

Canadians getting their mortgage fix on

By Taylor Schleich

Per CREA's July housing market stats (which we covered along with other key housing data [here](#)), resale activity is picking back up after tariffs paralyzed prospective homebuyers earlier in 2025. To be sure, activity is still below late-2024 levels and nowhere close to pandemic volumes, but there's been a definite thawing since an ice-cold early spring. With sluggish economic growth and a weak labour market, activity may not surge ever higher but as Canadians adapt to persistent uncertainty a further *modest* pick-up may be in store.

This recent increase in home sales is naturally leading to more mortgage origination at a time when the echo effect of "COVID mortgages" is also starting to reverberate. As we explored [last month](#), nearly \$250 billion of 5-year, fixed rate mortgages were written in H2:2020 and H1:2021 when the pandemic housing boom got going. These are now reaching maturity, most needing to be refinanced.

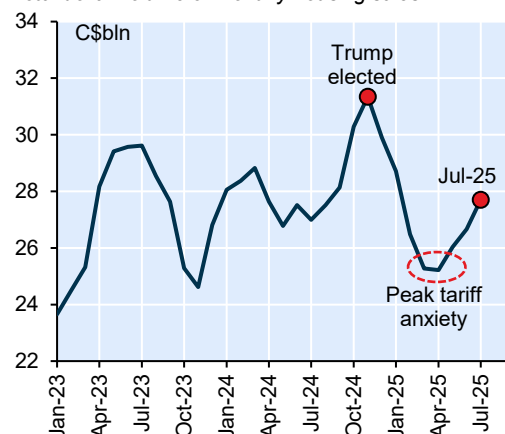
Between refinancing and net new activity, origination is set to rise in the second half of 2025, nearing the peak levels recorded five years ago. At the same time, fixed rate mortgages have been gaining popularity. When it comes to swap spreads, this recent development (assuming it

continues), combined with a higher overall volume of origination should lead to greater fixed rate paying pressure and wider swap spreads.

Why the recent shift to fixed? First, the BoC's rate cutting pause that started in April reduced the desirability of variable. Second, fixed rates in recent months were marginally cheaper. That was *not* due to lower GoC borrowing rates, however, as yields moved steadily higher since early April's "Liberation Day". Instead, lenders have tightened their margins. That's evidenced by the mortgage rate spread over GoC yields compressing to its tightest levels in three years. If this persists and *if* the BoC were to remain sidelined, the skew could remain heavily in favour of fixed borrowing. Within the fixed bucket, most Canadians continue to favour 3-4Y terms over the 'traditional' 5Y (although less so than in 2024). So, second half mortgage activity supports wider swap spreads generally but at present, it appears that paying pressure may be more acute in the 3-4Y term. We would note, however, that the smaller, insured mortgage market has seen a significant rise in 5Y activity of late (to 40% of insured origination). If that were to play out in the uninsured market, swap paying pressure would migrate more towards the 5Y term.

Chart 1: Housing activity is picking up

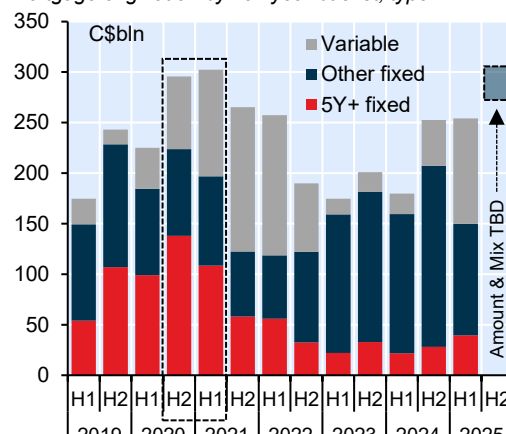
Total dollar volume of monthly housing sales



Source: NBC, CREA.

Chart 2: The COVID mortgage echo

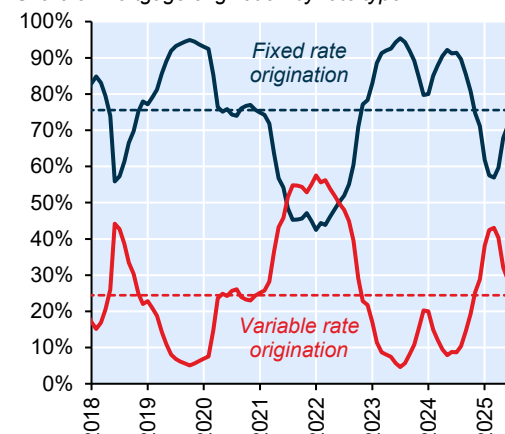
Mortgage origination by half year bucket, type



Source: NBC, BoC | Blue box is proj. range of H2:25 origination

Chart 3: Variable rate use is subsiding

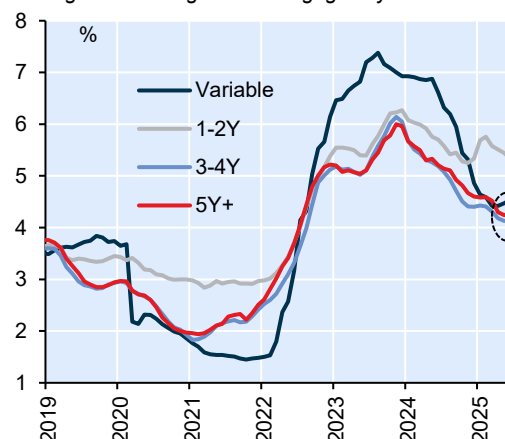
Share of mortgage origination by rate type



Source: NBC, BoC | Note: Dotted line = Average since 2013

Chart 4: Fixed rates still a bit cheaper...

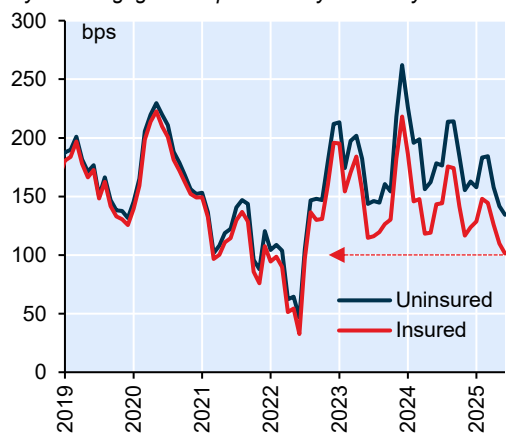
Average rate on originated mortgages by term



Source: NBC, BoC | Note: Latest data point = June 2025

Chart 5: ...higher GoC yields not passed on

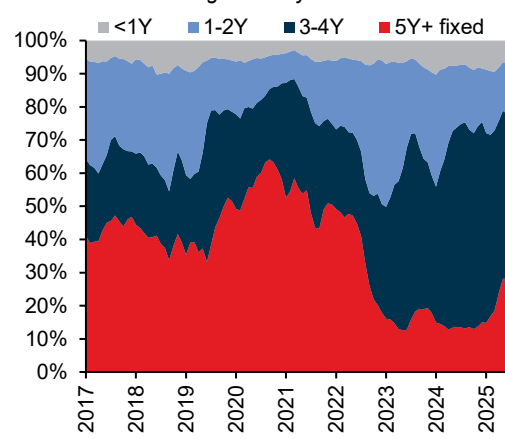
5-year mortgage rate spread to 5-year GoC yield



Source: NBC, BoC, BBG | Note: Latest data point = June 2025

Chart 6: 5-year fixed more popular in '25

Share of fixed rate origination by term bucket



Source: NBC, BoC | Note: Latest data point = June 2025



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