



**JLR STUDY**

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# **Quarterly analysis of Real Estate Bad debts in Québec Q4-2025**

QUARTERLY STUDY: ANALYSIS OF REAL ESTATE BAD DEBTS IN QUEBEC - Q4 2025

The fourth quarter of 2025 confirms a major trend observed throughout the year: accumulating financial pressure that has yet to trigger a wave of foreclosures. The table below summarizes the insolvency indicators recorded in the Land Register at year-end

SUMMARY TABLE OF INDICATORS

Transaction Type	Number of Published Transactions (Q4-2025)	Quarterly Variation (Q4-2025 vs Q4-2024)	Cumulative Total (Q1-2025 to Q4-2025)	Annual Variation (4Q)
60-Day Notices	1,465	+1.8%	5,831	+1.7%
Legal Mortgages	2,557	+16.7%	9,516	+16.6%
Notices of Withdrawal of Authorization to Collect Rents	96	+17.1%	474	+36.2%
Repossession	76	-40.6%	351	-25.2%

QUARTERLY STATISTICAL ANALYSIS

**Stability of 60-Day Notices:** With 1,465 transactions, this indicator grew by only 1.8% compared to the same quarter last year. Despite a context of high interest rates, the volume of mortgage pre-notices shows no significant acceleration for the moment, contrasting with the more marked progression of other types of bad debts.

**Increase in Legal Mortgages:** This indicator shows the most significant growth among high-volume categories this quarter, reaching 2,557 transactions—a 16.7% increase. This progression indicates that creditors (governments, condo associations, contractors) are more frequently registering liens on properties to protect their claims against unpaid non-mortgage debts.

**Pressure on Landlords (Notice of Withdrawal of Authorization to Collect Rents):** Although volumes remain modest at 96 transactions, notices of withdrawal of authorization to collect rents recorded a 17.1% increase this quarter. The use of this measure by lenders, aimed at securing rental income in the event of default, shows an upward trend compared to the

previous fourth quarter.

**Decline in Repossessions:** In contrast to other stress indicators, voluntary repossessions recorded a notable drop with only 76 transactions, a 40.6% decrease. This decline suggests that owners are prioritizing other avenues to stabilize their financial situation rather than relinquishing their property titles.

BAD DEBT VOLUME TRENDS (MOVING AVERAGE) - 4-QUARTER SUMMARY

The following analysis highlights a major decoupling between financial default and the actual loss of property title over the last four quarters. The following analysis highlights a major decoupling between financial default and the actual loss of property title over the last four quarters (see Graph 1).

**Consistency of 60-Day Notices:** A total of 5,831 notices were recorded over the period, representing a +1.7% variation compared to the previous year. The curve shows stability from one quarter to the next, indicating resilience despite the current economic climate.

**Sustained Rise in Legal Mortgages:** This indicator reflects the financial stress accumulated over the quarters. With a total of 9,516 transactions (a +16.6% increase), the curve shows steady growth over the last four quarters. This volume confirms that homeowner debt is increasing with secondary creditors without

leading, for now, to dispossession.

### Notices of Withdrawal of Authorization to Collect Rents:

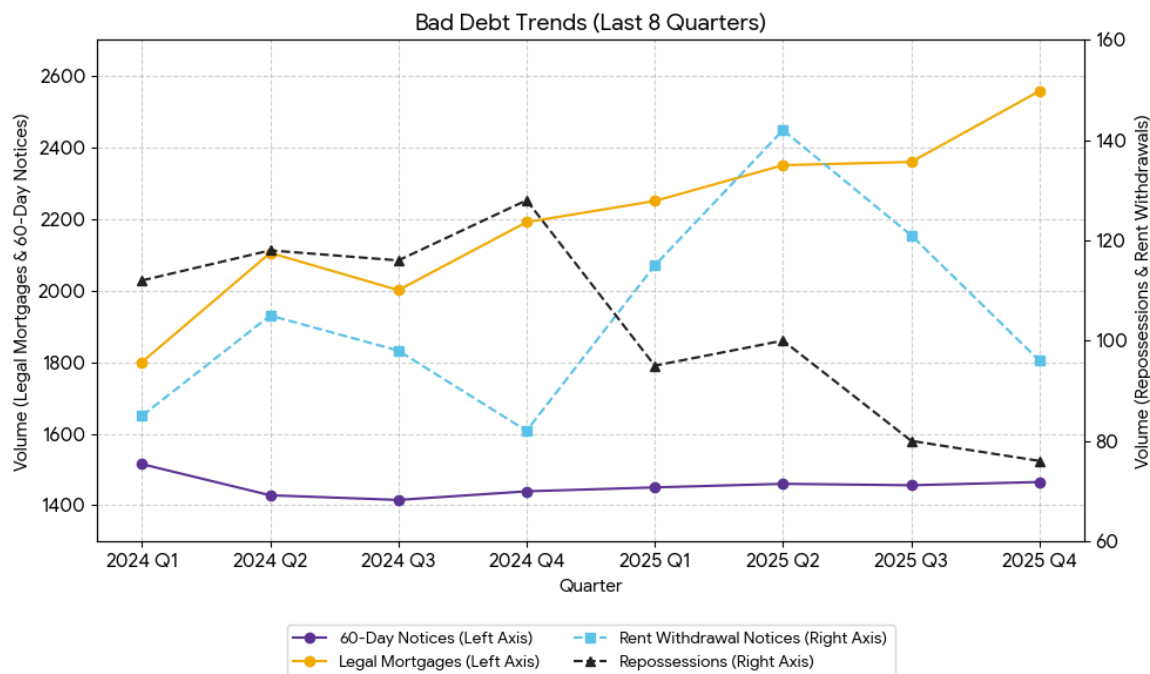
Despite a 36.2% annual increase, transaction volume remains marginal with 474 cases. The analysis of the curve shows that the situation is far from alarming for income property owners; the high percentage is simply due to the small size of this market segment.

**Marked Decline in Repossessions:** Over the last four quarters, repossessions fell by 25.2% to 351 transactions. The graph illustrates a downward slope that steepened toward the end of the period, confirming that voluntary surrender or seizure is increasingly avoided as an exit strategy in favor of other restructuring mechanisms.

December 2025, maintaining a certain level of pressure on household budgets despite the stabilization of interest rates.

**Labor Market:** According to Statistics Canada's Labour Force Survey, the unemployment rate in Quebec climbed to 5.4% in December, up from 5.1% the previous month. This sudden end-of-year increase marks a turning point and could heighten the vulnerability of households already weakened by housing costs.

Chart 1: Bad debt trend (last 8 quarters).



## ECONOMIC AND REAL ESTATE CONTEXT

**Policy Interest Rate:** According to the Bank of Canada's official announcement on December 10, 2025, the policy rate was maintained at 2.25%. This decision helped stabilize borrowing costs for Quebec households after a period of monetary tightening.

**Inflation:** The Consumer Price Index (CPI) showed growth increasing from 2.2% in November to 2.4% in

## SIGNALS OF FINANCIAL STRESS:

**The Renewal Shock:** According to Bank of Canada analysis, fixed-rate borrowers face a significant challenge. The Bank estimates these households will face an average monthly payment increase of 15% to 20% compared to December 2024.

**Missed Payments in Quebec:** Equifax's «Market Pulse»

report indicates that the delinquency rate for non-mortgage balances of 90 days or more reached 1.63%, a 14% increase compared to Q3 of the previous year.

**Insolvency:** According to the Office of the Superintendent of Bankruptcy, 34,342 files were filed for the 12 months ending May 31, 2025. While some families opt for straight bankruptcy, a vast majority (65 out of 94 families daily) favor consumer proposals—a mechanism used to restructure debt while preserving real estate assets.

## A FRAGILE RESILIENCE

The real estate landscape at the end of 2025 reveals a striking contrast. On one hand, extreme cases where owners lose their homes, such as repossessions (-40.6% in Q4), are sharply down. On the other hand, signs that Quebecers are struggling to pay other bills have never been more numerous. The constant increase in legal mortgages (+16.6% over the year) proves that while owners manage to pay their bank mortgage, they are accumulating arrears elsewhere (taxes, income tax, condo fees).

For now, many households are turning to consumer proposals to restructure consumer debt in hopes of stabilizing their budget and avoiding property loss. It is also important to note that other avenues are being explored, such as mortgage refinancing for debt consolidation or preventive sales to recover equity before the situation becomes critical.

However, these defenses could be tested in 2026. With loan renewals at higher rates and rising unemployment (5.4% in December), the risk is real. Quebec homeowners are holding on despite heavy debt loads, but their capacity to absorb ever-increasing bills will be the true test for market equilibrium next year.

## DEFINITIONS

**60-Day Notices (prior notice):** An official notice by which a creditor informs an individual of their intention to exercise a hypothecary recourse following a default. This may lead to various legal actions, such as taking the property in payment, a sale under judicial authority, a sale by the creditor, or taking possession for purposes of administration.

**Repossessions:** This refers to a situation where a mortgaged property is either voluntarily abandoned by the owner to the hypothecary creditor (lender) or surrendered following a court judgment (forced surrender) due to a failure to meet debt obligations.

**Legal Hypothec:** A legal recourse provided by law that allows a creditor—such as the government, a construction contractor, or a condo association—to link a debt directly to a property. Even without the owner's signature, the creditor obtains a right over the home to guarantee payment for outstanding debts, such as unpaid income taxes, municipal taxes, or renovation work.

**Notice of Withdrawal of Authorization to Collect Rents:** Through this notice, a creditor informs a debtor that they are no longer permitted to collect rental income from the property. Instead, the creditor will collect these rents directly to secure the income in the event of a default.

## METHODOLOGICAL NOTE

The data used in this study were collected by JLR from transactions published in the Quebec Land Register.

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