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Canadian Commercial Mortgage Report

Q1 2026

Major Items Impacting the Market

We are pleased to present the sixth edition of the GemREAL Quarterly Mortgage Commentary. Throughout the first quarter of 2026, Canada’s commercial real estate mortgage market continue to evolve as it faces some unpredicted headwinds and uncertainty.

War with Iran and Inflation – The outbreak of the Iran war in late Q1 2026 triggered a sharp increase in global energy prices, which in turn reignited inflation concerns across major economies. This disrupted the disinflation trend that had been building through late 2025 and led to renewed volatility in global bond markets. As investors repriced inflation risk, government bond yields moved higher, directly impacting fixed-rate lending benchmarks such as Government of Canada (GoC) bonds. Central banks responded by reinforcing a more cautious, “higher-for-longer” stance, delaying anticipated rate cuts and maintaining restrictive monetary policy.

Continued Decline of Housing Prices – Declining home prices in Q1 2026 continue to put significant pressure on Canada's for-sale residential construction market. The national MLS Home Price Index is now four years into a sustained decline, sitting 4.7% below year-ago levels and roughly 20% off its early-2022 peak. The pain is sharpest in Toronto, where average GTA prices fell 6.5% year-over-year to $973,000 in January, while new condo sales across Toronto and Hamilton hit just 1,599 units in 2025 — the lowest since 1991. CMHC warns that homebuilders will continue facing headwinds from high costs, weak demand, and unsold inventory, with new construction expected to decline through 2028. With sale prices retreating and buyer confidence fragile, new for-sale housing starts show little sign of near-term recovery.

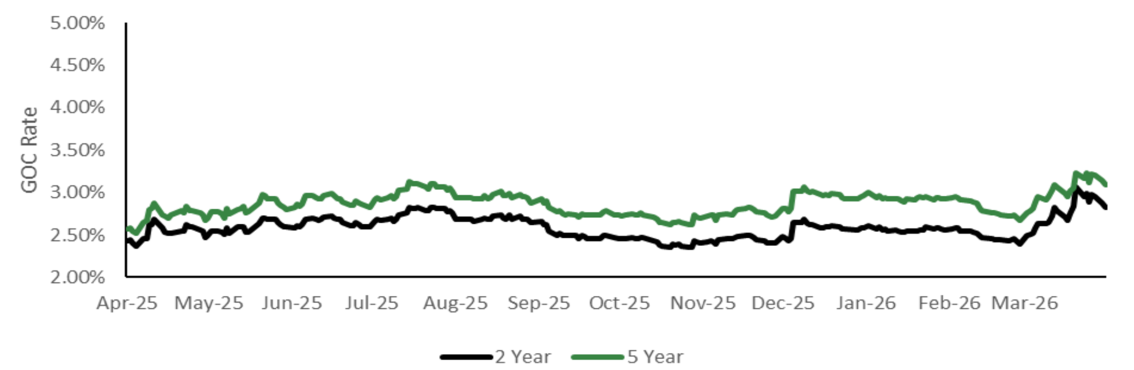
Canada's CRE market is overall stabilizing with a soft bottom, with defunct projects clearing from lender books and new capital allocations increasing competition for well-positioned deals. Despite the headwinds of a renewed inflationary environment and continued residential price declines, disciplined capital continues to find its footing.

Key Mortgage Base Rates

GOC yields fluctuated throughout Q1 2026, driven primarily by global instability and renewed inflation fears as oil prices spiked amid the U.S.–Iran conflict and disruption in the Strait of Hormuz. Markets have become increasingly reactionary, with headline-driven volatility leading pricing movements.

Key Rate	Mar 31, 2026	Mar 2, 2026	1 Month Change	Jan 2, 2026	3 Month Change
2 Year GOC	2.82%	2.49%	0.33%	2.61%	0.21%
5 Year GOC	3.09%	2.76%	0.33%	3.00%	0.09%
5 Year CMB	2.93%	3.05%	-0.12%	3.07%	-0.14%
10 Year CMB	3.50%	3.55%	-0.05%	3.66%	-0.16%
Prime Rate	4.45%	4.45%	0.00%	4.45%	0.00%

2 Year Vs 5 Year GOC Q1 2026 TTM



Term Loans

Term loan pricing moved higher in Q1 2026 in response to rising Government of Canada (GOC) bond yields. The 5-year GOC yield settled in the 3.0%–3.5% range, pressured upward by trade and tariff uncertainty and an oil-price shock that revived inflation concerns. Higher GOC rates have directly pushed up base borrowing costs across the market. The upward pressure has been partially offset by tightening lender spreads for well-capitalized sponsors and high-quality, well-positioned assets. As a result, while all-in borrowing costs remain elevated relative to the prior quarter, the increase has been more moderate for top-tier transactions than headline bond movements alone would suggest.

Asset Type	Interest Rate (Low)	Interest Rate (High)	Amortization	Leverage Max	DSCR (min)
Retail	4.85%	6.10%	Up to 25	Up to 75%	1.25x
Industrial	4.60%	6.10%	Up to 25	Up to 80%	1.15x
Downtown Office	4.85%	6.10%	Up to 25	Up to 70%	1.30x
Suburban Office	5.35%	6.60%	Up to 25	Up to 70%	1.20x
Multifamily Apartment	4.60%	5.60%	Up to 30	Up to 85%	1.10x
Multifamily (CMHC)	3.20%	3.90%	Up to 50	Up to 95%	1.20x
Hotels / Hospitality	5.10%	7.60%	Up to 25	Up to 75%	1.20x
Retirement Home	5.35%	7.60%	Up to 22	Up to 75%	1.20x

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Bridge Loans

Appetite for land loans remains muted as lender books stay oversaturated. VTBs remain common where transactions occur. Capital is gradually returning as stalled projects begin to trade, with increased appetite for well-located, high-quality opportunities with strong yield potential.

Loan Type	Interest Rate (Low)	Interest Rate (High)	Leverage	Future Outlook
Stabilization / Renovation	6.45%	9.45%	Up to 90%	–
2nd / Mezzanine Debt	7.45%	9.95%	Up to 85%	–
Land Loans	7.45%	10.45%	Up to 65%	–

Construction Loans

Several ‘for sale’ construction sites have begun pivoting to multifamily rental where metrics support it. CMHC has been a key backstop for many former condo sites. Other asset classes are benefiting from returning capital, as projects begin moving forward again.

Asset Type	Interest Rate (Low)	Interest Rate (High)	Leverage	Future Outlook
For Sale Residential	6.20%	7.95%	Up to 80%	–
Multifamily Conventional	5.70%	6.95%	Up to 85%	–
Multifamily CMHC	4.70%	5.45%	Up to 95%	–
Commercial	5.95%	7.45%	Up to 75-80%	–
Land Servicing	5.95%	8.95%	Up to 65- 70%	–

*Note: For (Low) it considers that the deal is considered to be AAA/AA quality real estate asset in a good market. Interest rates and leverage vary depending on the financial strength of the Borrower and the quality and location of the asset. All of the above quotes are considered to be estimates and are subject to numerous assumptions.

About Us

GEMREAL Capital Corporation FSRA # 13189 ("GEMREAL") is a boutique investment banking and mortgage brokerage firm focused on commercial real estate capital. GemREAL maintains lending relationships with over 200 capital sources across Canada. Whatever your needs are, be it acquisition, refinancing, renovation/PIP, or new construction, we will secure you the best loan possible in the market at any point in time. Based on our extensive knowledge of the lending industry combined with our recent funding experience.

Notable Deals Done

Loan Amount	$15,500,000
Size	44 Units
Rate	Prime + 1.65%
LTC	75%
Term	2 Years

Loan Amount	$24,000,000
Size	72 Units
Rate	Prime + 2.55%
LTC	80%
Term	2 Years

Loan Amount	$93,000,000
Size	1300 Beds
Rate	Prime + 350 bps
LTV	68%
Term	1 Year

Loan Amount	$14,500,000
Size	200,000 sf
Rate	BA + 165 bps
LTV	75%
Term	5 Years

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