The **nesto-meter**

March Recap





nesto's mortgage trends March 2023

01 Rates

In March 2023, we saw the most changes to the nesto's lowest fixed rate since October 2022.

02 Mortgage Type Trends

In light of the BoC maintaining its policy rate, variation for variable rates visibly plateaued, and we can note a small decrease in fixed rates across the country.

03 Purchase Timing Intent

Between September 2021 and March 2023, we noted renewals trending upwards while new purchases were trending down.

04 Property ValueAnd Down Payment

The median purchase price and the median down payment in dollars and percentages increased in unison for the first time since the summer of 2022.



Following the Bank of Canada maintaining its policy rate at 4.50%, nesto sees the most changes to its lowest fixed rate since October 2022

March Recap 2023

This month's nesto meter comes with a new home affordability section, where we explore affordability in different Canadian provinces based on average home prices and the income necessary to buy in each of these places.

nesto's rate changes felt the effects of the Bank of Canada maintaining its policy rate in March 2023, where we saw a total of 0 changes to the variable rate, but the most changes to the fixed rate since October 2022. This is good news for borrowers, as we see the beginnings of relief from increasing interest rates.

While the variance gap between fixed rates and variable rates remains, we can note the variable rate reaching a plateau at 5.50% for 3 months now, since January 2023.

We've seen an overall upward trend in monthly renewals, yet home purchases continue downward. New purchases peaked in December 2021 at 62.61% of applications received and have settled in the low 50% range most of this year, occasionally dipping into the high 40% range.

Wrapping it up, in our deep dive, we track homebuyer preference as it inverts from a preference for variable to fixed rates. During most of 2021 until early 2022, the 5-year variable rate reigned supreme due to its affordability. But from the beginning of the rate hikes the script has been flipped entirely—a year ago, 83% of buyers were opting for the 5-year variable rate, while only 16% wanted a fixed rate. In March 2023, these numbers were reversed: 88% of nesto clients opted for a 5-year fixed rate, compared to 10% opting for a variable rate.

Read on to learn about the mortgage industry trajectory.



Income Affordability

Home Affordability Based on Income in QC, ON, AB, and BC

Home Affordability & Income Needed April 2023

Province	Average home price	Total mortgage amount after 20% down payment	Monthly mortgage payment	Yearly mortgage payment	Average Gross income needed (25 yrs am)
Quebec	\$458,792	\$367,033	\$2,122	\$25,466	\$97,052
Ontario	\$812,338	\$649,870	\$3,757	\$45,090	\$163,221
Alberta	\$429,496	\$343,596	\$1,986	\$23,839	\$89,069
British Columbia	\$907,456	\$725,964	\$4,197	\$50,369	\$181,973

Fig 1: Table indicating home affordability based on income in Quebec, Ontario, Alberta, and British Columbia.

Key Data To Know

According to the table above, Quebec and Alberta are the most affordable provinces for home buying, while Ontario and British Columbia numbers indicate a less affordable market. QC and AB home prices are similar–\$458,792 and \$429,496, respectively– but display a wider gap in necessary income. This can be attributed to QC's higher taxes and AB's lower ones.

Moreover, when comparing the most affordable province to the least, it's significant to note that homebuyers in British Columbia will need twice the annual gross income of a buyer in Alberta to be able to afford a home. With BC's average home price inching toward \$1M, this may not surprise most readers.

TL;DR

Quebec and Alberta are more affordable in terms of homebuying, while ON and BC are on the lowest end of the affordability scale among Canadian provinces. QC and AB have the best housing affordability due to their lowest home valuations amongst the provinces, whereas BC and ON remain the least affordable on this same measurement.



Section 01

Rates





A. Volatility

Number of lowest rate changes per month

Number of lowest rate changes per month



Fig. 2: Number of times the lowest rates offered by nesto to its borrowers changed per month across provinces between September 2022 and March 2023.

Key Data To Know	TL;DR
March 2023 greeted us with a sharp increase in rate changes, reaching 6 overall rate changes from only 2 last month. With 5 rate changes in QC and 4 in ON and the rest of Canada, these being the most rate changes we've seen since October 2022.	In March 2023, we saw the most changes to the nesto's lowest rate since October 2022.



Volatility - by type

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

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



Fig. 3: Number of times the lowest rates offered by nesto to its borrowers changed per month across provinces between September 2022 and March 2023, comparing fixed to variable rates.

Key Data To Know

As mentioned above, we can note a sudden increase in changes to the fixed rate in March 2023, the most changes we've seen since October 2022. In turn, there have been no changes nesto's variable rate again this month. Both the increase in changes to the fixed rate across Canada and the lack of changes to the variable rate can be attributed to the BoC announcement in March, where the policy rate was maintained for the first time since March 2022. Against the unchanging variable rate, shifts in the fixed rate are welcome news!

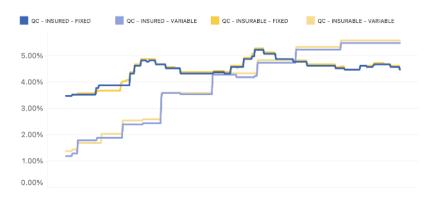
TL;DR

There was an increase in changes to the fixed rate in March 2023, the most changes we've seen since October 2022.



B. Variance:Lowest Rates

QC - Rate Variation



ON & Rest of Canada - Rate Variation

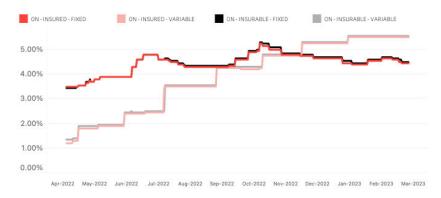


Fig. 4: These graphs show the rate variance in Quebec compared to Ontario and the rest of Canada.

Key Data To Know

Now let's talk about variance! Last month, variable rates overtook fixed rates by 100 bps, and in February, we see that this gap has remained consistent—a huge contrast to what we saw in the summer. However, we can see the effects of the Bank of Canada maintaining the policy rate reflected in slight changes in variance in March 2023, where variable rates visibly plateau, and we can note a small decrease in fixed rates across the country.

TL;DR

In light of the BoC maintaining its policy rate, variable rates visibly plateau, and we can note a small decrease in fixed rates across the country.



Section 02

Mortgage Type Trends





Purchase vs. Renewal vs. Refinance

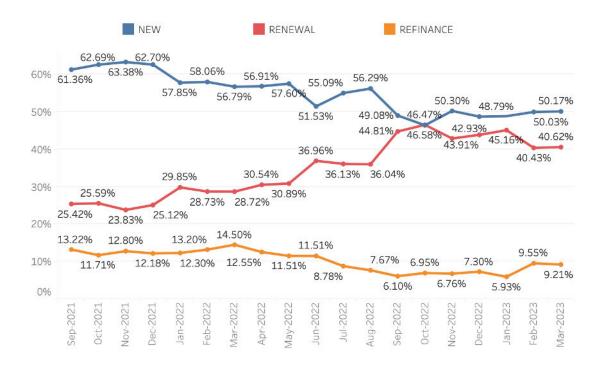


Fig. 5: Trends for the proportion of purchases (new mortgages) vs renewals vs refinances from September 2021 to March 2023.

Key Data To Know TL;DR Looking backward, we see that purchases were in the **Since September** lead against renewals from September 2021 until 2021, we can note October 2022, when an inversion occurred. Tracking renewals are this, the pattern becomes obvious – new purchases trending upwards have been on a steady decline since their peak levels while new purchases in 2021 and early 2022 (60% of applications) due to an are trending increase in prime rates; whereas, renewals have downwards. gently increased (at 50.17% of applications up from 25.42% in 2021) in opposition as homeowners rushed against the clock to lock in low rates before further increases to the Prime Rate.



Section 03

Purchase Timing Intent





Purchase Timing Intent

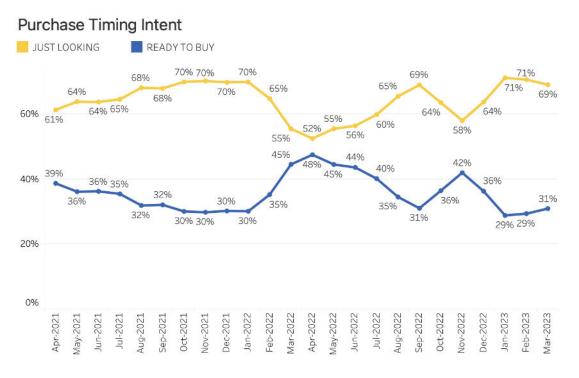


Fig. 6: Purchase intent: proportion of users "ready to buy" vs "just looking" in their mortgage journey with nesto, illustrated over the last two years from April 2021 to March 2023.

Key Data To Know TL;DR Our clients' purchase intent in March 2023 reiterates the March 2023 shows buyer hesitancy we've noticed since the summer of 2022. the same, large January 2023 showed the biggest buyer intent spread since buyer intent spread December 2021, with 70% of clients who are 'just looking' since December and 30% who are 'ready to buy'; February and March 2023 2021, with 69% of maintain the same data. While we're getting more clients who are 'just purchase applications versus renewal applications, it still looking' and 29% seems that buyers are shopping around for their best rate before settling in. who are 'ready to buy'. While the number of applicants ready to buy is still relatively low, through nesto's Rate Lock, renewers can lock their rate with us for 150 days to stay ahead of the next rate hike.



Purchase Timing Intent - By Province

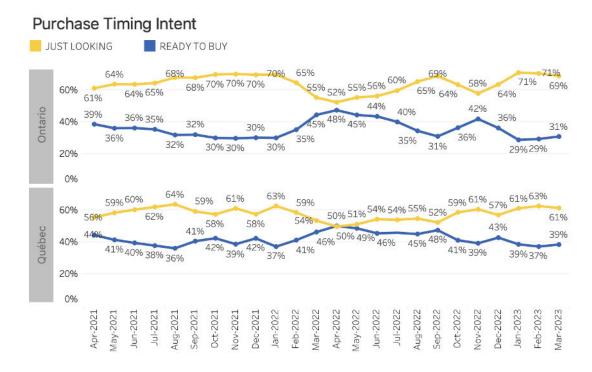


Fig. 7: Purchase timing intent proportion of those "ready to buy" vs "just looking" in nesto's mortgage process from April 2021 through March 2023 in Quebec and Ontario.

Key Data To Know	TL;DR
Matching the national data above, the portion of ON users who are 'just looking' reached 69% in March 2023, while the portion of those who are 'ready to buy' sits at 31%. In QC, users who are 'just looking' also hold a majority stake at 61%, but the gap is not as significant as in the rest of the country. This difference can be attributed to a lower average purchase price in QC compared to ON, as illustrated in the data below.	The large gap between users who are 'just looking' vs 'ready to buy' remains consistent in both ON and QC.

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Section 04

Property Value And Down Payment





Property Value and Down Payment





Fig. 8: This chart shows a slight shift in the recent cooling market, with the median purchase price up by \$20,000.

Key Data To Know

In March 2023, property prices rose for a third month straight. This time, with a 6-month high, the down payment in both dollar and percentage values increased to match. In contrast, down payments fell at the last peak in the summer of 2022. This is the highest down payment percentage we've seen since April 2022. Not only are clients buying more expensive homes, they are also putting forth larger down payments.

TL;DR

In March 2023, the median purchase price and median down payment in dollars and percentages increased in unison for the first time since summer 2022.



By Province

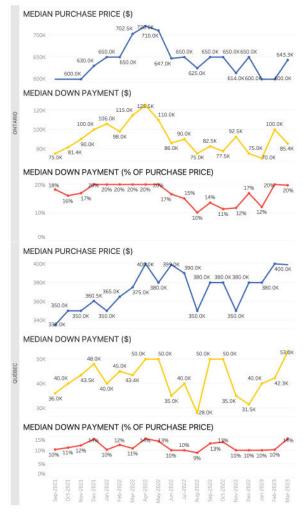


Fig. 9: Graph of intended purchase prices vs down payment (in dollars and percentage) from September 2021 through March 2023 in Ontario, Quebec and Alberta.

Key Data To Know

In March 2023, home prices rose after several months of decreases, especially in QC, where prices have reached the 400K range from the mid-300K range. Similarly, ON prices recover from a short 2-month decline and return to the 650K range. We haven't seen home prices reach these peaks since April 2022, when we first felt the impact of the rate hikes at their fullest. As noted previously, it is also interesting to see median down payments in both dollar and percentage values increase to meet the higher home prices.

TL;DR

In ON and QC, home prices reached numbers we had seen in April 2022, when we first felt the impact of the rate hikes at their fullest.

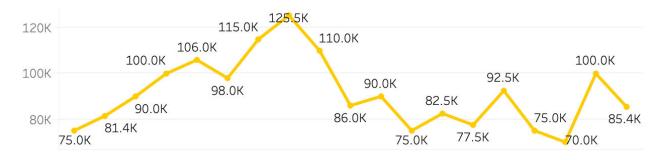


By Province: ON [1/3]

Median Purchase Price (\$)



Median Down Payment (\$)



Median Down Payment (% of Purchase Price)

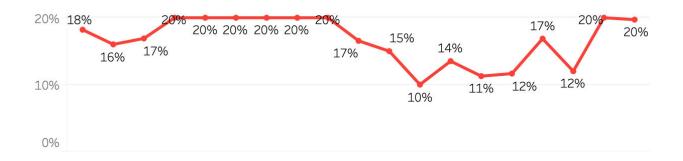
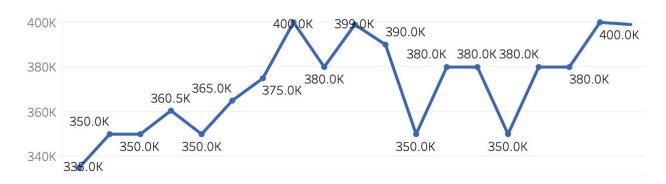


Fig. 8.1: Graph of intended purchase prices vs down payment (in dollars and percentage) from September 2021 through March 2023 in Ontario.

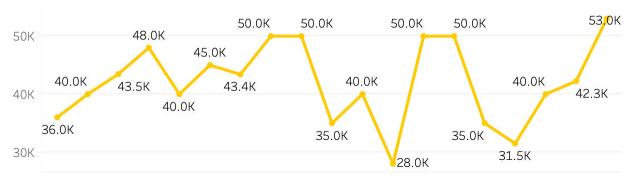


By Province: QC [2/3]

Median Purchase Price (\$)



Median Down Payment (\$)



Median Down Payment (% of Purchase Price)

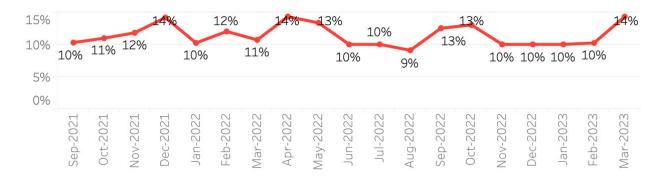


Fig. 8.2: Graph of intended purchase prices vs down payment (in dollars and percentage) from September 2021 through March 2023 in Quebec.



By Province: AB [3/3]

MEDIAN PURCHASE PRICE (\$) 450.0K 450.0K 450.0K 450K 435.0K 420.0K 425.0K 405.5K 400.0K 425.0K 420.0K 420.0K 400K 402.5K 400.0K 400.0K 397.0K 385.5K **MEDIAN DOWN PAYMENT (\$)** 68.0K 70.0K 64.3K 64.0K 56.0K 60K 60.0K 60.0K 50.0K 53.0K 42.5K 38.3K 40K 43.5K 40.0K 33.3K 32.5K 29.5K 25.0K 23.8K



Fig. 8.3: Graph of intended purchase prices vs down payment (in dollars and percentage) from September 2021 through March 2023 in Alberta.

Key Data To Know	TL;DR
In contrast, AB home prices and average down payments decreased significantly in March 2023, with median down payments falling by 50%.	In March 2023, median down payments fall by 50% in Alberta.



Deep Dive





Data over 24 months reveal that housing prices are still trending upwards, despite recent dips

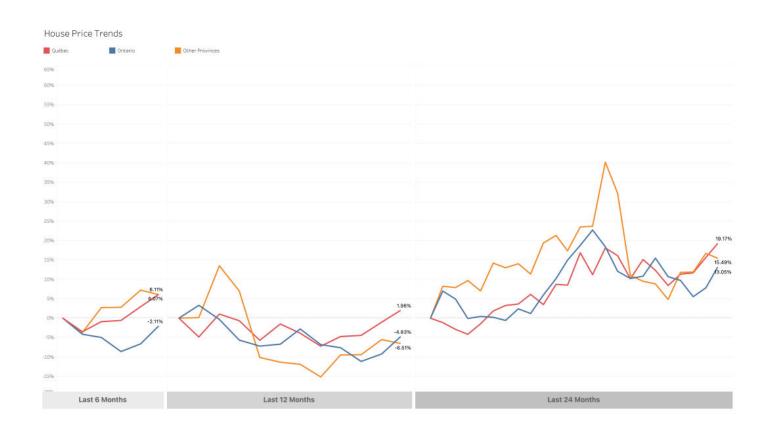


Fig. 10: Graph comparing house price trends in Quebec, Ontario, and other provinces in the last 6 months, last 12 months, and last 24 months.

Starting with a more focused look at housing price trends, the snapshot of the last 12 months indicates the impacts of the Bank of Canada (BoC) rate hikes on home buying, especially compared to the last 6 months and the last 24 months. Isolating the period between March 2022 (when the rate hikes first started) and March 2023 highlights how the rate increases sent home prices plummeting all over the country.

However, a broader look at house price trends over the last 24 months reveals that home prices have been trending upward, despite what more focused snapshots in time might imply. Even with the advent of BoC rate hikes in March 2022, home prices have increased by 15.5% in QC, 13% in ON, and 19% in the rest of Canada over the past two years. This is also supported by the 6-month focus, where home prices slowly recovered as the BoC tempered its rate hikes.



Homebuyer Preference for Short Term Rates Flips Since Nov-Dec 2022

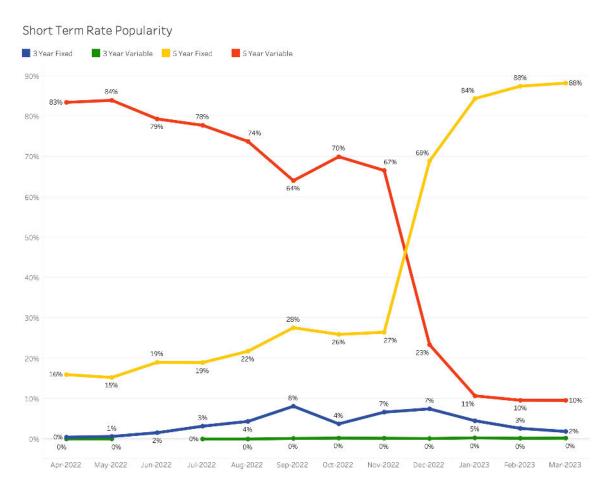


Fig. 11: Graph depicting the popularity of different short-term rates among nesto clients between August 2022 and March 2023.

This graph's first and most notable item is the dramatic flip between the 5-year fixed rate and the 5-year variable rate between November and December 2022. From a wider perspective, this graph maps the impact of homebuyer preferences and mindsets from the start of the Bank of Canada rate hikes in March 2022 to March 2023. We can see the popularity of the 5-year variable rate dwindle as the BoC policy rate continues to rise month by month. This downward trajectory comes to a head in November 2022, when the 5-year variable rate meets and overtakes the 5-year fixed rate.

A second and less obvious data point depicted on this graph are the small peaks in the generally less popular 3-year fixed rate over the 2022 fall season. These increases can be attributed to the fact that homebuyers and homeowners, seeing no pause or change to the BoC rate hikes in sight, were opting for a lower fixed rate over a shorter period in the hopes that variable rates decrease in the near future so they can enjoy savings come renewal time in an interest rate cutting period.



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.

