The **nesto-meter**

September recap





National Trends In Home Prices Show 20% Decline Since May 2023

September 2023 Recap

In light of the Bank of Canada maintaining its policy rate on September 6, there were once again no changes to nesto's variable rate for the second month in a row and only one change to nesto's fixed rate in September 2023. But rates weren't the only players impacted by the BoC's decision.

The once significant gap in buyer intent in ON, QC, and the rest of Canada continued to tighten in September, with users who are 'looking to buy' slowly closing in on those who are 'just looking.' It will be interesting to see if a potential rate hike in October reverses this trend.

In the world of purchase price and down payments, we saw some very different trends in ON, QC, and AB, as well as on the national scale. A wider perspective in purchase price trends reveals a steady decline in ON purchase price since March 2022, while shifts in QC and AB prices have remained in a relatively smaller range.

We hope you enjoy!



nesto's mortgage trends September 2023

01 Property Value

Over the course of the last 18 months, **the average purchase price in Ontario has dropped by 28%**, from \$720K to \$518K by September 2023.

02 Rates

There were **no changes to the best variable rate** available for the second month in a row and only 1 change to the fixed rate.

O3 Purchase Timing Intent

In light of the BoC maintaining its policy rate in September 2023, the gap in buyer intent continued to tighten, as the portion of **users** who are ready to buy increased by 2% since the previous month.

04 National Trends

Between May 2023 and September 2023, **the national average for home prices dropped by 20%,** going from \$500K to \$400K.



Section 01

Rates





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 changed per month across provinces between March 2023 and September 2023.

Key Data To Know TL;DR In September 2023, there was only 1 change to In September 2023, we nesto's lowest offered rate, down from 3 overall saw the number of changes in August. In their September rate changes to the announcement, the Bank of Canada maintained nesto's lowest rate its policy rate, which can explain the fewer decrease to 1 overall changes compared to previous months that saw change across rate hikes. Canada.



Volatility - by type

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

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

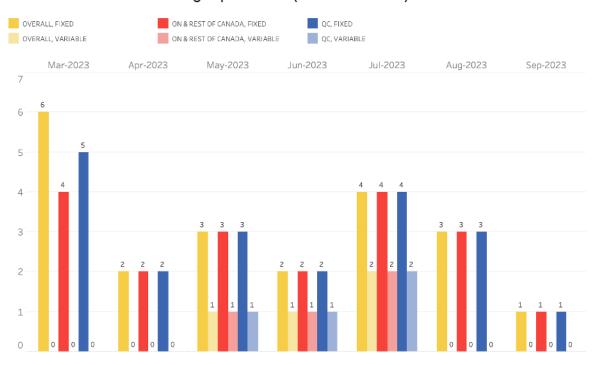


Fig. 2: Number of times the lowest rates offered by nesto to its borrowers changed per month across provinces between March 2023 and September 2023, comparing fixed to variable rates.

Key Data To Know

country.

graph, we see that there was actually only 1 change to the fixed rate in September, but 0 changes to the variable rate once again.

Interestingly, over the past six months, rate changes have been consistent across Canada, be it between QC, ON, or the rest of the

Focusing further on the data from the previous

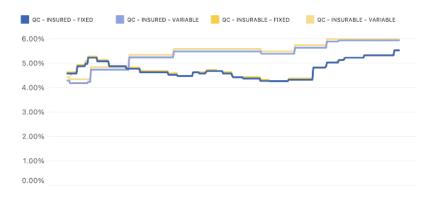
TL;DR

The number of changes to nesto's fixed rate decreased to 1 change, while there were 0 changes to the variable rate in September 2023.



B. Variance:Lowest Rates

QC - Rate Variation



ON & Rest of Canada - Rate Variation

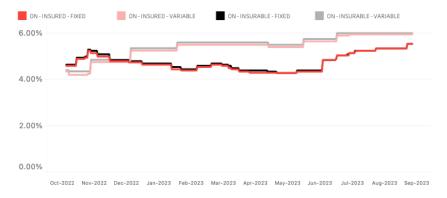


Fig. 3: These graphs show the rate variance in Quebec compared to Ontario and the rest of Canada.

Key Data To Know

Right at the start of 2023, as **variable rates** continued to increase and fixed rates continued their decline, variable rates finally overtook fixed rates. Why was this notable? Historically, variable rates have been lower than fixed rates since they were also the riskier option. After hitting the 6.00% mark in July 2023, variable rates continue to plateau into September 2023 for the third month in a row. **Fixed rates**, on the other hand, have only continued to climb since their sharp increase back in June 2023. This is likely an expectation for the BoC and the US Fed to tame inflationary pressures in the near future. Now, in light of the data in September 2023, we can see the gap between fixed rates and variable rates really begins to narrow.

TL;DR

In September 2023, variable rates continued to plateau, while fixed rates continued to climb and further narrowed the gap between the two.



Section 02

Mortgage Type Trends





Purchase vs. Renewal vs. Refinance

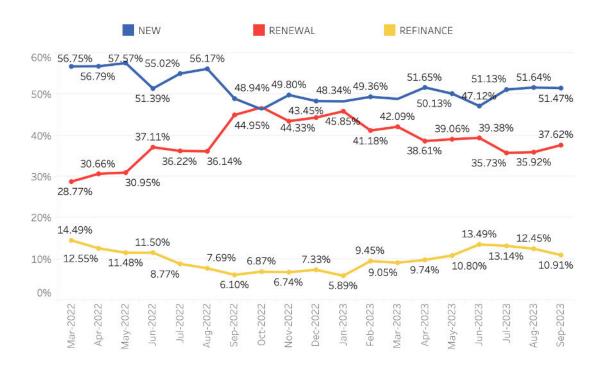


Fig. 4: Trends for the proportion of purchases (new mortgages) vs. renewals vs. refinances from March 2022 to September 2023.

Key Data To Know

In September, the proportion of purchases remained at 51% for the third month in a row. That being said, purchases still hold the majority proportion of applications and have only continued to increase since October 2022. Despite a slight increase in September 2023, renewals continued their overall decline as borrowers were having trouble passing the stress tests to switch from their current lenders.

In turn, proportionally, refinances dipped down to 10% of applications. Refinance numbers have been on a steady decline since June 2023, possibly due to homeowners having trouble qualifying on higher interest rates. This is especially the case for the 30% of homeowners who have reached their trigger points, limiting them to renewing with their current lender, as they are unable to qualify for a refinance with another lender.

TL;DR

Purchases continued to hold the majority proportion of nesto's new applications in September 2023 versus a decline in renewals.



Section 03

Purchase Timing Intent





Purchase Timing Intent

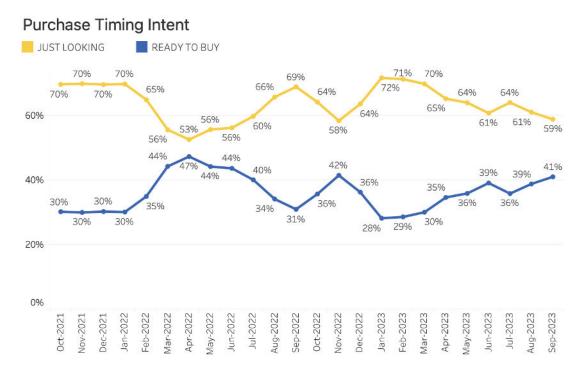


Fig. 5: Purchase intent: proportion of users "ready to buy" vs. "just looking" in their mortgage journey with nesto, illustrated over the last two years from October 2021 to September 2023.

| Key Data To Know | TL;DR |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| 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 troughs since last year. And in September 2023, we began to see another narrowing of that gap. | In light of the BoC maintaining its policy rate in September 2023, the gap in buyer intent continued to tighten. |
| Following back-to-back rate hikes in June and July, the gap in buyer intent slightly widened in July 2023. As expected, this gap tightened once again in September 2023 as the BoC maintained its policy rate. It will be interesting to see if a potential rate hike in October widens this gap once more. | |



Purchase Timing Intent - By Province

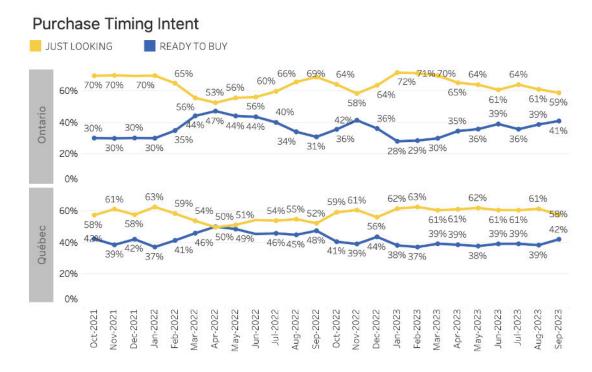


Fig. 6: Purchase timing intent proportion of those "ready to buy" vs "just looking" in nesto's mortgage process from October 2021 through September 2023 in Quebec and Ontario.

TL;DR **Key Data To Know** As we can note from past months, the trends in provincial While users who are data for buyer intent do not always match national trends. 'just looking' still For example, this time last year, ON maintained a huge gap maintain the majority in purchase timing intent, while QC did not. However, since proportion, the gap in June 2023, purchase timing intent in both QC and ON has buyer intent is slowly followed national trends very closely, and this is the case narrowing in ON and once more in September 2023. QC. Despite users who are 'just looking' continuing to hold the majority proportion over users who are 'ready to buy' in both provinces, the gap between the two is starting to significantly narrow.

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Section 04

Property Value And Down Payment





Property Value and Down Payment





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

Home prices took a nosedive **back in May 2023,** continuing for a fifth month straight into September 2023, with median home price dropping by \$100K over 5 months, from \$500K to \$400K. **In September 2023,** the median down payment in dollars increased from \$50K to \$60K, while in percentage, it remained at 13%. This graph accurately illustrates the current affordability crisis in Canada, as homebuyers are shopping for homes at lower price points while needing bigger down payments due to higher qualifying rates.

TL;DR

Between May 2023 and September 2023, average home pricesd ropped by 20%, going from \$500K to \$400K.



By Province

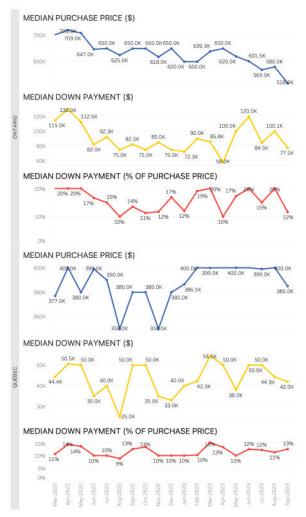


Fig. 8: Graph showing the variance of purchase prices vs. down payment, both in dollars and percentages for Ontario and Québec from March 2022 through September 2023.

Key Data To Know

Looking at provincial trends in average purchase price over the last 18 months, we observed ON home prices overall have declined since March 2022. Over the course of the last 18 months, the average purchase price in ON has dropped from \$720K to \$518K in September 2023.

At first glance, it may seem as QC and AB purchase prices show more volatile trends, when in reality, home prices in these two provinces have maintained their range. QC prices have remained between \$400K and \$350K, while AB prices have remained between \$470K and \$375K.

TL;DR

An overall decline in average purchase prices in ON starting in March 2022. Median down payments have decreased in ON, while increasing in AB, and remaining stable in QC for September 2023.



By Province: ON [1/3]

Median Purchase Price (\$)



Median Down Payment (\$)



Median Down Payment (% of Purchase Price)

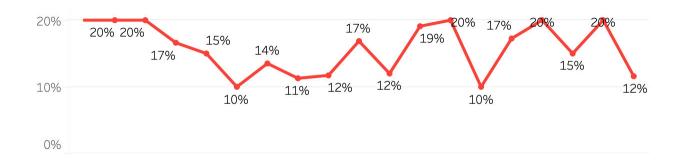
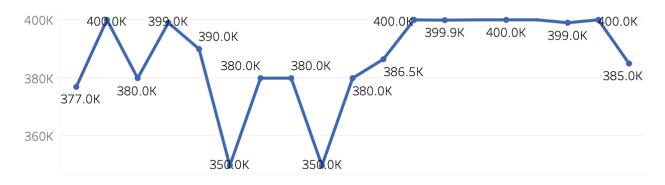


Fig. 8.1: Graph of intended purchase prices vs down payment (in dollars and percentage) from March 2022 through September 2023. in Ontario.

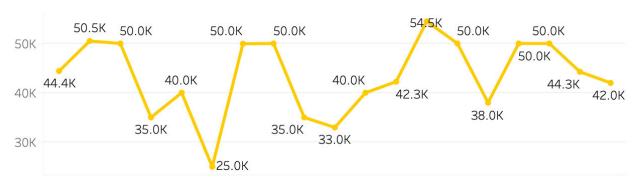


By Province: QC [2/3]

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 March 2022 through September 2023. in Quebec.



By Province: AB [3/3]

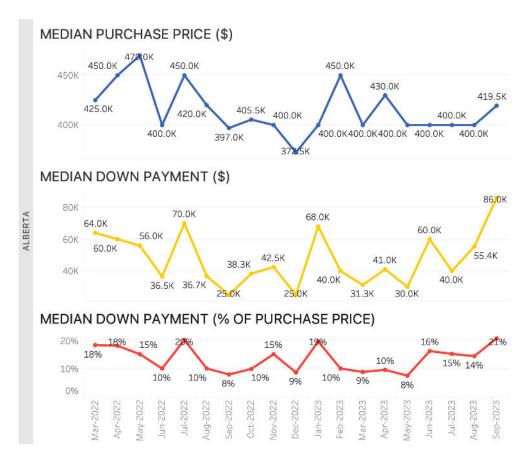


Fig. 8.3: Graph of intended purchase prices vs down payment (in dollars and percentage) from March 2022 through September 2023. in Alberta.

| Key Data To Know (Cont'd) | TL;DR |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| Median down payments, numbers have moved in peaks and dips since the beginning of 2023 in all 3 provinces. Currently, median down payments in both dollars and percentages have declined in ON. However, they have increased in AB, while remaining relatively stable in QC. These differences are indicative of housing affordability in each province, where higher rates coupled with comparably higher home prices have hit ON the hardest. | These differences in trends in the three provinces are indicative of housing affordability in each province. |



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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For press and research-related requests, email us at media@nesto.ca.

