

Housing activity down, mortgage activity up (and rising)

By Taylor Schleich

Resale housing activity stumbled across the finish line in 2025, and 2026 got off to a terrible start in January ([link](#)). As the spring mortgage season comes into focus, activity in this rate-sensitive industry will inform how impactful late-2025 rate cuts were. If January's softness is a sign of what's to come, pressure on the BoC to cut further will surely rise.

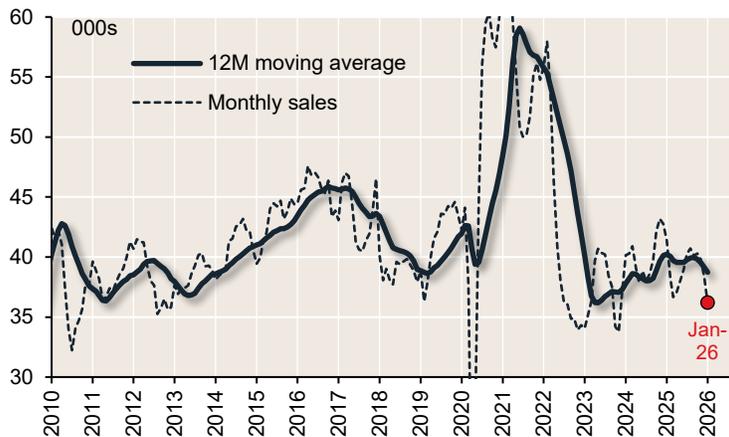
Last year's slow housing market meant another year of relatively tepid growth in the stock of mortgage debt. At the same time, mortgage origination surged, in part reflecting renewals from the housing boom that began in 2020. The insured mortgage market also picked up, consistent with Ottawa's priorities on housing affordability. Even if homebuying fails to improve in 2026, mortgage origination may rise further. Again, big time mortgage renewals are at play here. The 5-year 'echo' from 2021 will be

felt (when 5Y fixed/variable were most popular). Renewals from 2023 (when 3-year mortgages reined supreme) will also contribute.

Lately, Canadians have increasingly opted for variable rates. Fixed rates remain more popular but it's now close to a 50-50 split. Of those opting for fixed, more than half are choosing a 3-year term, as has been the case for the last three years. In December, the overall market share of the once-dominant 5-year fixed rate product was near its lowest on record and it's not hard to see why. Rates here are relatively higher and didn't really budge after recent rate cuts. Looking ahead, this dynamic may not change (barring a significant cheapening of 5-year rates). For the swap market, this should mean greater paying pressure in the 3-year sector, particularly over coming months when renewal activity is set to peak.

Chart 1: Another soft year of housing activity in 2025...

Seasonally adjusted Canadian monthly home sales

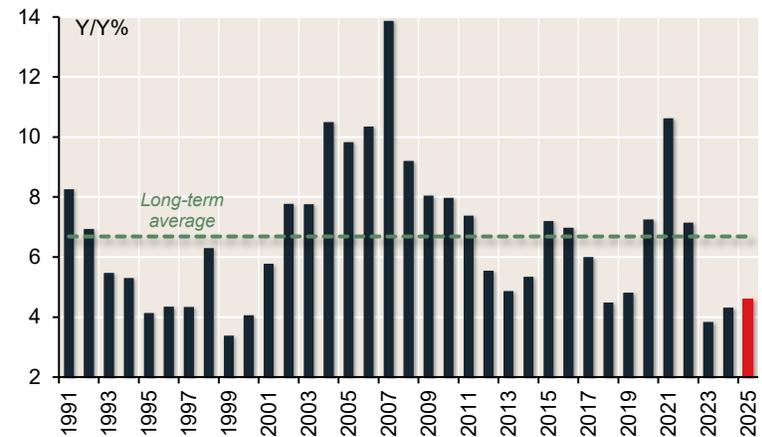


Source: NBC, CREA

Resale housing activity fell in 2025 marking another disappointing year. That resulted in one of the slowest expansions of mortgage credit in a quarter century. Activity in this rate-sensitive industry will be informative for the BoC as they gauge the impact of earlier cuts. It's early, and the spring mortgage season is to come, but January's level of activity suggests '26 could be another soft year.

Chart 2: ...meant another weak expansion of mortgage credit

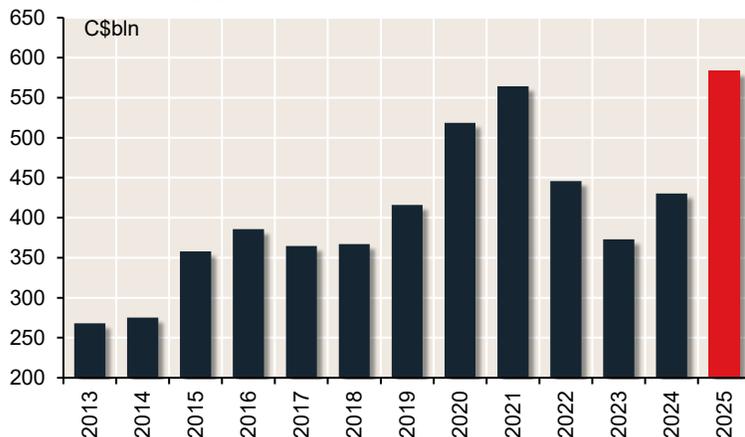
Annual growth in outstanding mortgage credit



Source: NBC, StatCan

Chart 3: Mortgage origination set a new record in 2025

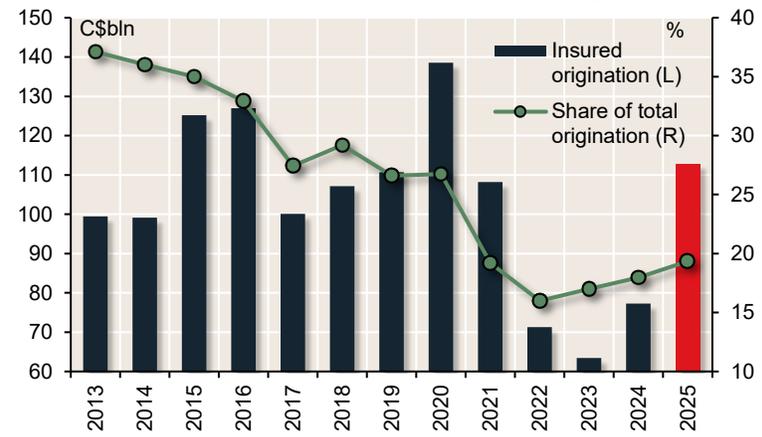
Total Canadian mortgage origination



Source: NBC, BoC | Note: Data covers origination from chartered banks only

Chart 4: Insured mortgage origination is rebounding

Total insured mortgage origination and insured share of total origination



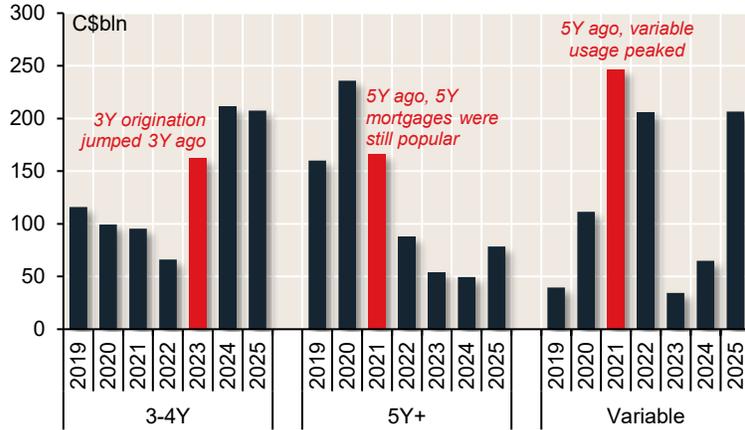
Source: NBC, BoC

Outstanding mortgage debt rose tepidly in 2025 but origination surged. Net new housing activity clearly isn't driving this trend. Instead, it's mortgage renewals, many of which were underwritten in the housing boom that began in 2020. There's also been growth in insured mortgage origination, consistent with a growing CMB program and the federal government's affordable housing priority. Over time, the insured share of origination had steadily fallen. But the trough looks to be behind us after the government increased the maximum insurable price (and home prices generally fell).



Chart 5: 2026 will be a big renewal year...

Mortgage origination by year, product

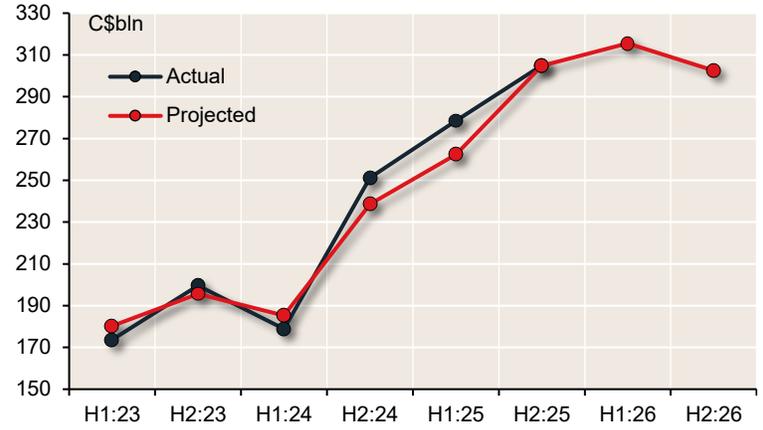


Source: NBC, BoC | Note: <3Y fixed rate origination not shown but is comparatively small

5 years ago, 5Y fixed and variable rate products were most popular. 3 years ago, 3Y fixed usage surged. Renewal of these mortgages may push origination even higher in 2026 (peaking in the spring).

Chart 6: ...which could mean a new record for origination

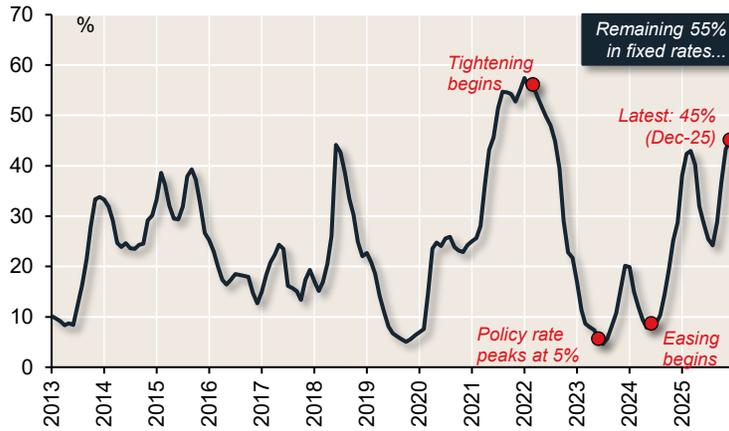
Estimated mortgage origination based on amount of renewing mortgages



Source: NBC, BoC | Note: "Projections" based solely on historical origination.

Chart 7: After BoC easing, more Canadians going variable.

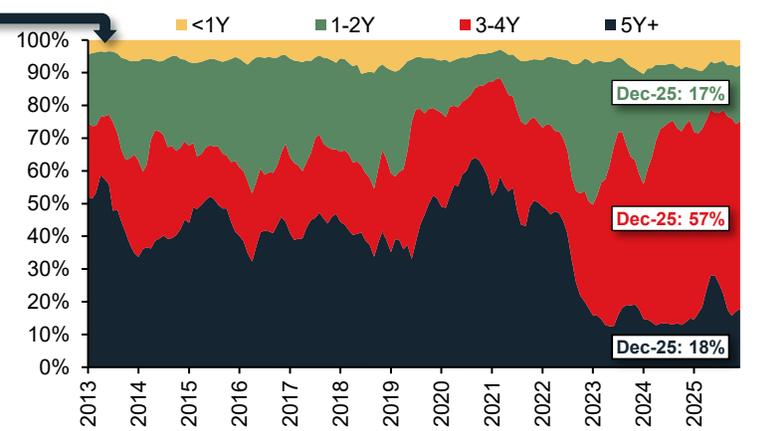
Variable rate share of total mortgage origination



Source: NBC, BoC

Chart 8: 3-year fixed mortgages continue to dominate 5-years

Share of fixed rate origination by term bucket

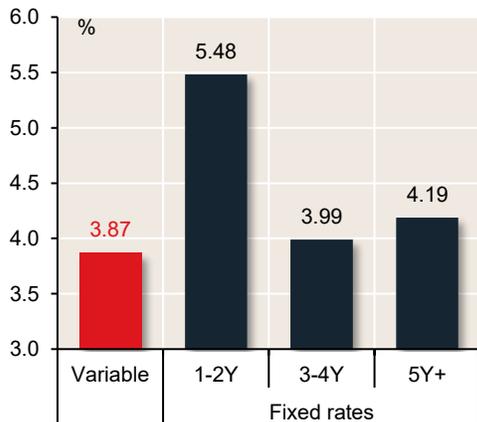


Source: NBC, BoC

In 2025, Canadians increasingly opted for variable rate mortgages as the BoC eased. December's 45% variable share was only topped by late-'21/early-'22 when the BoC was at the effective lower bound. Fixed rate products are still in the majority, but this share has fallen greatly since 2023. Within the fixed rate space, 3Y product continues to dominate. 5-year popularity briefly picked up early in 2025 but subsequently fizzled out. In December, 5Y fixed represented just 18% of fixed rate origination and not even 10% of total origination (nearly the lowest share we have on record).

Chart 9: Variable is now the cheapest...

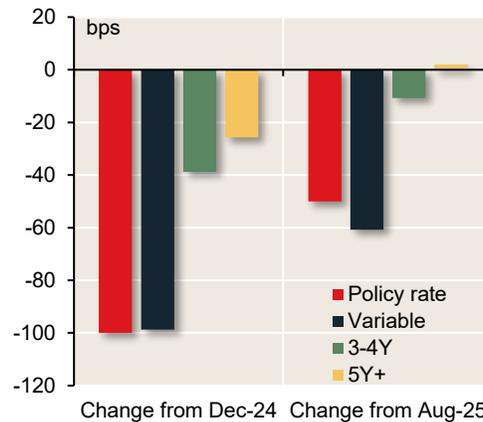
Average originated mortgage rate by type: Dec-25



Source: NBC, BoC

Chart 10: ...after 2025 BoC rate cuts

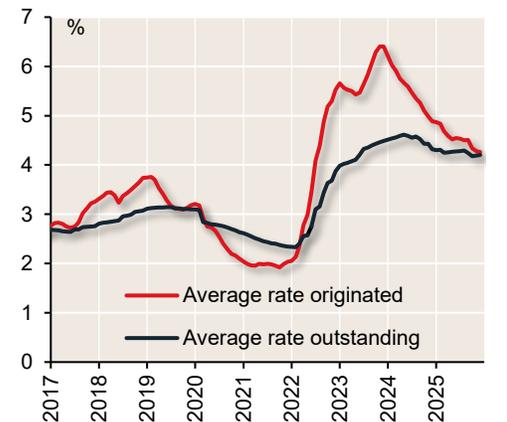
Change in BoC policy and mortgage rates



Source: NBC, BoC

Chart 11: Mortgage rate reset complete

Average mortgage rate originated and outstanding



Source: NBC, BoC

The resurgence of variable rates isn't surprising given relative cost comparisons. Variable is now the cheapest as 3-, 4- and 5-year fixed rates barely budged after the 50 bps of BoC easing late last year. There's speculation of further rate cuts which should keep variable usage elevated. Meanwhile, >4% for a 5-year fixed rate mortgage won't get many excited to lock in for longer. Expect 3-4Y to remain the dominant fixed rate product, and thus swap paying pressures to be concentrated here. Some Canadians will renew at a much higher rate (e.g., those with '21 rates), but others will enjoy cheaper rates (e.g., renewing a '23 mortgage). Overall, the average rate on new mortgages is now equal to the rate on existing mortgages, suggesting no more aggregate payment shock.



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