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# 2023 Quebec Mortgage Market Report

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## HIGHLIGHTS

- More than 203,000 mortgages were registered in 2023, a decrease of 24% compared to 2022.
- Small lenders have increased their market share across all CMAs as many borrowers do not meet the requirements to obtain a mortgage loan from traditional lenders.
- Among the traditional lenders, TD is the bank with the highest increase in market share (+ 10%) in 2023, while Bank of Nova Scotia records the largest decrease (-33%) compared to 2022.
- Despite a 4 % decrease in market share, Desjardins still dominates the market and granted 37.7 % of mortgage loans for property acquisitions in 2022.

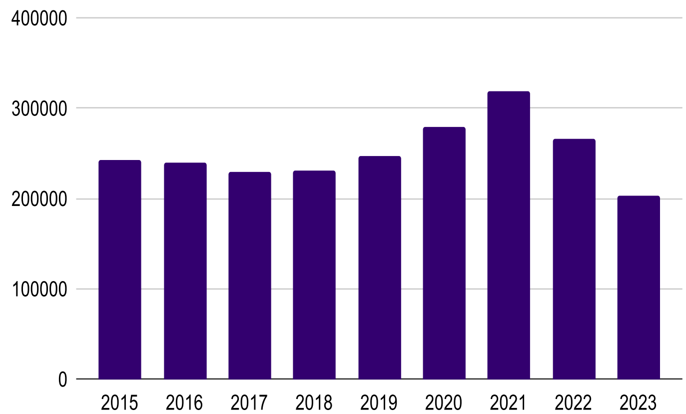
Since March 2022, interest rates have climbed sharply from historically low levels observed during the first two years of the pandemic, reaching 5% by the end of 2023-the highest over two decades. This surge has significantly increased mortgage cost, marking a notable shift in the financial landscape for homebuyers. Despite the economic challenges of transitioning from Covid-19 era, Quebec's mortgage market has shown resilience during 2023.

An analysis of mortgages published in the Quebec Land Registry and compiled by JLR, an Equifax company, reveals some market trends. This publication covers all mortgages, whether they are issued on residential or non-residential properties. However, since a majority of mortgages (90 %) relate to residential properties, this sector strongly influences market developments.

## 1. EVOLUTION OF THE NOTARIZED MORTGAGE MARKETS

The Quebec mortgage market in 2023 mirrored the national trend with a notable decrease in the overall number of mortgages published in the Quebec Land Registry, totaling 203,203; a decrease of 24% compared to last year. This significant shift from previous years' trends indicates a persistent cooling period in the housing finance sector. The causes for this downturn are multifaceted, including rising interest rates, stringent lending standards, and a broader economic cooling leading to plunging affordability.

**Graph 1: Change in the Number of Mortgages Published in the Land Register of Quebec**



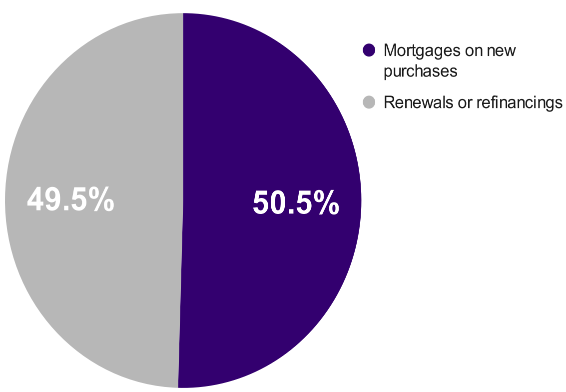

Mortgages registered with the Quebec Land Registry can be broadly categorized into those associated with new acquisitions and those involving renewals or refinancing.

In the last decade, the growing popularity of collateral mortgages has led to a reduction in the number of refinancing transactions requiring the registration of a deed with the Land Registry. For this category of mortgages, the mortgage amount can exceed the borrowed amount or even the property value. Thus, lenders can grant a new loan to their client at an amount higher than the old one without having to register a second deed, as long as the new amount does not exceed the mortgage value. Consequently, the number of renewals or refinancing transactions has significantly decreased in the last decade since many registrations are no longer necessary. However, despite the existence of collateral mortgages, many non-purchase related mortgages are still registered. Indeed, a new deed will always be registered in cases where the owner borrows an amount greater than the one secured by their loan, if they change financial institutions, or if they add a second-ranking mortgage.

In 2023, the split between these categories was nearly even, with new acquisitions accounting for 50.5% and renewals or refinancing making up the remaining 49.5%. The figures—102,546 for new acquisitions and 100,812 for renewals/refinancing—reflect a mortgage market responding to external economic pressures. The substantial share of renewals or refinancing indicates a market that is navigating through rising costs, as homeowners might have sought to lock in rates in anticipation of further increases or adjust their financial positions in response to economic uncertainties. The relatively balanced distribution also suggests a competitive Quebec housing market where new buyers are keen to enter the market despite higher costs.

While there is caution, as evidenced by the near-even split between new and renewed or refinanced mortgages, the market is not exhibiting a drastic drop-off in either category, suggesting that the real estate market in Quebec remains active.

### Graph 2: Breakdown of Mortgages by Type

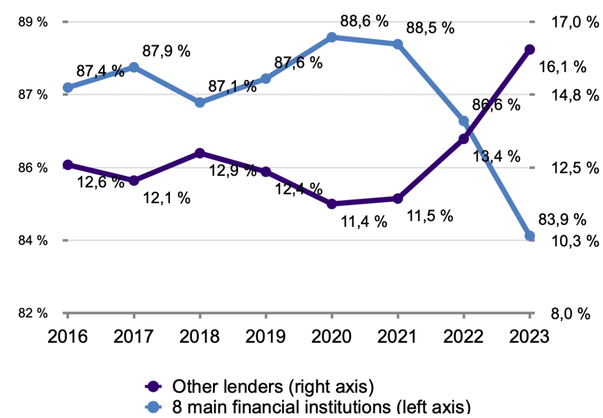



The rest of the report will focus exclusively on mortgages related to the acquisition of a new property since renewals and mortgage refinancing that are not systematically published in the Quebec Land Registry, which biases interpretation. Thus, an institution that favors secondary mortgages will have far fewer mortgage renewals published compared to an institution that frequently offers traditional mortgages to its clients. The analysis of market shares for all mortgages would be biased by this phenomenon, which is why the rest of the report concerns only mortgages related to the purchase of a property.

## 2. EVOLUTION OF MORTGAGE MARKET SHARES

The Quebec mortgage market is dominated by only a few players. The seven major Canadian banks* (federal regulated) and the Mouvement des Caisses Desjardins (provincially regulated) granted 83.86 % of mortgage loans related to property acquisitions, according to deeds published in the Quebec Land Registry in 2023.

### Graph 3: Change in Market Share Mortgage




Quebec's mortgage market is undergoing a period of transition, with consumers exploring a wider range of lending options. Other lenders (small lenders), categorized outside the top eight financial institutions, have increased their market share notably, from 13.4% in 2022 to 16.1% in 2023.

* Bank of Montreal, Toronto-Dominion Bank, National Bank, Laurentian Bank, Scotiabank, CIBC and Royal Bank. For historical comparison purposes, we keep Laurentian Bank among the top eight institutions, even though its market share is now below 1%.

This shift could be due to several factors including infeasibility to meet strict mortgage requirements**, search for better rates, more personalized service, or different mortgage product offerings that may not be provided by the larger banks.

Overall, the mortgage landscape in Quebec is becoming increasingly competitive, with smaller players gaining traction in the market. This could be beneficial for consumers as it may lead to more competitive rates and innovative mortgage products tailored to the unique needs of the Quebec populace.

## 3. MORTGAGE MARKET SHARES (MORTGAGES RELATED TO PROPERTY ACQUISITIONS ONLY)

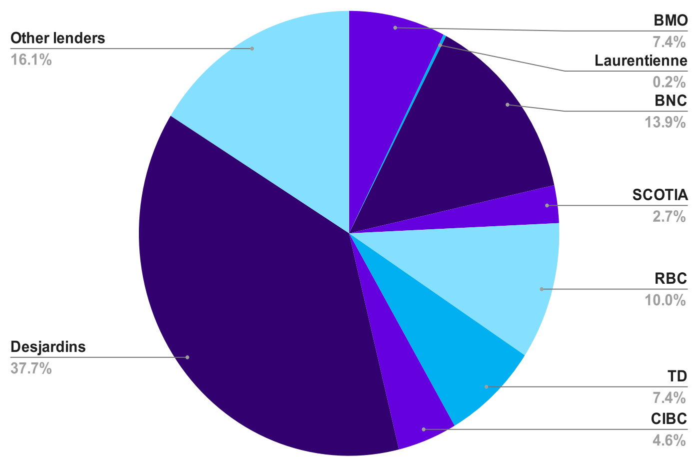
### 3.1 PROVINCE OF QUEBEC

Desjardins continues to dominate the Quebec market, with a market share of 37.7%. However, the Caisse Populaire saw a decrease of 4 % compared to 2022. This decrease is part of a broader trend where the market share of the largest financial institutions collectively experienced a decline due to the economic environment.

The significant growth of small lenders across all CMAs, with the exception of Saguenay, suggests that this segment is establishing a stronger presence in the Quebec market.

Among the traditional banks, National Bank and TD market share experienced an increase of 7% and 10% respectively, while Nova Scotia's share underwent a decline of 33%. The bank of Nova Scotia said it's been deliberately slowing mortgage growth as it shifts use of capital: "We are just being more disciplined with regards to customer selection at time of origination, and this is a good time to drive that standard higher here because it's a softer, slower housing market. We are also being more efficient with regards to our use of capital and using customer deselection at renewal as part of that conversation"***. Laurentian Bank remains a marginal lender with their market share continuously decreasing, from 0.40% in 2023 to 0.22% in 2023.

**Graph 4: Mortgage Market Share - Province of Quebec**




Market shares are calculated in terms of the number of mortgages. If the mortgaged amount were considered instead, the results would differ slightly. For example, Desjardins, which is much more present in regions where average property values are lower, would show smaller market shares. With the marked growth in sales and property prices, the total value of loans granted has grown for a majority of institutions, even if some have lost market shares.

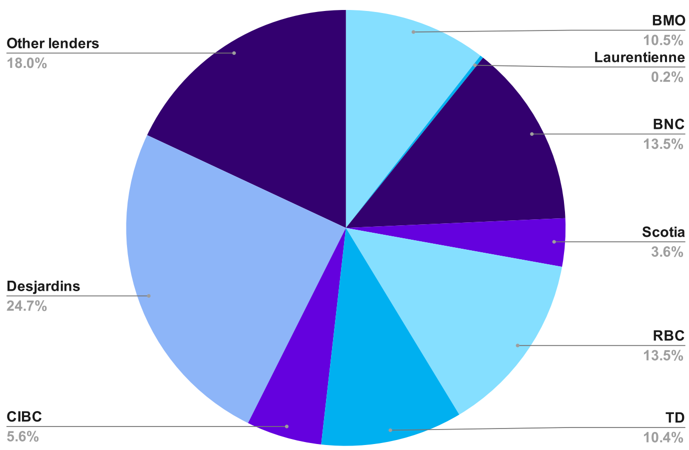
** Federally regulated lenders and most provincially regulated financial institutions are required by law to purchase insurance for mortgages that exceed 80% of the value of the residential property (i. e ., with a down payment that is less than 20% of the purchase price).

*** Dan Rees, Scotiabank's head of Canadian banking.

## 3.2 REGIONAL RESULTS

In the Montreal region for 2023, there has been a shift in market dynamics, with the «other lenders» category seeing a notable increase in market share, reaching 18%. Desjardins remains a strong player with 24.7% of the market, though this is a decrease from previous years, indicative of a diversifying market. National Bank and RBC both hold steady, with marginal changes in their shares.

**Graph 5: Mortgage Market Share - Montréal CMA**




The Ottawa-Gatineau CMA (Québec side) also experienced changes, with the market share of «other lenders» rising to 20.6%, highlighting also a growing preference for non-traditional lenders. The majority of the market share in this region is allocated to Desjardins (29%), TD (13%) and RBC (11%).

In the CMA of Quebec, Desjardins, while witnessing a decrease in market share from 48.9% in 2022 to 46.3% in 2023, maintains a solid lead among financial institutions. This could be attributed to a combination of factors including the institution's deep-rooted presence in the area, comprehensive service offerings, and brand loyalty among residents. The market share for 'other lenders' in the CMA of Quebec rose to 15.3% in 2023. In regions such as Saguenay and Trois-Rivières, «other lenders» have taken a substantial portion of the market, with shares of 61.6% and 18.3% respectively.

## 4. BAD DEBTS

The year 2023 has experienced an upward trend in prior notices and repossessions. A cumulative 50% year-over-year increase in prior notices was recorded, reflecting a substantial surge in the number of homeowners who were warned about potential foreclosure due to missed mortgage payments. This significant spike can be attributed to the lagged effects of pandemic-related financial challenges, rising interest rates, and increased cost of living, which may have stretched household budgets thin.

Repossessions, which indicate a lender has taken back property due to non-payment, have also seen a gradual rise from 356 in 2022 to 401 in 2023, an increase of 13%. This trend aligns with the rise in prior notices and indicates that some homeowners are unable to recover from their financial setbacks

Notices of sale by judicial authority, which occur when a property is ordered to be sold due to the owner's inability to meet the mortgage obligations, have shown a slight decrease of 6%.

The trends observed in 2023 seem paradoxical at first glance, with prior notices and repossessions increasing, but a decrease in judicial sales. It is worth considering that despite the initial financial distress leading to repossessions, there may be successful efforts in the later stages of foreclosure to arrange alternative solutions. These might include loan modifications, refinancing options, or rapid property sales before a forced judicial sale.leading to repossessions, there may be successful efforts in the later stages of foreclosure to arrange alternative solutions. These might include loan modifications, refinancing options, or rapid property sales before a forced judicial sale.

## CONCLUSION

The 2023 Quebec Mortgage Market highlights significant shifts due to rising interest rates and economic adjustments post-pandemic, with a 24% drop in mortgage registrations and increased market share for small lenders. Despite these strains, there's a balanced activity between new mortgages and refinancing, showing active market participation. The rise in bad debts and repossessions highlights ongoing financial distress among homeowners, but the slight decrease in judicial sales suggests some are successfully navigating these challenges.

## METHODOLOGY

The data used was compiled by JLR from transactions published in the Land Register of Quebec.

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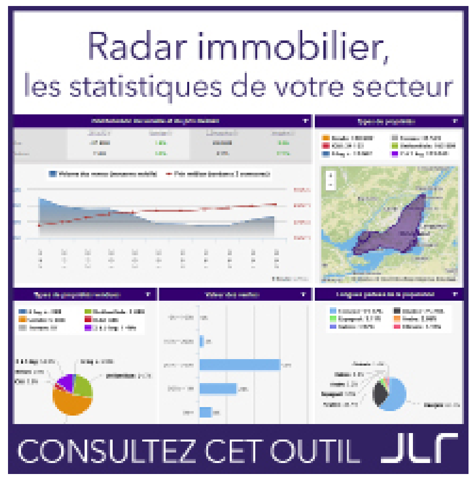
Check the Real Estate Radar for statistics on sales, bad debts and the socio-demographic profile of your sector, following this link : solutions.jlr.ca/en/introduction-real-estate-radar



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