

nesto's mortgage trends April 2023

Rates

Since September 2021 to April 2023, we can note r**enewals are trending upwards while new purchases are trending downwards.**

02 Mortgage Type Trends

In April 2023, the median purchase price continued to climb, but the median down payment in both dollar and percentage values fell back again from their peak last month.

OB Purchase Timing Intent

Buyer hesitancy persists, as **the large** gap between users who are 'just looking' vs 'ready to buy' remains consistent in both ON and QC.

04 Property Value And Down Payment

In light of the BoC maintaining its policy rate, variable rates visibly plateau, and we can note a small decrease in fixed rates across the country.

nesto's Spring Reports Come To Fruition: Competition Heats Up As Borrowers Start To Re-enter The Market

April Recap 2023

Early summer is nearly here. As the flowers start to sprout and bloom; another area of our world begins to as well – the housing market. We are seeing early signs of pickup in Quebec and Ontario. With median house price gains of \$20k in Canada and 'ready to buy' borrowers returning to 2021 levels (35% seen in April), signals show what we predicted in our spring reports is true: competition is going to heat up.

The Bank of Canada maintained its policy rate again in April 2023 and nesto's variable rate followed suit, maintaining its plateau of 0 changes for yet another month. This is good news for borrowers, as we see the beginnings of relief from increasing interest rates. Adding further fuel to the coming homebuyer fire.

While the variance gap between fixed rates and variable rates remains, we can note the variable rate reaching a plateau at 5.50% for 4 months now, since January 2023.

Home prices continue to increase all over Canada, while the median down payment struggles to keep up, after last month's sudden peak.

Read on to learn about the mortgage industry trajectory.



Income Affordability

Home Affordability Based on Income in QC, ON, AB, and BC

Province	Average home price	Total mortgage amount after 20% down payment	Monthly mortgage payment	Yearly mortgage payment	Average Gross income needed (25 yrs am)
Quebec	\$458,792	\$367,033	\$2,122	\$25,466	\$97,052
Ontario	\$812,338	\$649,870	\$3,757	\$45,090	\$163,221
Alberta	\$429,496	\$343,596	\$1,986	\$23,839	\$89,069
British Columbia	\$907,456	\$725,964	\$4,197	\$50,369	\$181,973

Home Affordability & Income Needed April 2023

Fig 1: Table indicating home affordability based on income in Quebec, Ontario, Alberta, and British Columbia.

Key Data To Know	TL;DR
According to the table above, Quebec and Alberta are the most affordable provinces for home buying, while Ontario and British Columbia numbers indicate a less affordable market. QC and AB home prices are similar– \$458,792 and \$429,496, respectively– but display a wider gap in necessary income. This can be attributed to QC's higher taxes and AB's lower ones. Moreover, when comparing the most affordable province to the least, it's significant to note that homebuyers in British Columbia will need twice the annual gross income of a buyer in Alberta to be able to afford a home. With BC's average home price inching toward \$1M, this may not surprise most readers.	Quebec and Alberta are more affordable in terms of homebuying, while ON and BC are on the lowest end of the affordability scale among Canadian provinces. QC and AB have the best housing affordability due to their lowest home valuations amongst the provinces, whereas BC and ON remain the least affordable on this same measurement.

Section 01







A. Volatility

Number of lowest rate changes per month

Number of lowest rate changes per month



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

Key Data To Know	TL;DR
Last month, we saw the number of changes to nesto's	In April 2023, we saw
lowest rate increase, the highest numbers we've seen	the number of
since October 2022. In April 2023, these numbers	changes to the
settled once again, decreasing to 2 overall changes,	nesto's lowest rate
down from 6 overall changes in March.	decrease again.



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 October 2022 and April 2023, comparing fixed to variable rates.

Key Data To Know	TL;DR
As mentioned above, we saw a decrease in the number of changes to nesto's offered fixed rate in April 2023, following last month's spike. In turn, there were no changes to the variable rate for the third month in a row. Both the changes to the fixed rate across Canada and the lack of changes to the variable rate can be attributed to the latest BoC announcements in March and April, where the policy rate was maintained for the first time since March 2022. Against the unchanging variable rate, shifts in the fixed rate are welcome news!	There was a decrease in changes to the fixed rate in April 2023, with still no changes to the variable rate for the third month in a row.



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
Now let's talk about variance! At the start of 2023, variable rates overtook fixed rates by 100 bps, and in April, 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 light of the BoC maintaining its policy rate, variable rates visibly plateau, and we can note a small decrease in fixed rates across the country.

Section 02

Mortgage Type Trends





Purchase vs. Renewal vs. Refinance



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

Key Data To Know	TL;DR
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% of applications) due to an increase in prime rates; whereas, renewals have gently increased (at 50.17% of applications up from 25.42% in 2021) in opposition as homeowners rushed against the clock to lock in low rates before further increases to the Prime Rate.	Since September 2021, we can note renewals are trending upwards while new purchases are trending downwards.

Section 03

Purchase Timing Intent





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 May 2021 to April 2023.

Key Data To Know	TL;DR
Despite this consistent divide between those 'ready to buy' and those that are waiting, we can notice how buyer intent keeps shifting in small peaks and dips since this time last year. In April 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.	April 2023 shows the same, large buyer intent spread since December 2021, with 65% of clients who are 'just looking' and 35% who are 'ready to buy'.



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 May 2021 through April 2023 in Quebec and Ontario.

Key Data To Know	TL;DR
Matching the national data above, the portion of ON users who are 'just looking' reached 65% in April 2023, while the portion of those who are 'ready to buy' sits at 35%. 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.	The large gap between users who are 'just looking' vs 'ready to buy' remains consistent in both ON and QC.

Section 04

Property Value And Down Payment





Property Value and Down Payment

MEDIAN PURCHASE PRICE (\$)



MEDIAN DOWN PAYMENT (\$)



MEDIAN DOWN PAYMENT (% OF PURCHASE PRICE)



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
In April 2023, property prices rose for the fifth month straight. Last month, the down payment in both dollar and percentage values increased alongside the purchase price for the first time in 6 months. This month, however, both values decreased, returning to the range they had been maintaining since Fall 2022– with median down payment in dollars at \$54,000 and in percentage at 11%. Increase in purchase price but decrease in down payments could indicate a more cautionary or debt-obligated buyer, since rental and other inflationary costs increase. Basically, inflationary pricing might be forcing potential buyers to rethink their budgets and home buying plans.	In April 2023, the median purchase price and median down payment decreased again from last month's peak, while purchase price continued to climb.



By Province



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

Key Data To Know	TL;DR
In April 2023, home prices maintained their highs from last month in QC and continued to increase in ON. While ON is still nearly \$70,000 lower than its market's highs in 2022, there has been an increase of \$50,000 since the start of 2023. In QC, on the other hand, prices have now leveled with previous market highs in 20222 and sits at \$400,000. As the national data in Fig. 8 illustrated, the median down payment numbers (both in dollar and percentage values) did not keep up with increasing home prices in QC and ON.	In ON and QC, home prices continued to increase.



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 April 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 April 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 April 2023 in Alberta.

Key Data To Know	TL;DR
In AB home prices and average down payments increased in April 2023 from their sudden decrease in March 2023. The median down payments in percentage remained relatively stable, the dollar value thus increasing accordingly.	In AB home prices and average down payments increased in April 2023 from their sudden decrease in March 2023.







Month-to-month Variation Of nesto's Fixed Rate And Variable Rate



Fig. 10: Graph depicting the lowest fixed rate and variable rate offered by nesto to clients from June 2021 to April 2023.

The graph above depicts the variation of nesto's lowest rate between June 2021 and April 2023, a wider view of the data reported on a month-to-month basis in our nesto meter reports.

Historically, variable rates are lower than fixed rates, which we can see is in line with most of the timeline depicted in this graph. However, using the trajectory of the fixed rate as a reference, we can see exactly when this status quo was disturbed. March 2022 marks the start of the Bank of Canada interest rate hikes and the resulting sharp increase to nesto's lowest fixed rate.

Another crucial turning point presented in this graph is in November 2022, when the lowest variable rate not only met the lowest fixed rate, but overtook it. After that, the variable rate only continued to increase over a few months and seems to have begun plateauing in the last 3 months. While still decreasing, the fixed rate seems to have also stabilized compared to previous months. This can be attributed to the Bank of Canada maintaining its policy rate over the last 2 announcements.

It comes with little shock, then, why there's been a noted interest in short-term fixed-rates against variable rates or longer-term fixed rates. Most borrowers are looking at the imbalance between fixed and variable as temporary, waiting out until rate cuts happen in the future, and the potential to save money with a variable mortgage can once again occur.

The New Foreign Ban & Anti-Flipping Tax Early Impacts & Implications



Projections to 2030: Housing stock-to-population ratio

Fig. 11: Graph depicting the ratio between housing supply and demand in Canada between 2019 and 2023, as well as projections to 2030. **Source**: CMHC calculations based on CMHC and Statistics Canada data.

Canada will need approximately 6 million new housing developments to supply the demand by 2030. New housing is key and although some programs (foreign ban and anti-flipping) have been implemented to restrict accessibility for a few categories of buyers, these programs cannot alleviate the level of demand. New housing is needed.

Foreign Ban: The original announcement prevented commercial enterprises and individuals outside of Canada from buying residential properties. This made sense to some extent but was limiting newcomers from finding a place to call home.

Since its announcement, however, there have been many changes made to the ban. These amendments alter the impact and scope of the ban.

- · Permit holders or those allowed to work in Canada are now able to buy a residential property;
- The ban no longer applies to vacant land zoned for residential and mixed use. This means non-Canadians are now able to purchase this land and use it for any purpose, including residential development.
- The purchase of residential property for the purpose of housing development is now possible for publicly traded companies formed in Canada and controlled by foreigners.
- An increase to the corporate foreign control threshold. The legislation now considers a company to be foreign-controlled if a non-Canadian owns at least 10% of the entity. Previously, the threshold was 3%.



While it is known that many buyers will find a way around these regulations, these amendments will limit access to certain classes of borrowers by adding competition (foreign buyers) to the mix.

New Anti-Flipping tax: This program will mainly impact those trying to bend the capital gain rules. Serious and professional entrepreneurs who do flipping as a legitimate business are most likely paying their due taxes on gain already. **This new rule, already in place but maybe not as enforced as it is now, will most likely clean up the housing market from amateurs and those looking to make a quick and easy buck.**

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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