



The
nesto-meter

May Recap



nesto's mortgage trends May 2023

01 Rates

As of January 2023, new purchase applications have begun to climb again. While demand is up, inventory levels are still down. Making for a more competitive environment.

02 Mortgage Type Trends

After 5 months of increases, all provinces had their average property price decrease in May 2023, dropping from their high of \$500K last month to \$460K.

03 Purchase Timing Intent

The median down payment decreased from 11% to 10% in Canada. This suggests that buyers may be hesitating with their savings due to rising rents and other expenses.

04 Property Value And Down Payment

The median down payment plummeted from \$50k to \$38k in QC in tandem with a plateau in average home price of \$400k. The median down payment in ON increases from \$60K to \$100K while home price decreases from \$650k to \$620k.



Average Purchase Price Decreases by \$40,000, As Buyer Hesitancy Remains at 63%

May Recap 2023

The news of a +25 bps rate increase sent shockwaves through the media this month after the Bank of Canada announced its first increase since March of this year on June 7th.

As a result of this, we want to take a moment and provide a few quick updates on what this could do to the market in the coming months:

- Primary driver of the June 7th increase was the employment rate. Unless unemployment increases, another rate hike is on the table for 2024.
- Inflation rate has yet to fully react to the previous rate hikes, making a rate cut in 2024 is very unlikely
- Expect buyer hesitancy coupled with supply shortage to keep a level real estate playing field, with a slight upwards trend in home prices due to the severity of the lack of supply
- Multiple (bank, industry, regulator) models showing a 20% to 30% increased mortgage payment (payment shock) for those coming up for renewal.

What did we see before the rate hike and the spring market in May? Well, a few things: First, new purchases continued to climb in May 2023, but affordability decreased across the country. This led to Canadian home buyers rethinking their ability to act on purchase, with hesitancy levels still dominating those ready to buy (63% vs. 37%).

On the home price front, we noted that the median purchase price is declining on the national level, further supported by our data out of AB, where buyers are shopping for cheaper homes and putting down larger down payments.

In QC, purchase prices remain stable, but median down payments plummet as buyers lose the ability to contribute larger percentages.

As we wrap up and head into the summer, we anticipate buyer hesitancy to increase further and a market rife with competition to occur due to low inventory and poor affordability levels. **Read on and see what the data is saying!**



Section 01

Rates

01



A. Volatility

Number of lowest rate changes per month

Number of lowest rate changes per month

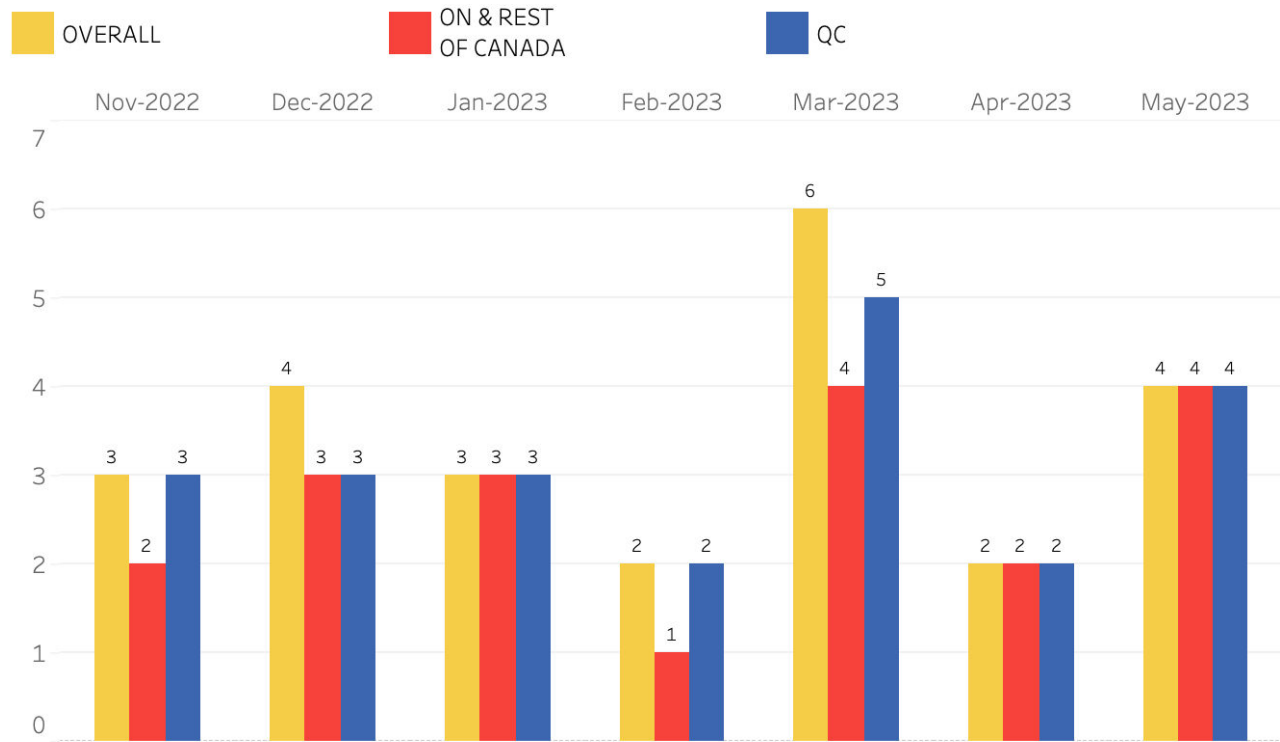


Fig. 1: Number of times the lowest rates offered by nesto to its borrowers changed per month across provinces between November 2022 and May 2023.

Key Data To Know	TL;DR
<p>In May 2023, we saw the number of changes to nesto’s lower rate increase again from 2 in April to 4 in Canada. While not as high as the number of changes we saw in March 2023, it will be interesting to see what June has in store following the BoC’s recent rate hike.</p>	<p>In May 2023, we saw the number of changes to the nesto’s lowest rate increase to 4 changes across Canada.</p>



Volatility - by type

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

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

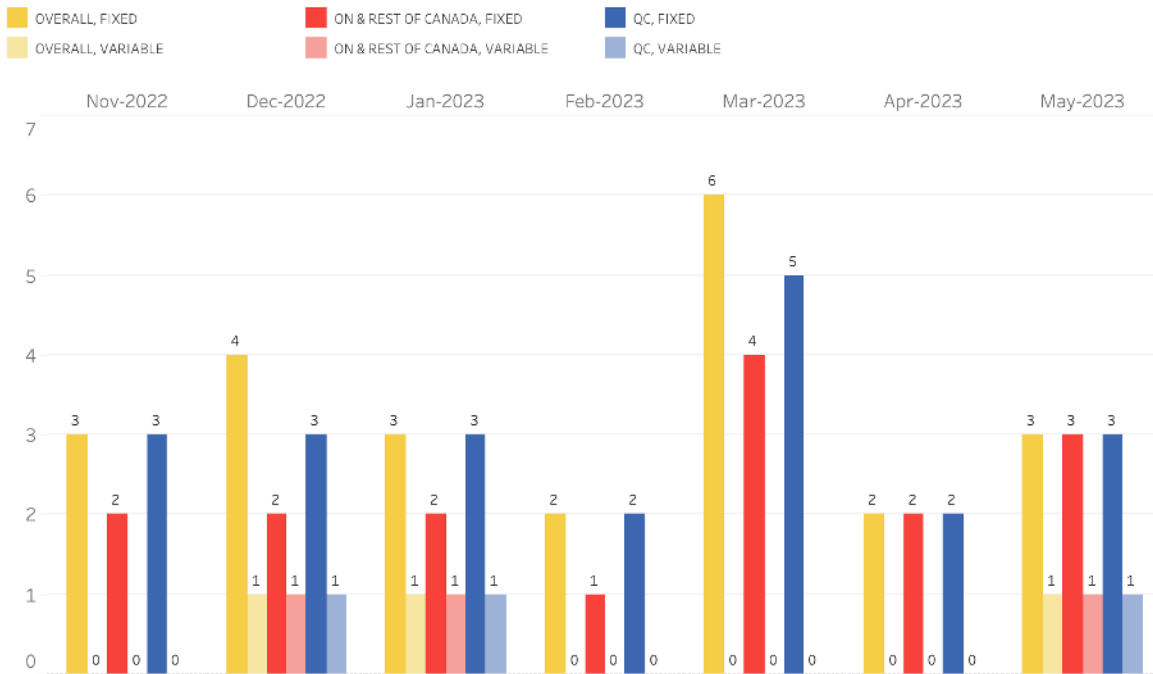


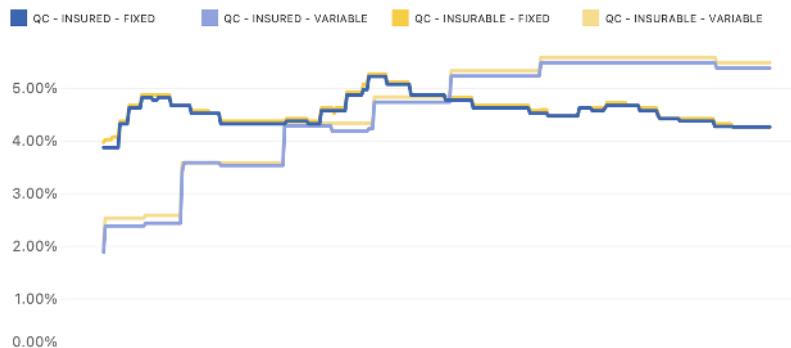
Fig. 2: Number of times the lowest rates offered by nesto to its borrowers changed per month across provinces between November 2022 and May 2023, comparing fixed to variable rates.

Key Data To Know	TL;DR
<p>In May 2023, we saw an increase in the number of changes to nesto’s lowest rate; 1 additional change to the fixed rate and the variable rate, respectively. The change to the variable rate follows a 3-month streak of no changes to the variable rate, as the BoC maintained its policy rate.</p>	<p>There was 1 change to nesto’s variable rate in May 2023, after a 3-month streak of no changes.</p>



B. Variance: Lowest Rates

QC - Rate Variation



ON & Rest of Canada - Rate Variation

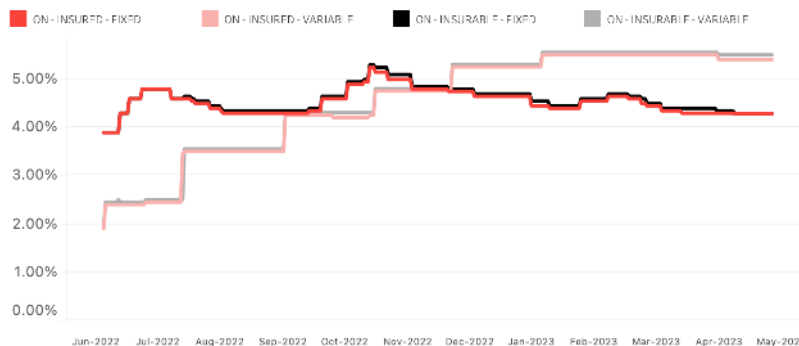


Fig. 3: These graphs show the rate variance in Quebec compared to Ontario and the rest of Canada.

Key Data To Know	TL;DR
<p>At the start of 2023, variable rates overtook fixed rates by 100 bps, and in May, 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 April 2023, where variable rates visibly plateau, and we can note a small decrease in fixed rates across the country. In May, we can see both the fixed and variable rates reach a plateau, with negligible change.</p>	<p>In May, we can see both the fixed and variable rates reach a plateau, with negligible change.</p>



Section 02

Mortgage Type Trends

02



Purchase vs. Renewal vs. Refinance

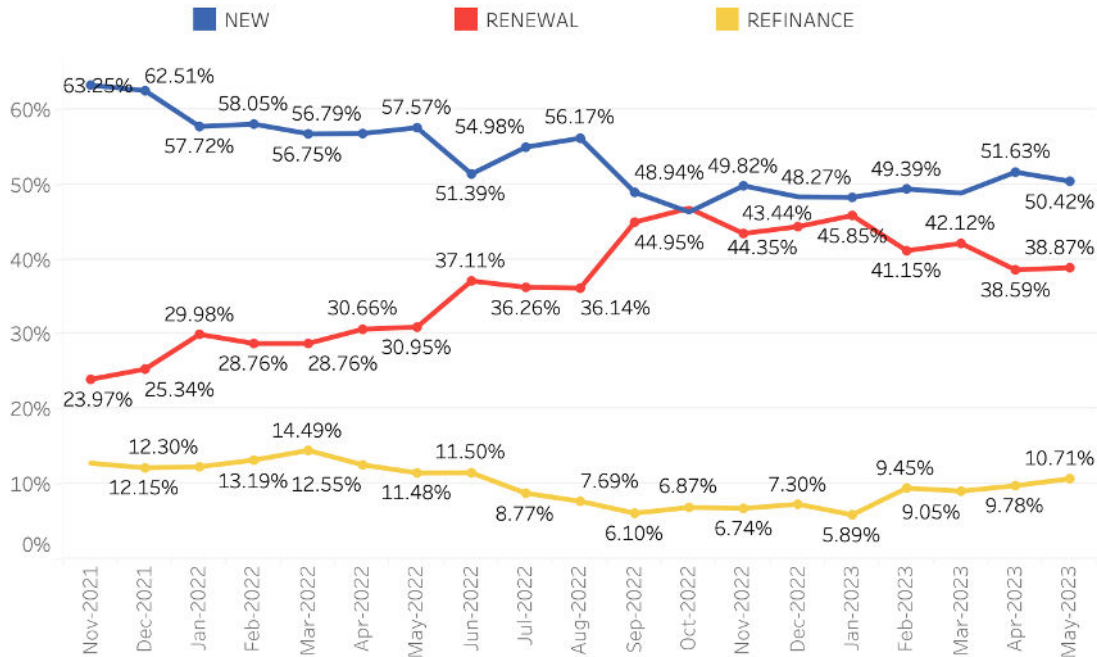


Fig. 4: Trends for the proportion of purchases (new mortgages) vs renewals vs refinances from November 2021 to May 2023.

Key Data To Know	TL;DR
<p>Looking backward, we see that purchases were in the lead against renewals from September 2021 until October 2022, when an inversion occurred. Tracking this, the pattern becomes obvious – new purchases have been on a steady decline since their peak levels in 2021 and early 2022 (60%) due to an increase in prime rates. In contrast, renewals have gently increased (at 50.17% up from 25.42% in 2021) in opposition as homeowners rushed to lock in low rates before further increases to the Prime Rate.</p> <p>As of January 2023, however, new purchases have begun to climb again while renewals are slowly decreasing.</p>	<p>As of January 2023, new purchases have begun to climb again while renewals are slowly decreasing.</p>



Section 03

Purchase Timing Intent

03



Purchase Timing Intent

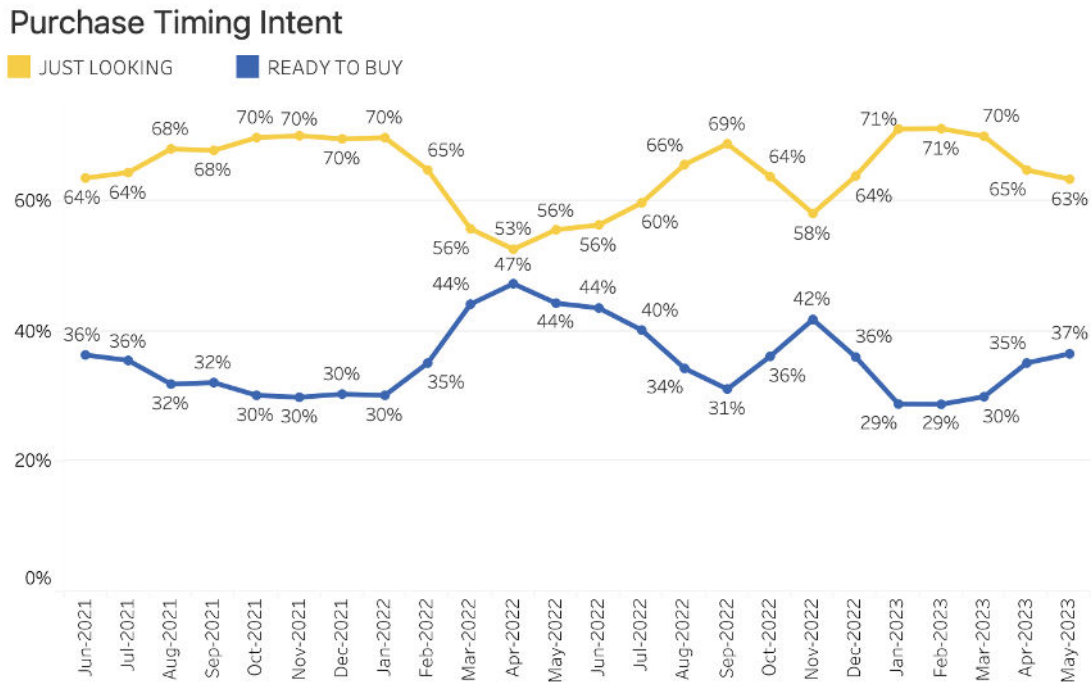


Fig. 5: Purchase intent: proportion of users “ready to buy” vs “just looking” in their mortgage journey with nesto, illustrated over the last two years from June 2021 to May 2023.

Key Data To Know	TL;DR
<p>Despite this consistent divide between those ready to buy and those that are waiting, we can notice how buyer intent has kept shifting in small peaks and dips since this time last year.</p> <p>In May 2023, the gap in buyer intent started to get smaller, reaching levels not seen since last year, but it is unlikely that numbers will even out within the year unless rate cuts are noted.</p>	<p>May 2023 shows a slightly smaller gap in buyer intent between those who are ‘just looking’ and those who are ‘ready to buy.’ However, it is unlikely that numbers will even out within the year unless rate cuts are noted.</p>



Purchase Timing Intent - By Province

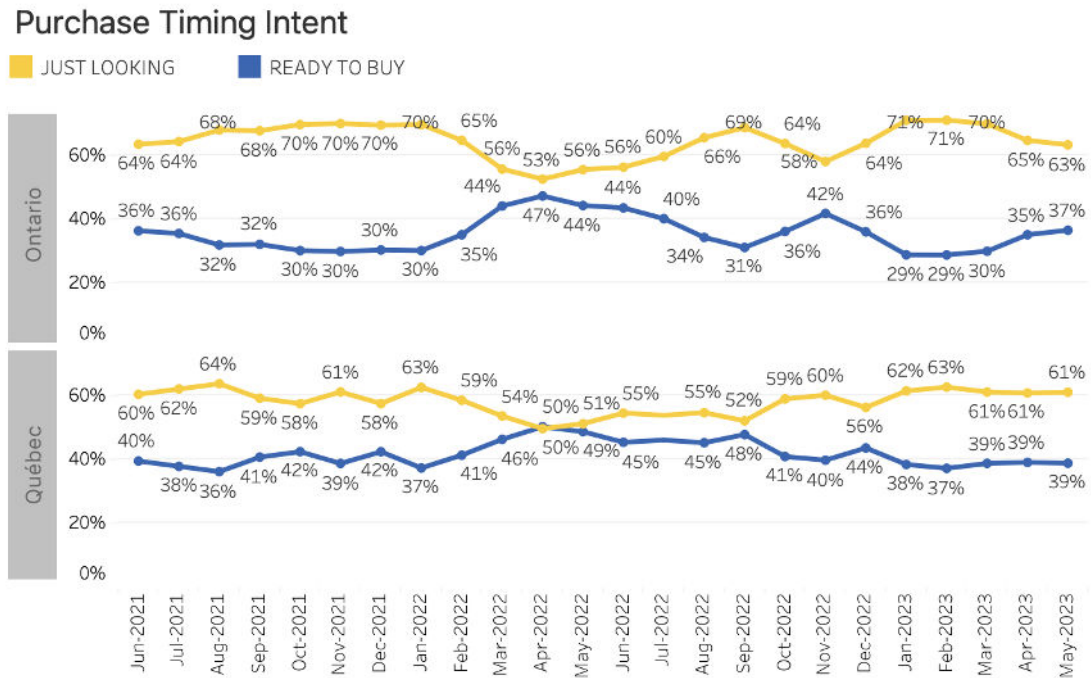


Fig. 6: Purchase timing intent proportion of those “ready to buy” vs “just looking” in nesto’s mortgage process from June 2021 through May 2023 in Quebec and Ontario.

Key Data To Know	TL;DR
<p>Matching the national data above, the portion of ON users who are ‘just looking’ reached 63% in May 2023, while the portion of those who are ‘ready to buy’ sits at 37%.</p> <p>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.</p>	<p>The large gap between users who are ‘just looking’ vs ‘ready to buy’ remains consistent in both ON and QC.</p>



Section 04

Property Value And Down Payment

04



Property Value and Down Payment

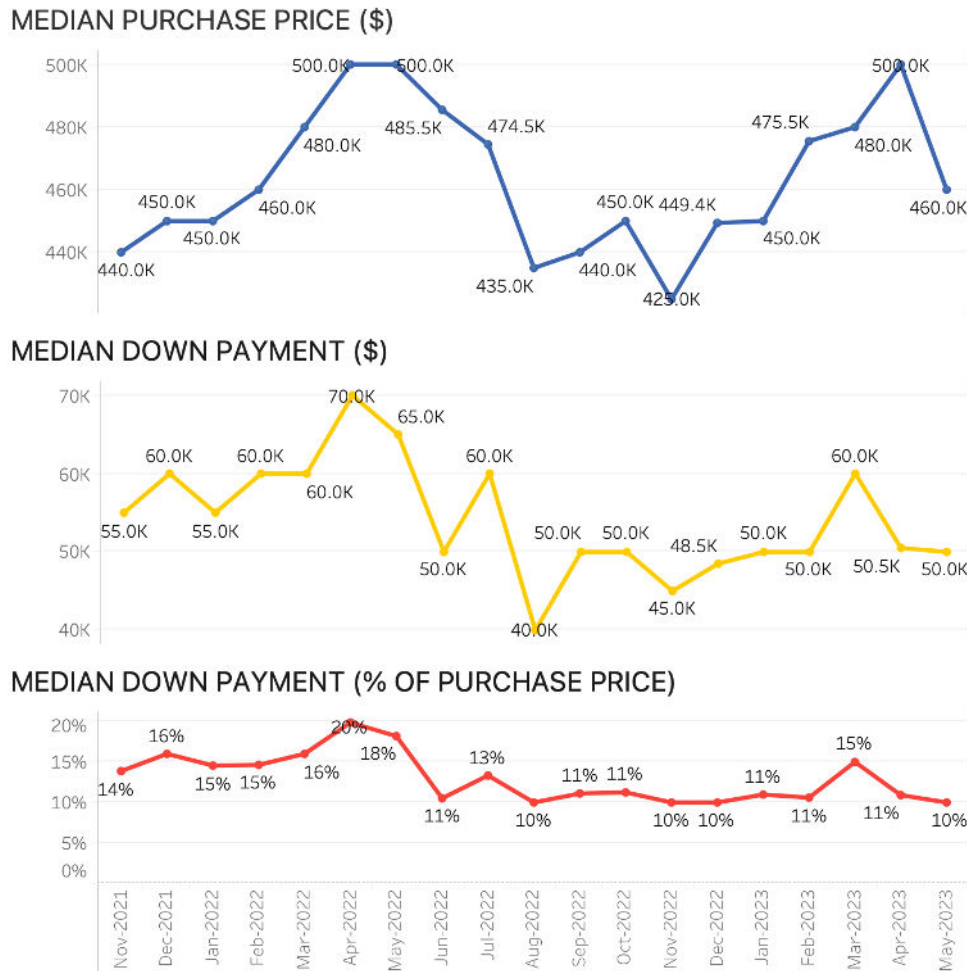


Fig. 7: This chart shows a slight shift in the recent cooling market, with the median purchase price up by \$20,000.

Key Data To Know	TL;DR
<p>After 5 months of home price increases, property prices finally broke the pattern and decreased in May 2023, dropping from their high of \$500K last month to \$460K.</p> <p>Interestingly, the median down payment in dollar value remained stable at \$50K, while the median down payment in percentage value dipped from 11% to 10%. This can be indicated by cautionary buyers who, due to increases in rent and other inflationary costs, had to rethink their budgets and shop at lower price points.</p>	<p>After 5 months of increases, property prices decreased in May 2023, dropping from their high of \$500K last month to \$460K. Likely in response to high mortgage rates and buyer hesitancy holding strong.</p>



By Province

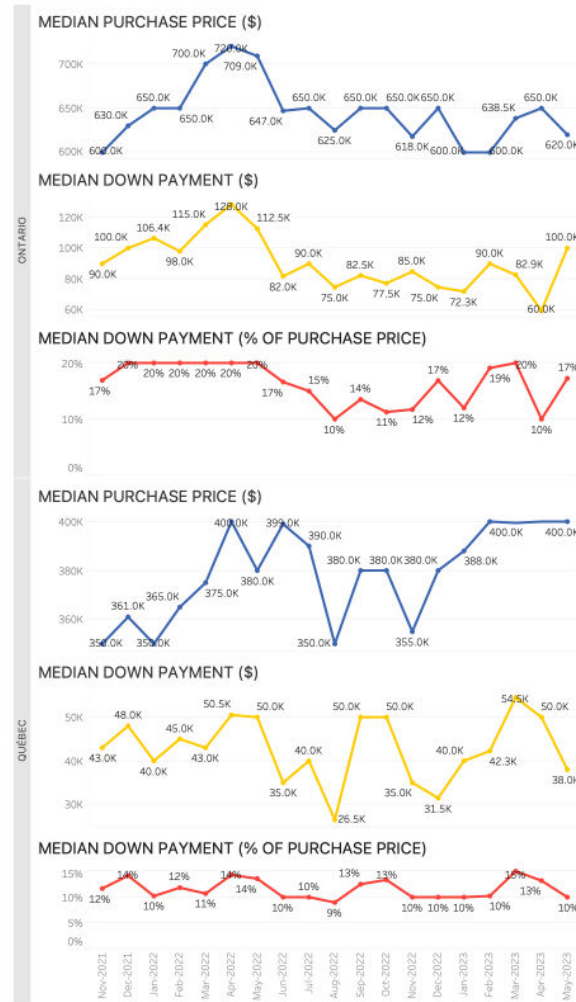


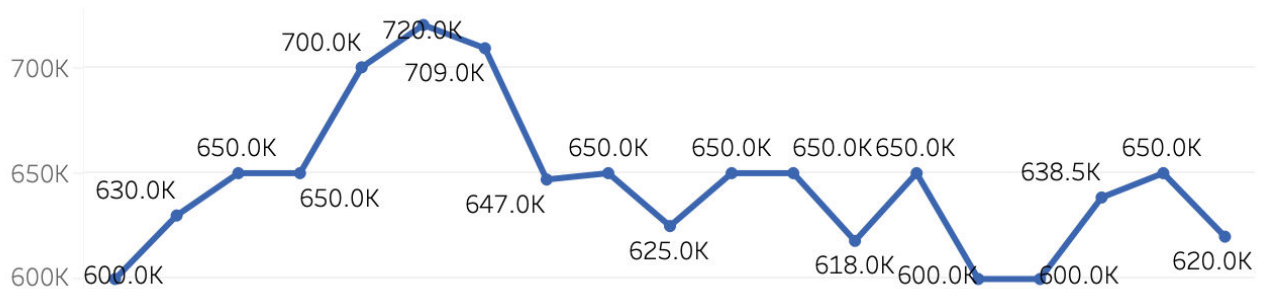
Fig. 8: Graph of intended purchase prices vs down payment (in dollars and percentage) from November 2021 through May 2023 in Ontario and Quebec.

Key Data To Know	TL;DR
<p>In May 2023, QC and ON told opposite homebuying stories. In QC, home prices remained stable at \$400K, but the median down payment in dollar value plummeted from 50K to 38K, dipping in percentage value from 13% to 10%.</p> <p>Meanwhile, ON home prices decreased from \$650K to \$620K, while the median down payment in dollar value skyrocketed from \$60K to \$100K and from 10% to 17% in percentage value.</p>	<p>Home prices remain stable in QC while the median down payment decreases. In ON, home prices decrease while the median down payment increases.</p>



By Province: ON [1/3]

Median Purchase Price (\$)



Median Down Payment (\$)



Median Down Payment (% of Purchase Price)

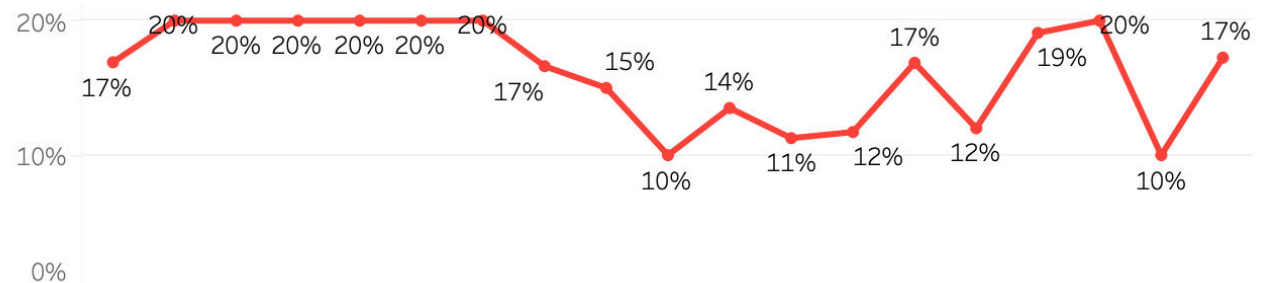
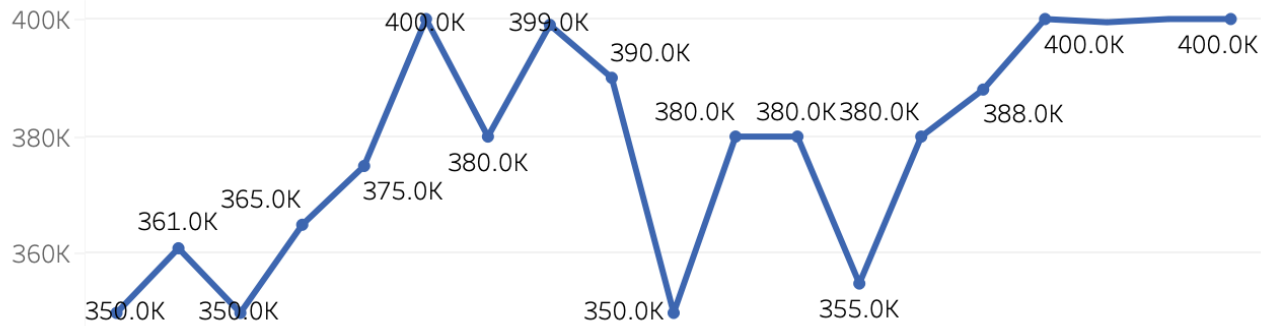


Fig. 8.1: Graph of intended purchase prices vs down payment (in dollars and percentage) from October 2021 through May 2023 in Ontario.

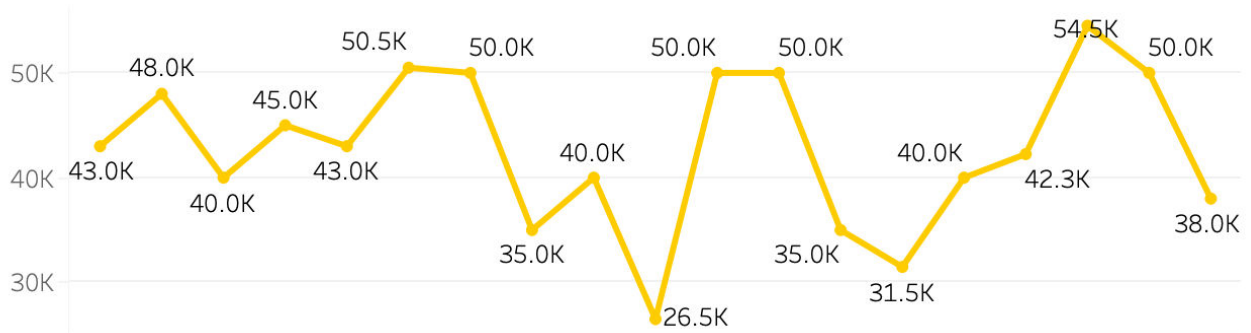


By Province: QC [2/3]

Median Purchase Price (\$)



Median Down Payment (\$)



Median Down Payment (% of Purchase Price)

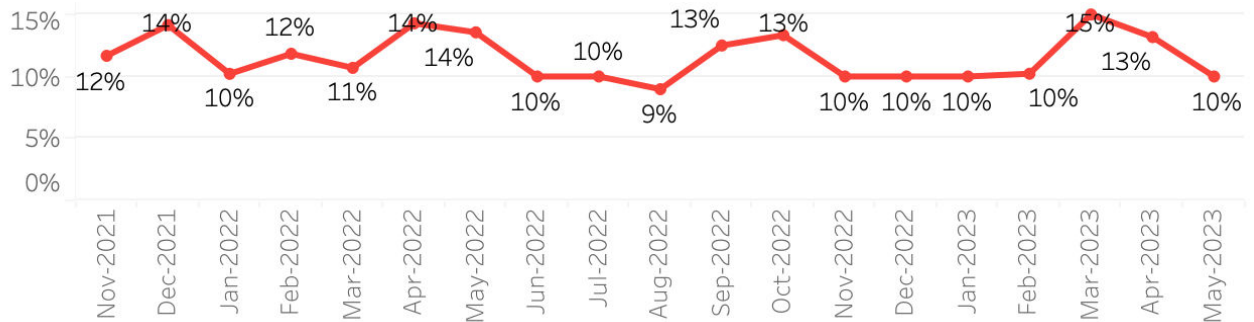


Fig. 8.2: Graph of intended purchase prices vs down payment (in dollars and percentage) from October 2021 through May 2023 in Quebec.



By Province: AB [3/3]

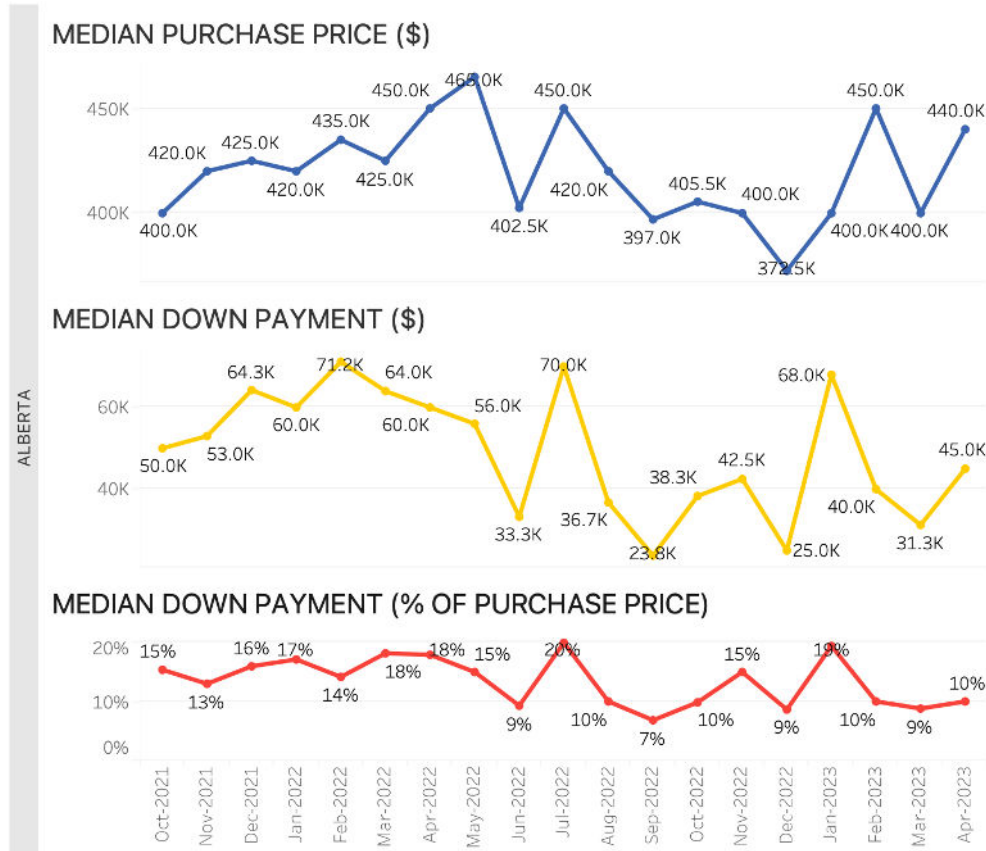


Fig. 8.3: Graph of intended purchase prices vs down payment (in dollars and percentage) from October 2021 through May 2023 in Alberta.

Key Data To Know	TL;DR
<p>In AB, home prices and average down payments continue to decrease in May 2023, going from \$41k to \$30k in dollar value and from 10% to 7% in percentage value. Average purchase price has also dropped, from \$430k to \$400k..</p>	<p>In AB home prices and average down payments continue to decrease in May 2023.</p>



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.

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