



The
nesto-meter

August recap



Stagnating Home Prices And Smaller Down Payments Persist In Higher Rate Climate

September 2023

In August 2023, new purchases continued to hold the majority stake of nesto applications as renewals plateaued. Many factors surrounding the current market have slowed down the rate of renewals, including borrowers refraining from renewing early in hopes that rates stabilize and high rates stop borrowers from passing the stress test to switch from their current lenders or qualify for refinancing.

The impact of the higher rate environment can also be felt in the home purchase price and median down payment data for August. Both purchase prices and down payments continued to decrease across Canada. This has been the case in QC, ON, and AB for the past few months, despite ON recovering slightly in August. In QC, however, home prices remain at \$400K for the fourth month in a row.

While stagnating home prices and decreases in down payments resulting from a higher rate environment, Canadians planning on entering the housing market should not be deterred from buying sooner rather than later. In this market, moving fast could mean securing a home at a lower price and staying ahead of another rate increase.

We hope you enjoy!



nesto's mortgage trends August 2023

01 Rates

In August 2023, there were 0 changes to the lowest variable rate offered by nesto.

02 Mortgage Type Trends

Purchases continue to hold the majority stake of applications as renewals continue to decline.

03 Property Value

Average Canadian home purchase prices decreased for the 4th month in a row, this time by \$90K, alongside a marked national reduction in median down payments in most provinces.

04 Down Payment

In contrast, ON purchase prices and median down payments recovered from their decline since May. Meanwhile, QC prices maintain their plateau at \$400K.



Section 01

Rates

01



A. Volatility

Number of lowest rate changes per month

Number of lowest rate changes per month

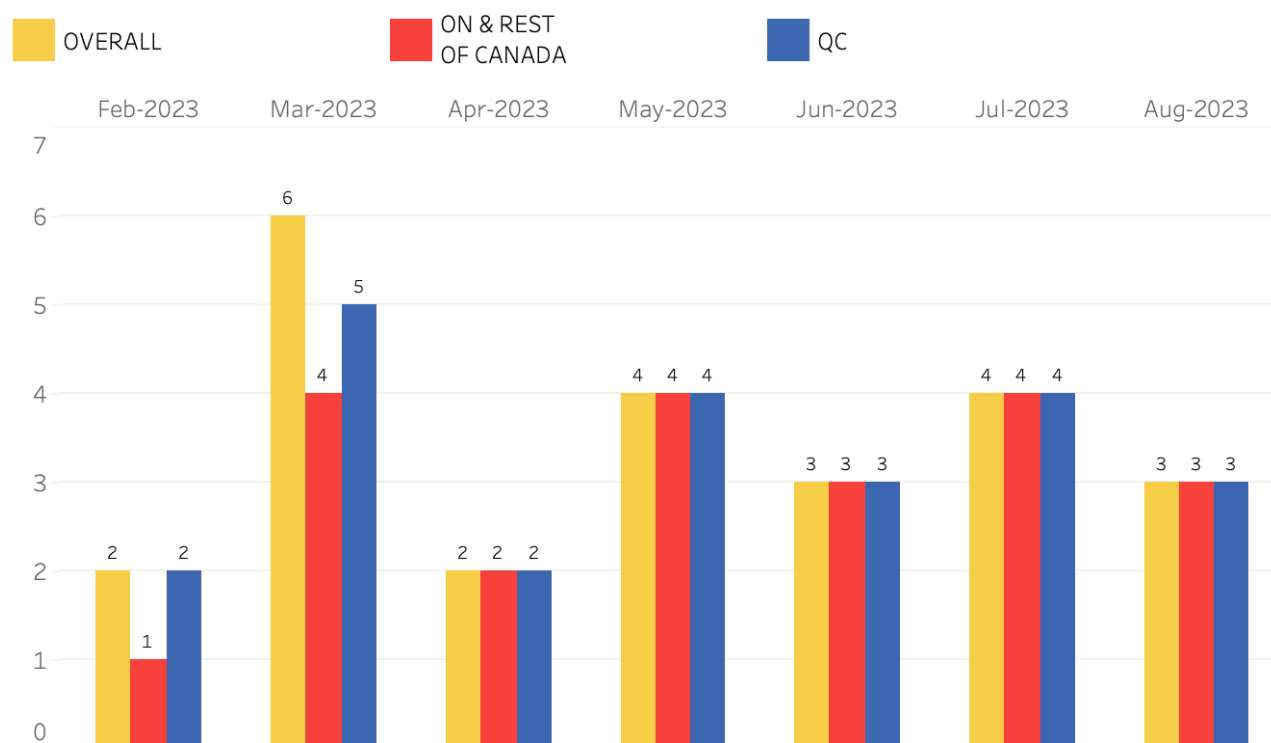


Fig. 1: Number of times the lowest rates offered by nesto to its borrowers changed per month across provinces between February 2023 and August 2023.

Key Data To Know	TL;DR
In August 2023, we saw the number of changes to nesto's lowest rate decrease back to 3 changes again for all of Canada. Since there were no BoC rate announcements in August, there were fewer changes made to rates offered.	In August 2023, we saw the number of changes to the nesto's lowest rate decrease to 3 changes across Canada.



Volatility - by type

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

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

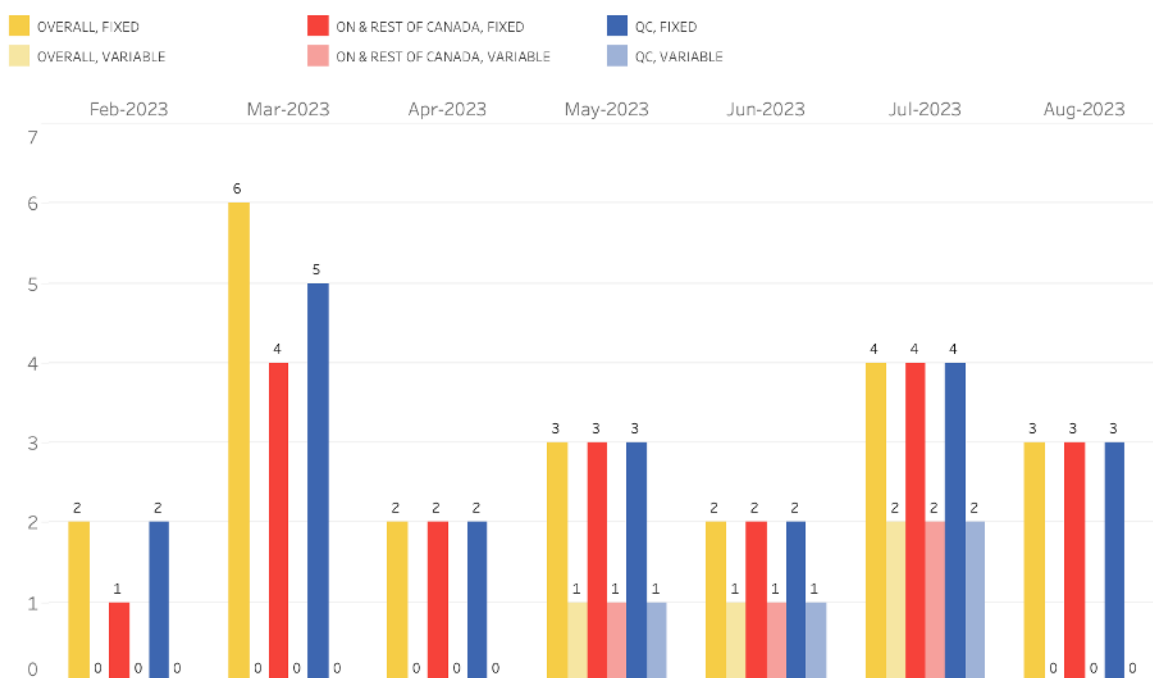


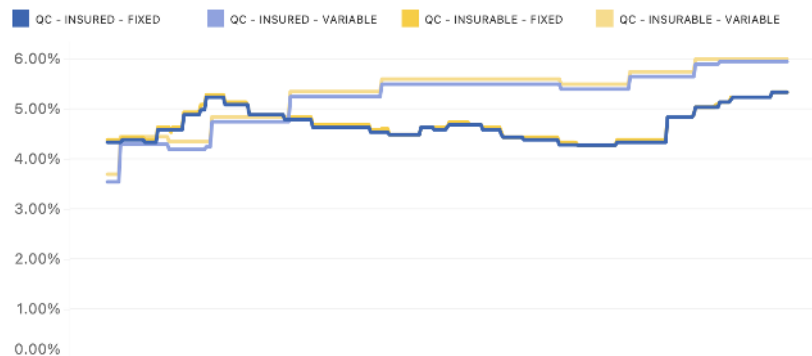
Fig. 2: Number of times the lowest rates offered by nesto to its borrowers changed per month across provinces between February 2023 and August 2023, comparing fixed to variable rates.

Key Data To Know	TL;DR
<p>As mentioned, in August 2023, we saw a decrease in the number of changes to nesto's lowest rate; 3 changes to the fixed rate and no changes to the variable rate. The latter is likely due to the fact that there was no BoC rate announcement scheduled for August. Interestingly, over the past five months, rate changes have been consistent across Canada, be it between QC, ON, or the rest of the country.</p>	<p>The number of changes to nesto's fixed rate decreased to 3 changes, while there were 0 changes to the variable rate in August 2023.</p>



B. Variance: Lowest Rates

QC - Rate Variation



ON & Rest of Canada - Rate Variation

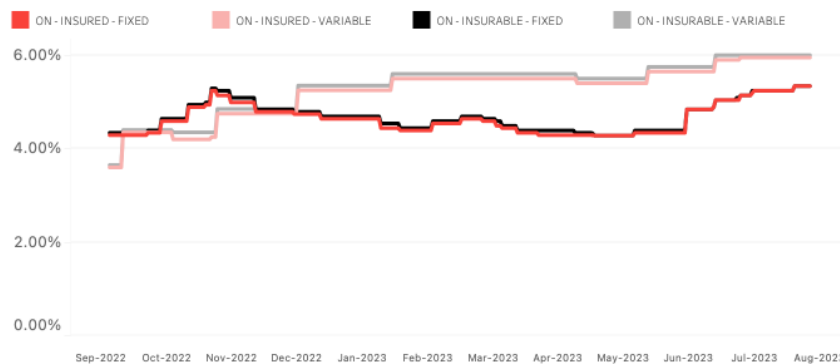


Fig. 3: These graphs show the rate variance in Quebec compared to Ontario and the rest of Canada.

Key Data To Know	TL;DR
<p>Now let's talk about variance! At the start of 2023, variable rates overtook fixed rates by 100 bps, and in May, we saw that this gap has remained consistent. In June 2023, after reaching a relative plateau, the fixed rate experienced an increase, suddenly narrowing the wide gap between the fixed rate and the variable rate that had remained consistent since the beginning of the year. In July 2023, the variable rate hit the 6.00% mark, and in August 2023, remained constant.</p>	<p>In August 2023, both the fixed rate and the variable rates remained consistent since the previous month's increase.</p>



Section 02

Mortgage Type Trends

02



Purchase vs. Renewal vs. Refinance

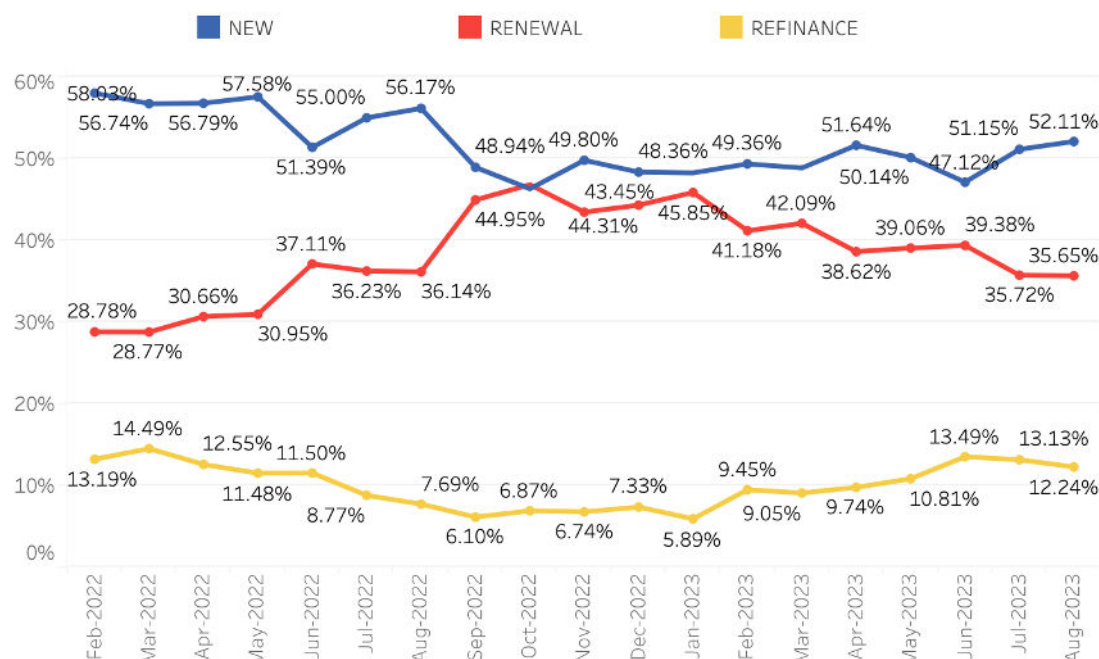


Fig. 4: Trends for the proportion of purchases (new mortgages) vs. renewals vs. refinances from February 2022 to August 2023.

Key Data To Know	TL;DR
<p>In August 2023, purchases continued their very steady incline (up to 52% of applications). After experiencing a stronger decrease last month, renewals remain relatively stable at 35% of applications in August. This trend has been persistent since October 2022, when the two inverted trajectories. The renewal plateau makes sense when considering that many borrowers are having trouble passing the stress tests to switch from their current lenders. Most experts are suggesting to ride out higher rates by choosing whichever option will save them money right now. Borrowers who can't qualify with other lenders are renewing with their current one, especially those 30% of Canadian homeowners who have reached their trigger points and are in no position to refinance with another lender.</p> <p>In turn, refinances remain at 13% of applications. Refinance numbers are coming very close to their earlier peak in March 2022, likely due to rate hikes pushing potential renewers into refinancing their homes to avoid payment shock.</p>	<p>Purchases continued to hold the majority stake of applications in August versus renewals which continued to decline.</p>



Section 03

Purchase Timing Intent

03



Purchase Timing Intent

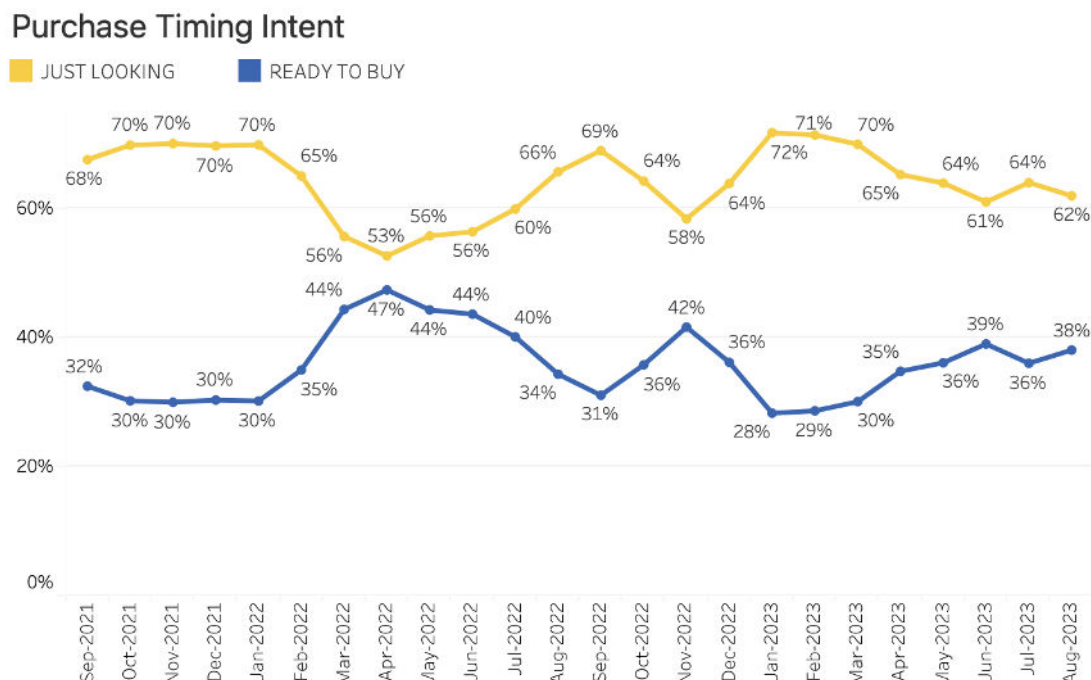


Fig. 5: Purchase intent: proportion of users “ready to buy” vs. “just looking” in their mortgage journey with nesto, illustrated over the last two years from September 2021 to August 2023.

Key Data To Know	TL;DR
<p>Despite this consistent divide between those indicating “ready to buy” versus those “just looking,” we notice how buyer intent has kept shifting in small peaks and dips since last year.</p> <p>Following back-to-back rate hikes in June and July, the gap in buyer intent slightly widened in July 2023, as expected. In turn, this gap tightened again in August 2023, with no BoC announcement scheduled for the month, but in light of the Bank of Canada maintaining its policy rate in September’s announcement, it will be interesting to see if this gap closes further.</p>	<p>The gap in buyer intent slightly tightened again, with no Bank of Canada rate announcement scheduled in August.</p>



Purchase Timing Intent - By Province

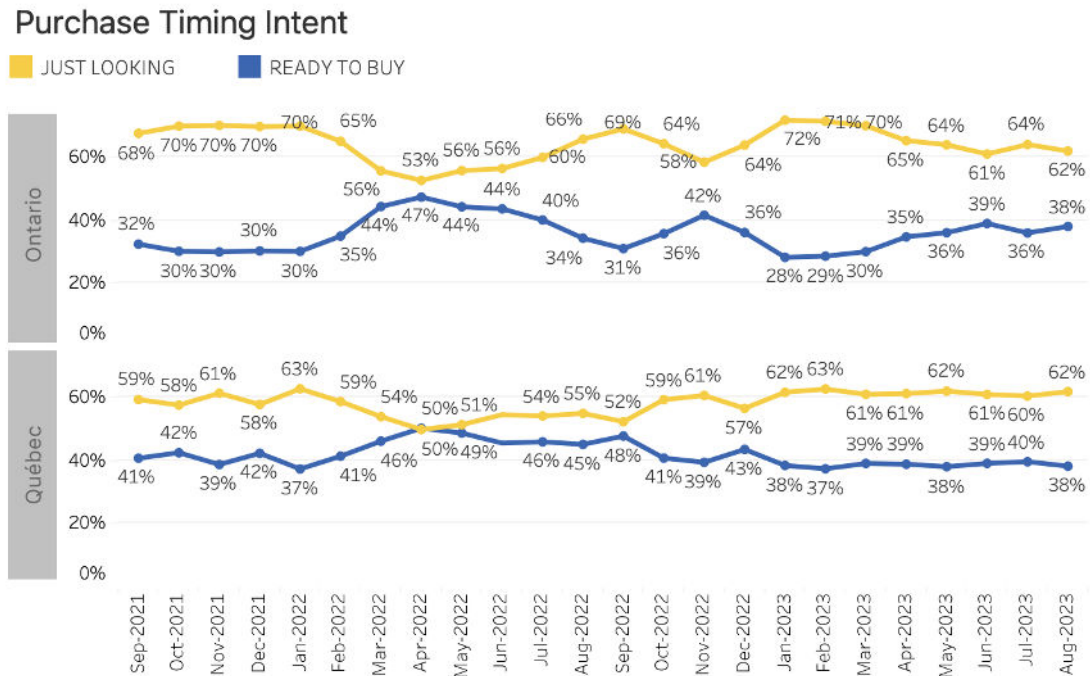


Fig. 6: Purchase timing intent proportion of those “ready to buy” vs “just looking” in nesto’s mortgage process from September 2021 through August 2023 in Quebec and Ontario.

Key Data To Know	TL;DR
<p>In August 2023, buyer intent remained relatively stable in both Ontario and Quebec since the previous month. Additionally, the ratio between users who are “ready to buy” (38%) vs. those who were “just looking” (62%) is the same in both provinces, as well as nationally. These numbers have been in close alignment since May 2023.</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. In August 2023, the QC and ON numbers were perfectly aligned.</p>	<p>The large gap between users who are ‘just looking’ vs. ‘ready to buy’ remains consistent in both ON and QC, aligning very exactly with the national data.</p>



Section 04

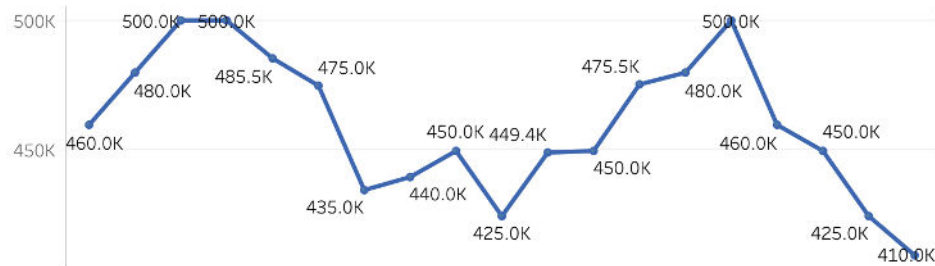
Property Value And Down Payment

04

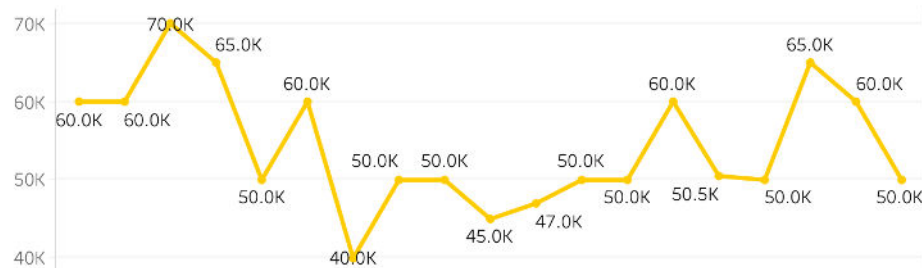


Property Value and Down Payment

MEDIAN PURCHASE PRICE (\$)



MEDIAN DOWN PAYMENT (\$)



MEDIAN DOWN PAYMENT (% OF PURCHASE PRICE)

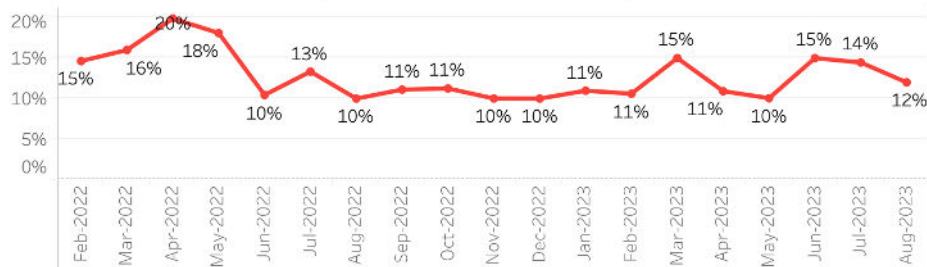


Fig. 7: This chart shows a slight shift in the recent cooling market, with the median purchase price up by \$20,000.

Key Data To Know	TL;DR
<p>Home prices took a nosedive in May 2023, and this downward trend continued for a fourth month straight in August 2023, with median home price dropping down to \$410K from last month's \$425K.</p> <p>In August 2023, the median down payment in both dollar value and percentage decreased twice as much compared to July's numbers, going from \$60K to \$50K and 14% to 12%. This graph accurately illustrates the current affordability crisis in Canada, as homebuyers shop for cheaper and cheaper houses with smaller down payments.</p>	<p>In August 2023, home purchase prices and median down payment experienced a sharp decrease for the fourth month in a row on the national scale.</p>



By Province

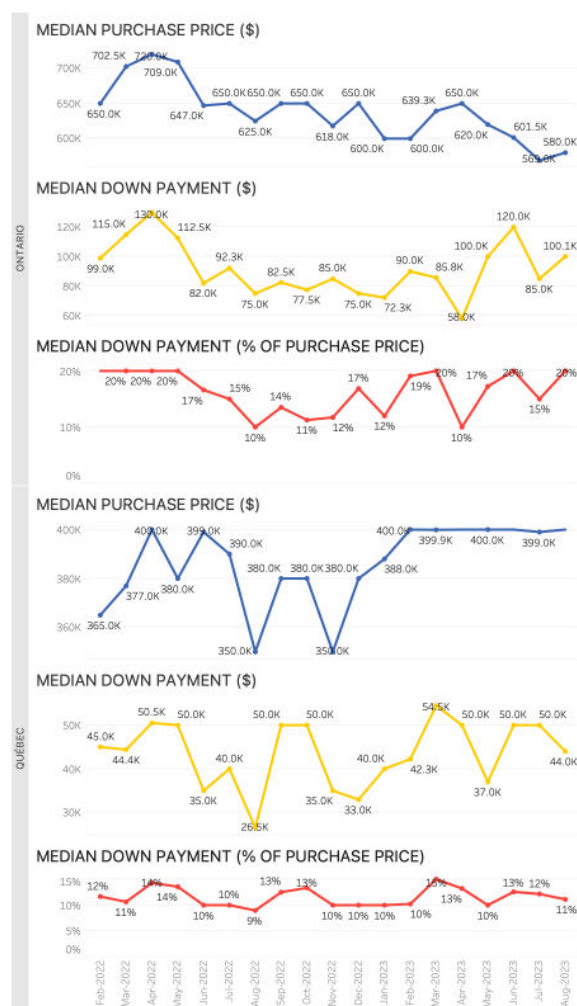


Fig. 8: Graph of intended purchase prices vs. down payment (in dollars and percentage) from February 2022 through August 2023 in Ontario and Quebec.

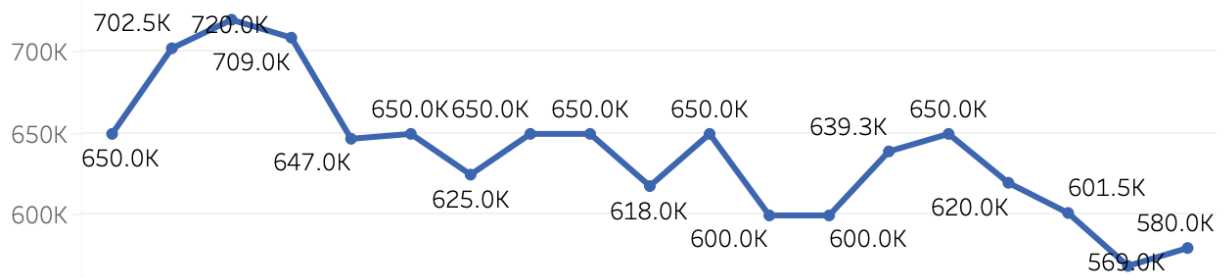
Key Data To Know	TL;DR
<p>In contrast to the national data, in August 2023, the numbers in Ontario interrupted the downward trend in home prices we've been seeing since May, going from \$569K to \$580. Median down payment, in both dollar and percentage value, increased from \$85K to \$100K and 15% to 20%, respectively. Meanwhile, in QC, the median purchase price has plateaued at \$400K for the fourth month in a row. However, in line with the national data, QC's median down payment in both dollar value and percentage experienced a dip, going from \$50K to \$44K and 12% to 11%, respectively.</p>	<p>In August 2023, after being on a decline since May, ON home prices and median down payments experienced an increase. In QC, home prices continue to plateau for a fourth month in a row, while median down payments experience a slight decrease.</p>



By Province: ON [1/3]

Median Purchase Price (\$)

MEDIAN PURCHASE PRICE (\$)



Median Down Payment (\$)

MEDIAN DOWN PAYMENT (\$)



Median Down Payment (% of Purchase Price)

MEDIAN DOWN PAYMENT (% OF PURCHASE PRICE)

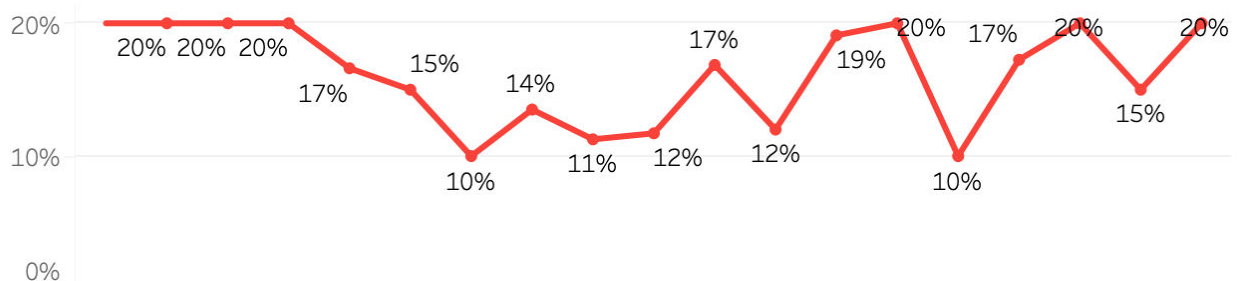


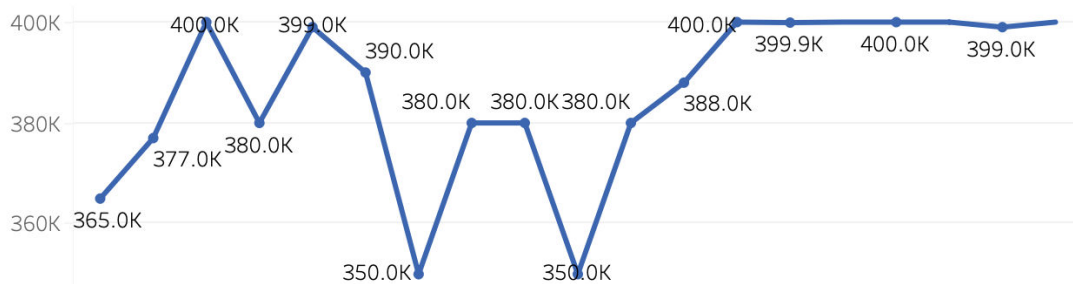
Fig. 8.1: Graph of intended purchase prices vs down payment (in dollars and percentage) from February 2022 through August 2023 in Ontario.



By Province: QC [2/3]

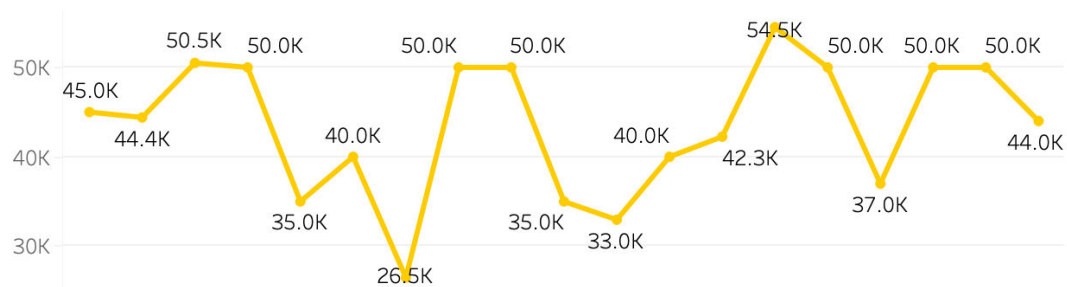
Median Purchase Price (\$)

MEDIAN PURCHASE PRICE (\$)



Median Down Payment (\$)

MEDIAN DOWN PAYMENT (\$)



Median Down Payment (% of Purchase Price)

MEDIAN DOWN PAYMENT (% OF PURCHASE PRICE)

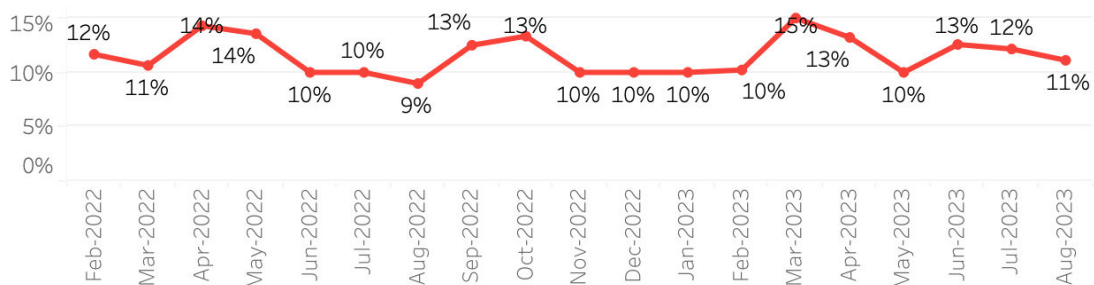
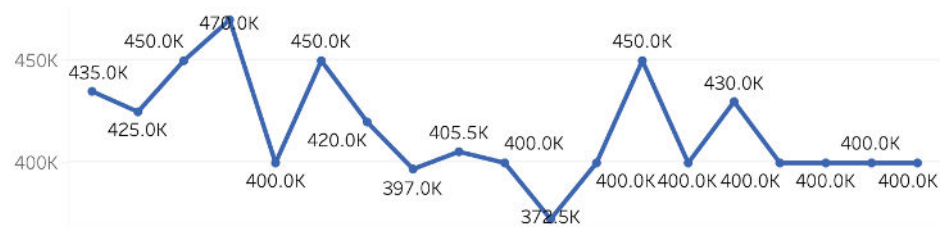


Fig. 8.2: Graph of intended purchase prices vs down payment (in dollars and percentage) from February 2022 through August 2023 in Quebec.

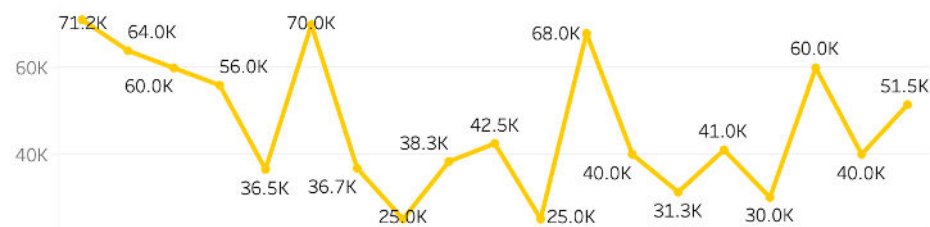


By Province: AB [3/3]

MEDIAN PURCHASE PRICE (\$)



MEDIAN DOWN PAYMENT (\$)



MEDIAN DOWN PAYMENT (% OF PURCHASE PRICE)

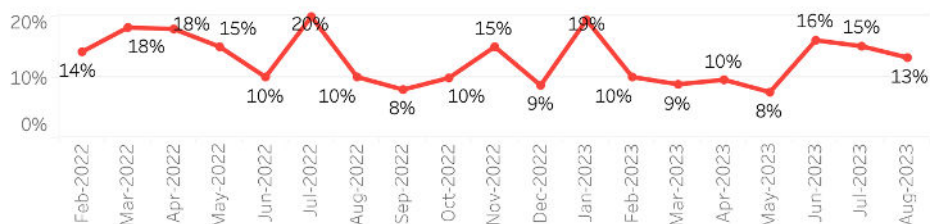


Fig. 8.3: Graph of intended purchase prices vs down payment (in dollars and percentage) from February 2022 through August 2023 in Alberta.

Key Data To Know

AB's purchase price continued to plateau at \$400K, where it's been since June 2023. After a dramatic increase in June, we saw the median down payment drop in both dollar value and percentage in July 2023. Interestingly, in August 2023, we saw the median down payment in dollars increase from \$40K to \$51K, while the median down payment in percentage went down from 15% to 13%.

TL;DR

In AB, home prices plateau, while the median down payment in dollar value increased but decreased in percentage.



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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