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nesto's Lowest Fixed Rate Decreases– A First Since The Summer.

October 2023 Recap

Looking at market trends for October 2023, one thing is certain: buyers on the sidelines are slowly making their way into the market.

The signals are all there. Despite another rate hold from the BoC in October, fixed rates experienced a decrease for the first time in months. And while the gap in buyer intent remains in most of Canada, we can note a significant shift in QC in October, where once users who were 'just looking' held the majority stake, the intent is now split down the middle between those who are 'just looking' and those who are 'ready to buy.'

Home prices on the national scale are also signaling a return to the market, with purchase prices showing a general downward trend since last year in ON, QC, AB and the rest of Canada. This could be due to the momentary decrease in fixed rates and indicative of a market slowly regaining some competitiveness.

We hope you enjoy!

nesto's mortgage trends October 2023

Rates

In October 2023, **nesto's lowest fixed rate decreased by 5 bps**– a first since the summer!

02 Mortgage Type Trends

The gap between new purchase applications and renewal applications began to narrow,

with purchases dipping to 48% and renewals increasing to 41%.

OB Purchase Timing Intent

Buyer intent is split 50/50 in QC

between users who are 'just looking' vs those who are 'ready to buy'– a first since April 2022.

04 Property Value And Down Payment

Homebuyers continue shopping for homes at lower price points while requiring larger down payments to qualify at higher interest 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 April 2023 and October 2023.

Key Data To Know	TL;DR
In October 2023, there were 3 overall changes to nesto's lowest offered rate, up from 1 overall in September. The good news is some of these changes were decreases to the fixed rate. In their October rate announcement, the Bank of Canada maintained its policy rate once again, which, while not a decline in rates, should be seen as a positive sign for buyers who have been on the sidelines.	In October 2023, we saw the number of changes to the nesto's lowest rate increase to 3 overall changes across Canada , including decreases to the lowest fixed rate.



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

Key Data To Know	TL;DR
Focusing further on the data from the previous graph, we see more clearly that 2 of the 3 changes were to nesto's fixed rate, while there was only 1 change to the variable rate in October 2023. Interestingly, over the past seven months, rate changes have been consistent across Canada.	There were 2 changes to nesto's lowest fixed rate and 1 change to nesto's lowest variable rate.



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
In September 2023, we noted that the gap between variable rates and fixed rates was beginning to narrow again. Despite their typical positions being reversed, where fixed rates have been lower than variable rates since the end of 2022, fixed rates have been on a steady incline since June 2023, slowly edging towards variable rates, which have remained around the 6.00% mark since July 2023.	In October 2023, variable rates continued to plateau, while fixed rates experienced a decrease throughout Canada.
However, in October 2023, fixed rates experienced declines widening that gap again. It's the first time we've seen fixed rates decline since their sudden spike in June 2023.	

Mortgage Type Trends



Purchase vs. Renewal vs. Refinance



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

Key Data To Know	TL;DR
In October 2023, we can note the gap between new purchase and renewal applications begins to narrow. After 3 months, at 51% of applications, purchases decreased to 48%, while renewals increased to 41%. That being said, purchases still hold the majority stake, maintaining that steady incline that began a year ago in October 2022.	In October 2023, the gap between new purchase applications and renewal applications began to narrow,
In turn, refinance numbers have remained relatively low and stable due to homeowners having trouble qualifying with higher interest rates. This being especially true for the 30% of mortgage holders who have reached their trigger points, further limiting them to renew with their current lender This could change as the market is expected to experience a strong wave of renewers in the next two years, many of whom have to consider refinancing in the face of negatively amortized mortgages.	with purchases dipping to 48% and renewals increasing to 41%

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 November 2021 to October 2023.

Key Data To Know	TL;DR
Despite this consistent divide between those indicating "ready to buy" and those "just looking," we notice how buyer intent has kept shifting in small peaks and troughs since last year. In line with this trend, after months of narrowing, we saw the gap widen again in October 2023. Following back-to-back rate hikes in June and July, the gap in buyer intent slightly widened in July 2023. This gap tightened again in September 2023 as the BoC maintained its policy rate and widened again in October 2023 despite another rate hold as indicated	After months of narrowing, the gap in buyer intent between users who are 'ready to buy' vs who are 'just looking' widened again in October 2023.
October 2023 despite another rate hold, as indicated in our last report.	



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 November 2021 through October 2023 in Quebec and Ontario.

Key Data To Know	TL;DR
Since June 2023, numbers for buyer intent in ON and QC had begun to follow similar trends, only to take sharp, opposite turns in October 2023.The previous graph shows buyer intent in ON is in line with national data, as the gap between users who are 'just looking' and those who are 'ready to buy' widens again after steadily narrowing since January 2023.	While users who are 'just looking' still maintain the majority proportion in ON, users who are 'just looking' vs those who are 'ready to buy' are
In contrast, buyer intent in QC continued to contract and ended up split 50/50 in October 2023. This is the first time we see this split down the middle since April 2022. This could signify that sidelined buyers are finally entering the market. The differences between ON and QC could be linked to the overall lack of housing supply with the unaffordability of rents and mortgage payments diverging with home prices.	split 50/50 in QC.

Property Value And Down Payment





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
Despite the ups and downs, a wider lens reveals that home prices had been on an overall declining trend since April 2022, with a few peaks here and there. October 2023 saw such a peak, with median home prices jumping to \$473K. However, it is unlikely that this upward trajectory will persist, as home prices are expected to continue their decline. In October 2023, the median down payment in dollars increased by almost another \$10K since September, going from \$60K to \$69K. Despite declining home prices, this graph accurately illustrates the current affordability crisis in Canada, as homebuyers are shopping for homes at lower price points while requiring larger downpayments to qualify at higher interest rates.	A broader approach to home price trends reveals a general decline in median home prices since April 2022.



By Province



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

Key Data To Know	TL;DR
After a steady decline in average home prices over the previous 18 months, home prices in ON skyrocketed in October 2023, going from an all-time low of \$518K up to \$650K in just a month. In turn, the median down payment in both dollar value and percentage also experienced a sharp increase, going up to \$104K from \$77K and 12% to 20% respectively. We are seeing similar trends in QC , with the median purchase price going up from \$385K back to \$400K and the median down payment in dollar value going up from 42K to 55K. While the median down payment percentage is down by 1 point, this can be attributable to QC's lower home prices in general and less so buyers' inability to put down bigger down payments.	There was an overall increase in the median purchase price in ON, QC, and AB in October 2023, with buyers in ON and QC contributing larger down payments and buyers in AB contributing much smaller down payments.



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 April 2022 through October 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 April 2022 through October 2023. in Quebec.

By Province: AB [3/3]



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

Key Data To Know (Cont'd)	TL;DR
The numbers in AB tell a different story. While the median purchase price is up in AB as well, the median down payments declined significantly in October 2023. Down payments in dollar value dropped from 83K to 57K and 20% to 16% in percentages, creating an uptick in insured mortgage funding. This could be indicative of the ongoing inflationary pressures as more homebuyers use their savings towards living costs.	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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