



The  
**nesto-meter**

October Recap



# nesto's mortgage trends October 2022

## 01 Rates

Changes in fixed rates increased significantly in October, especially in Quebec.

## 02 Mortgage Type Trends

In just 6 months, renewals have grown by 13.42% and purchases by 9.19%. The primary hesitancy surrounding refinances can be attributed to rate hikes.

## 03 Purchase Timing Intent

'Just looking' continued to have a majority stake at 64% of nesto applicants, compared to 36% who were 'ready to buy'.

## 04 Property Value And Down Payment

We see a significant increase in early and standard renewers choosing fixed rate mortgages over variable rate mortgages.



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# Renewals continue to increase in October; QC sees its highest down payment amount since October 2021.

## October Recap 2022

October brings us yet another rate hike from the Bank of Canada, leading to the drop in purchase and refinance volumes predicted in our last report.

Renewals, on the other hand, maintain a consistent increase with a growth of 13.42% in just 6 months. These trends are also reflected in the higher number of nesto clients who are 'just looking' vs those who are 'ready to buy.'

In response to the rate hike on October 26, buyers made an effort to pay down a larger sum on the principle to mitigate the high interest rates. This month, Quebec saw its down payment amount reach an all-time high of 58K since October 2021.

***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

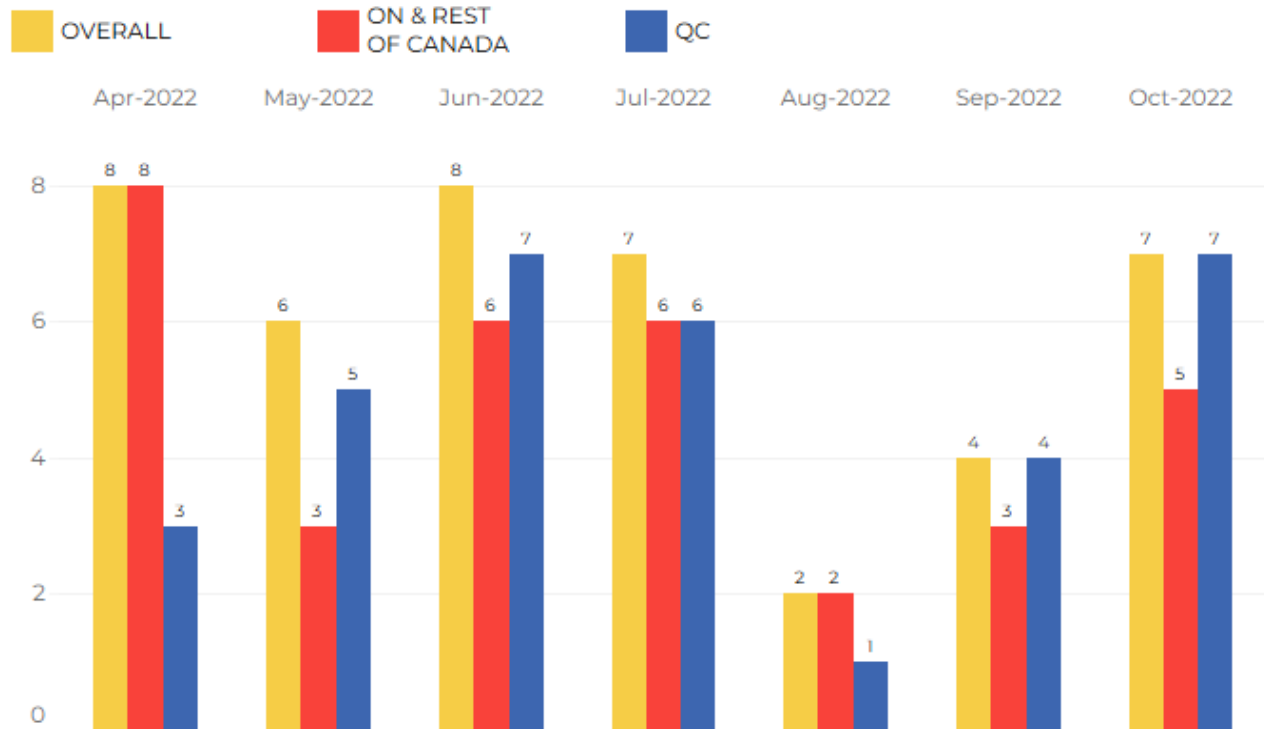


Fig. 1: Number of times the lowest rates offered by nesto to its borrowers users changed per month across provinces between April 2022 and October 2022.

Key Data To Know	TL;DR
<p>Looking at rate changes from April 2022 through October 2022, the impact of a rising prime rate has a clear impact on the rates offered to nesto’s clients in our database. Despite the drastic fall in rate changes in August 2022, overall, rate changes remain on the rise, as predicted in our previous report. Rate changes doubled from August to September and we can see them almost double again from September to October, with an average of 6.3.</p>	<p>Rate changes continued to rise in October, with an average of <b>6.3 rate changes</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)

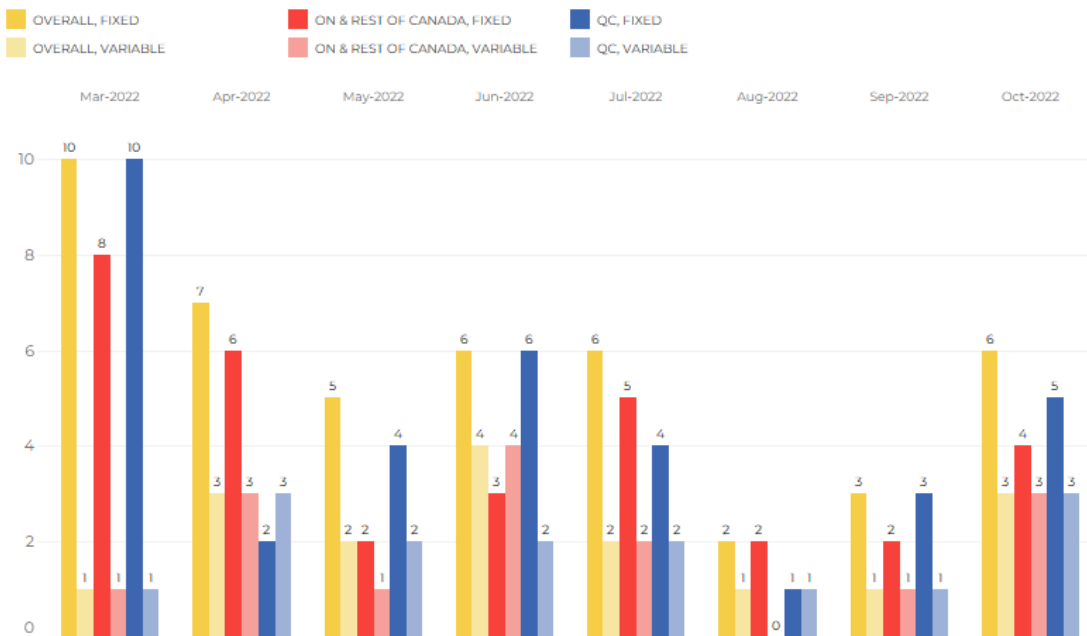


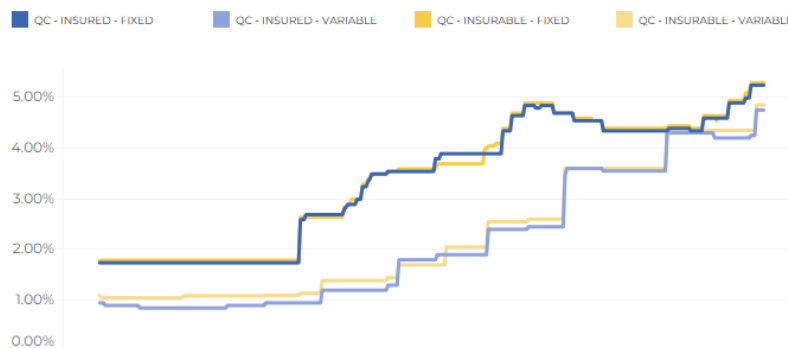
Fig. 2: Number of times the lowest rates offered by nesto to its borrowers changed per month across provinces between March 2022 and October 2022 comparing fixed to variable rates.

Key Data To Know	TL;DR
<p>October 2022 showed a continued increase of the number of times fixed rates changed, jumping from 3 rate changes in September to 6 changes. We can also note an increase in variable rate changes in October, the highest it's been since the summer.</p>	<p><b>Changes in fixed rates increased significantly in October</b>, especially in Quebec.</p>



# B. Variance: Lowest Rates

## QC - Rate Variation



## ON & Rest of Canada - Rate Variation

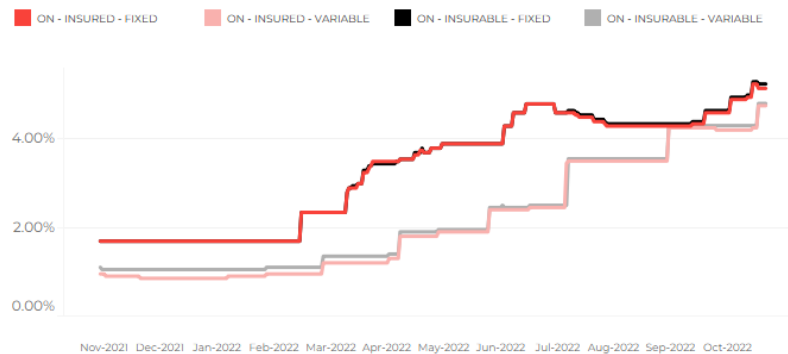


Fig. 3: These graphs show the rate variance in Quebec compared to Ontario and the rest of Canada.

Key Data To Know	TL;DR
<p>Now let's talk about variance! Fixed rates continue to rise at a faster pace than variable rates. This gap widened from March 2022 onwards (&gt;5.0% for fixed, and &lt; 5.0% for variable) which is attributed to the interest rate hikes from the Bank of Canada. We see for the first time since 2020 that variable rates are catching up to the fixed rates. The spread of the two is far less today versus what we were seeing over the summer, between April 2022 and July 2022. We can see fixed rates gaining speed again in October 2022, which can be attributed to yet another Bank of Canada rate hike, but variable rates are not far behind, maintaining that smaller gap mentioned.</p>	<p><b>Fixed rates continue to increase, reaching &gt;5.0% in Quebec, with variable rates remaining &lt;5.0%.</b></p>



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Section 02

# Mortgage Type Trends

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# 02





# Purchase vs. Renewal vs. Refinance

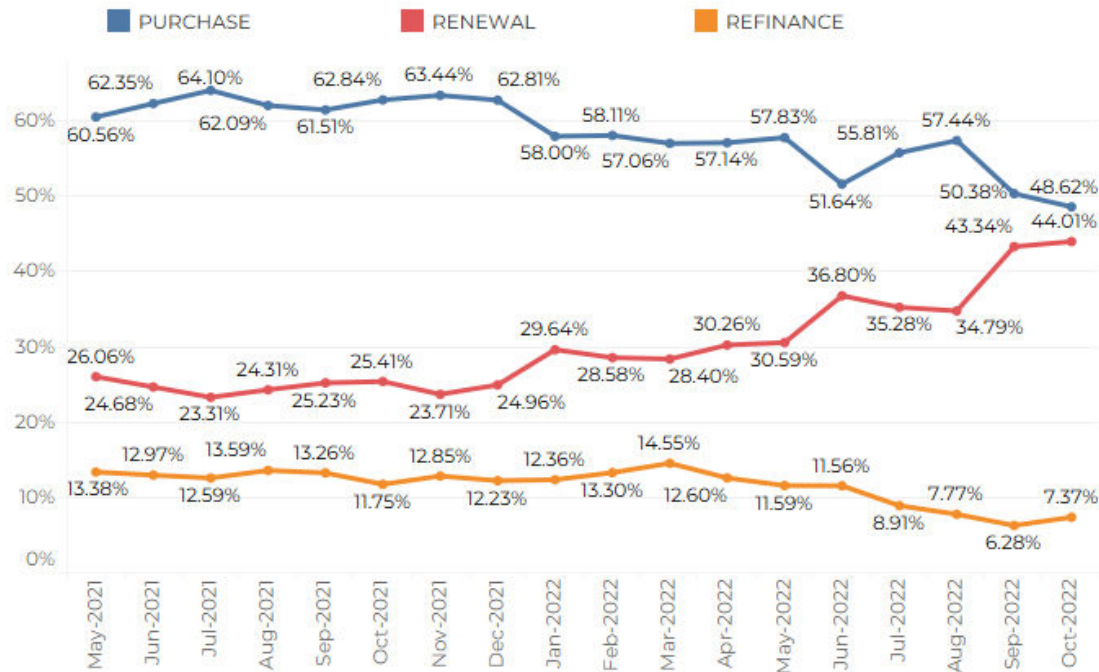


Fig. 4: Trends for proportion of purchases (new mortgages) vs renewals vs refinances from May 2021 to October 2022.

Key Data To Know	TL;DR
<p>In October 2022, we see purchases continue to drop in response to the rate hikes from the Bank of Canada, the most recent one being on October 26. Renewals continue to increase at expedited rates, while refinances have seemingly plateaued. In just 6 months, renewals have grown by 13.42% and purchases by 9.19%. The hesitancy surrounding refinances can be attributed to rate hikes.</p>	<p>Following the October 26 rate hike by Bank of Canada, <b>purchase and refinance volumes continue to drop while renewals increase.</b></p>



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Section 03

# **Purchase Timing Intent**

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# 03



# Purchase Timing Intent

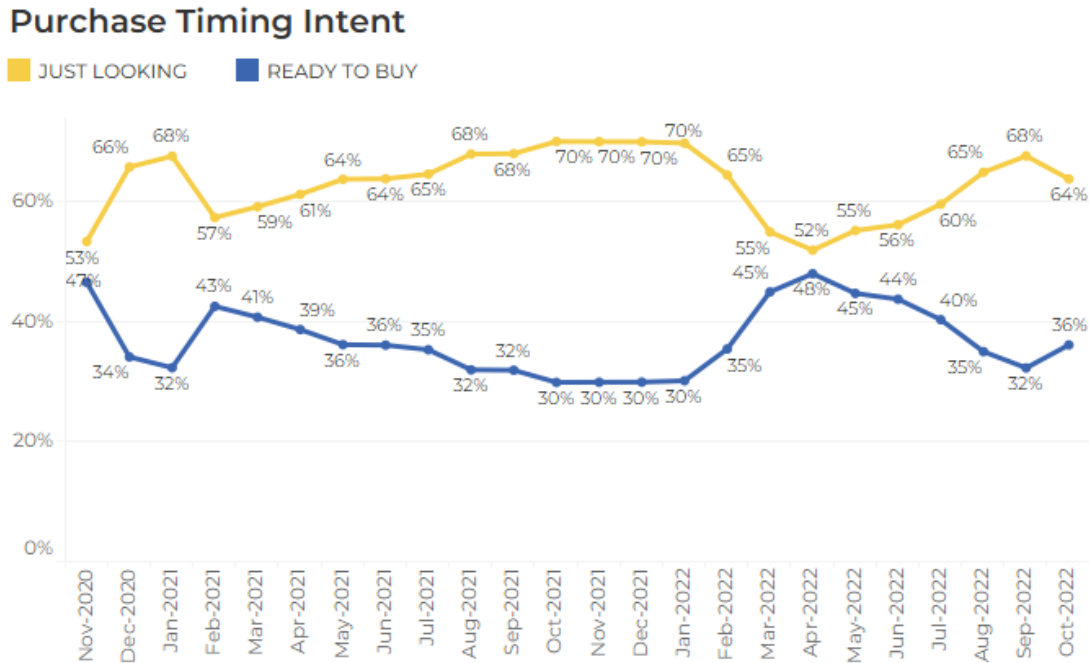


Fig. 5: Purchase intent: proportion of users “ready to buy” vs “just looking” in their mortgage journey with nesto, illustrated over the last two years from November 2020 to October 2022.

Key Data To Know	TL;DR
<p>Looking at our client's intention in October 2022, the alignment around buyer caution has remained the same since the summer. Currently home prices are still relatively high in key markets while mortgage interest rates are at the highest point since pre-pandemic. It makes sense that ‘just looking’ continued to have a majority stake at 64% of nesto applicants, compared to 36% who were ‘ready to buy’. The number of applicants who are less ready to buy continues to increase with the last BoC rate hike on October 26. However, through nesto’s Rate Lock program, renewers can lock their rate with us for 150 days to stay ahead of the next rate hike.</p>	<p>nesto applicants who are <b>‘just looking’</b> continue to have a <b>larger stake</b> compared to those who are ‘ready to buy.’</p>



# Purchase Timing Intent - By Province

## Purchase Timing Intent

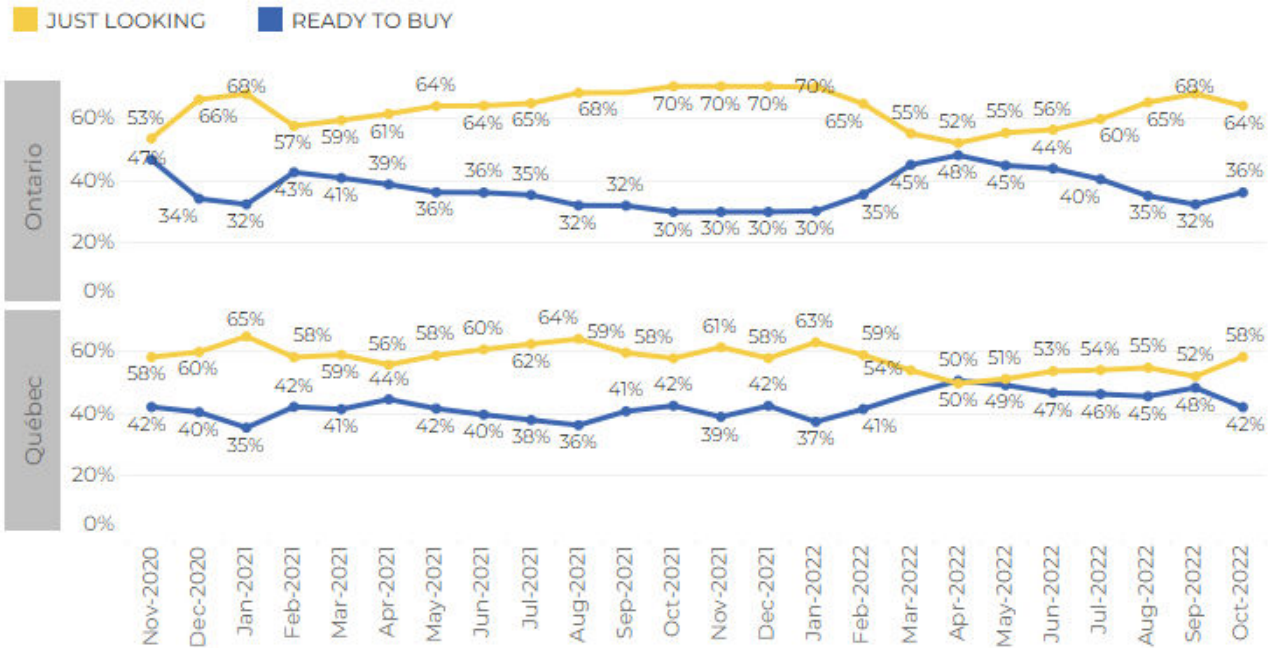


Fig. 6: Purchase timing intent proportion of users “ready to buy” vs “just looking” in nesto’s mortgage process, from November 2020 through October 2022 in Quebec and Ontario.

Key Data To Know	TL;DR
<p>As illustrated above, potential buyers in Ontario are still more hesitant than their Quebec counterparts – with 64% reportedly ‘just looking’ (ON) compared to 58% (QC). Moreover, only 36% are ‘ready to buy’ in ON, whereas in QC this number is at 42%.</p> <p>This difference could stem from the higher median purchase prices and cost of living in ON, where median home prices are approximately \$300K more than QC’s.</p>	<p><b>In QC, more potential homeowners shifted to ‘just looking’</b> sitting at 58%, up from the documented 52% last month, still lower than ON. This is believed to be due to higher cost of living and home valuations in ON.</p>



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Section 04

# **Property Value And Down Payment**

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**04**



# Property Value and Down Payment

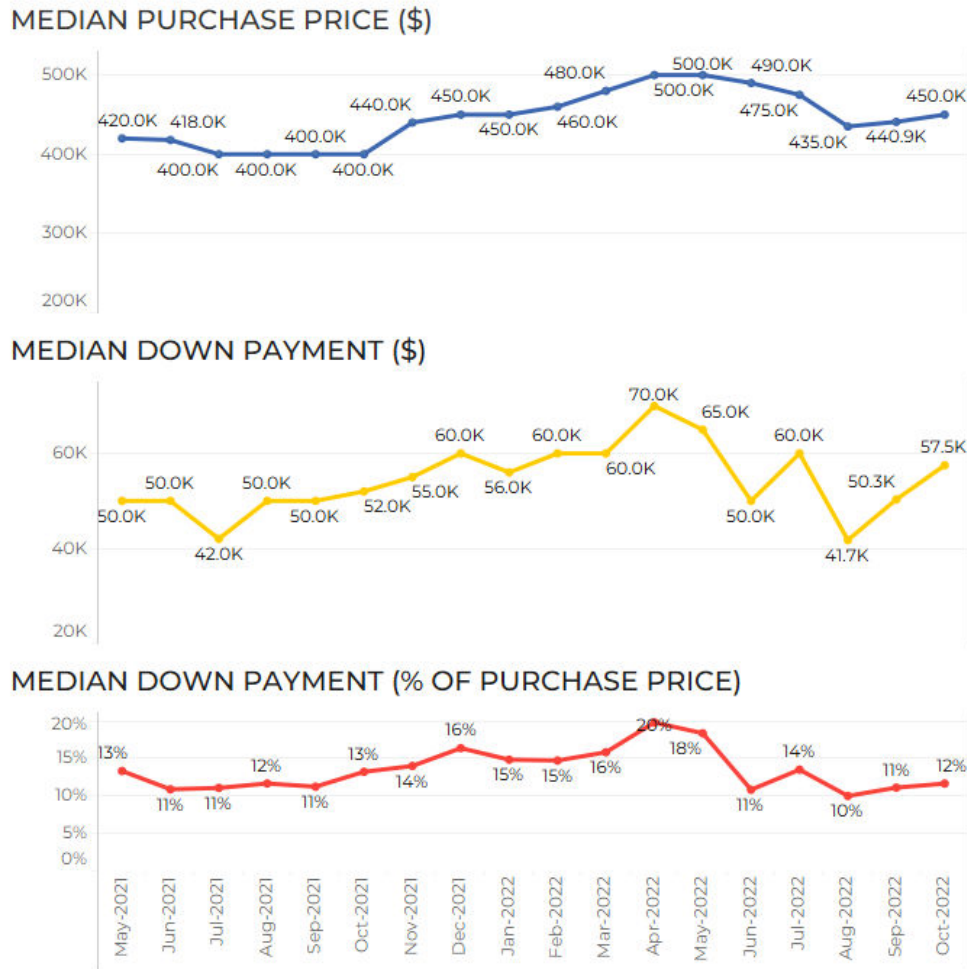


Fig. 7: This chart shows a slight shift in the recent cooling market, with the median purchase price up by \$9,100.

Key Data To Know	TL;DR
<p>In September 2022, we saw a slight increase in both median down payments (dollars and percentages) – from \$63,000 to \$43,500, and 13% to 10%, respectively. As well as median purchase price continued to fall, dropping from \$475,000 to \$440,000.</p> <p>Now in October 2022, we see another increase in these numbers. Median purchase price rose to \$450,000, and the down payment rose to \$57,500. Monthly fluctuations are normal and since these numbers are still \$20,000+ below annual highs, a cooling market is still expected.</p>	<p><b>Median purchase price and median down payment continue to rise.</b></p>



# By Province

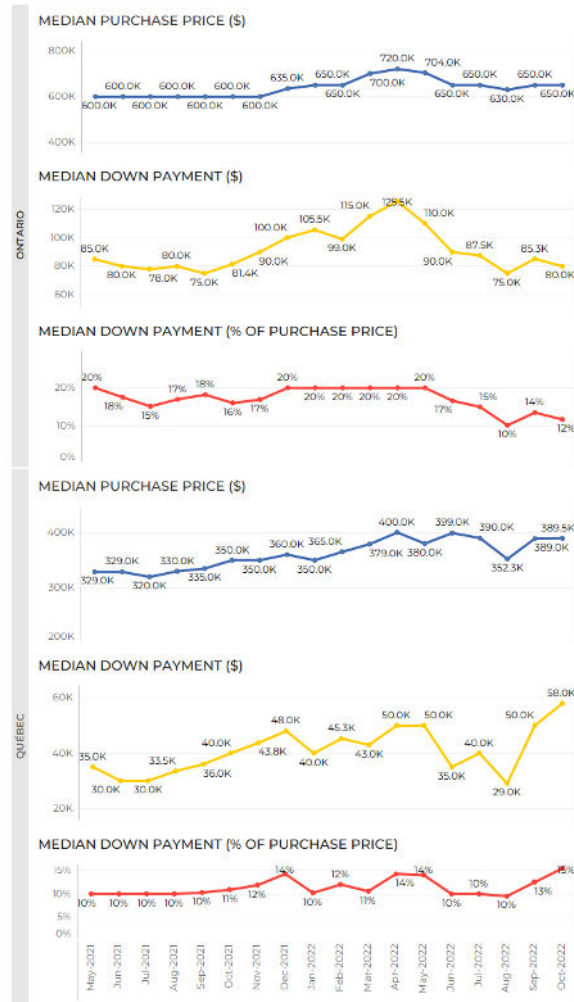


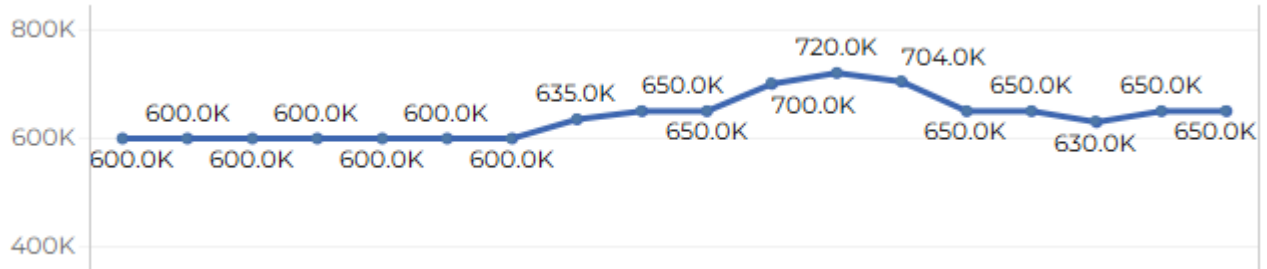
Fig. 8: Graph of intended purchase prices vs down payment (in dollars and percentage) from May 2020 through October 2022 in Ontario and Quebec.

Key Data To Know	TL;DR
<p>In October 2022, Quebec saw its highest down payment amount since October 2021. This could be tied to buyers wanting to pay down more of the principal to avoid high interest rates over the course of the loan's lifetime. For ON, the average down payment percentage dropped to 12%, but remains higher than the ~10% it was at in recent months. As noted in the general data chart, monthly fluctuations are a normal snapshot in time. The overall market is within a buyer's range of overall price drops on an annual basis. As for AB, the median purchase price is up from its steady decline over the past couple of months, increasing by \$10,000.</p>	<p><b>Quebec saw its highest down payment amount since October 2021.</b></p>

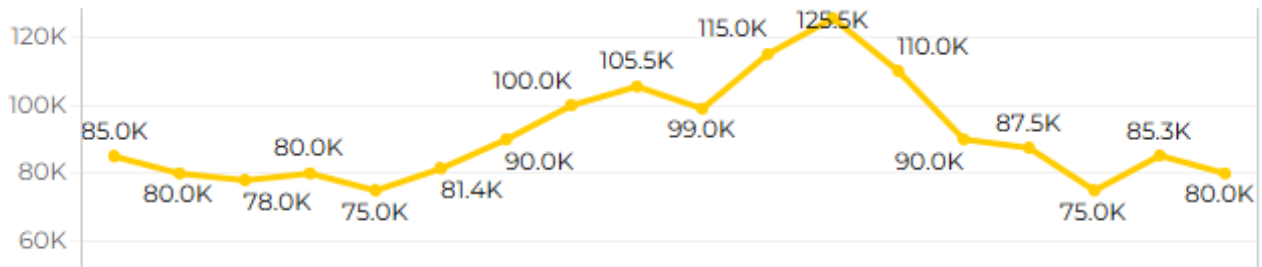


# By Province: ON [1/3]

## Median Purchase Price (\$)



## Median Down Payment (\$)



## Median Down Payment (% of Purchase Price)

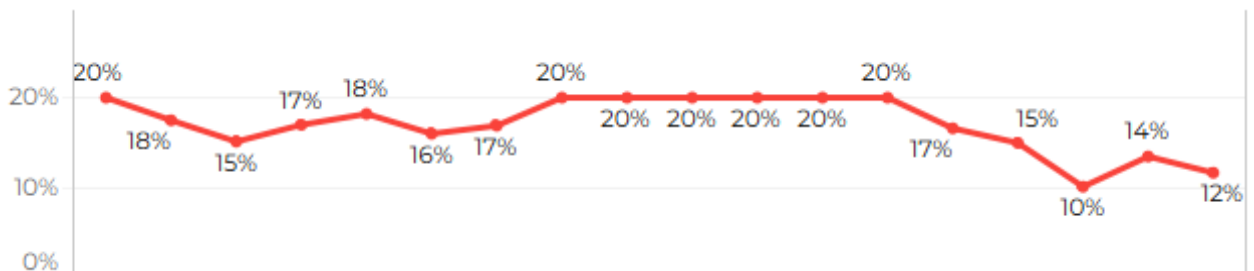


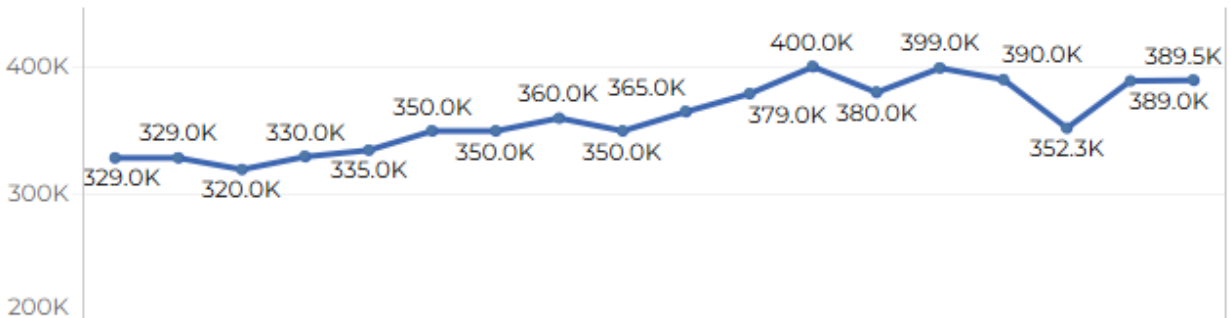
Fig. 8.1: Graph of intended purchase prices vs down payment (in dollars and percentage) from May 2021 through October 2022 in Ontario.



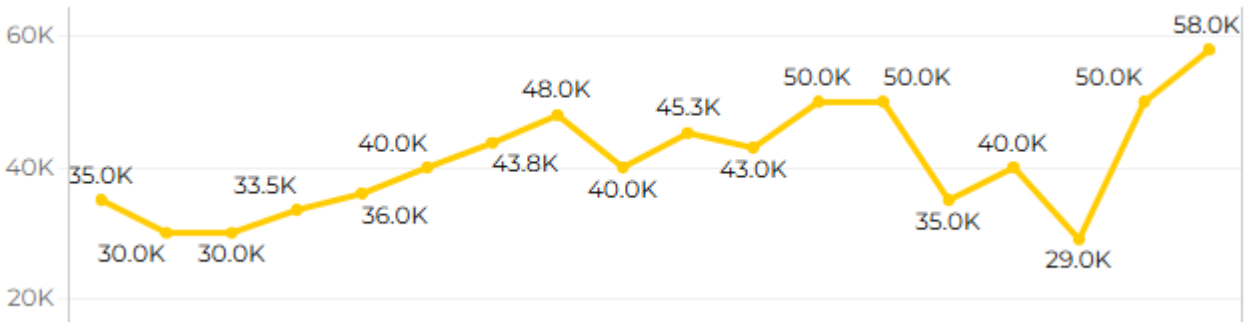


# By Province: QC [2/3]

## Median Purchase Price (\$)



## Median Down Payment (\$)



## Median Down Payment (% of Purchase Price)

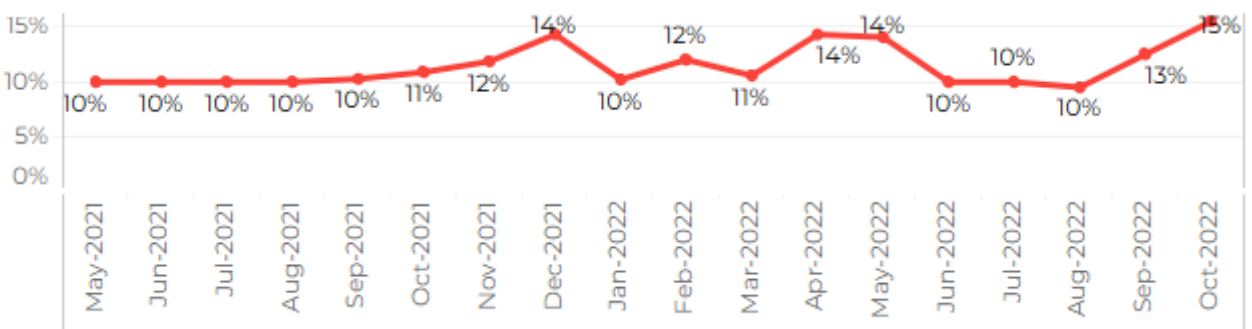
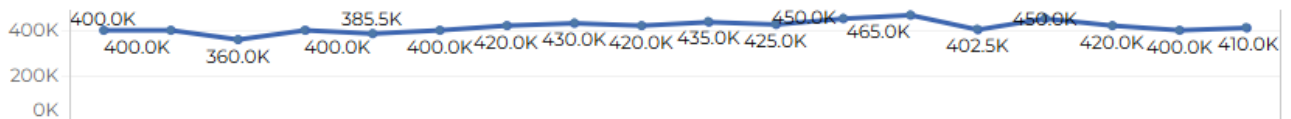


Fig. 8.2: Graph of intended purchase prices vs down payment (in dollars and percentage) from May 2021 through October 2022 in Quebec.



# By Province: AB [3/3]

## Median Purchase Price (\$)



## Median Down Payment (\$)



## Median Down Payment (% of Purchase Price)

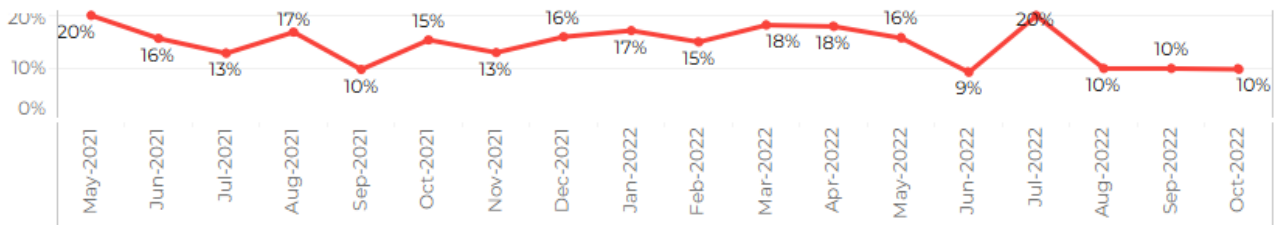


Fig. 8.3: Graph of intended purchase prices vs down payment (in dollars and percentage) from May 2021 through October 2022 in Alberta.



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# Deep Dive

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# Are borrowers opting for variable or fixed rates at renewal time (early vs. standard)?

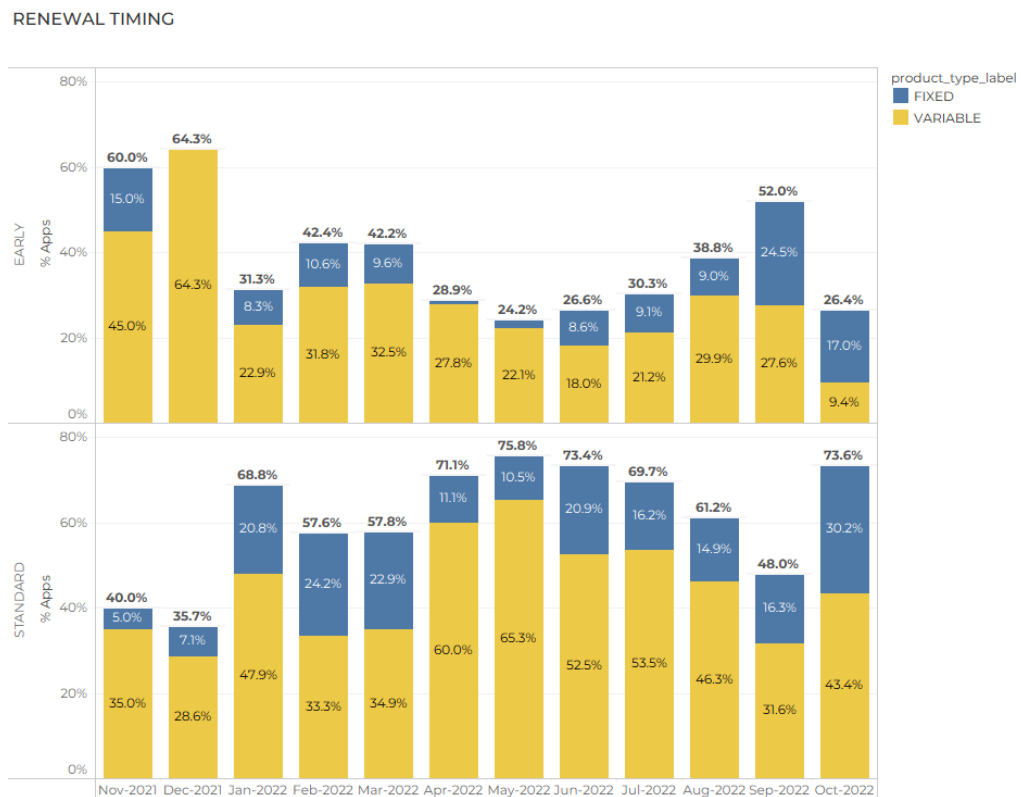


Fig. 9: The chart above shows the preference for variable vs. fixed rates from November 2021 through October 2022.

As we saw in last month’s report, there’s a trend towards short term, fixed rate mortgages. To piggyback on this, we wanted to see the impact on choosing fixed rates over variable rates at renewal time.

With just one look at the above chart, it becomes clear that the penchant for security outweighs any benefits of flexibility that a variable mortgage can provide.

Whereas in November 2021, a time when rates were still historically low, we saw 35.0% standard renewals and 45.05% early renewals opt for variable rate mortgages; in October 2022, we saw 43.4% standard renewals and 17.0% early renewals opt for fixed rate mortgages.

This switch is unsurprising and supports the narrative we see across the mortgage industry.



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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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