

# Mortgage & Economic Outline – March 2025



Outline Financial

T: (416) 536-9559

E: [hello@outline.ca](mailto:hello@outline.ca)

W: [www.outline.ca](http://www.outline.ca)

Mortgage Brokerage FSRA #13151

*\*2022 Global Best in Mortgage 2022 Report*

*\*2021 CMP Top Canadian Mortgage Workplace*

*\*2021 Mortgage Brokerage of the Year – Canadian Mortgage Awards (CMA) Winner*

*\*2020 Mortgage Brokerage of the Year – Canadian Mortgage Awards (CMA) Winner*

*\*2019, 2021 Outstanding Customer Service Award – CMA Finalist*

*\*Top 75 Brokerages in Canada – 2018, 2019, 2020, 2021, 2022*

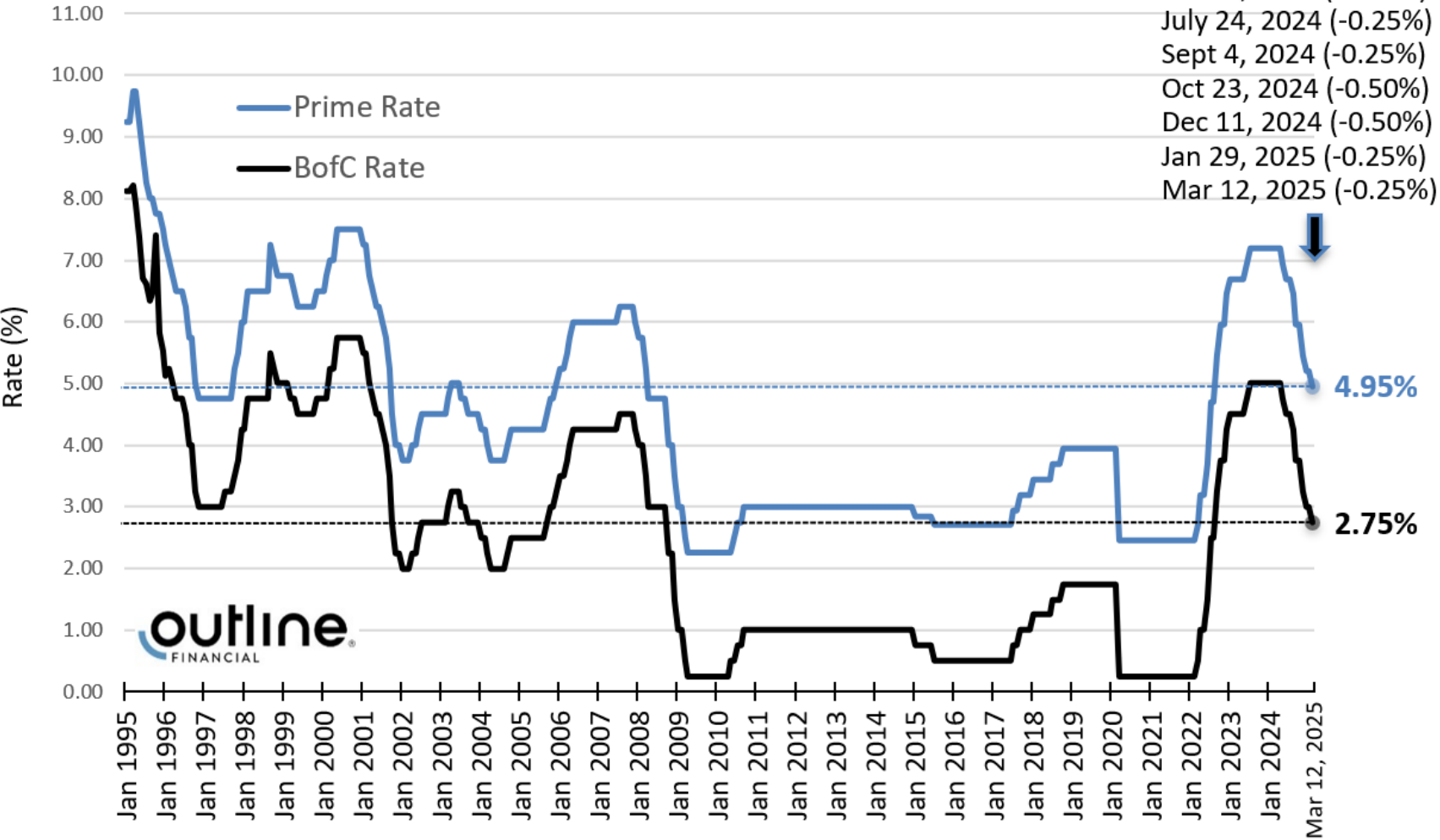
## Contents

- Bank of Canada (BoC) Rate Reduction – Seven in a Row!
- Tariffs and the Impact on the Canadian Economy
- BoC Rate Projections – Big Banks Forecasts
- A Focus on Fixed Rates and Bond Yields
- Quantifying the Impact of Rate Reductions
- What Mortgage Types/Terms are People Selecting?
- Key Dates to Watch in 2025 That Could Impact Rates
- Mortgage Arrears – Most Recent Data
- **Special Section / Timely Topics:**
  - *Buy First or Sell First? || Tax Time & Mortgages || Renewal Cliff – Fact or Fiction?*

# Seven Rate Drops In A Row!

History of BofC Overnight Rate and Prime Rate

- June 5, 2024 (-0.25%)
- July 24, 2024 (-0.25%)
- Sept 4, 2024 (-0.25%)
- Oct 23, 2024 (-0.50%)
- Dec 11, 2024 (-0.50%)
- Jan 29, 2025 (-0.25%)
- Mar 12, 2025 (-0.25%)



- On Wednesday March 12<sup>th</sup>, the Bank of Canada cut the overnight rate by 0.25%
- This was the 7th consecutive meeting in a row with a rate cut
- Cumulatively we have seen the overnight rate come down by a total of 2.25% (225 basis points)
- In May 2024, the overnight rate was at 5.00% and bank prime rate at 7.20%
- As of March 12th, 2025, the overnight rate has dropped to 2.75% and prime rate has dropped to 4.95%



# Seven Rate Drops In A Row!



- Variable rates and fixed rates are nearing parity for the first time in over a year.
- As at the time of writing, most banks and economists are predicting an additional 0.25% to 0.75% of rate cuts by the end of 2025.
- This could bring variable rates down to the mid to low 3% range for the first time in over three years.
- Want to learn more about the Bank of Canada's March 12th rate cut and future projections? Click the image to Download our info guide.



## Tariffs and the Impact on the Canadian Economy

- A recent [report](#) from the Organization of Economic Co-operation and Development (OECD) warns that the trade war initiated by Trump could have significant economic consequences for Canada.
- Tariffs are expected to significantly impact the Canadian economy, leading to higher unemployment, slower GDP growth, and increased inflation.
- A recent report warns that the tariffs will slash GDP growth estimates in half, and may increase CAD inflation by 1.1% in 2025 which would bump the inflation rate above 3% which is over the Bank of Canada's control range (target inflation range is 1% to 3% → target inflation rate is 2%)
- This could delay potential rate cuts, or in a worst-case scenario, even lead to rate hikes.
- An increase in cost of goods for consumers would limit household spending on discretionary items. Continued tariffs (or threat of tariffs) could also restrict businesses from hiring, investing, and expanding due to heightened economic uncertainty and concerns.

**What Do The Big 6 Canadian Banks Project for the Bank of Canada Overnight Rate in 2025 and 2026?**

# 2025/2026 Overnight Rate Forecasts - Where To Next?

## Recent Major Bank Forecast Range of Overnight Rate\*

Current Overnight Rate is 2.75% (Prime = 4.95%)

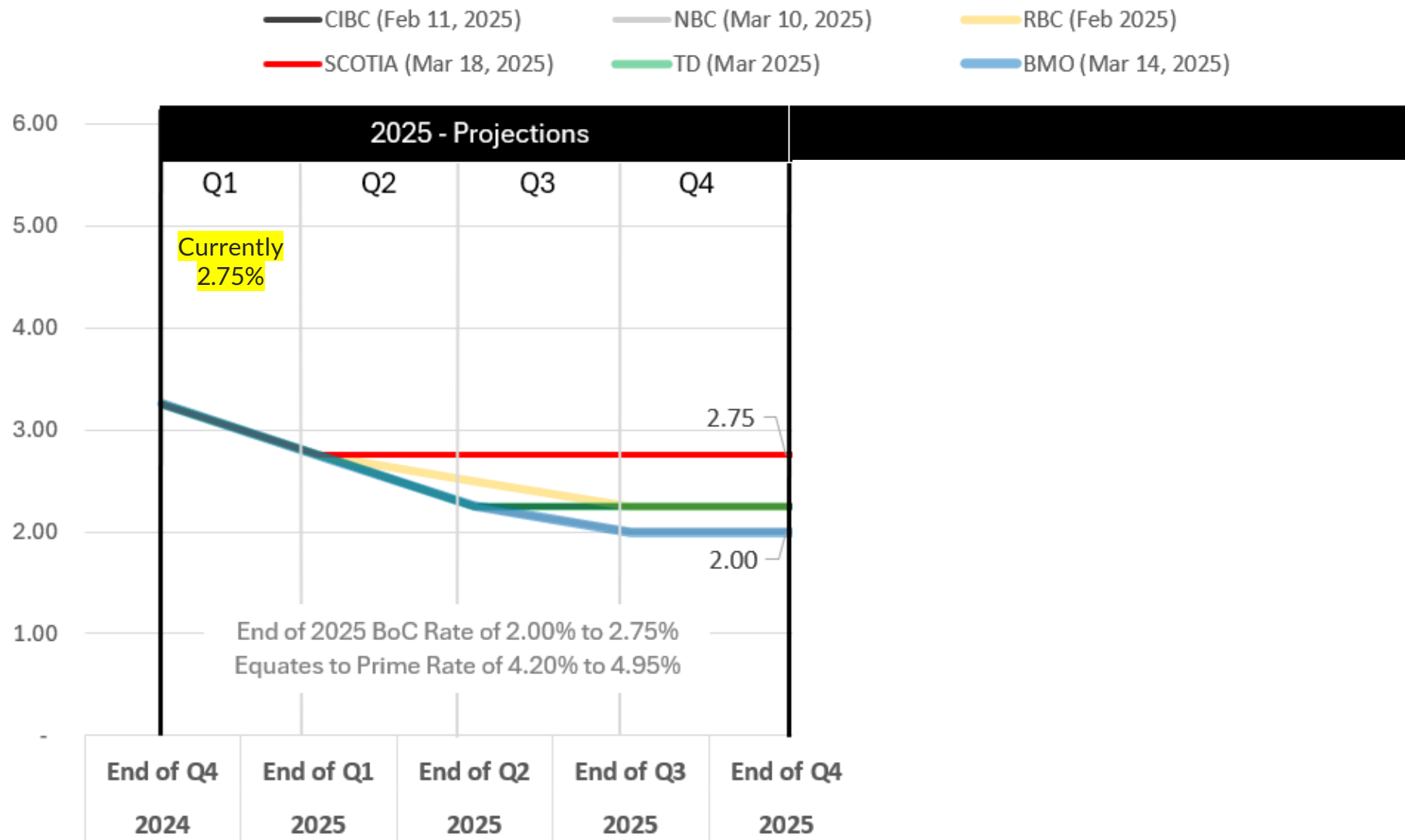
### By End of 2025

Overnight Rate Forecast is 2.00% to 2.75%

Forecasts were pulled from each bank's website on **Mar 21<sup>st</sup> - 1pm**

*\*This slide is for illustrative purposes only and subject to change at any time.*

## Bank of Canada Overnight Rate Forecast (Big 6 Bank Forecasts - Bank Name and "As at Date")



# 2025/2026 Overnight Rate Forecasts - Where To Next?

## Recent Major Bank Forecast Range of Overnight Rate\*

Current Overnight Rate is 2.75% (Prime = 4.95%)

### By End of 2025

Overnight Rate Forecast is 2.00% to 2.75%

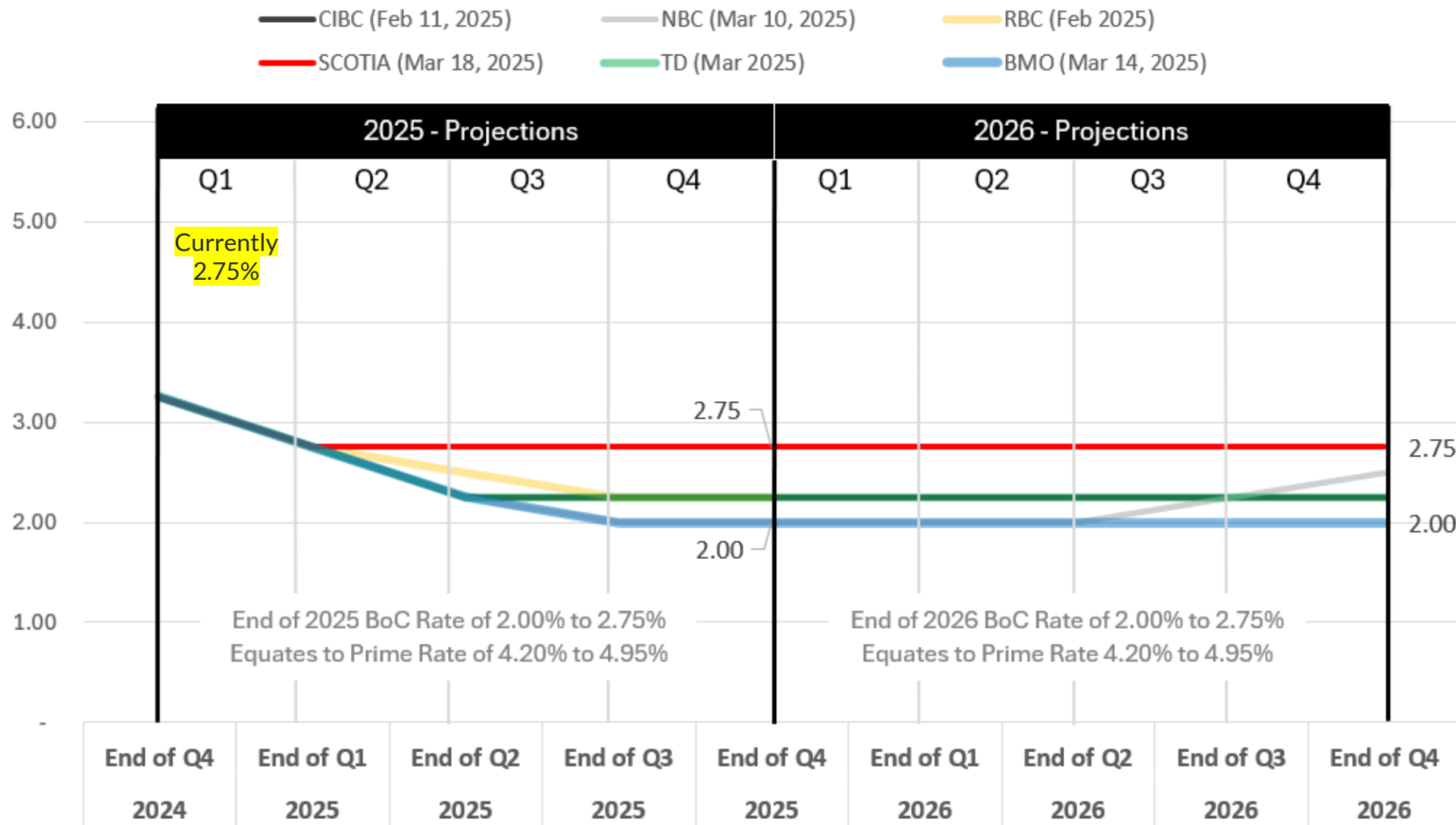
### By End of 2026

Overnight Rate Forecast is 2.00% to 2.75%\*\*

Forecasts were pulled from each bank's website on **Mar 21<sup>st</sup> - 1pm**

\*This slide is for illustrative purposes only and subject to change at any time.

## Bank of Canada Overnight Rate Forecast (Big 6 Bank Forecasts - Bank Name and "As at Date")





# When Are The 2025 Bank of Canada Meeting Dates?

## Next Bank of Canada Meeting Date Is Scheduled for April 16th

The latest market-implied rate cut probabilities (as of Mar 20<sup>th</sup>\*):

- 25 bps cut = 36% chance
- No Change = 64% chance

Note: total cumulative rate cuts since June 2024 were -2.25% (225 basis points)

\*Market implied rate cut probabilities change regularly and often drastically.

### Bank of Canada (BoC) 2024/2025 Rate Changes

	BoC Meeting Date	BoC Rate Change	Overnight Rate (BoC)	Prime Rate
2024	Jan 24, 2024	<i>no chg.</i>	5.00%	7.20%
	Mar 6, 2024	<i>no chg.</i>	5.00%	7.20%
	Apr 10, 2024	<i>no chg.</i>	5.00%	7.20%
	Jun 5, 2024	-0.25%	4.75%	6.95%
	Jul 24, 2024	-0.25%	4.50%	6.70%
	Sep 4, 2024	-0.25%	4.25%	6.45%
	Oct 23, 2024	-0.50%	3.75%	5.95%
	Dec 11, 2024	-0.50%	3.25%	5.45%
2025	Jan 29, 2025	-0.25%	3.00%	5.20%
	Mar 12, 2025	-0.25%	2.75%	4.95%
	Apr 16, 2025	tbd	tbd	tbd
	Jun 4, 2025	tbd	tbd	tbd
	Jul 30, 2025	tbd	tbd	tbd
	Sep 17, 2025	tbd	tbd	tbd
	Oct 29, 2025	tbd	tbd	tbd
	Dec 10, 2025	tbd	tbd	tbd

# How Has the Declining Rate Environment Impacted Carrying Costs and Qualification?

*Let's run the numbers...*

# The Numbers!

- \$750,000 Mortgage
  - How much have falling interest rates impacted monthly payments?
- 

## May 2024

- Variable Rate = 6.45% (Prime of 7.20% less 0.75% discount)
- Amortization = 30 years
- Monthly Payment = \$4,674 / mth

## March 2025

- Variable Rate = 4.20% (Prime of 4.95% less 0.75% discount)
- Amortization = 30 years
- Monthly Payment = \$3,652 / mth

\*\*\* Results in an approximate 22% reduction in monthly payments \*\*\*



## The Numbers!

- \$175,000 in household income
  - How much could this household qualify for assuming no other debt?
- 

### May 2024

- Variable Rate = 6.45% (Prime of 7.20% less 0.75% discount)
- Amortization = 30 years
- Qualifies for a mortgage range of up to \$677K to \$764K\*
- (purchase range of approx. \$846K to \$955K with 20% down payment)

### March 2025

- Variable Rate = 4.20% (Prime of 4.95% less 0.75% discount)
- Amortization = 30 years
- Qualifies for a mortgage range of up to \$822K to \$928K\*
- (purchase range of approx. \$1.028M to \$1.16M with 20% down payment)

\*Qualify for approx. 22% more borrowing power

\*Range assumes a Total Debt Service (TDS) ratio of 39% to 44%. Can vary by lender.

**Variable Rates Move When The Bank of Canada Changes Their  
Overnight Rate...**

**But What Drives **Fixed Rates?****

## What Drives Rate Changes – Variable vs. Fixed

- **Variable Rates** move with changes in the overnight rate.
  - We've seen a drop, but more likely to come as illustrated in the Bank of Canada forecasts.
- **Fixed Rates** move in advance of changes in the overnight rate (based on expectations, Canada bond yields, economic news in both Canada and the U.S., etc.)
  - We've already seen a significant drop as illustrated on the following slides, and could be nearing a bottom.

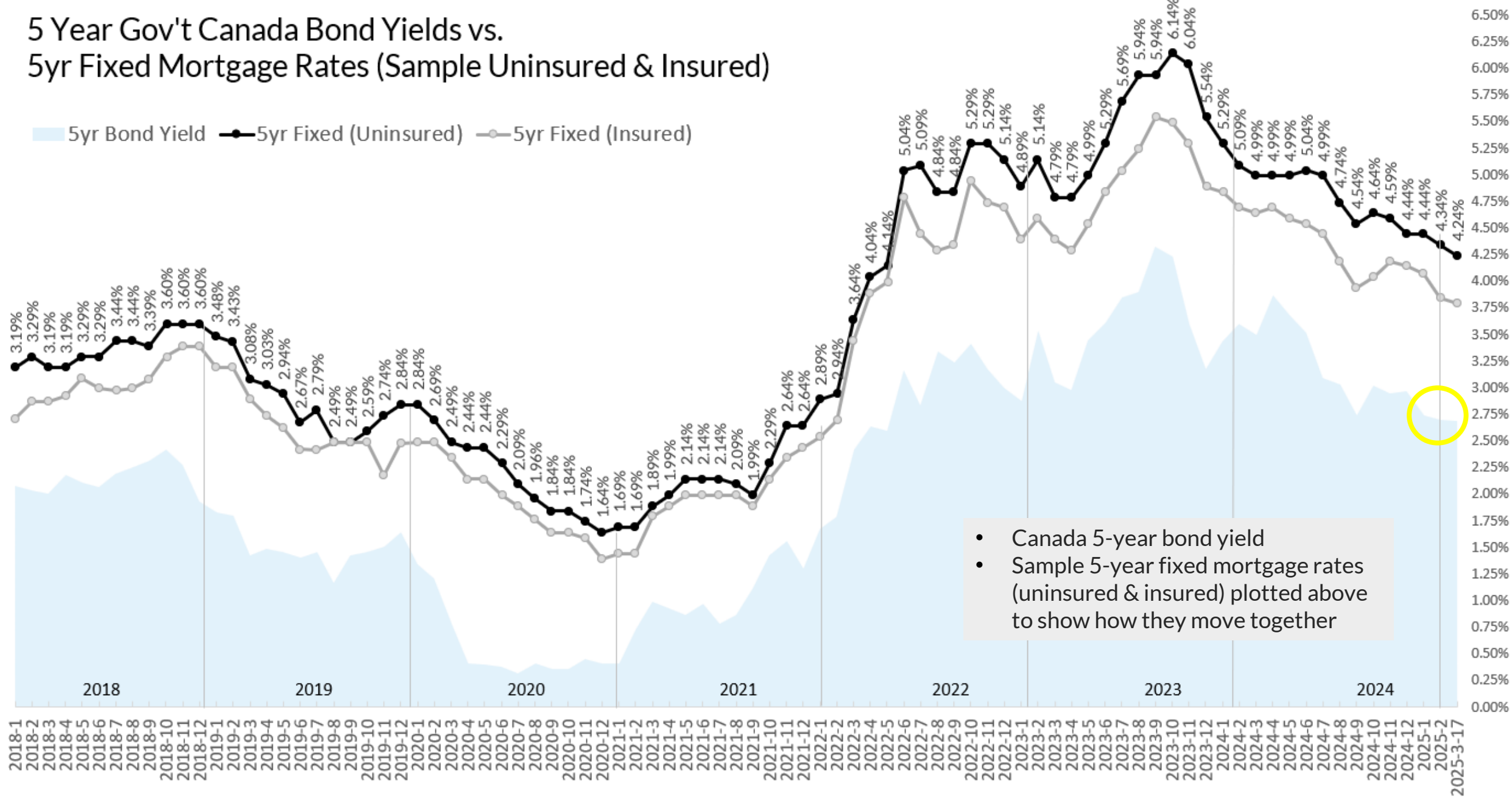


## Fixed Rate & Bond Yield Update

- Fixed rates currently in the low 4's and in some cases dropping into the high 3's.
- While bond yields have fallen to their lowest levels since summer 2022, mortgage rates have not declined to the same extent. This is largely due to heightened market uncertainty, prompting banks to maintain higher risk premiums. As a result, lenders are not passing on the full savings from lower yields, impacting both fixed-rate pricing and variable-rate discounts.
- *\*It is important to note that while fixed rates typically track bond yields closely, it is not the only factor in pricing in fixed rates.*



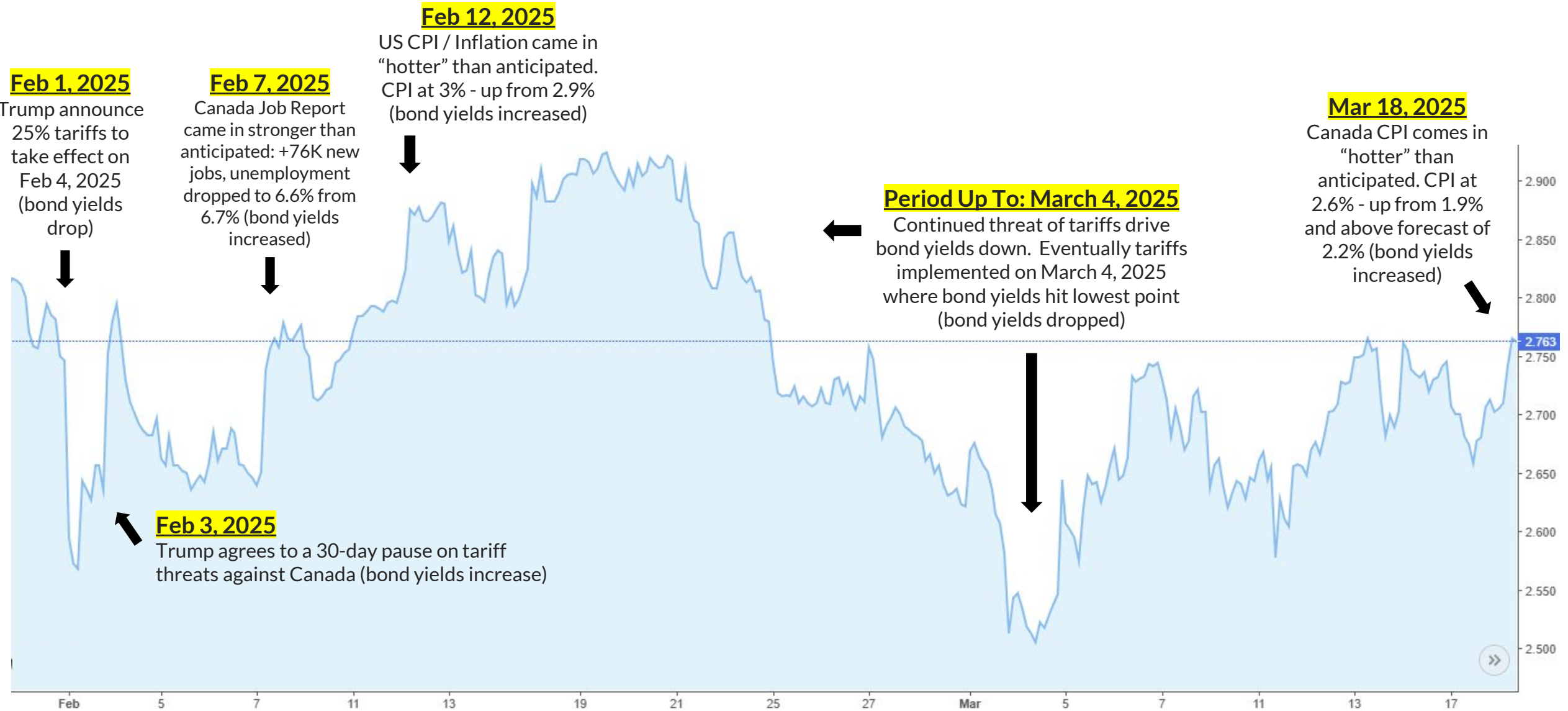
# 5 Year Gov't Canada Bond Yields vs. 5yr Fixed Mortgage Rates (Sample Uninsured & Insured)



• Canada 5-year bond yield  
 • Sample 5-year fixed mortgage rates (uninsured & insured) plotted above to show how they move together

# Bond Yields Can Move Quickly

(Zoomed in from previous summary slide. Shows volatility – Jan 31, 2025 to Mar 18, 2025)



Government of Canada 5-Year Bond Yields (February & March 2025 Dates)

# What Could Impact Future Interest Rate Direction?

*Key Dates to Know*

# 2025: Key Economic Dates

## Key Upcoming Dates to Analyze and/or Watch

April 4<sup>th</sup> – Jobs Report – Canada

April 10<sup>th</sup> – CPI / Inflation – US

April 15<sup>th</sup> – CPI / Inflation – Canada

April 16<sup>th</sup> – Bank of Canada Rate Announcement

May 7<sup>th</sup> – US/Fed Rate Announcement

Why are these dates important? Refer to blog post below:

<https://www.outline.ca/2025-economic-calendar-important-dates/>

## 2025 Economic Calendar: Important Dates



January	February	March
10 <sup>th</sup> - 🇨🇦 Jobs Report	7 <sup>th</sup> - 🇨🇦 Jobs Report	7 <sup>th</sup> - 🇨🇦 Jobs Report
15 <sup>th</sup> - 🇺🇸 CPI/Inflation	12 <sup>th</sup> - 🇺🇸 CPI/Inflation	12 <sup>th</sup> - 🇨🇦 Bank of Canada Rate
21 <sup>st</sup> - 🇨🇦 CPI/Inflation	18 <sup>th</sup> - 🇨🇦 CPI/Inflation	12 <sup>th</sup> - 🇺🇸 CPI/Inflation
29 <sup>th</sup> - 🇨🇦 Bank of Canada Rate	28 <sup>th</sup> - 🇨🇦 GDP (Monthly Report)	18 <sup>th</sup> - 🇨🇦 CPI/Inflation
29 <sup>th</sup> - 🇺🇸 Fed Rate	28 <sup>th</sup> - 🇨🇦 GDP (Quarterly Report)	19 <sup>th</sup> - 🇺🇸 Fed Rate
31 <sup>st</sup> - 🇨🇦 GDP (monthly report)		28 <sup>th</sup> - 🇨🇦 GDP (Monthly Report)

April	May	June
4 <sup>th</sup> - 🇨🇦 Jobs Report	7 <sup>th</sup> - 🇺🇸 Fed Rate	4 <sup>th</sup> - 🇨🇦 Bank of Canada Rate
10 <sup>th</sup> - 🇺🇸 CPI/Inflation	9 <sup>th</sup> - 🇨🇦 Jobs Report	6 <sup>th</sup> - 🇨🇦 Jobs Report
15 <sup>th</sup> - 🇨🇦 CPI/Inflation	13 <sup>th</sup> - 🇺🇸 CPI/Inflation	11 <sup>th</sup> - 🇺🇸 CPI/Inflation
16 <sup>th</sup> - 🇨🇦 Bank of Canada Rate	20 <sup>th</sup> - 🇨🇦 CPI/Inflation	18 <sup>th</sup> - 🇺🇸 Fed Rate
30 <sup>th</sup> - 🇨🇦 GDP (Monthly Report)	30 <sup>th</sup> - 🇨🇦 GDP (Monthly Report)	24 <sup>th</sup> - 🇨🇦 CPI/Inflation
	30 <sup>th</sup> - 🇨🇦 GDP (Quarterly Report)	27 <sup>th</sup> - 🇨🇦 GDP (Monthly Report)

July	August	September
11 <sup>th</sup> - 🇨🇦 Jobs Report	8 <sup>th</sup> - 🇨🇦 Jobs Report	5 <sup>th</sup> - 🇨🇦 Jobs Report
15 <sup>th</sup> - 🇺🇸 CPI/Inflation	12 <sup>th</sup> - 🇺🇸 CPI/Inflation	11 <sup>th</sup> - 🇺🇸 CPI/Inflation
15 <sup>th</sup> - 🇨🇦 CPI/Inflation	19 <sup>th</sup> - 🇨🇦 CPI/Inflation	16 <sup>th</sup> - 🇨🇦 CPI/Inflation
30 <sup>th</sup> - 🇨🇦 Bank of Canada Rate	29 <sup>th</sup> - 🇨🇦 GDP (Monthly Report)	17 <sup>th</sup> - 🇨🇦 Bank of Canada Rate
30 <sup>th</sup> - 🇺🇸 Fed Rate	29 <sup>th</sup> - 🇨🇦 GDP (Quarterly Report)	17 <sup>th</sup> - 🇺🇸 Fed Rate
31 <sup>st</sup> - 🇨🇦 GDP (Monthly Report)		26 <sup>th</sup> - 🇨🇦 GDP (Monthly Report)

October	November	December
10 <sup>th</sup> - 🇨🇦 Jobs Report	7 <sup>th</sup> - 🇨🇦 Jobs Report	5 <sup>th</sup> - 🇨🇦 Jobs Report
15 <sup>th</sup> - 🇺🇸 CPI/Inflation	13 <sup>th</sup> - 🇺🇸 CPI/Inflation	10 <sup>th</sup> - 🇨🇦 Bank of Canada Rate
21 <sup>st</sup> - 🇨🇦 CPI/Inflation	17 <sup>th</sup> - 🇨🇦 CPI/Inflation	10 <sup>th</sup> - 🇺🇸 Fed Rate
29 <sup>th</sup> - 🇨🇦 Bank of Canada Rate	28 <sup>th</sup> - 🇨🇦 GDP (Monthly Report)	10 <sup>th</sup> - 🇺🇸 CPI/Inflation
29 <sup>th</sup> - 🇺🇸 Fed Rate	28 <sup>th</sup> - 🇨🇦 GDP (Quarterly Report)	15 <sup>th</sup> - 🇨🇦 CPI/Inflation
31 <sup>st</sup> - 🇨🇦 GDP (Monthly Report)		23 <sup>rd</sup> - 🇨🇦 GDP (Monthly Report)

## Given the Overnight Rate Forecast & Bond Yield Movement

### What Mortgage Types/Terms Are People Selecting?

**Data Source:** Bank of Canada  
**Reference Period:** Up to January 2025  
**Data Release Date:** March 2025

Reporting coverage encompasses banks and foreign bank branches.

*Funds advanced* represents the cumulative total of new credit extended, new draws on existing credit facilities, mortgage or term-loan renewals and refinancing for a given month.

# What type/term of mortgage are people selecting?

Percent of Mortgage Originations by Month & Mortgage Type (data source: Bank of Canada)

	Jan-2024	Feb-2024	Mar-2024	Apr-2024	May-2024	Jun-2024	Jul-2024	Aug-2024	Sep-2024	Oct-2024	Nov-2024	Dec-2024	Jan-2025
<b>Variable</b>	20.0%	15.0%	12.2%	9.5%	7.9%	8.8%	8.7%	10.4%	14.6%	19.3%	25.2%	28.8%	38.1%
<b>Fixed, &lt;1yr</b>	8.3%	7.4%	7.5%	6.8%	7.0%	6.9%	6.7%	6.4%	6.9%	7.2%	6.0%	6.0%	5.4%
<b>Fixed, 1 to &lt;3 yr</b>	27.0%	26.1%	24.0%	21.0%	18.1%	17.0%	16.3%	15.7%	16.0%	15.4%	13.3%	11.5%	11.9%
<b>Fixed, 3 to &lt;5 yr</b>	32.8%	39.1%	44.2%	51.1%	54.7%	54.9%	56.1%	55.8%	50.9%	47.7%	45.2%	43.0%	35.4%
<b>Fixed, 5yr +</b>	11.9%	12.4%	12.2%	11.6%	12.3%	12.4%	12.3%	11.8%	11.5%	10.5%	10.3%	10.7%	9.2%

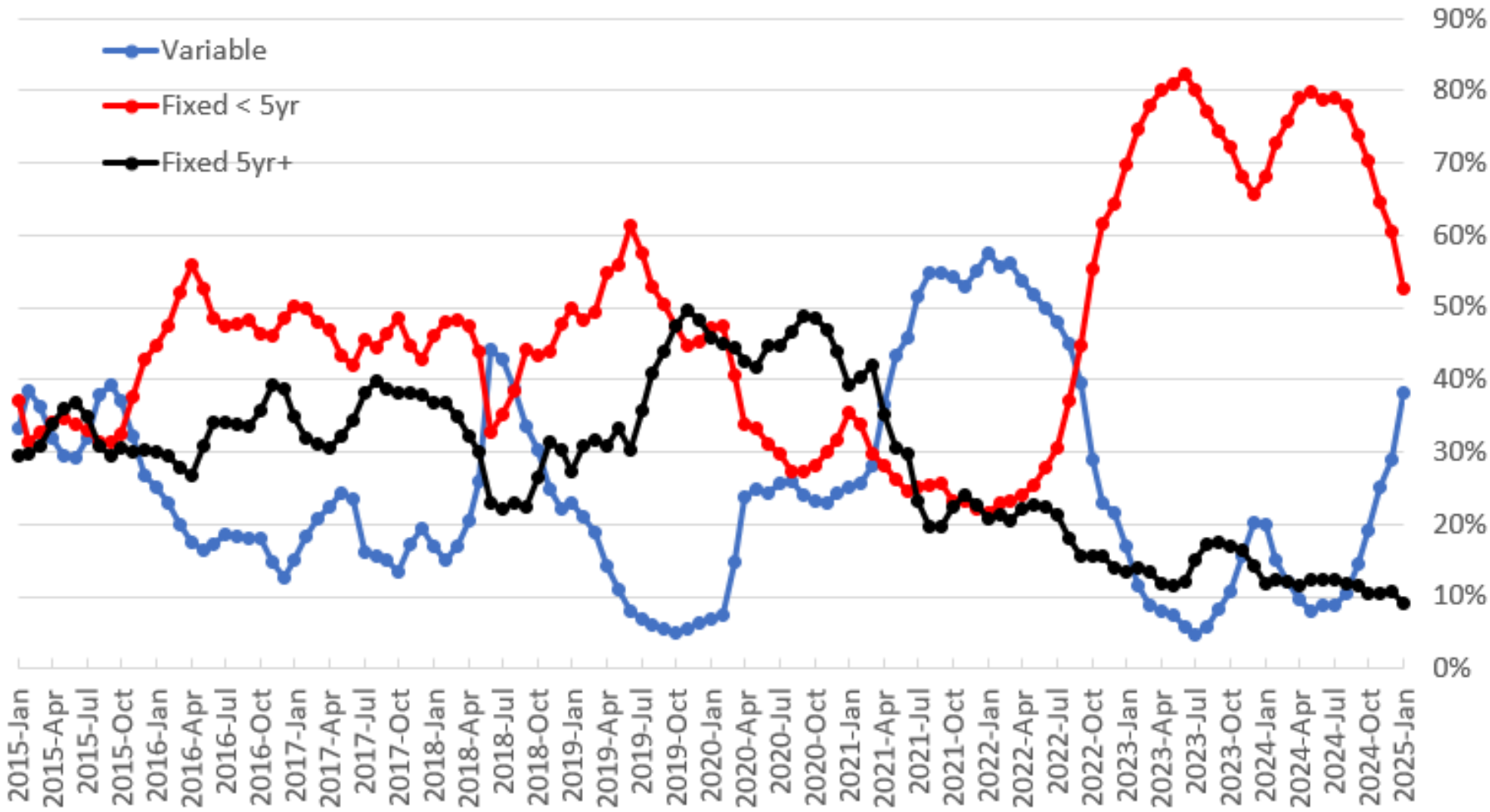
While every circumstance is unique, people appear to have steadily increased the variable rate mortgage originations since May 2024.

What is a normal / typical distribution? (10-year averages)

- 25% Variable
- 5% Fixed (<1yr)
- 19% Fixed (1 to <3yr)
- 23% Fixed (3 to <5yr)
- 28% Fixed (5yr+)

# What type/term of mortgage are people selecting?

Percent of New Mortgage Originations Selecting "Variable" vs. "Fixed <5yr" vs. "Fixed 5yr+"



Percent of new mortgage originations were as follows in Jan 2025:

- Variable = 38.1%
- Fixed < 5yr = 52.7%
- Fixed 5yr+ = 9.2%

Data Source: Bank of Canada

Reporting coverage encompasses banks and foreign bank branches.

*Funds advanced* represents the cumulative total of new credit extended, new draws on existing credit facilities, mortgage or term-loan renewals and refinancing for a given month.

# Updated Mortgage Arrears Data

**Data Source:** Canadian Bankers Association  
**Reference Period:** Up to December 31, 2024  
**Release Date:** March 7, 2025



# Mortgage Arrears Data (payments late by 3 or more months)

CANADIAN BANKERS ASSOCIATION

DB50 PUBLIC

## Number of Residential Mortgages in Arrears

Month Ended December 31, 2024			
LOCATION	Total Number of Mortgages	Number of Mortgages in Arrears*	% of Arrears to Total Number of Mortgages
ATLANTIC	341,212	957	0.28%
QUEBEC	933,589	1,720	0.18%
ONTARIO	2,191,844	4,141	0.19%
MANITOBA	117,774	377	0.32%
SASKATCHEWAN	124,650	747	0.60%
ALBERTA	584,511	1,770	0.30%
BRITISH COLUMBIA	702,668	1,247	0.18%
TERRITORIES	10,297		
<b>CANADA</b>	<b>5,006,545</b>	<b>10,959</b>	<b>0.22%</b>

Mortgage arrears remains very low, but climbing as illustrated on the next slides.

- Ontario arrears rate was 0.19%
- Overall Canada arrears rate was 0.22%

Includes data from BMO, CIBC, National Bank of Canada, RBC Royal Bank, Scotiabank, TD Canada Trust, Canadian Western Bank, Manulife Bank (as of April 2004), Laurentian Bank (as of October 2010), Equitable Bank (as of November 2020)

\* Mortgage arrears is three or more months

\*\* Data for Yukon included in British Columbia. Data for NWT and NU included in Alberta.

# Mortgage Arrears Data (payments late by 3 or more months) – Ontario

## % of Mortgages In Arrears - Ontario (Payments overdue for three or more months)



### Ontario arrears rate:

- Dec 2024 arrears rate of 0.19%
- Up from 0.06% in late 2022

# Mortgage Arrears Data (payments late by 3 or more months) – Canada

## % of Mortgages In Arrears - Canada (Payments overdue for three or more months)

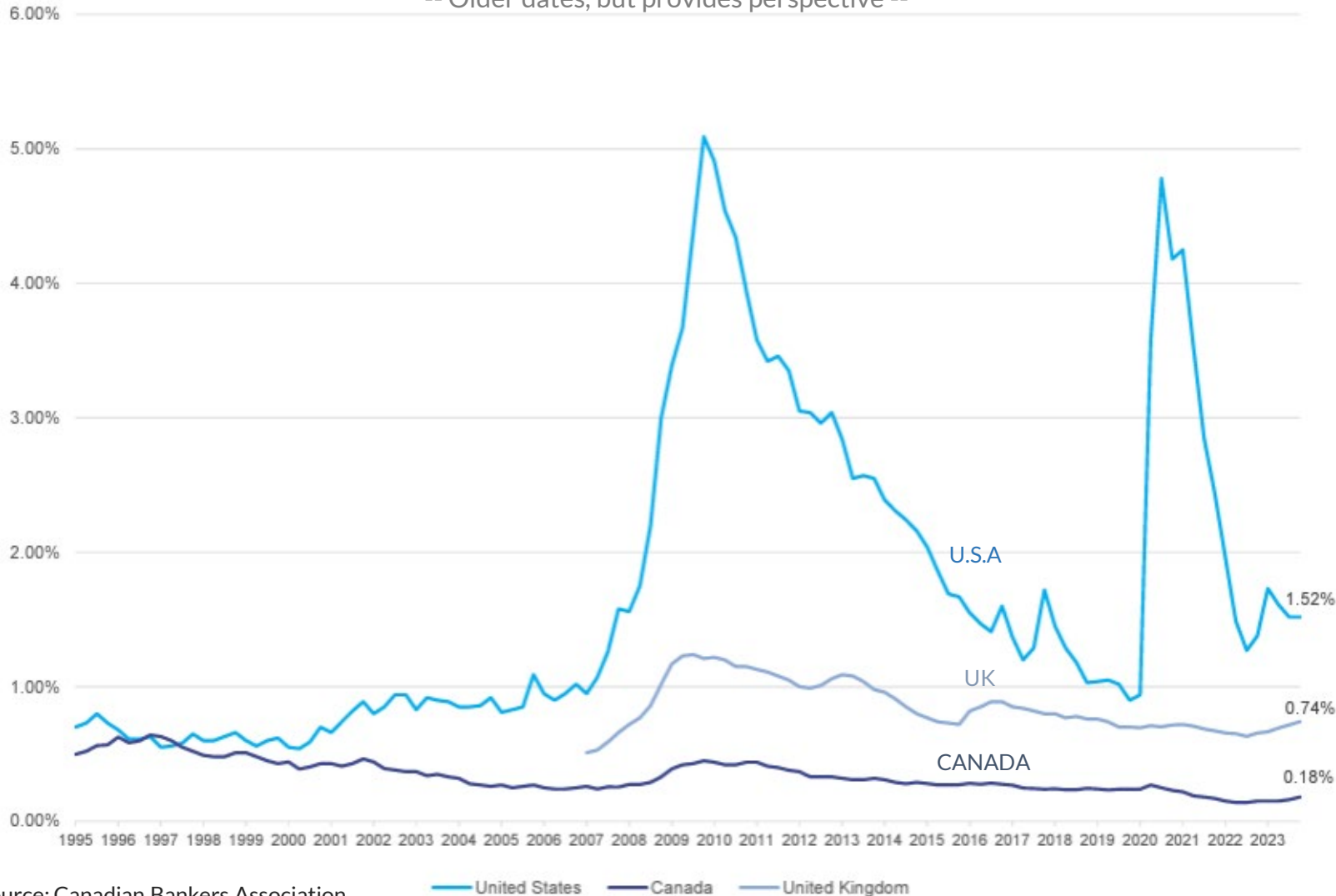


### Canada arrears rate:

- Dec 2024 arrears rate of 0.22%
- Up from 0.14% in late 2022

# Mortgage Arrears in Perspective (90 Days and Over) in Canada vs. US vs. UK

**Mortgages in Arrears (90 Days and Over)**  
-- Older dates, but provides perspective --



## Mortgage Arrears in Canada vs. Other Countries (older dates, but provides perspective)

- Canada's percentage of mortgages in arrears is significantly lower than in the United States and the United Kingdom.
- Despite the current economic environment, mortgage in arrears remain at relatively low levels.
- Note: this chart is posted on the current CBA website – data is from earlier time periods but provides an overall perspective.



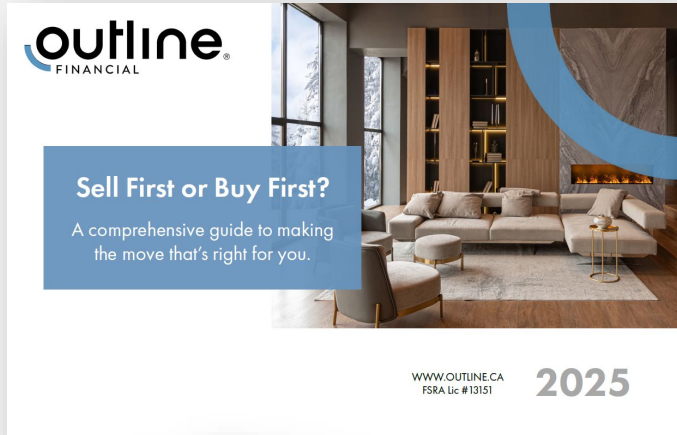
# Other Timely Mortgage Topics



## Renewal Cliff – Fact or Fiction?

- There has been a lot of talk in the media about the impending renewal cliff and the impact on the housing market.
- It's important to note that both fixed and variable rates are now in the low 4's (lower in some cases, and potentially decreasing further). These rates are all well below the stress test rate which was between 4.79%-5.25% when many of these mortgage originated in 2020/2021.
- The media coverage surrounding the renewal “cliff” has unsettled some clients, prompting them to reach out well ahead of their renewal dates to better understand the evolving market conditions.
- Potential options to help ease the pain of the higher rates, can include:
  - ✓ Lump sum payments
  - ✓ Re-amortizing loans
  - ✓ Refinancing to payout higher interest debts
- Many clients with higher fixed rates are exploring variable rate options.

Download The Info Guide



## To Buy or Sell First?

This can be heavily dependent on the type of property and location a borrower is selling.

- For example, a client trying to sell a condo in an area with many active listings may feel limited in their options given current market conditions.
- We are currently seeing an increase in the number of purchases that are conditional on sale, especially outside the Core 416.

What is the risk if you buy and cannot sell? Has your mortgage broker walked your client through the “what-if” scenarios? Is it possible for your clients to close on the new purchase without having a firm sale in place?

To navigate these challenges, it is almost always helpful to explore potential solutions in advance. Potential ideas/strategies that could arise may include:

- Refinancing or renting out the existing property.
- Leveraging family support to help bridge financing gaps.
- Considering private or alternative lenders, while keeping in mind the higher costs associated with these options.

As each situation is unique, discussing a tailored strategy early can help uncover the best path forward.

Download The Info Guide



## Tax Time & Mortgages!

Download the accompanying Tax Time and Mortgages Guide for critical information on how your tax filing could directly impact an existing or potential mortgage approval.

In this guide we discuss:

- The “2-Year Average Rule”
- Self-Employed – Income Tax Filing Impact
- Employees or Contractors with Variable Compensation
- Impact of shifting from a sole proprietorship to a corporation

**Ready to file your taxes?** Before pressing submit, it’s a great idea to connect with your mortgage advisor to discuss how your 2024 income tax filing may impact your borrowing power (increase or decrease) and any new mortgage options or strategies that may be available.



A nighttime photograph of a city skyline, likely Toronto, with the CN Tower on the left. The buildings are illuminated with various colors, and their lights are reflected in the water in the foreground. The sky is a deep blue.

Thank you!



Outline Financial

T: (416) 536-9559

E: [hello@outline.ca](mailto:hello@outline.ca)

W: [www.outline.ca](http://www.outline.ca)

Mortgage Brokerage FSRA #13151

*\*2022 Global Best in Mortgage 2022 Report*

*\*2021 CMP Top Canadian Mortgage Workplace*

*\*2021 Mortgage Brokerage of the Year – Canadian Mortgage Awards (CMA) Winner*

*\*2020 Mortgage Brokerage of the Year – Canadian Mortgage Awards (CMA) Winner*

*\*2019, 2021 Outstanding Customer Service Award – CMA Finalist*

*\*Top 75 Brokerages in Canada – 2018, 2019, 2020, 2021, 2022*