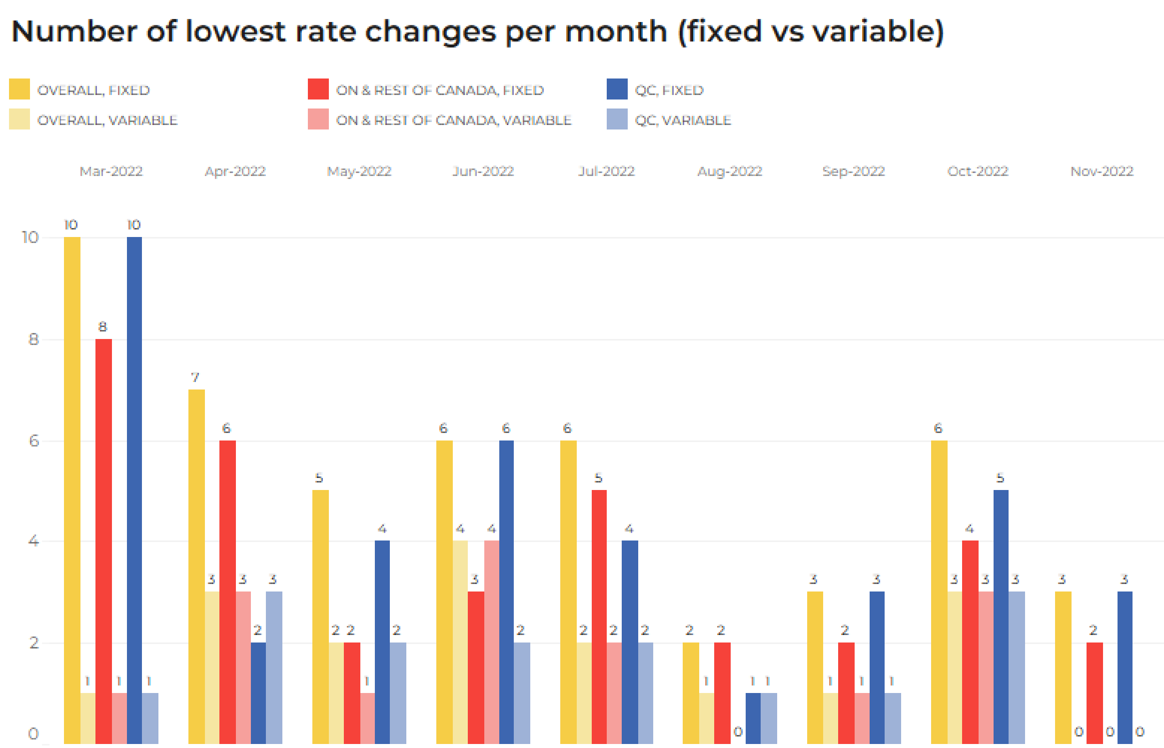


Fig. 2: Number of times the lowest rates offered by nesto to its borrowers changed per month across provinces between March 2022 and November 2022 comparing fixed to variable rates.

Key Data To Know

As the year progressed, we can notice the number of rate changes fell from their high in March 2022 when the rate hikes first began.

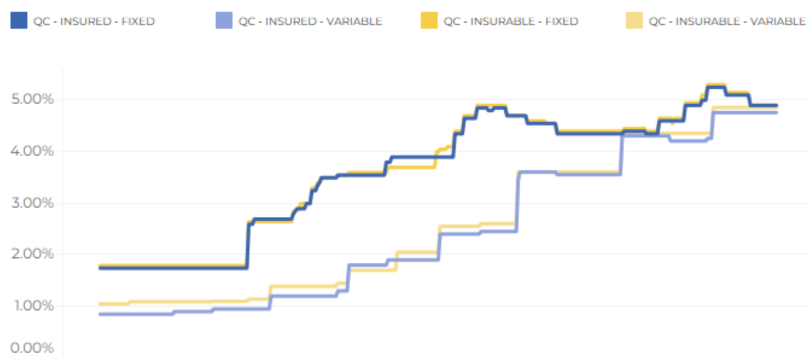
November 2022 showed a decrease of the number of times fixed rates changed, dropping from 6 rate changes in October to 3 changes. Notably, there were no variable rate changes in November across all of Canada. This is a significant detail; in November, market watchers were warning of an imminent recession in the new year based on the yield curves they witnessed. As such, we can speculate that since the housing market became so hammered, lenders wanted to avoid adding extra pressure. By not making too many changes, lenders were hoping to curtail buyer/renewer intent.

TL;DR

There were **no changes in variable rates** offered to nesto clients in November across all of Canada.

B. Variance: Lowest Rates

QC - Rate Variation



ON & Rest of Canada - Rate Variation

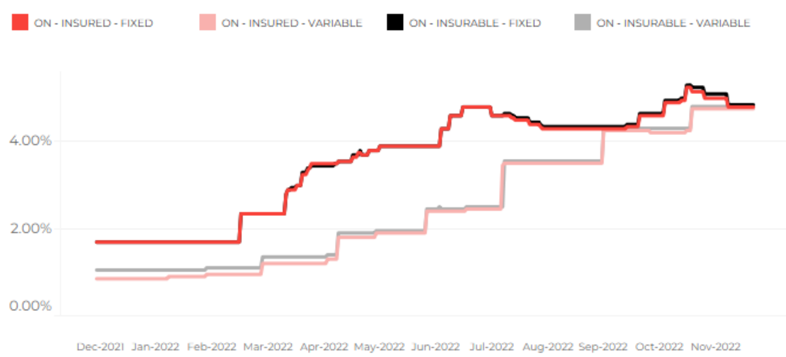


Fig. 3: These graphs show the rate variance in Quebec compared to Ontario and the rest of Canada.

Key Data To Know

Now let's talk about variance! Earlier this year, we saw fixed rates rise and overtake variable rates significantly. This gap widened from March 2022 onwards (>5.0% for fixed, and < 5.0% for variable) which is attributed to the interest rate hikes from the Bank of Canada. We saw a large spread between fixed and variable rates in the summer of 2022, when there was still a difference between the 2 in terms of monthly payment savings; however, as the year has progressed, with interest rate hike announcements, this has flipped. The gap between fixed and variable rates has narrowed, even from a couple of months ago.

TL;DR

Fixed rates and variable rates are narrowing the gap, a huge change of pace compared to the large spread between them in the summer.

Section 02

Mortgage Type Trends

02

Purchase vs. Renewal vs. Refinance

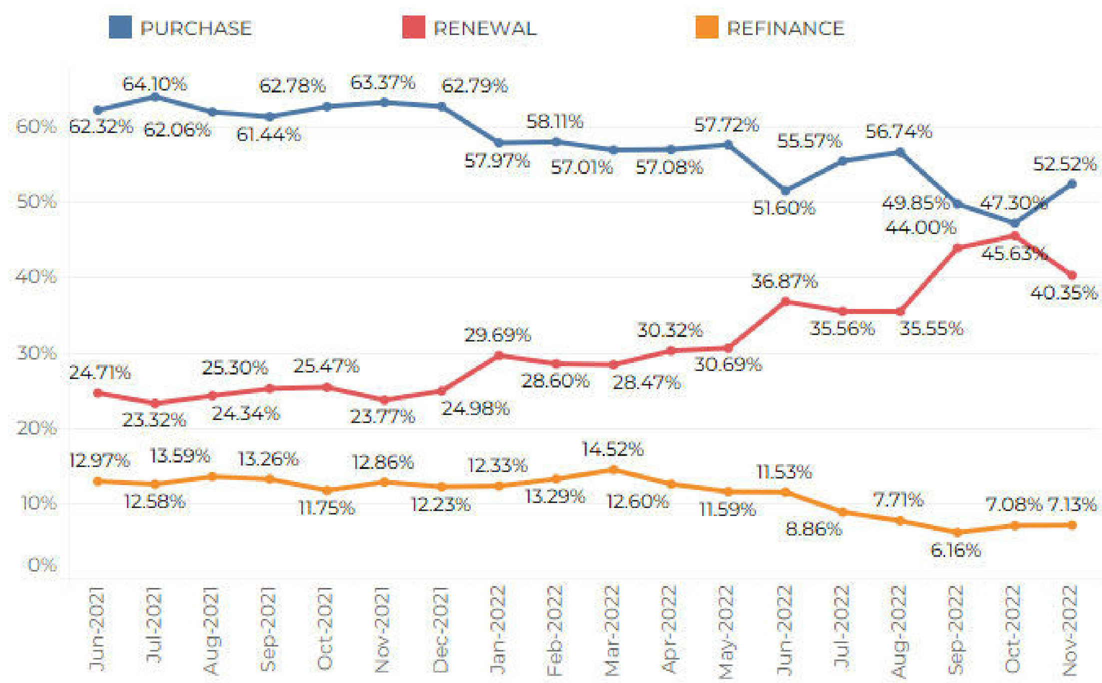


Fig. 4: Trends for proportion of purchases (new mortgages) vs renewals vs refinances from June 2021 to November 2022.

Key Data To Know

In November 2022, we see a slight increase in purchases. As predicted in our previous reports, this is due in part to house prices dropping, as well as the absence of new rate hikes in November, which could have encouraged more buying. Renewals remain high, but have dropped from the 45% peak we saw previously. Lastly, refinances continue on their plateau; the hesitancy surrounding refinances can be attributed to high interest rates.

TL;DR

As home prices fall, we see a slight increase in purchases in November.

Section 03

Purchase Timing Intent

03

Purchase Timing Intent

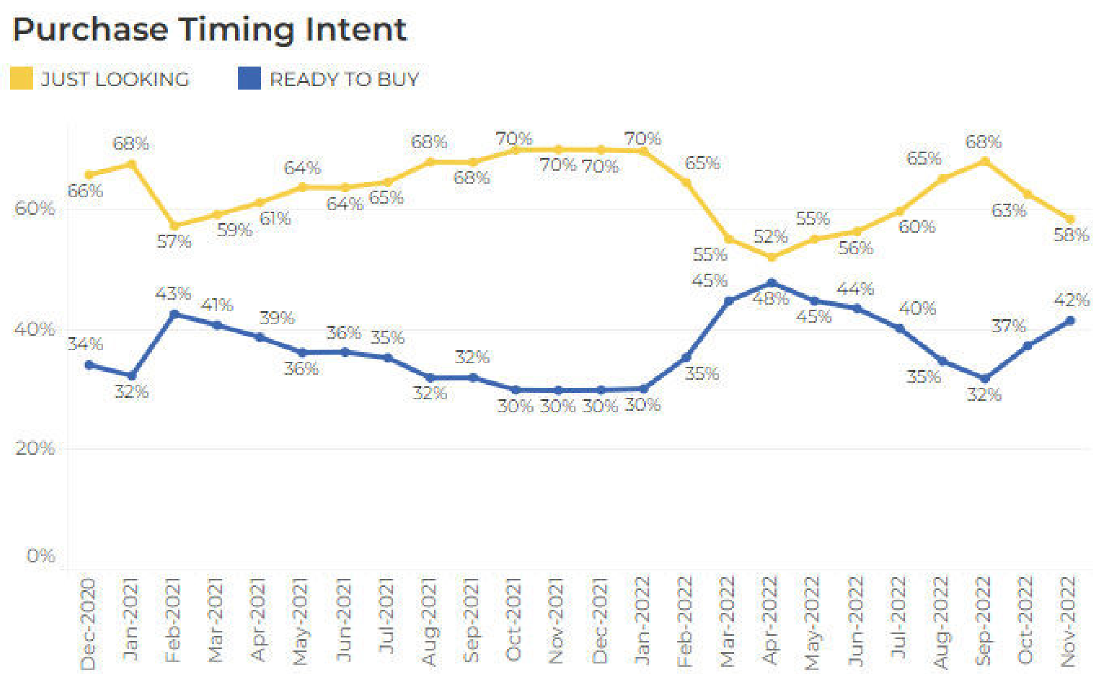


Fig. 5: Purchase intent: proportion of users “ready to buy” vs “just looking” in their mortgage journey with nesto, illustrated over the last two years from December 2020 to November 2022.

Key Data To Know

Looking at our client's intention in November 2022, the alignment around buyer caution has remained the same since the summer. Mortgage interest rates are at the highest point since pre-pandemic, so it makes sense that ‘just looking’ continued to have a majority stake at 58% of nesto applicants, compared to 42% who were ‘ready to buy’. However, in line with the new purchases apps received (see fig. 4), we notice a small hike in the previously downward trend in clients who are ‘ready to buy’, coming up 5% since last month from 37% to 42%.

While the number of applicants who are ready to buy is still relatively low, through nesto’s Rate Lock program, renewers can lock their rate with us for 150 days to stay ahead of the next rate hike.

TL;DR

Despite a small hike in clients who are ‘ready to buy,’ **nesto applicants who are ‘just looking’ continue to have a larger stake.**

Purchase Timing Intent - By Province

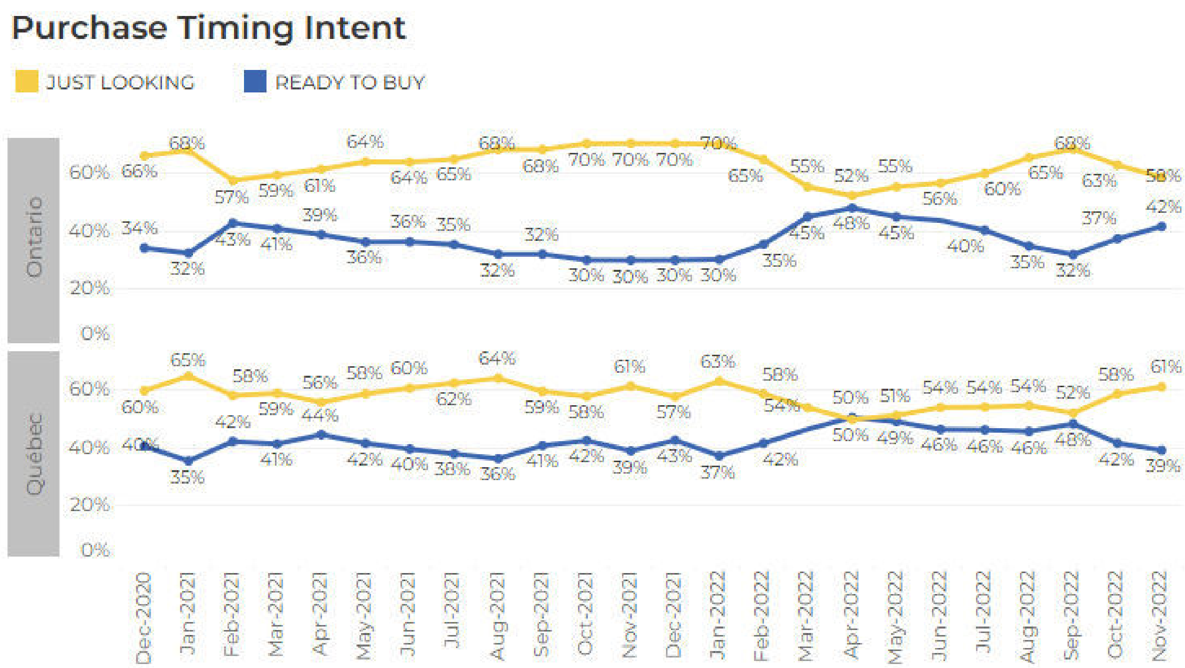


Fig. 6: Purchase timing intent proportion of users "ready to buy" vs "just looking" in nesto's mortgage process, from December 2020 through November 2022 in Quebec and Ontario.

Key Data To Know

For the first time since the summer, potential buyers in Quebec are more hesitant than their Ontario counterparts– with 61% (QC) 'just looking' compared to 58% (ON). Moreover, clients who are 'ready to buy' increased to 42% in Ontario, while Quebec experienced a small drop to 39% from 42%.

These slight shifts could be attributed to the small decrease in median purchase price in Ontario this month [see next page].

TL;DR

In ON, more potential homeowners shifted to 'ready to buy' sitting at 42%, up from 37% last month, overtaking QC clients who are 'ready to buy' by 3% . This is believed to be due to the slight decrease in purchase price in ON this month.

Section 04

Property Value And Down Payment

04

Property Value and Down Payment

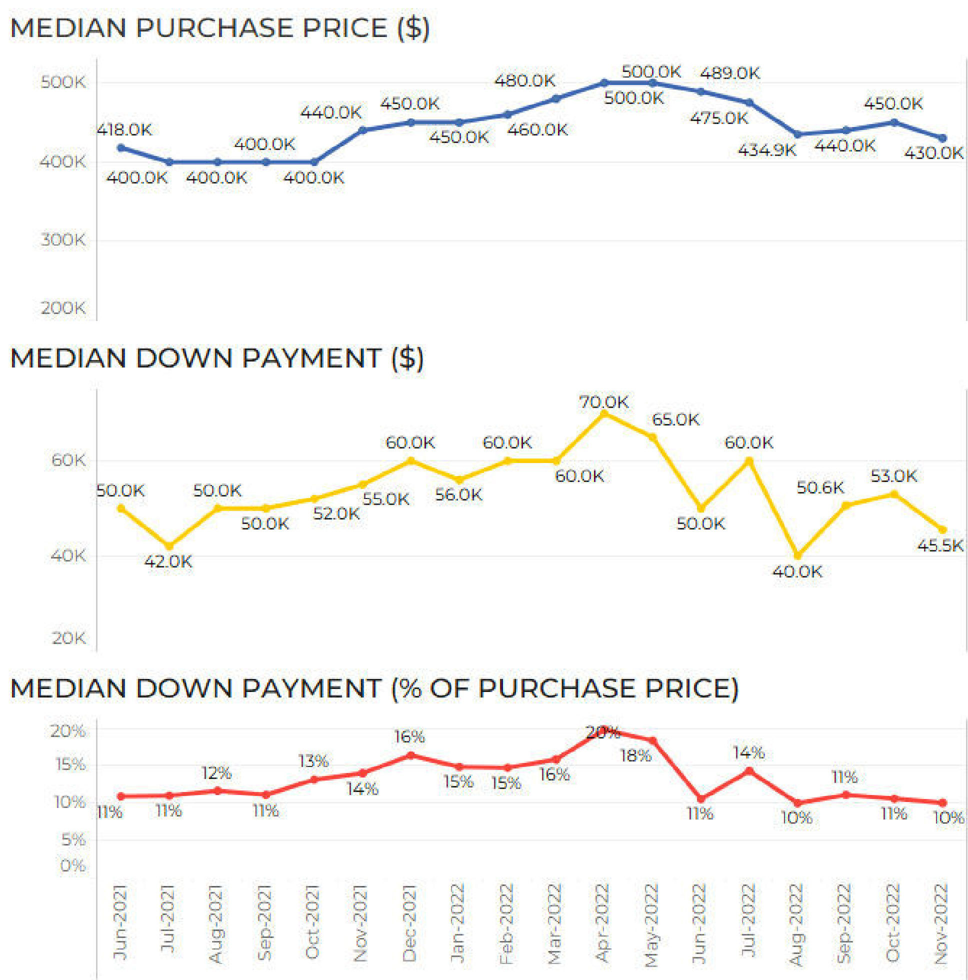


Fig. 7: This chart shows a slight shift in the recent cooling market, with the median purchase price up by $20,000.

Key Data To Know	TL;DR
As mentioned, we see an overall decrease in purchase price and median down payment in November 2022– from $450,000 to $430,000 and from $53,000 to $45,000, respectively. Despite the slight increase in these numbers in October 2022, these fluctuations are still in line with the cooling market.	**In November, median purchase price and median down decrease from the previous month.**

By Province

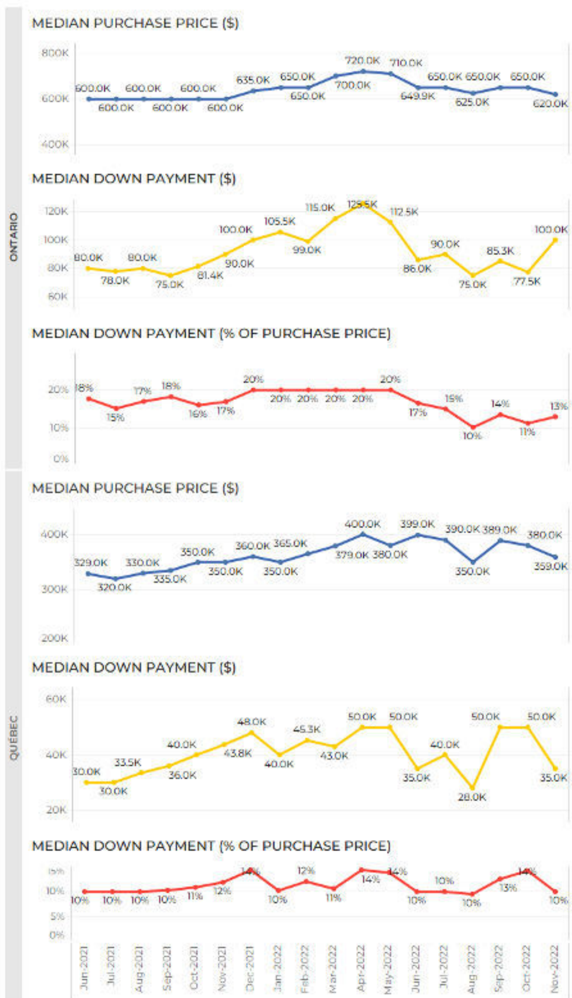
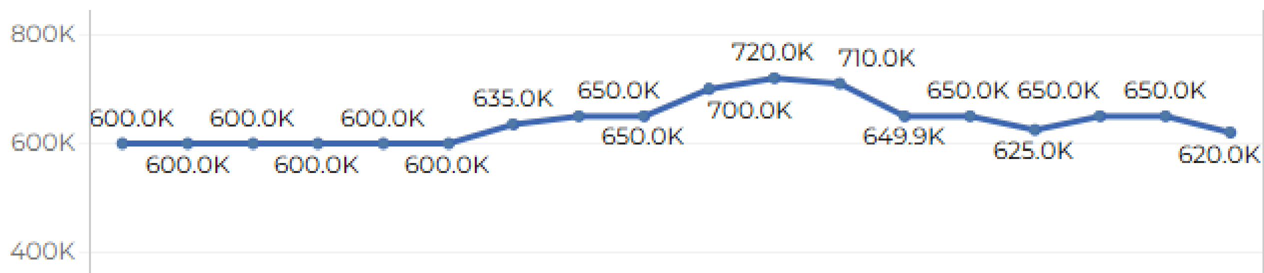


Fig. 8: Graph of intended purchase prices vs down payment (in dollars and percentage) from June 2021 through November 2022 in Ontario and Quebec.

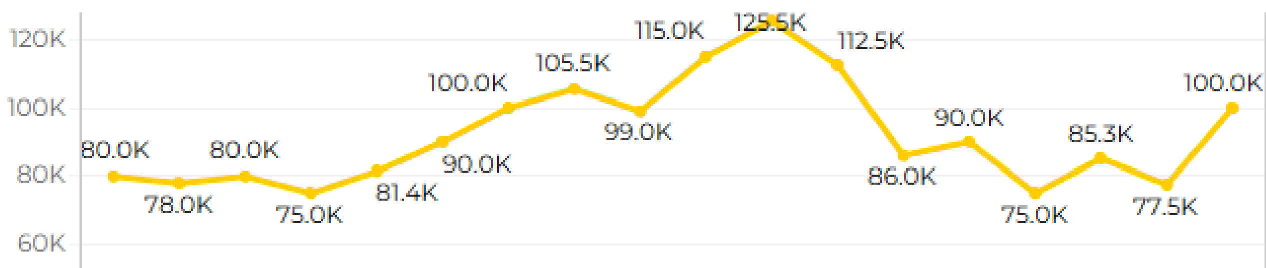
Key Data To Know	TL;DR
After reaching a record high for the year last month, QC's median down payment amount fell significantly from $50K to $35K. This could be in response to the decreasing median purchase price in the province, which fell to $359K this month from $380K last month. The numbers in ON, however, tell an opposite story. While median purchase price has slightly decreased, from $650K to $620K, median down payments have skyrocketed from $77,500 to $100K, almost reaching the numbers back in March 2022 when the rate hikes first began. This can signal that people with more cash savings are adding to their down payments to lower monthly mortgage payments as interest rates continue to increase.	**Median down payments in ON jump from $77,500 to $100,000 between October 2022 and November 2022.**

By Province: ON [1/3]

Median Purchase Price ($)



Median Down Payment ($)



Median Down Payment (% of Purchase Price)

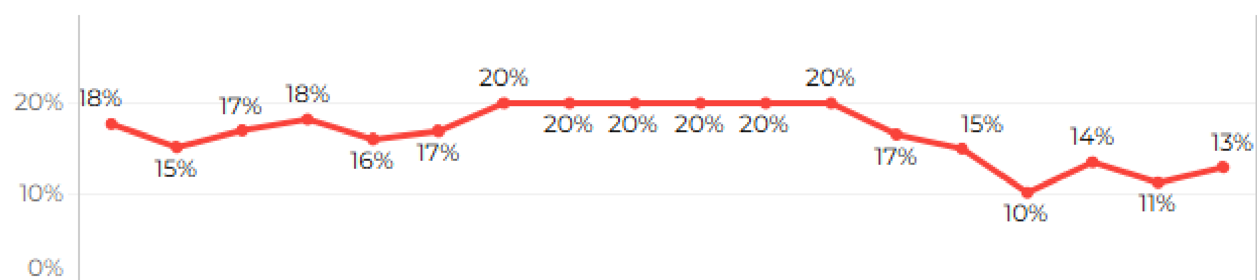
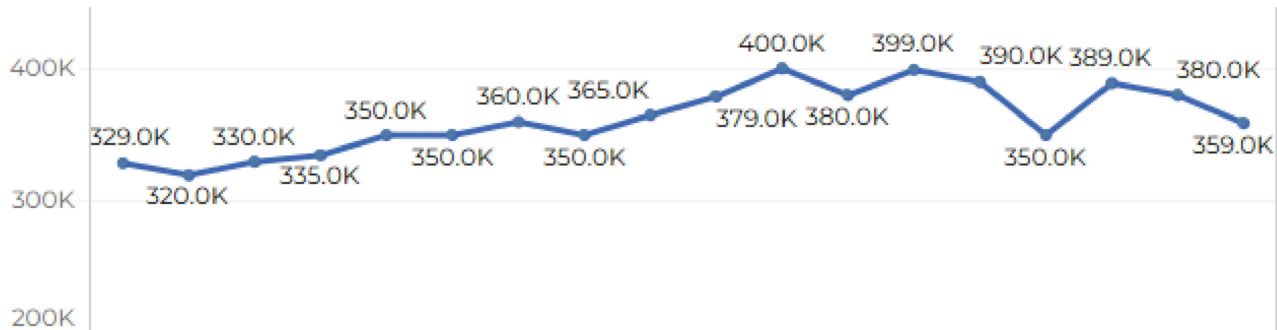


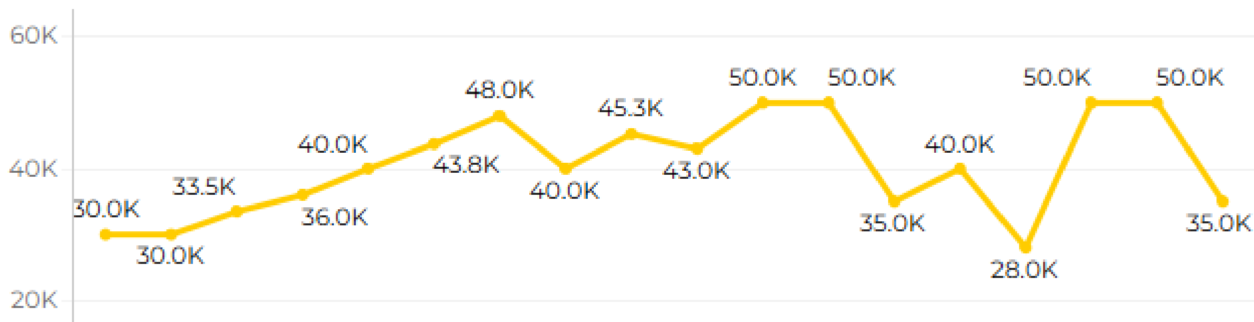
Fig. 8.1: Graph of intended purchase prices vs down payment (in dollars and percentage) from June 2021 through November 2022 in Ontario.

By Province: QC [2/3]

Median Purchase Price ($)



Median Down Payment ($)



Median Down Payment (% of Purchase Price)

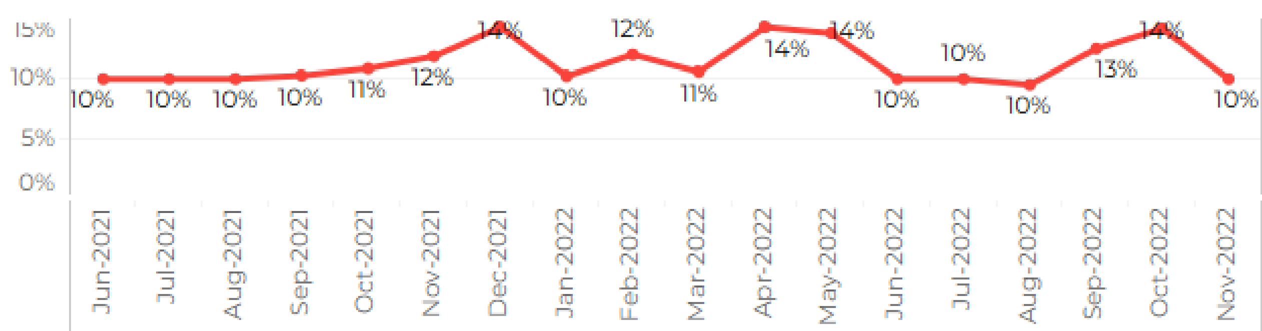
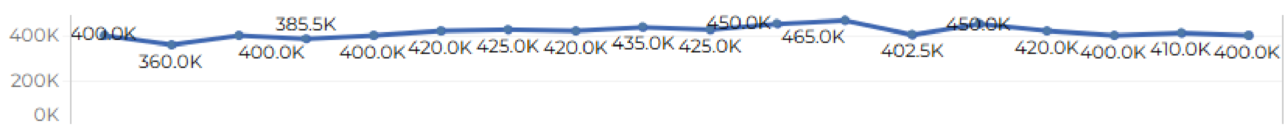


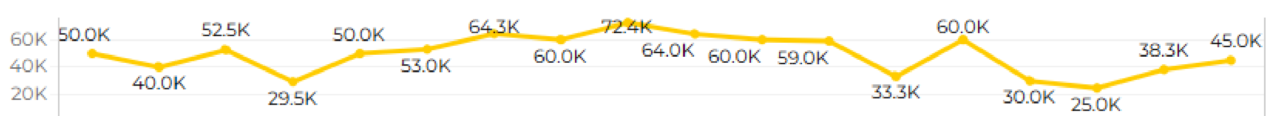
Fig. 8.2: Graph of intended purchase prices vs down payment (in dollars and percentage) from June 2021 through November 2022 in Quebec.

By Province: AB [3/3]

Median Purchase Price ($)



Median Down Payment ($)



Median Down Payment (% of Purchase Price)

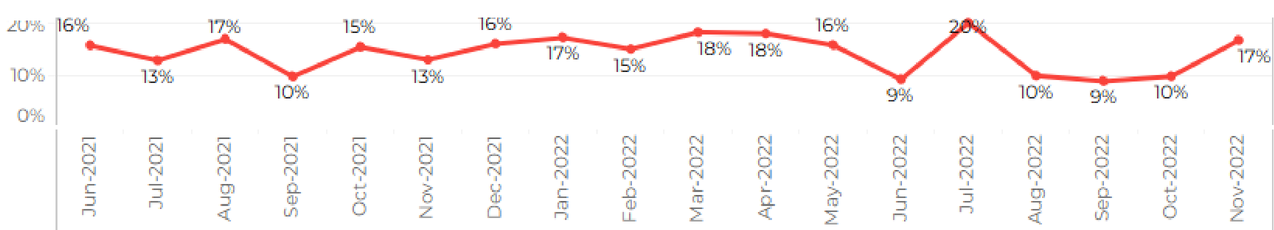


Fig. 8.3: Graph of intended purchase prices vs down payment (in dollars and percentage) from June 2021 through November 2022 in Alberta.

Deep Dive

How did the macroeconomy impact the mortgage industry in 2022? What trends did we see overall?

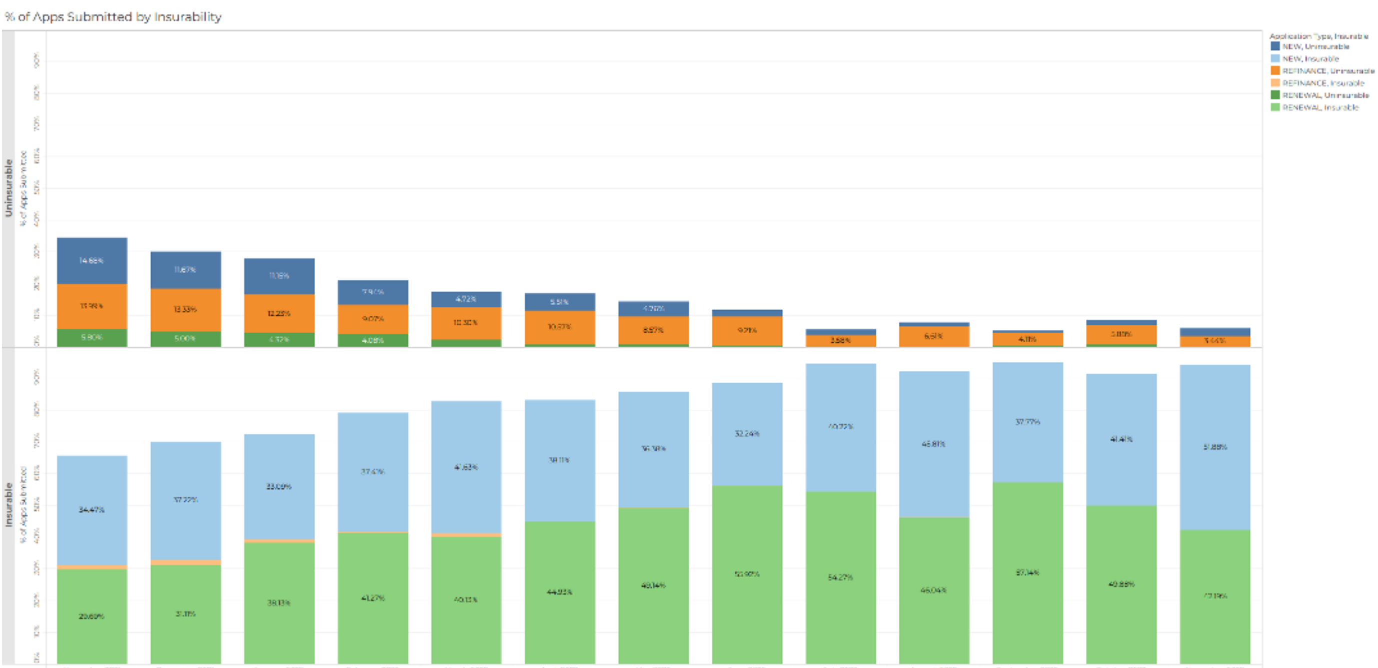


Fig. 9: This chart shows insurable and uninsurable applications nesto received from November 2021 to November 2022.

This first chart compares the number of insurable and uninsurable applications that nesto received from November 2021 to November 2022. We can note that uninsurable purchases and refinances are decreasing both year over year and month over month. This trend is in line with the decrease in property values, which has allowed for higher down payments for new purchases and has created hesitancy surrounding refinances. Borrowers are nervous about the economy and are preferring to wait, which speaks to how the rate hikes are working in slowing down inflation.

In the same vein, insurable purchases and renewals are up. The market for properties over $1M has slowed down due to the rate hikes. It is safe to assume that those who were shopping for properties over $1M are now shopping for properties below $1M.

How did the macroeconomy impact the mortgage industry in 2022? What trends did we see overall?

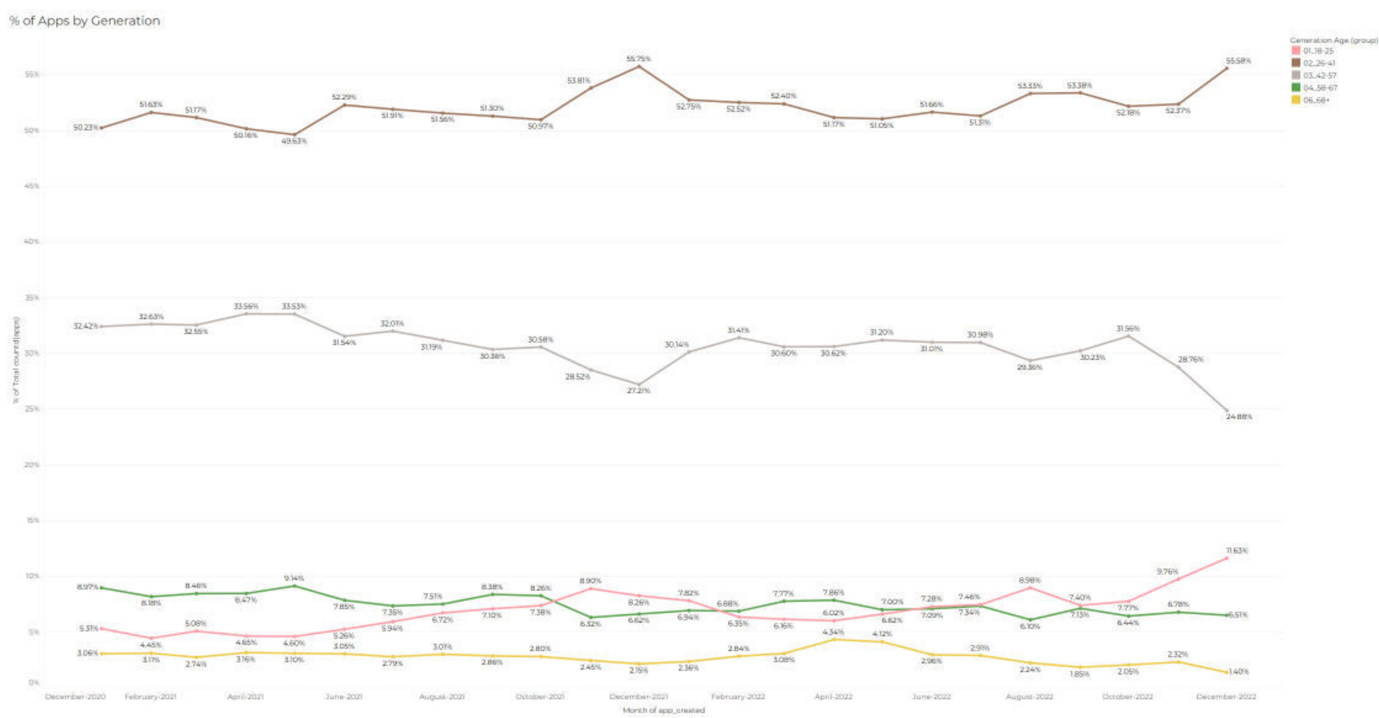


Fig. 10: This chart shows the age of applicants from November 2021 to November 2022.

This chart represents the number of applications received from December 2020 to December 2022 by age group. As we can see, there is an obvious increase in applications submitted by younger age groups and a decrease in submissions by older age groups. There could be many reasons why younger people are entering the market, while older generations showcase some hesitancy. Younger age groups are in the market for their first home, one that is not owned by their parents or a landlord. They represent an "in need" category, more so than older demographics who might already own a home. When these demographics were buying at a more equal pace, the older generation was buying for purposes of downsizing, upsizing, and opportunistic buying.

How did the macroeconomy impact the mortgage industry in 2022? What trends did we see overall?

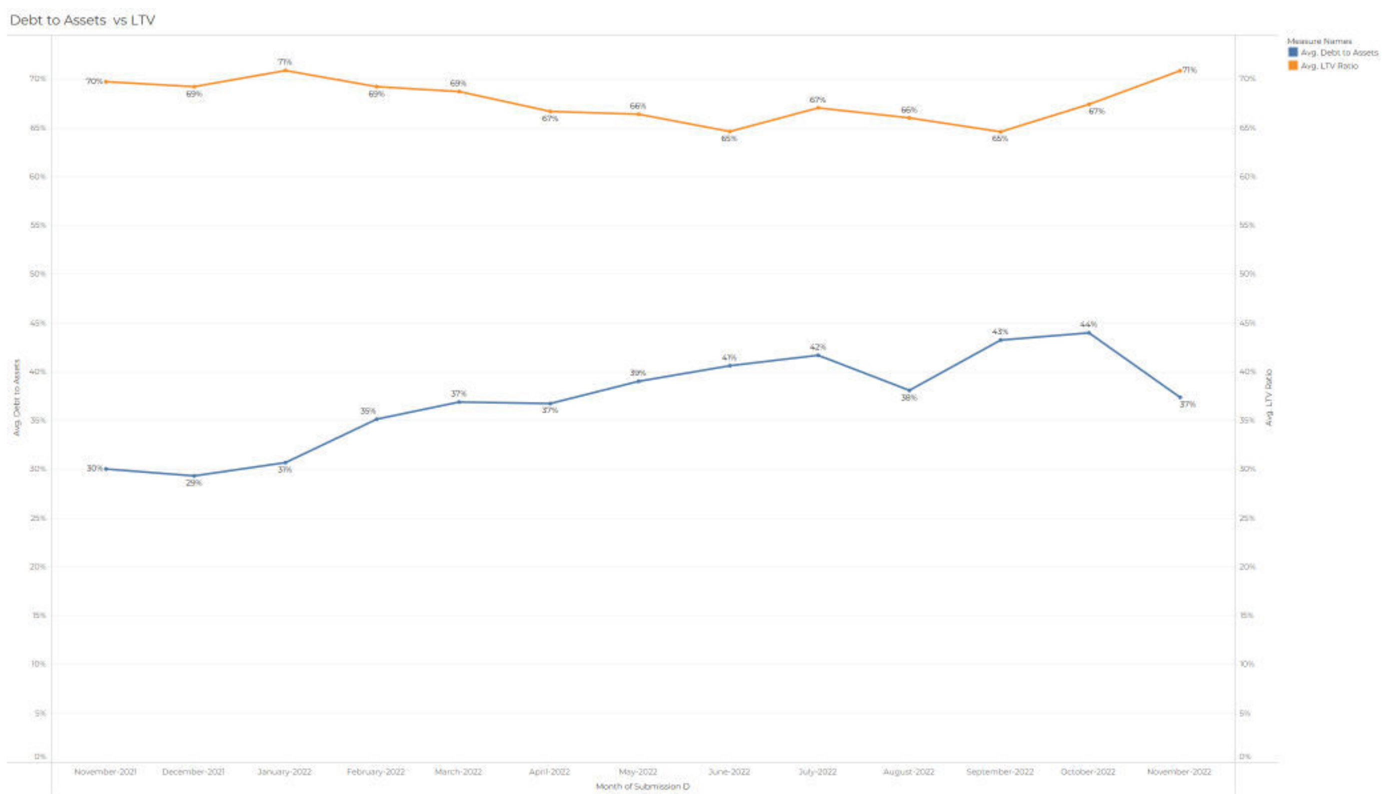


Fig. 11: This chart shows Debts-to-Assets trends versus LTV trends from November 2021 to November 2022.

This visual compares Debts to Assets trends with LTV trends. While Debts to Assets are decreasing month over month, they remain higher when compared to the trends year over year. This is expected as rate surges are making quite the dent in clients' investment portfolios. LTV Ratios are increasing at a lighter pace year over year and even more slowly month over month. This is also due to the decrease in property values, as well as the impact of rate surges on investment portfolios.

How did the macroeconomy impact the mortgage industry in 2022? What trends did we see overall?

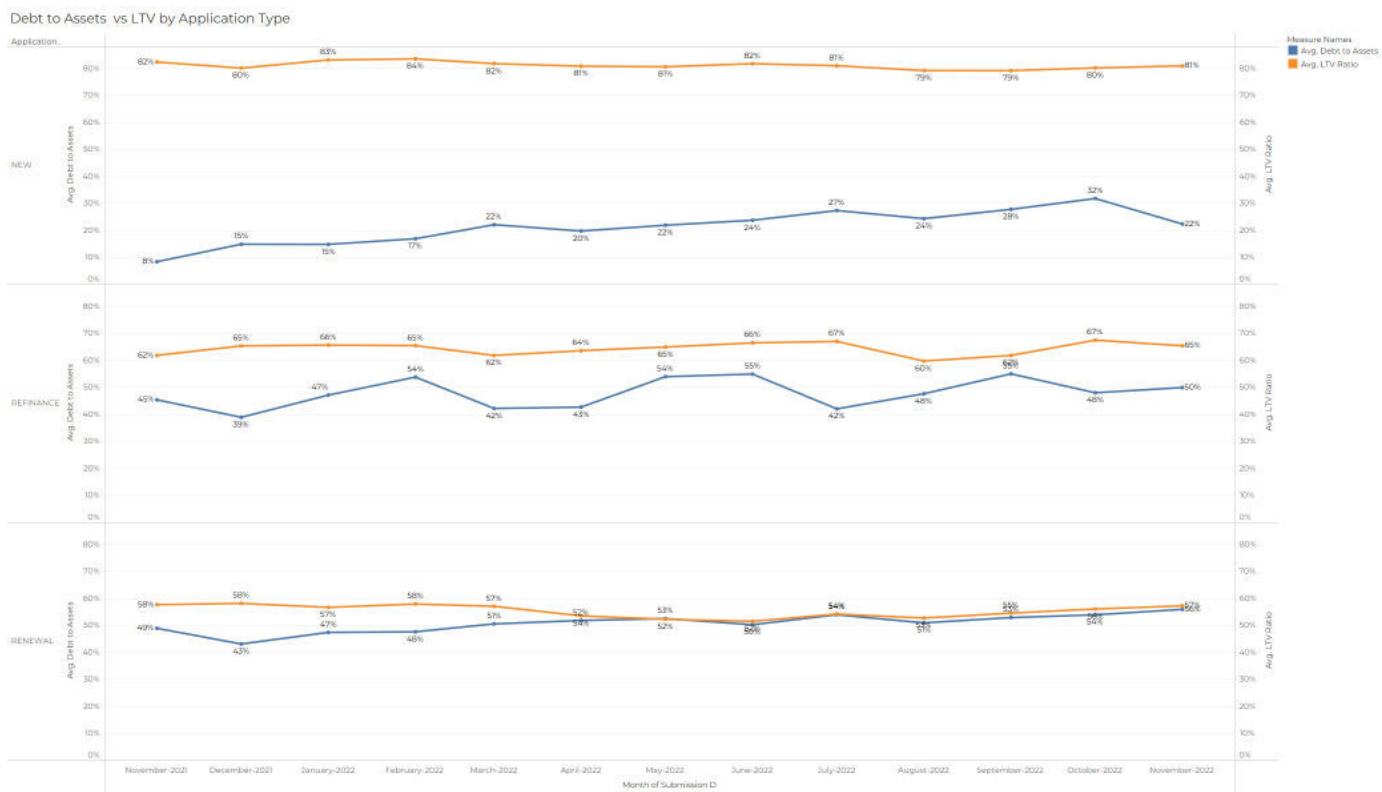


Fig. 12: This chart shows Debts-to-Assets trends versus LTV trends categorized by application type from November 2021 to November 2022.

This final data roundup is similar to the previous one, but breaks down the comparison between Debt to Assets and LTV Ratios by application type. Here, it is interesting to see new purchases with lower Debt to Assets, which can be indicative of new buyers being more prudent and deciding to buy because their debt ratios are relatively low.

Lower debt ratios can be attributed to multiple factors. First, buyers could have moved their investments into their savings to play it safe during inflation. This puts less downward pressure on their portfolios and thus increases their Debts to Assets ratio. A second factor could be their debt/income ratio, where going for an insured mortgage gives them access to lower rates and allows them to put a lower down payment. Lastly, as mentioned above, this could also be due to falling property values, which leads to an increased ratio of insurable mortgages (properties under $1M) versus uninsured mortgage (properties over $1M).

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.

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