



The  
**nesto-meter**

February Recap



# nesto's mortgage trends February 2023

## 01 Rates

In February, there was a total of **0 changes to the variable** rate offered by nesto across Canada.

## 02 Mortgage Type Trends

Variable rates are still 100 bps higher than fixed rates. The **5-year fixed rate has reached its highest popularity** since data collection started (in Feb, 89% of all choices were fixed rates, and 95% of these were 5-year fixed rate)

## 03 Purchase Timing Intent

February shows a **30% difference between clients who are 'just looking' and those who are 'ready to buy.'** This widening spread tells an opposite story to this time last year, when the gap in buyer intent was tightening.

## 04 Property Value And Down Payment

Buyers in ON are increasingly **contributing larger down payments**, while QC buyers are shopping in a higher price range and maintaining the same percentage for their down payments.



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February Recap



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# Down payments in Ontario surge, while Quebec buyers start shopping at a higher price range

## February Recap 2023

With no Bank of Canada rate announcement, the month of February saw fewer changes in the lowest rate offered by nesto, with only 2 overall fixed rate changes and a total of zero variable rate changes. That said, the large gap between fixed and variable rates remains consistent, as does buyer hesitancy. Users who are 'just looking' continue to outweigh those who are 'ready to buy.'

On the home buying end, this month's report spotlights a comparison between ON and QC. Purchase price in ON remains stable, but buyers are contributing increasingly larger down payments. While in Quebec, we can note an increase in the average purchase prices, with the down payment percentages remaining consistent.

Finally, this month's deep dive looks into the correlations between applicant age, marital status, and joint applications. It also follows nesto clients' homebuying journeys, the moment they start their mortgage application to signing their home purchase at the notary. It's interesting to note how the number of days between the application creation and signing shifts in line with changes in the housing market.

***Read on to learn about the mortgage industry trajectory.***



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Section 01

# Rates

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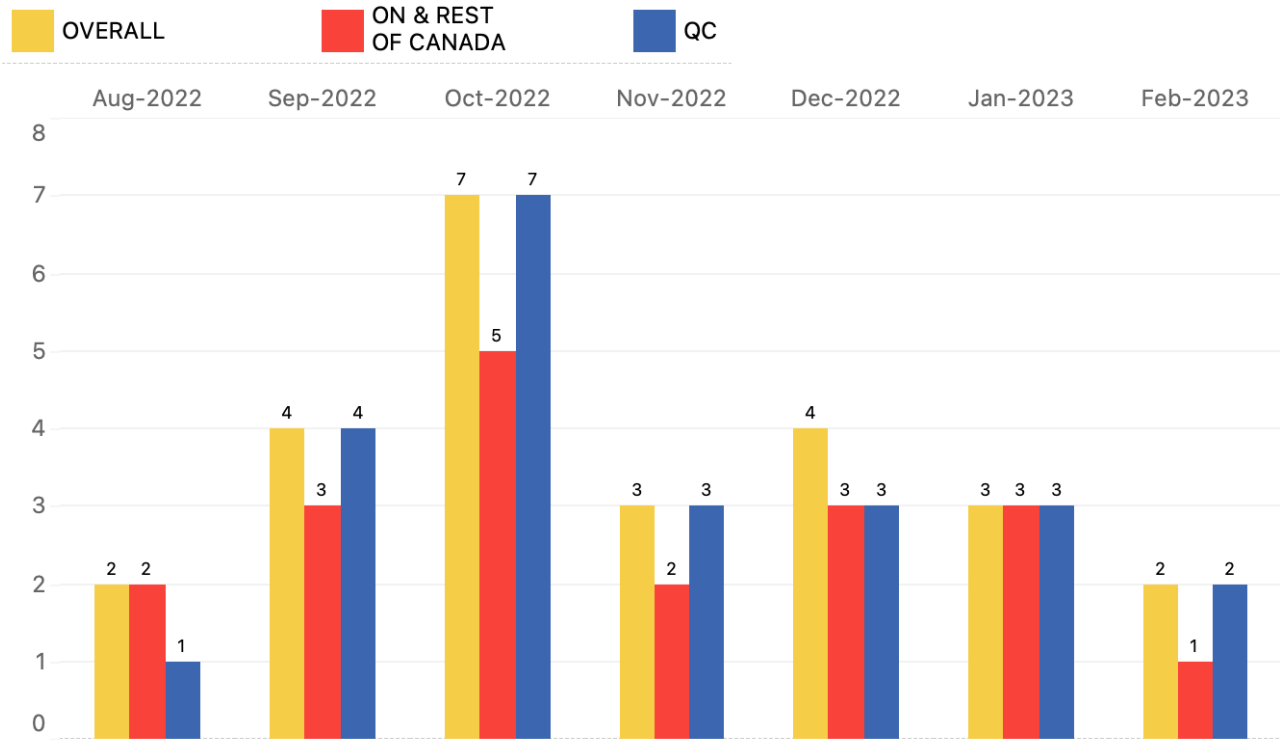
# 01



# 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 August 2022 and February 2023.

Key Data To Know	TL;DR
<p>In February 2023, we saw one less rate change in Quebec, dropping from 3 rate changes in January 2023 to 2 rate changes. In Ontario and the rest of Canada, there was only one rate change in February, down from 3 changes in January. The decrease in the number of changes to nesto's lowest rate in February can be attributed to the absence of a Bank of Canada rate announcement during that month.</p>	<p><b>The number of lowest rate changes offered by nesto decreased in QC, ON, and the rest of 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)

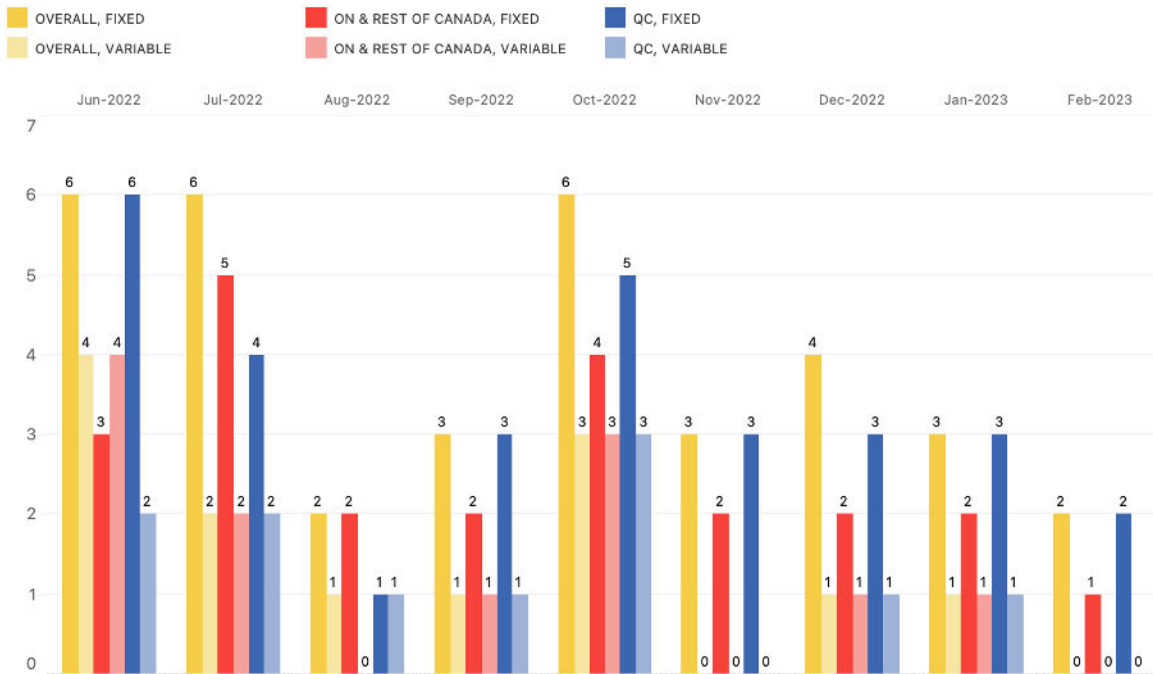


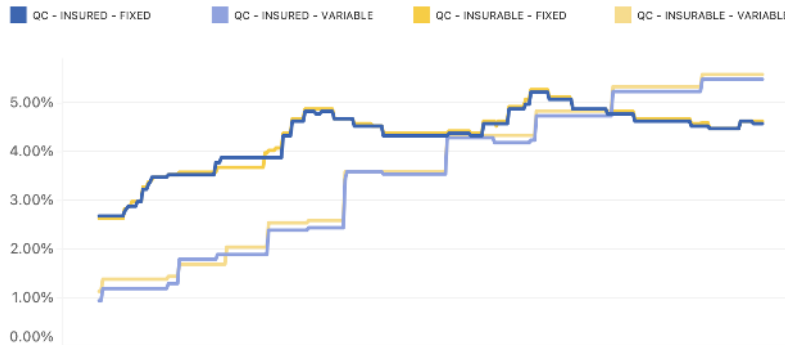
Fig. 2: Number of times the lowest rates offered by nesto to its borrowers changed per month across provinces between June 2022 and February 2023, comparing fixed to variable rates.

Key Data To Know	TL;DR
<p>Looking at this year with a wider lens, we notice that the rate changes fell from their high in spring 2022 when the rate hikes first began. We can also note a trend in how spikes in rate changes align with BoC rate hike announcements, corresponding with shifts in bond markets which predict BoC expectations.</p> <p>February 2023 showed a decrease in the number of changes to the fixed rate in all of Canada and 0 changes to the variable rate. As mentioned earlier, this can be attributed to the fact that there was no BoC rate announcement in February. This data helps us conclude that variable rate changes were more stable than fixed rates as the BoC continued its monetary tightening over the last 9 months.</p>	<p>There were <b>0 changes to nesto's variable rate</b> in February 2023.</p>



# B. Variance: Lowest Rates

## QC - Rate Variation



## ON & Rest of Canada - Rate Variation

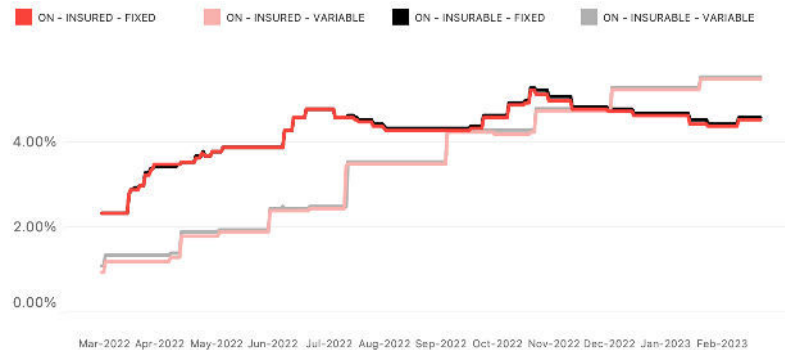


Fig. 3: These graphs show the rate variance in Quebec compared to Ontario and the rest of Canada.

Key Data To Know	TL;DR
<p>Now let's talk about variance! Last year, we saw fixed rates rise and overtake variable rates significantly. This gap widened from March 2022 to the summer (&gt;5.0% for fixed and &lt; 5.0% for variable), which is attributed to the interest rate hikes from the Bank of Canada. However, with interest rate hike announcements continuing as the year progressed, the gap between fixed and variable rates narrowed, converged, and flipped in December! 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.</p>	<p><b>Variable rates are still 100 bps higher than fixed rates.</b> The 5-year fixed rate has reached its highest popularity since data collection started (in Feb, 89% of all choices were fixed rates, and 95% of these were 5-year fixed rate).</p>





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Section 02

# Mortgage Type Trends

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02



# Purchase vs. Renewal vs. Refinance

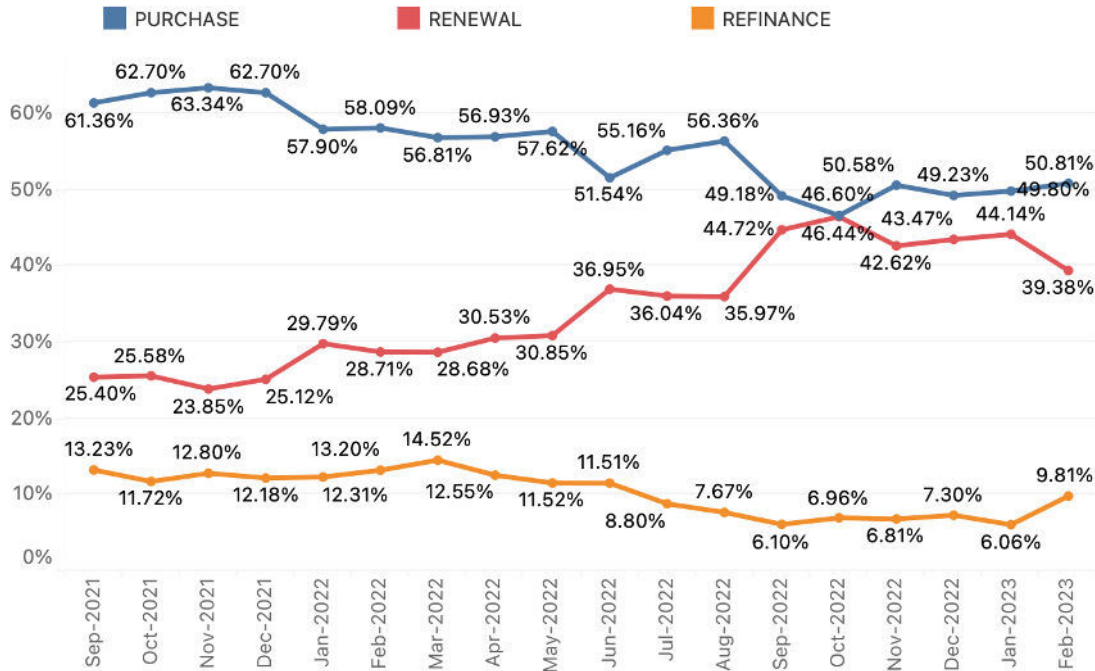


Fig. 4: Trends for the proportion of purchases (new mortgages) vs renewals vs refinances from September 2021 to February 2023.

Key Data To Know	TL;DR
<p>After meeting in the middle with an almost balanced amount of renewals to purchases in October 2022, we now see purchases taking the lead (50.81%) and renewals dipping (39.81%, down from 44.14%). This could signal that the cooling housing market is creating demand again as buyers come off the sidelines due to slightly falling fixed interest rates, the BoC rate hike pause, and falling home prices in most key regions.</p>	<p><b>New purchases continue to climb due to lower fixed interest rates, falling home prices and a potential slowdown in BoC rate hikes.</b></p>



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Section 03

# **Purchase Timing Intent**

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# 03



# Purchase Timing Intent

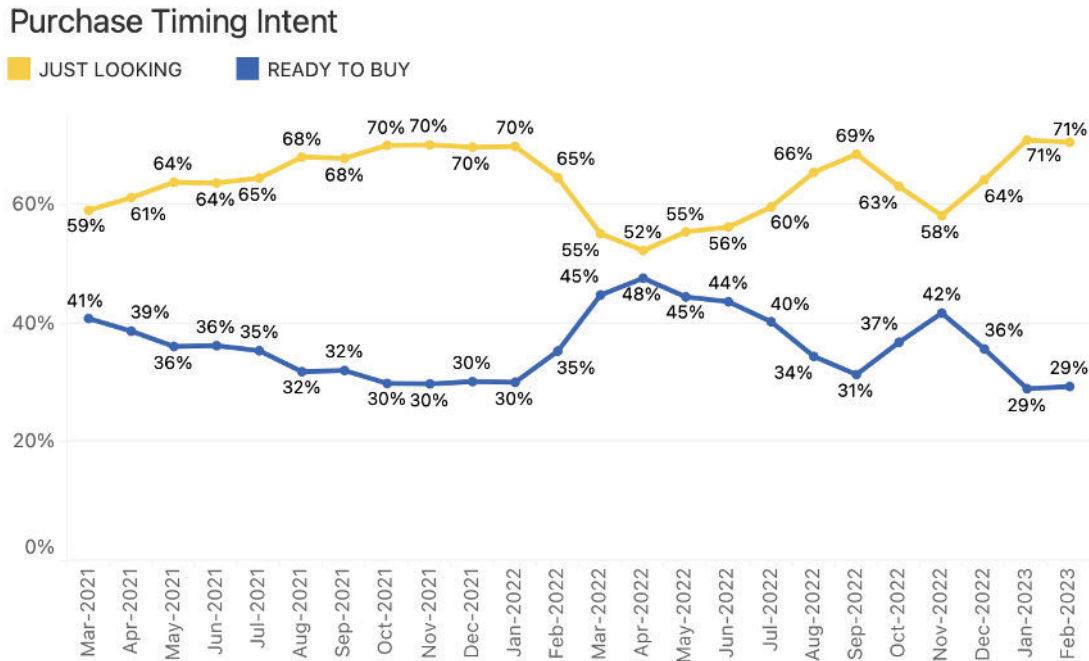


Fig. 5: Purchase intent: proportion of users “ready to buy” vs “just looking” in their mortgage journey with nesto, illustrated over the last two years from March 2021 to February 2023.

Key Data To Know	TL;DR
<p>Our clients' purchase intent in February 2023 reiterates the buyer hesitancy we've noticed since summer of 2022. January 2023 showed the biggest buyer intent spread since December 2021, with 70% of clients who are 'just looking' and 30% who are 'ready to buy'; February maintains the same data. While we're getting more purchase applications versus renewal applications, it still seems that buyers are shopping around for their best rate before settling in.</p> <p>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.</p>	<p>February shows a <b>30% difference between clients who are 'just looking' and those who are 'ready to buy.'</b> This widening spread tells an opposite story to this time last year, when the gap in buyer intent was tightening.</p>



# Purchase Timing Intent - By Province

Purchase Timing Intent

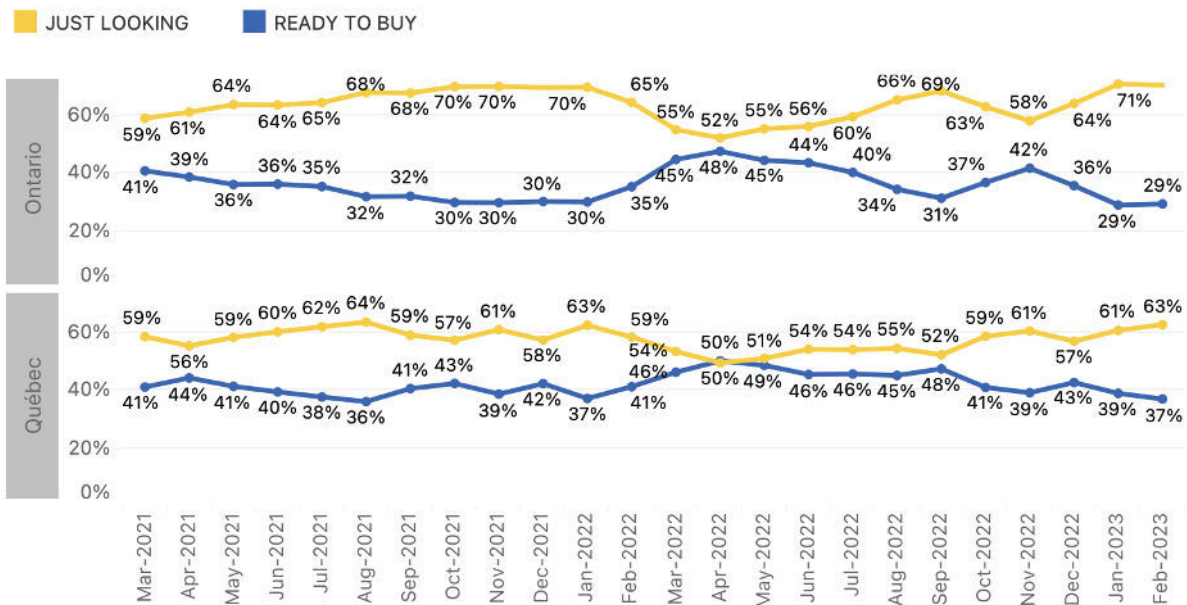


Fig. 6: Purchase timing intent proportion of those “ready to buy” vs “just looking” in nesto’s mortgage process from March 2021 through February 2023 in Quebec and Ontario.

Key Data To Know	TL;DR
<p>Matching the national data above, the portion of ON users who are ‘just looking’ reached 71% in February 2023, while the portion of those who are ‘ready to buy’ remains at 29%. In QC, users who are ‘just looking’ also hold a majority stake at 63%, 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><b>The gap between users who are ‘just looking’ vs ready to buy continues to increase in both ON and QC.</b></p>



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Section 04

# **Property Value And Down Payment**

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**04**



# Property Value and Down Payment

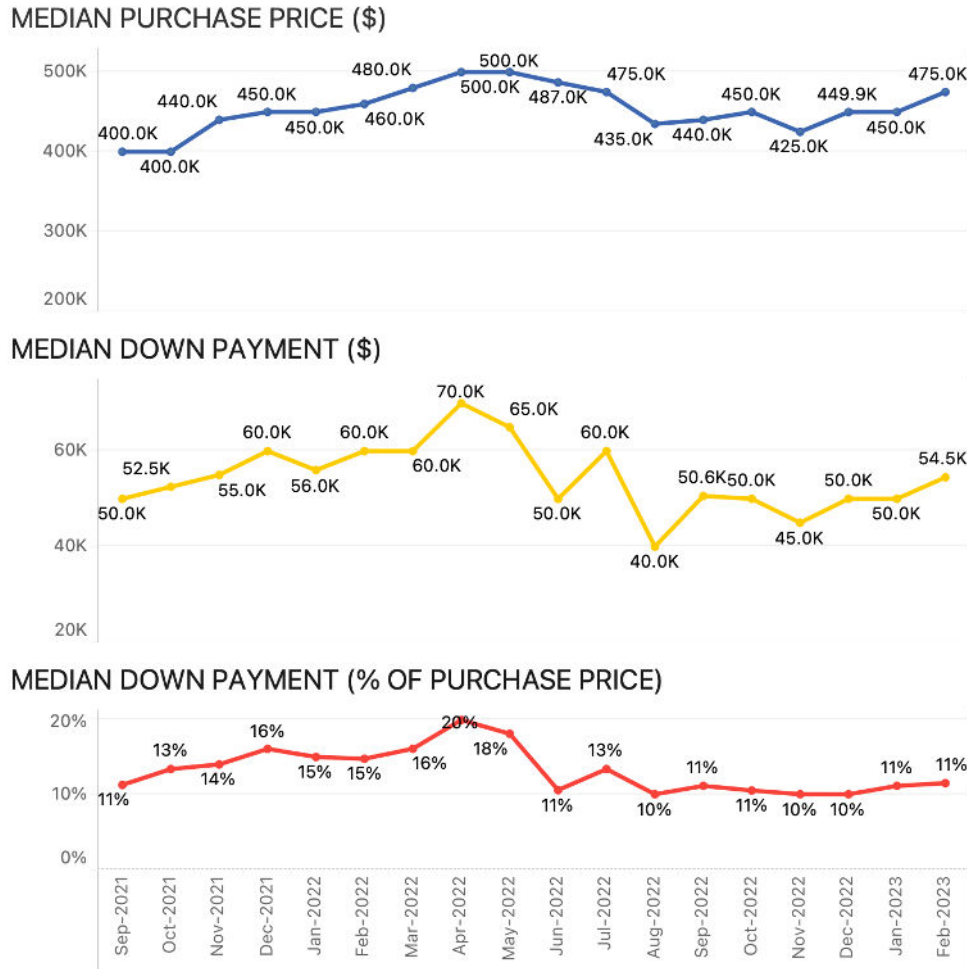


Fig. 7: This chart shows a slight shift in the recent cooling market, with the median purchase price up by \$20,000.

Key Data To Know	TL;DR
<p>In February 2023, the purchase price and median down payment in dollar value continue to increase. Median purchase price increased from \$450,000 to \$475,000; in tandem, the median down payment increased from \$50,000 to \$54,000. Notably, the median down payment in percentage value remains stable, which could mean that clients are buying more expensive homes instead of putting higher down payments on less expensive homes.</p> <p>Despite the slight increase in these numbers this month, these fluctuations are not notable and are still in line with the cooling market. Additionally, down payments are trending up to compensate for the rate increase over the same period.</p>	<p><b>In February 2023, the median purchase price and the median down payment in dollars increased from the previous month, while the median down payment percentage remained stable.</b></p>



# By Province

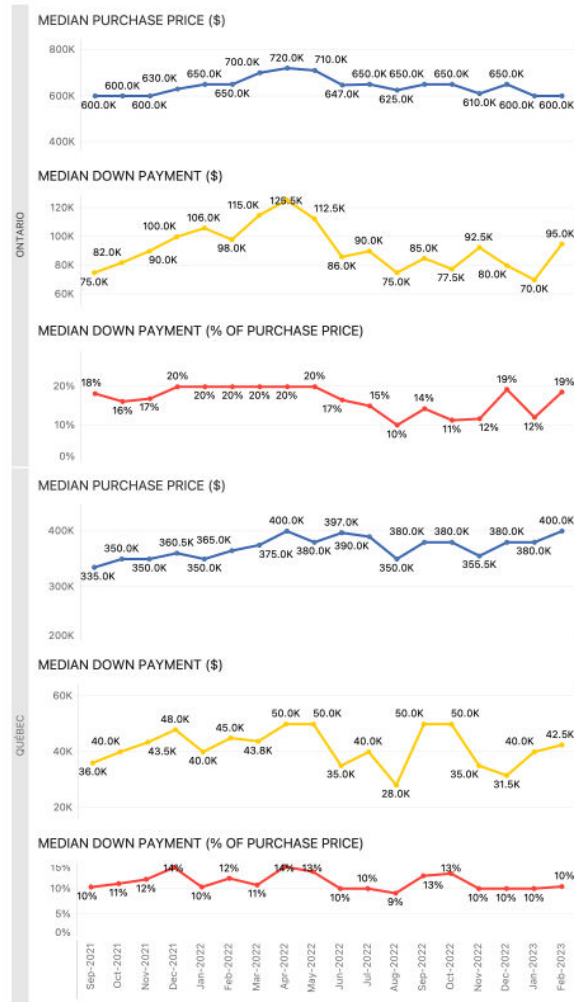


Fig. 8: Graph of intended purchase prices vs down payment (in dollars and percentage) from September 2021 through February 2023 in Ontario and Quebec.

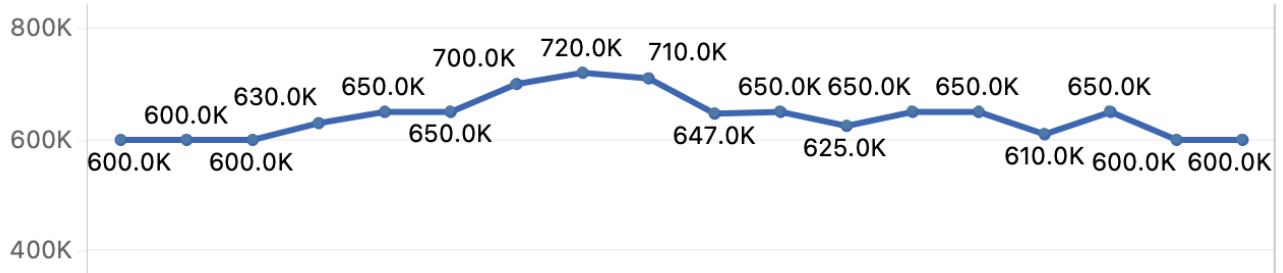
Key Data To Know	TL;DR
<p>In February 2023, we can note a very interesting contrast in buyer behaviour between Ontario and Quebec. In ON, the median down payments in both dollars and percentages experienced a surge, while the average purchase price remained at 600K. In QC, the median purchase price and the median down payment in dollars have increased, while the median down payment percentage remains stable.</p> <p>This data makes for an interesting comparison between the two provinces. Buyers in ON are staying within the same price range but are contributing increasingly larger down payments. On the other hand, QC buyers are shopping in a higher price range while maintaining a proportionally similar down payment.</p>	<p>ON buyers are staying in a stable price range but are <b>contributing larger down payments</b>. On the other hand, QC buyers are shopping in a higher price range while maintaining a consistent down payment percentage.</p>



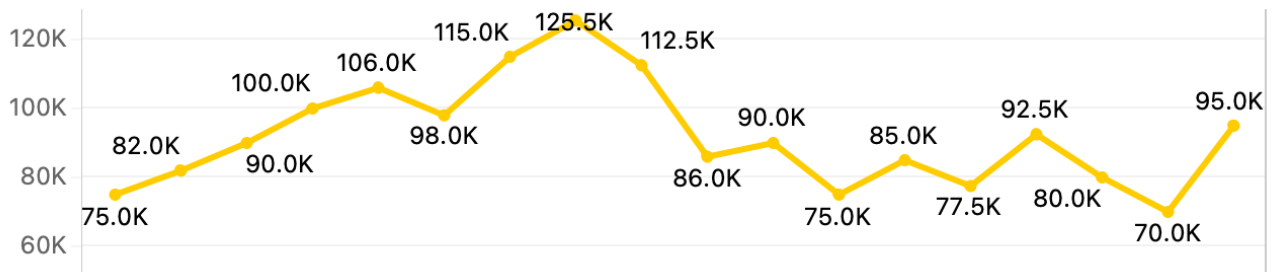


# By Province: ON [1/3]

## Median Purchase Price (\$)



## Median Down Payment (\$)



## Median Down Payment (% of Purchase Price)

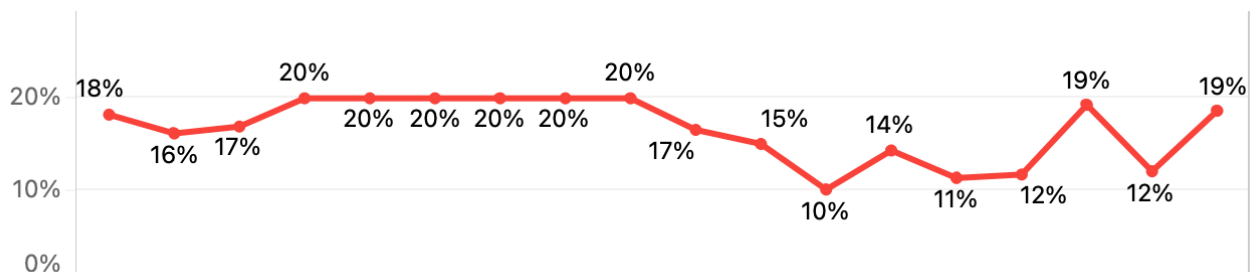
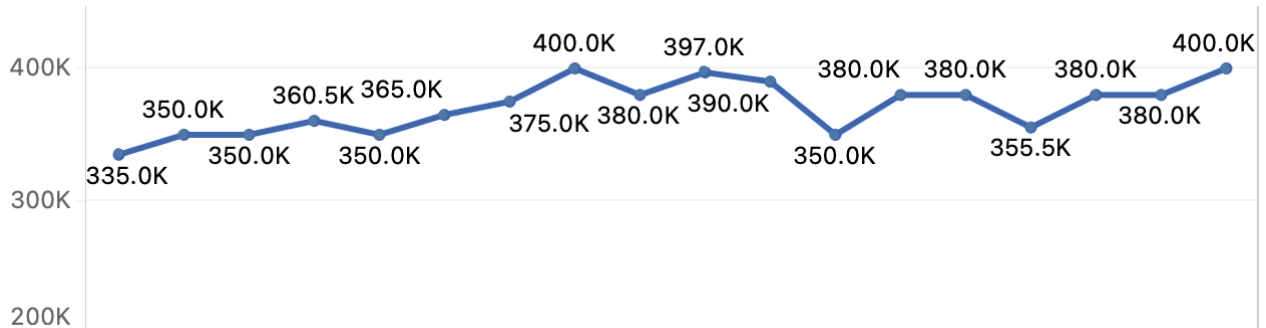


Fig. 8.1: Graph of intended purchase prices vs down payment (in dollars and percentage) from September 2021 through February 2023 in Ontario.

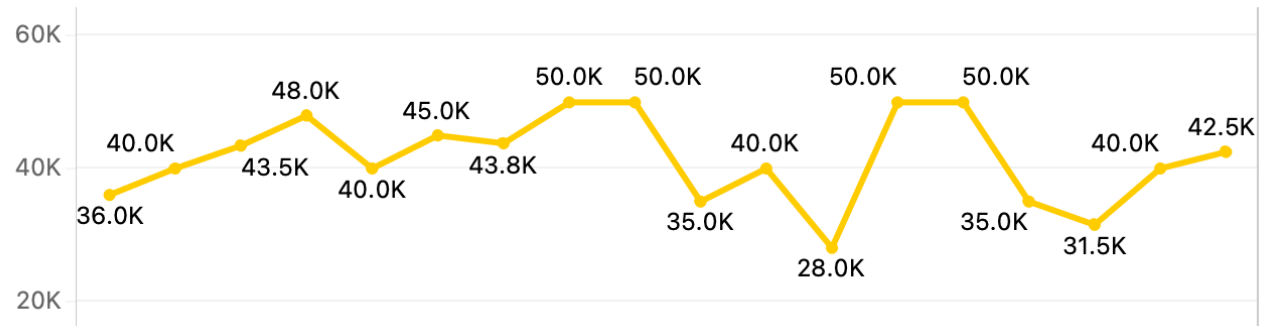


# By Province: QC [2/3]

## Median Purchase Price (\$)



## Median Down Payment (\$)



## Median Down Payment (% of Purchase Price)

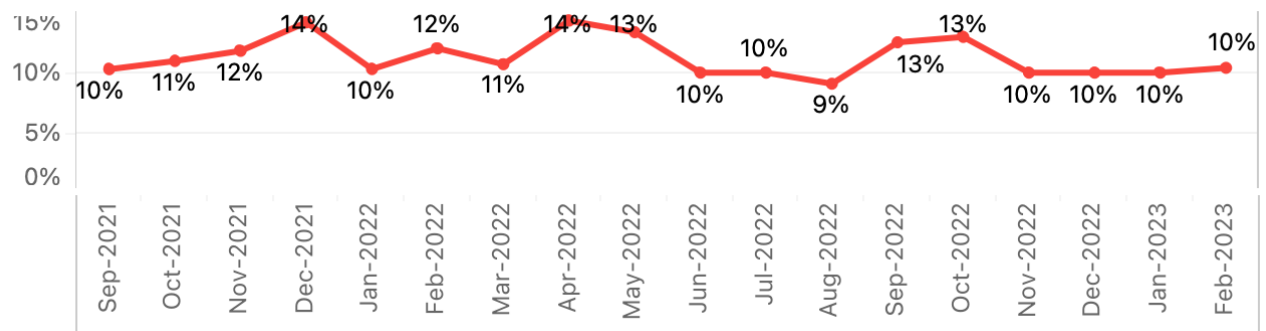


Fig. 8.2: Graph of intended purchase prices vs down payment (in dollars and percentage) from September 2021 through February 2023 in Quebec.



# By Province: AB [3/3]

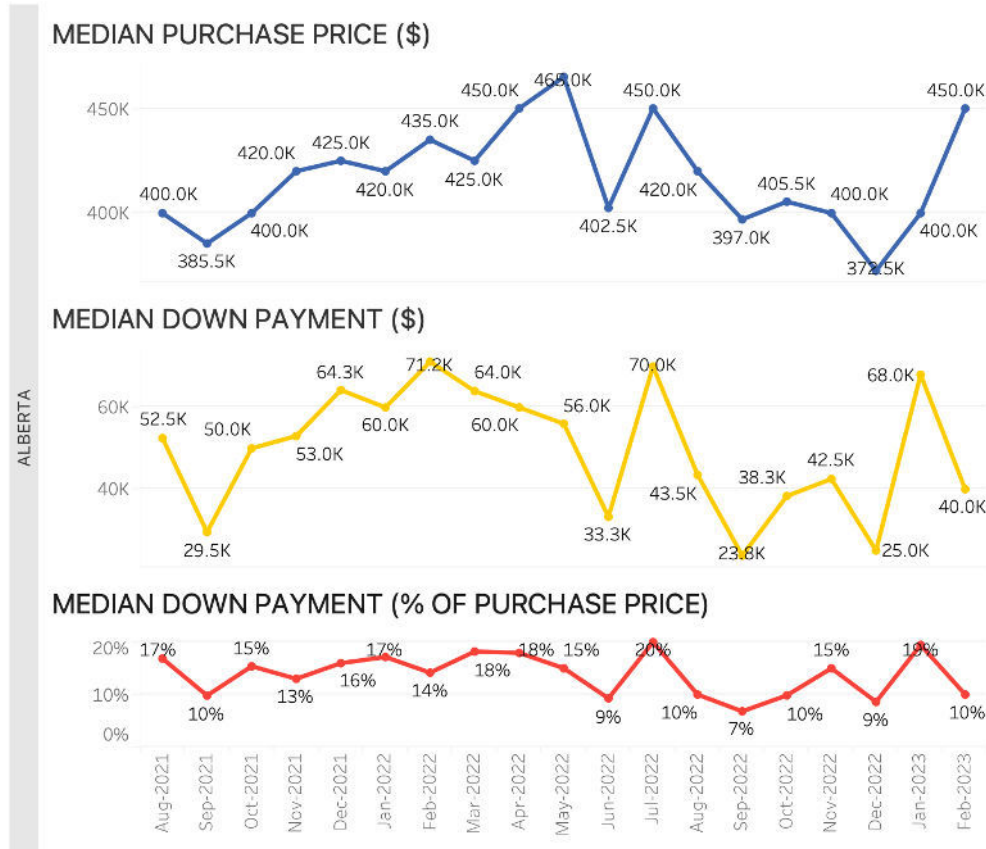


Fig. 8.3: Graph of intended purchase prices vs down payment (in dollars and percentage) from September 2021 through February 2023 in Alberta.

Key Data To Know	TL;DR
<p>As for AB, the median purchase price has made a significant increase, going from \$400,000 to \$450,000 between January and February 2023. Interestingly, median down payments in both dollar value and percentage has dropped. With higher purchase prices, Alberta buyers seem unable to maintain January's 19% down payment trend in February, now down to 10%</p>	<p>With higher purchase prices, <b>Alberta buyers seem unable to maintain January's 19% down payment trend in February, now down to 10%.</b></p>



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# Deep Dive

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# The correlations between applicant age, marital status, and joint applications.

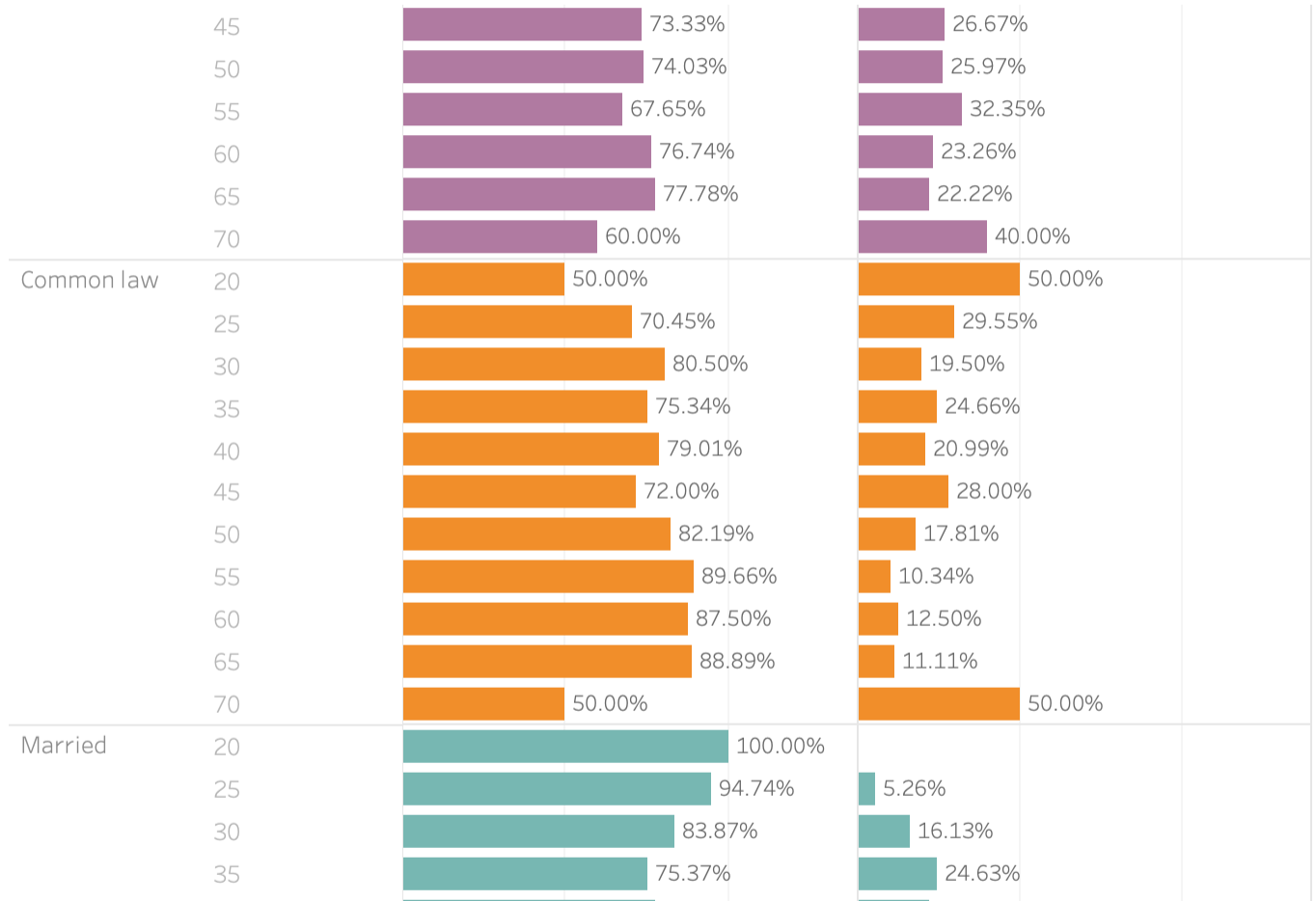
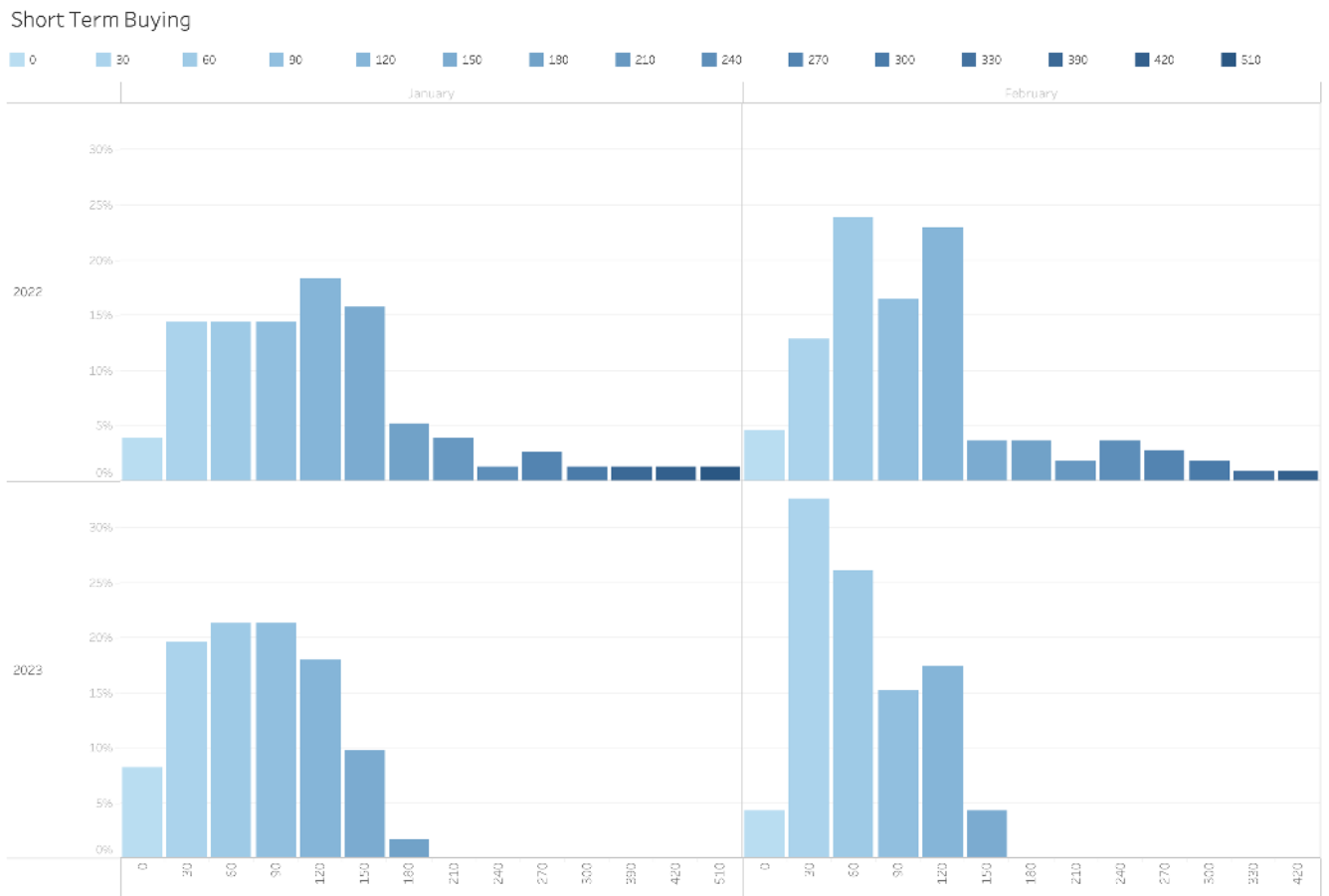


Fig. 9: Graph representing marital status and the age of joint applicants vs single applicants.

Overall, the data indicates that nesto clients tend to apply without additional applicants, regardless of marital status. However, we can note some trends within marital status categories. Interestingly, single clients are more likely to apply with a co-applicant than clients who are married. In the case of younger single buyers, this could be attributed to them cosigning with a parent helping them with their first home purchase.



# Clients' homebuying journeys: from their mortgage application to signing their home purchase at the notary.



**Fig. 10:** Graph representing the number of days between the creation of the mortgage application and the notary date (signing) in January and February of 2022 and 2023.

Approaching the data above with a wider perspective, we can see a downward shift in the peak number of days from application creation and signing between 2022 and 2023. Overall, it seems like nesto clients are taking less time to buy their homes after applying for a mortgage in 2023 compared to 2022. The majority of clients who signed in February of this year started their mortgage applications 30 days prior, while this time last year, a majority of clients signed 60 days after creating their mortgage applications.

This trend can be attributed to the market approaching balance again as buyers see possible pause in rate hikes. Buyers moving faster to secure their homes is indicative of a balancing but still a buyer's market.

In contrast, at this time in 2022, buyers were caught between a rock (high prices) and a hard place (first of many rate hikes). While lacking the luxury of scheduling home inspections or even negotiating purchase price, as prices were still at their peaks and the Bank of Canada was starting its rate hike putting pressure on prices.



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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.

**Author:** Chase Belair,  
Co-Founder and Principal Broker at nesto

**For press and research-related requests,**  
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