



The  
**nesto-meter**

June Recap



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# nesto's mortgage trends June 2023

## 01 Rates

After months of relative stability, the fixed rate increases in ON, QC, and the rest of Canada.

## 02 Mortgage Type Trends

Refinances, while slower, still log a steady incline since September 2022.

## 03 Purchase Timing Intent

The large gap between users who are 'just looking' vs 'ready to buy' remains consistent in both ON and QC, aligning very closely with the national data (61% vs. 39%).

## 04 Property Value And Down Payment

Homebuyers are putting down larger down payments on cheaper houses. This can be indicative of the price of homes dropping, as well as buyers who are shopping at lower price points due to inflationary pressures.



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# Canadian Homebuyers Are Contributing Larger Down Payments On Cheaper Houses

## June Recap 2023

June 2023 greeted us with a sudden increase in nesto's fixed rate. After months of stability with little to no changes, the fixed rate went from 4.28% in May 2023 to 4.39%. In turn, our variable rate remained the same between May and June, but continues its gradual increase towards the 6% mark into July.

When it comes to mortgage trends, new purchases continue to hold a majority stake in applications compared to renewals and refinances. The latter, however, has begun to demonstrate a gradual climb since the beginning of the year, going from 5.9% of applications in January 2023 to 13.4% in June 2023. Refinance numbers are starting to return to numbers we saw back in January 2022, over a year and a half ago; this could be in part due to the recent BoC rate hikes.

Speaking of Bank of Canada rate hikes, our team analyzed the impact of the last 10 have been on a \$300,000 home, with a 5-year fixed rate and 25-year amortization. The results? Well, they were telling:

Buying a home priced at \$300,000 with 5% downpayment in March 2022 vs. July 2023

- In March 2022, mortgage payments had an even split with \$661 going towards principal and \$661 going towards interest for a total monthly payment of \$1,322, and the income to secure this mortgage was a much lower \$80,100.
- Fast forward to July 2023, on a mortgage payment of \$1,710, only \$463 is going towards principal, the rest is on interest. You'd also need to make \$94,800 to secure the same \$300,000 purchase price. That's a difference of \$14,700 to qualify for the same mortgage amount.

While using the Bank of Canada's [Inflation Calculator](#), we can note that during those 15 months inflation would have been 6.98% leaving us with an inflation-adjusted purchase price of \$320,000 just 15 months later.

**Ready to learn more? Dive into the data below.**



# Income Affordability

City	Income Required		Change in income required between June 2023 to 2022	Average Home Price		Change in home price between June 2023 to 2022
	June 2022 Stress test rate: 6.34% Mortgage rate: 4.34%	June 2023 Stress test rate: 7.14% Mortgage rate: 5.14%		June 2022	June 2023	
BC	\$220,086	\$210,362	↓ \$9,454	\$1,040,000	\$993,400	↓ \$46,600
AB	\$96,480	\$100,987	↑ \$6,642	\$477,300	\$481,700	↑ \$4,400
SK	\$70,322	\$72,328	↑ \$3,501	\$334,000	\$331,500	↓ \$2,500
MB	\$93,598	\$93,022	↓ \$576	\$360,900	\$348,100	↓ \$12,800
ON	\$191,222	\$190,569	↑ \$3,672	\$966,500	\$927,100	↓ \$39,400
QC	\$100,546	\$100,404	↓ \$142	\$486,600	\$468,200	↓ \$18,400
NB	\$72,227	\$71,816	↓ \$411	\$297,600	\$286,500	↓ \$11,100
NS	\$80,992	\$84,156	↑ \$4,950	\$399,200	\$399,900	↑ \$700
PE	\$79,316	\$80,619	↑ \$411	\$363,400	\$357,200	↓ \$6,200
NL	\$57,202	\$60,309	↑ \$3,107	\$281,000	\$285,900	↑ \$4,900

**Fig 1:** Changes in housing affordability in the ten Canadian provinces based on average income required and property prices between June 2022 and June 2023.

Key Data To Know	TL;DR
<p>Looking at this year over year data, we can note that the majority of provinces have experienced decreases in average home prices. Most notably, home prices decreased by 4.48% in British Columbia and by 4.07% in Ontario. These are provinces with infamously high and increasing home prices.</p> <p>However, it is clear that the housing market was negatively impacted by the latest Bank of Canada rate hike on July 12. It increased the prime rate to 5.0%, and the lender's best 5-year fixed today stands at 5.04% compared to 4.64% in June 2022.</p> <p>So, while we logged a notable decline in home prices across 7 of 10 provinces – income affordability only improved in 4 out of 10 provinces due to increased mortgage interest rates.</p>	<p><b>There was a notable decline in home prices across 7 of 10 provinces, but income affordability only improved in 4 out of 10 provinces due to increased mortgage interest rates.</b></p>



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Section 01

# Rates

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# 01



# A. Volatility

## Number of lowest rate changes per month

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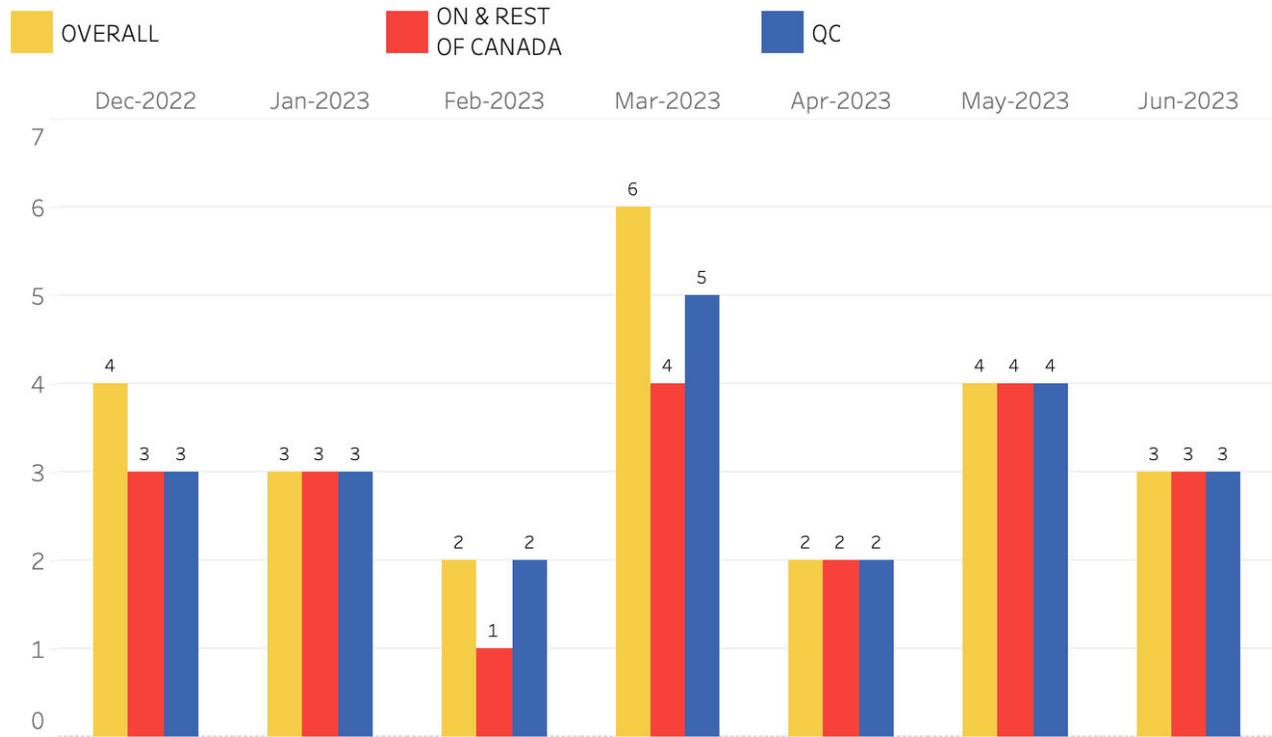


Fig. 2: Number of times the lowest rates offered by nesto to its borrowers changed per month across provinces between December 2022 and June 2023.

Key Data To Know	TL;DR
<p>In June 2023, we saw the number of changes to nesto’s lower rate decrease from 4 changes in May to 3 changes across Canada. Despite the BoC’s rate announcement in June, the number of rate changes decreased, which is not typically what happens when the BoC increases or maintains its rate.</p>	<p>In June 2023, we saw <b>the number of changes to the nesto’s lowest rate decrease to 3 changes across Canada.</b></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. 3: Number of times the lowest rates offered by nesto to its borrowers changed per month across provinces between December 2022 and June 2023, comparing fixed to variable rates.

Key Data To Know	TL;DR
<p>In June 2023, we saw a decrease in the number of changes to nesto’s lowest rate; 1 change to the fixed rate and no changes to the variable rate. It is interesting to note that, over the past three months, rate changes have been the same in QC as they were in ON and the rest of Canada.</p>	<p><b>The number of changes to nesto’s fixed rate decreased by 1, while the number of changes to the variable rate remained at 1 change.</b></p>



# B. Variance: Lowest Rates

## QC - Rate Variation



## ON & Rest of Canada - Rate Variation

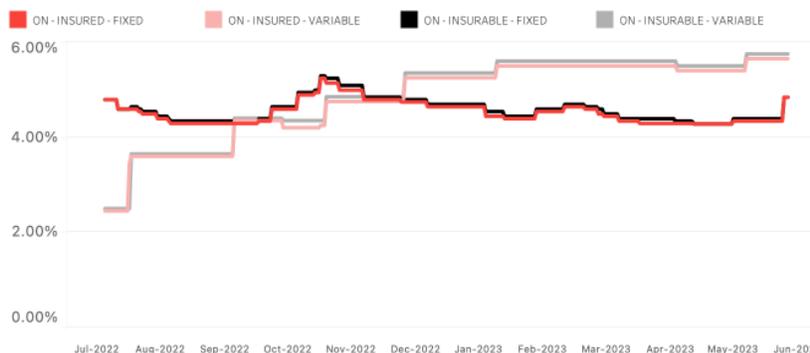


Fig. 4: These graphs show the rate variance in Quebec compared to Ontario and the rest of Canada.

Key Data To Know	TL;DR
<p>Now let's talk about variance! 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 last summer. In June 2023, after having reached a relative plateau, the fixed rate experienced an increase, very suddenly narrowing the wide gap between the fixed rate and the variable rate that had remained consistent since the beginning of the year.</p>	<p>In June 2023, <b>after having reached a relative plateau, the fixed rate experienced an increase.</b></p>



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Section 02

# Mortgage Type Trends

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02



# Purchase vs. Renewal vs. Refinance

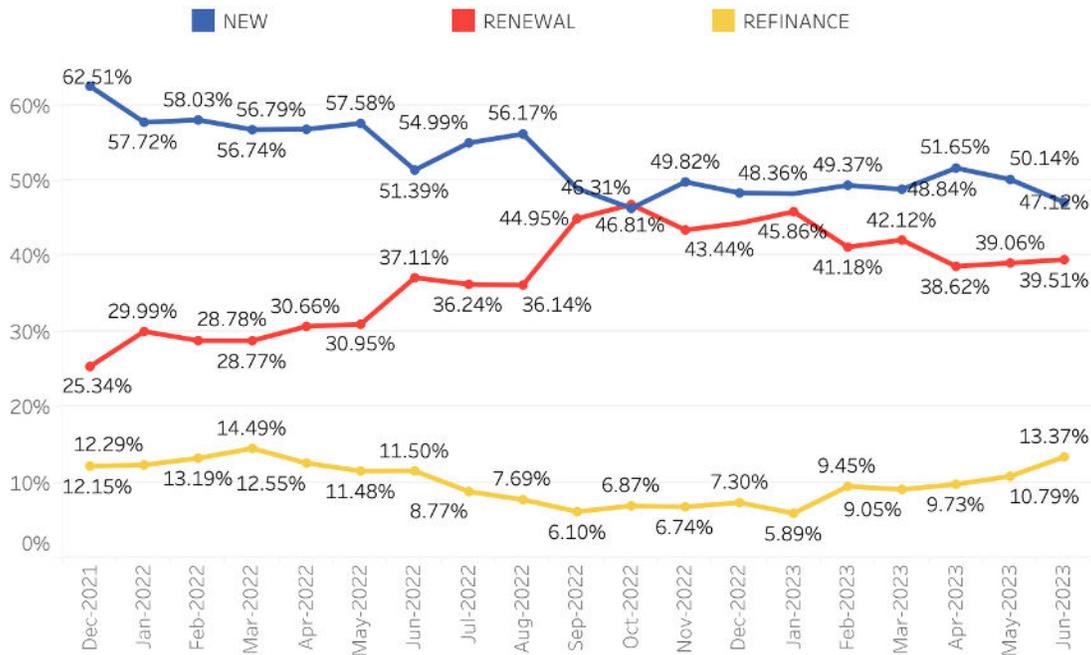


Fig. 5: Trends for the proportion of purchases (new mortgages) vs renewals vs refinances from December 2021 to June 2023.

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 due to an increase in prime rates. In contrast, renewals have gently increased in opposition as homeowners rushed against the clock to lock in low rates before further increases to the Prime Rate.</p> <p>As for refinances, we can notice a slow and steady incline developing over the course of the year, starting from September 2022. Now in June 2023, this upward trend is more noticeable. A likely result that the rate hikes are having on fixed-payment variable mortgage rate borrowers coming up to a shockingly high payment at renewal. In their desire to keep their finances manageable while keeping their homes, they are willing to refinance their mortgages to avoid payment shock - alongside the rate shock that many experience as their lenders keep them captive due to the restrictive stress-test criteria.</p>	<p><b>Refinances show a slow, but steady incline since September 2022.</b></p>



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Section 03

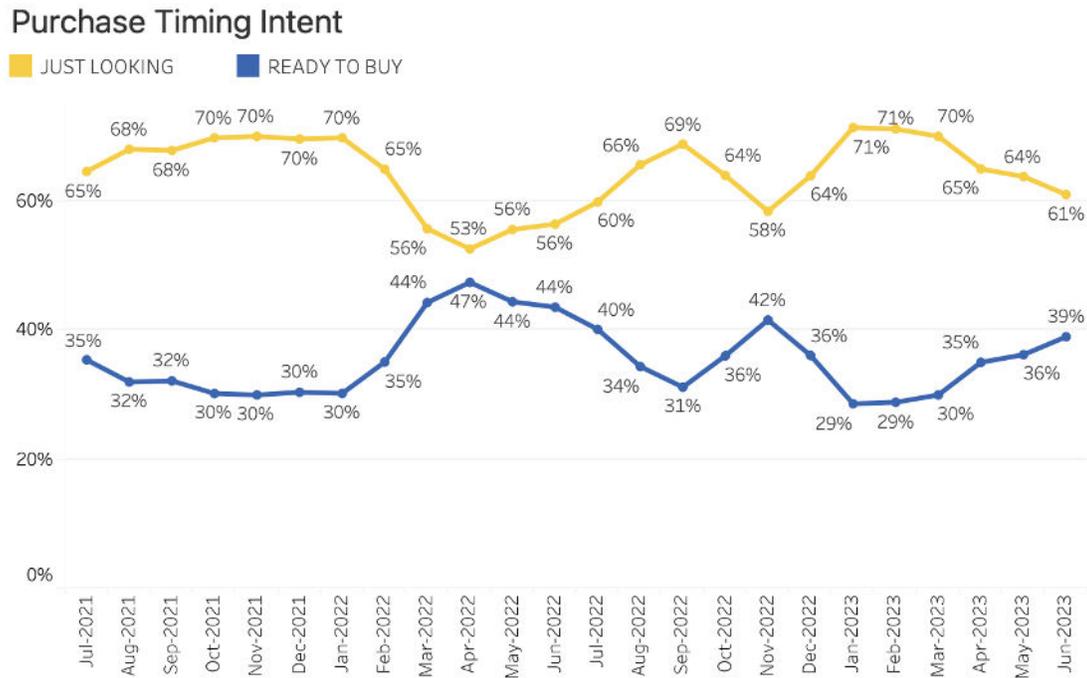
# **Purchase Timing Intent**

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# 03



# 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 July 2021 to June 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 June 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>This likely occurred as financial experts at the time were surmising that the Bank of Canada was finished with their rate hikes.</p>	<p><b>June 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.</b></p>



# Purchase Timing Intent - By Province

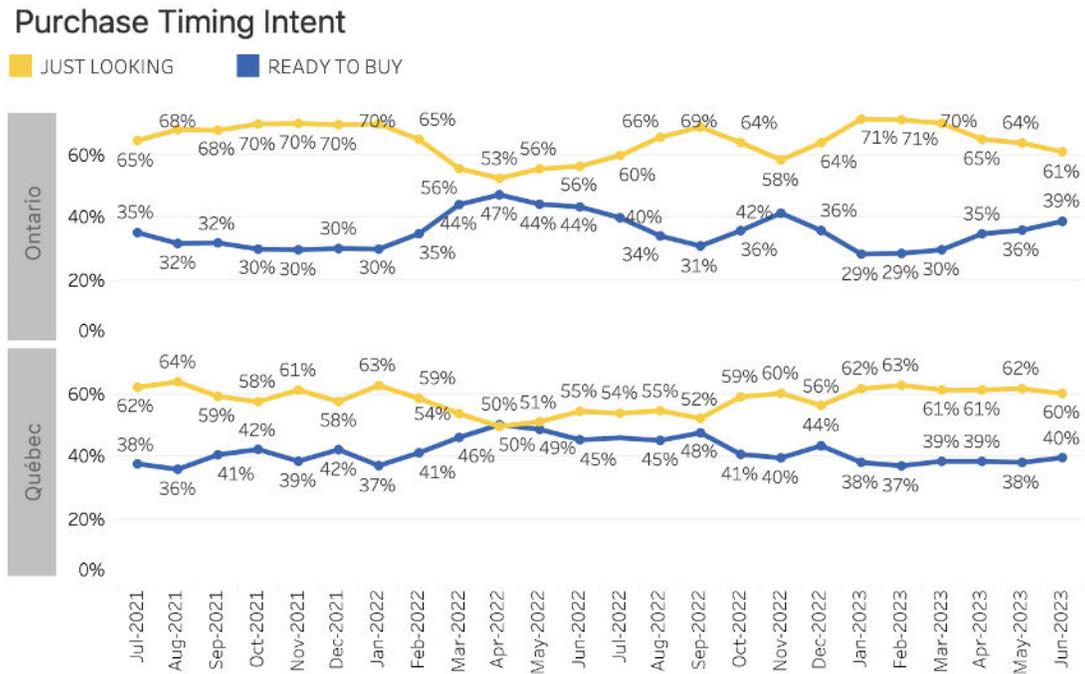


Fig. 7: Purchase timing intent proportion of those “ready to buy” vs “just looking” in nesto’s mortgage process from July 2021 through June 2023 in Quebec and Ontario.

Key Data To Know	TL;DR
<p>In June 2023, in terms of buyer intent, the provincial data from QC and ON matches the national data almost perfectly. In both QC and ON, users who are ‘just looking’ continue to hold a majority stake.</p> <p>This time last year, we noted how QC users are typically more likely to be looking to buy compared to their ON counterparts. This difference was attributed to a lower average purchase price in QC compared to ON. Now, in June 2023, QC number and ON number are much more aligned.</p>	<p><b>The large gap between users who are ‘just looking’ vs ‘ready to buy’ remains consistent in both ON and QC, aligning very closely with the national data.</b></p>



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Section 04

# **Property Value And Down Payment**

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**04**



# Property Value and Down Payment

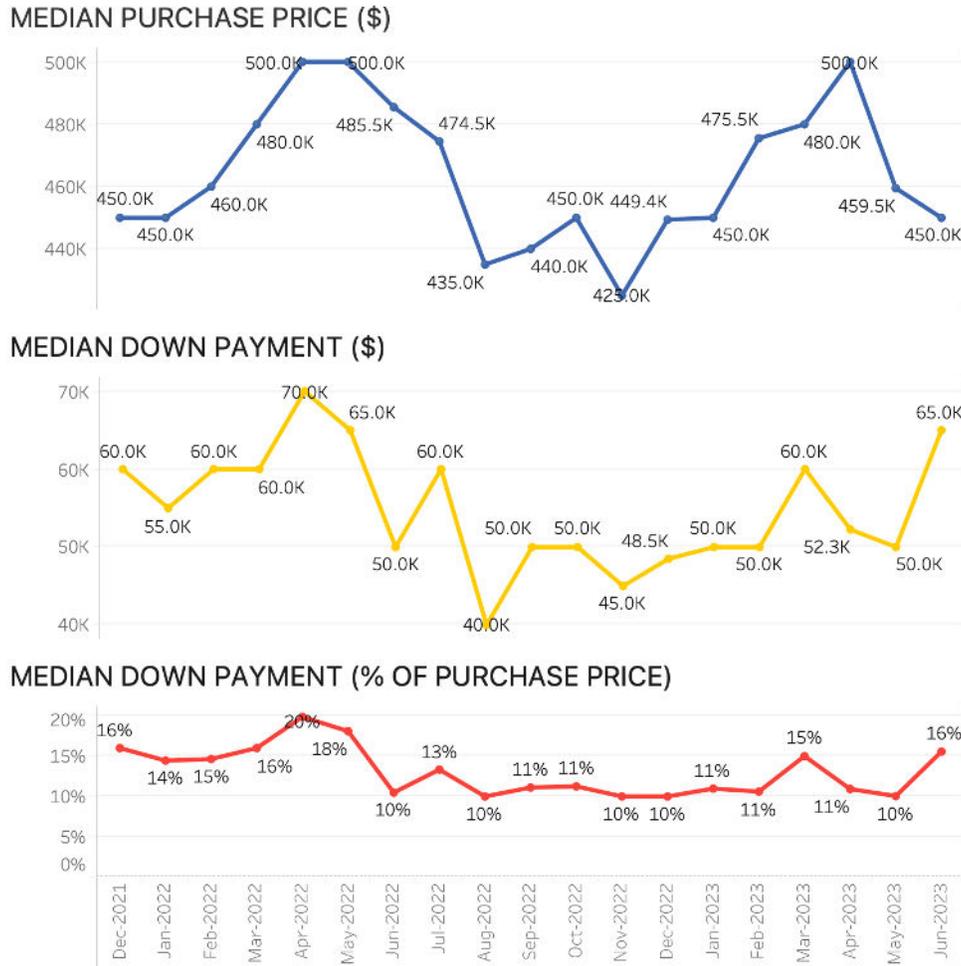


Fig. 8: This chart shows a slight shift in the recent cooling market, with the median purchase price up by \$20,000.

Key Data To Know	TL;DR
<p>Home prices took a nosedive in May 2023 and this downward trend continued further in June 2023. The median down payment in both dollar value and percentage increased, jumping from \$50K to \$65K and 10% to 16%.</p> <p>It seems that homebuyers are putting down larger down payments on cheaper houses. This can be indicative of the overall price of homes dropping, as well as cautionary buyers who are shopping at lower price points due to inflationary pressures. Additionally, the higher down payment could be a way for new homeowners to cope with the higher mortgage carrying costs - by minimizing their mortgage balance as much as possible on the onset.</p>	<p><b>Home prices took a nosedive in May 2023 and this downward trend continued further in June 2023, with median home price dropping down to \$450K from last month's \$459.5K.</b></p>



# By Province



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

Key Data To Know	TL;DR
<p>Starting with ON, the data coming out of the province aligns with what we were seeing in the national data in June 2023. Purchase price has plummeted to \$601K from \$650K last month. In contrast, median down payment in both dollar value and percentage has skyrocketed over the past couple of months, reaching \$121K and 20% in June 2023.</p> <p>Meanwhile in QC, median purchase price has plateaued at \$400K for the third month in a row. However, median down payment in both dollar value and percentage has recovered from last month's dip and has increased back to \$50K and 13%, the numbers we were seeing in April 2023.</p>	<p><b>Across QC, ON, and AB, homebuyers are putting down larger down payments on cheaper houses.</b></p>



# By Province: ON [1/3]

## Median Purchase Price (\$)



## Median Down Payment (\$)



## Median Down Payment (% of Purchase Price)

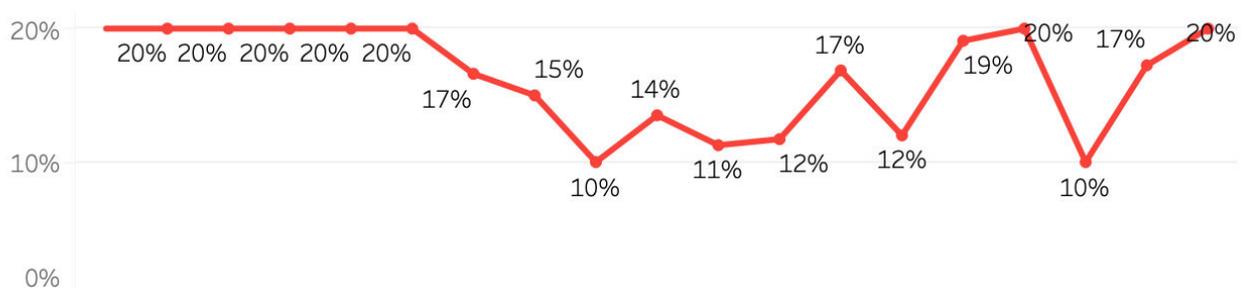
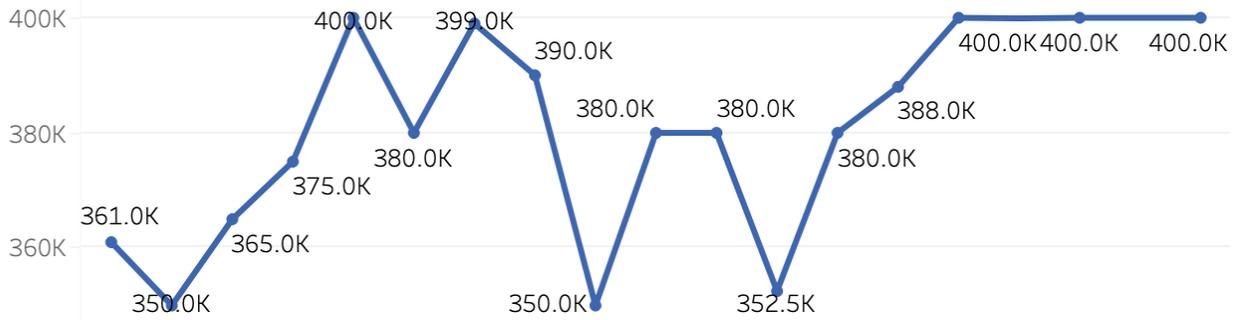


Fig. 9.1: Graph of intended purchase prices vs down payment (in dollars and percentage) from December 2021 through June 2023 in Ontario.

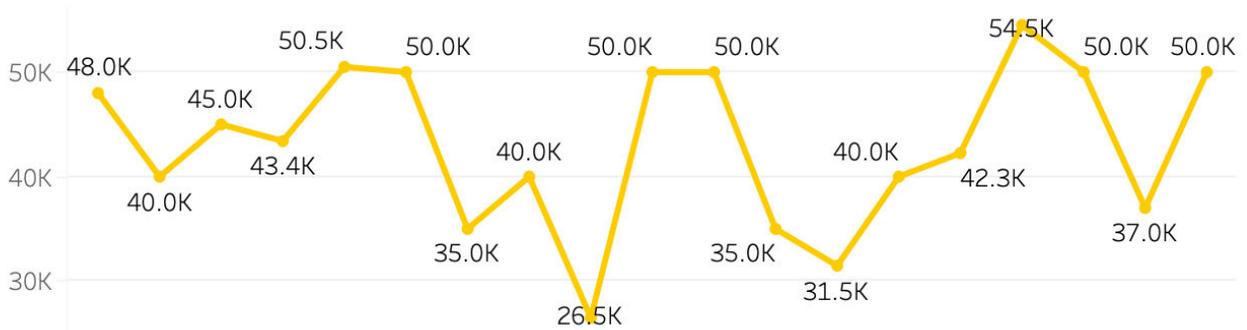


# By Province: QC [2/3]

## Median Purchase Price (\$)



## Median Down Payment (\$)



## Median Down Payment (% of Purchase Price)

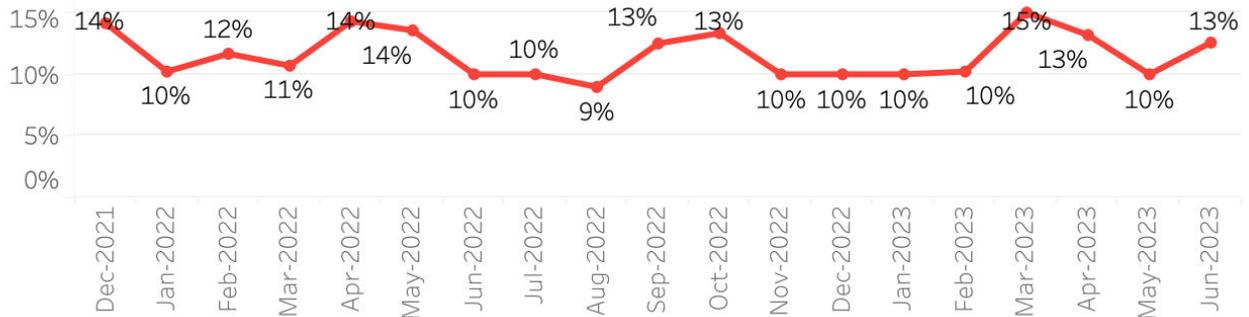


Fig. 9.2: Graph of intended purchase prices vs down payment (in dollars and percentage) from December 2021 through June 2023 in Quebec.



# By Province: AB [3/3]

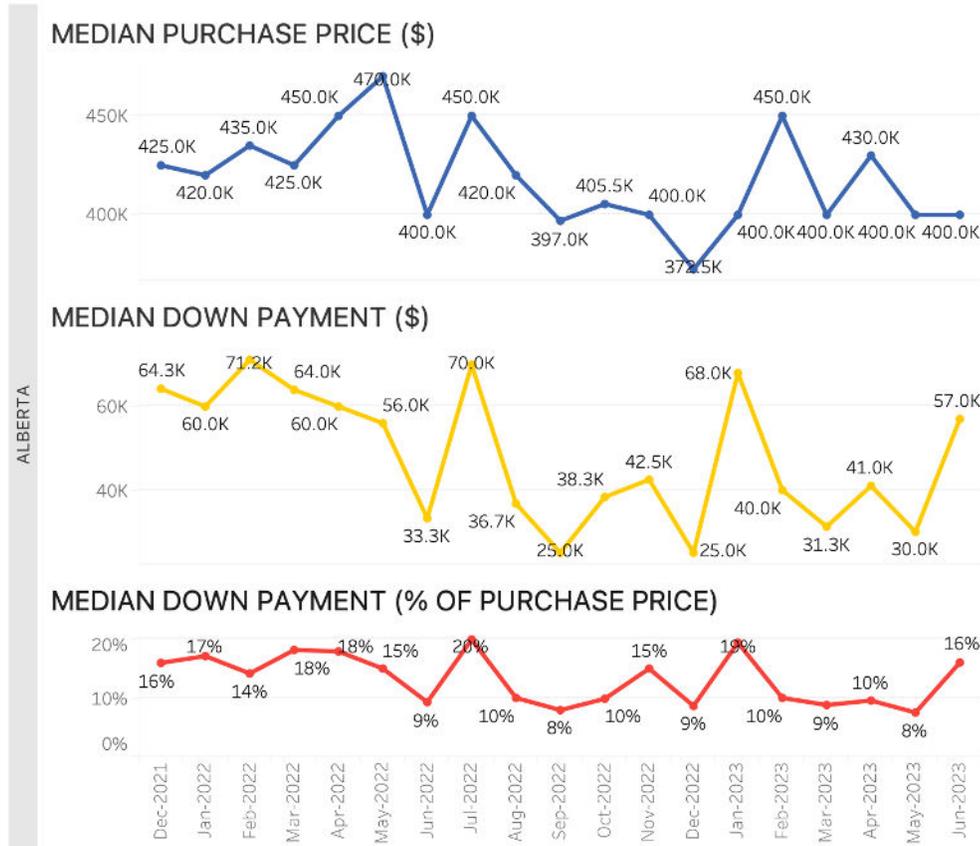


Fig. 9.3: Graph of intended purchase prices vs down payment (in dollars and percentage) from December 2021 through June 2023 in Alberta.

Key Data To Know	TL;DR
<p>In AB, we notice the drop in purchase price persist in June 2023, but the same dramatic increase in median down payments that we are seeing in QC and ON as well. While median purchase price remains at \$400K, median down payment goes up to \$57K in June 2023 from \$30K in May. In turn, the median down payment in percentage doubles, from 8% to 16%.</p>	<p><b>In AB home prices remain stable, while average down payments almost double in June 2023.</b></p>



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# Methodology

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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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