GEMREAL

CANADIAN COMMERCIAL MORTGAGE REPORT

Q2 2026 Market Update

Rates, lending trends & financing strategy for Canadian commercial real estate

MARKET COMMENTARY

Major Items Impacting the Market

We are pleased to present the seventh edition of the GemREAL Quarterly Mortgage Commentary. Throughout Q2 2026, Canada's commercial real estate mortgage market continues to evolve amid unpredicted headwinds and uncertainty.

Office: Quietly Improving

National office vacancy declined to 13.4% in Q2 2026, its fourth consecutive quarterly decrease. Net absorption reached roughly 610,000 sq ft, while new construction hit a 15-year low at just 37,500 sq ft delivered nationally. Halifax posted the lowest vacancy among major markets at 8.3%; Ottawa was the only major market to see vacancy rise, climbing to 13.2% on public-sector space reductions.

Holding Rate, But Rising Bond Yields

The Bank of Canada held its benchmark rate at 2.25% for a fifth consecutive decision on June 10 (next announcement July 15, 2026). Since commercial mortgage pricing tracks bond yields more closely than the overnight rate, the more relevant move was the Canadian 5-year bond yield climbing to 3.1% as the U.S. and Iran exchanged military strikes, once again threatening oil movement through the Strait of Hormuz.

Multifamily Is Cooling After Years of Tightness

The sector that could do no wrong for years is finally rebalancing. Apartment vacancy is forecast to approach 4% this year, up from a 1.5% low in 2023, as record new supply works through the pipeline. Vancouver has seen the largest jump, with vacancy rising to 3.7%, its highest level since 1988.

Canada's CRE market is entering a more balanced phase, with leasing fundamentals across office and industrial quietly strengthening even as bond market volatility keeps borrowing costs unsettled. Multifamily's cooldown, while a short-term headwind for owners, is setting up tighter conditions again within a few years as new supply works through the pipeline. Taken together, the picture is one of a market finding its footing unevenly, sector by sector, rather than moving in lockstep.

BASE RATES

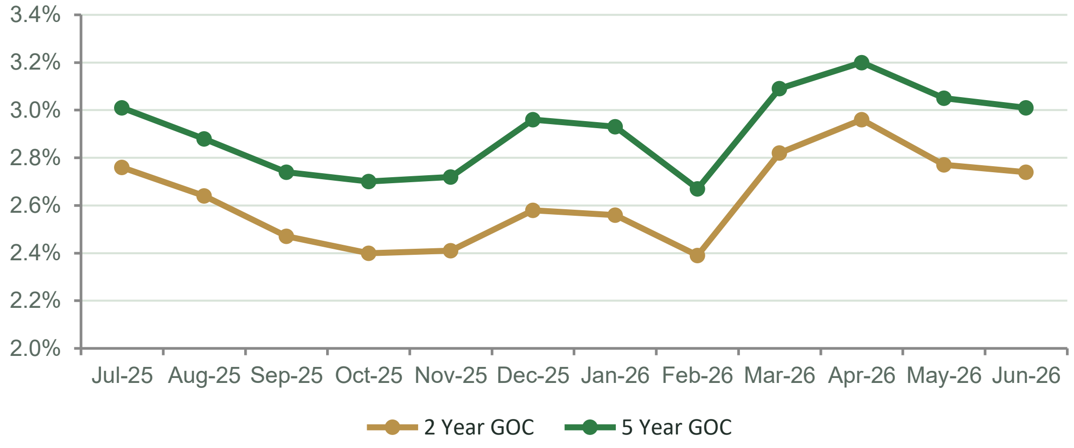
Key Mortgage Base Rates

GOC yields fluctuated throughout Q2 2026, driven primarily by global instability and renewed inflation fears as oil prices spiked amid the U.S. and Iran conflict and disruption in the Strait of Hormuz. Markets have become increasingly reactionary, with headline-driven volatility leading pricing movements.

Key Rate	Jun 30, 2026	Jun 1, 2026	1 Mth Chg	Apr 1, 2026	3 Mth Chg
2 Year GOC	2.74%	2.81%	-0.07%	2.82%	-0.08%
5 Year GOC	3.01%	3.08%	-0.07%	3.11%	-0.10%
5 Year CMB	3.25%	3.27%	-0.02%	3.32%	-0.07%
10 Year CMB	3.70%	3.75%	-0.05%	3.82%	-0.12%
Prime Rate	4.45%	4.45%	0.00%	4.45%	0.00%

**GOC = Government of Canada bond; CMB = Canada Mortgage Bond*

2 Year vs 5 Year GOC — Q2 2026 TTM



While benchmark yields have driven most of the movement in all-in borrowing costs this quarter, lender spreads have remained relatively stable across asset classes. CMHC-insured multifamily continues to command the tightest spreads (30–100 bps), while hospitality and land loans remain the widest (up to 450–600 bps) as lenders continue to price in asset-specific risk.

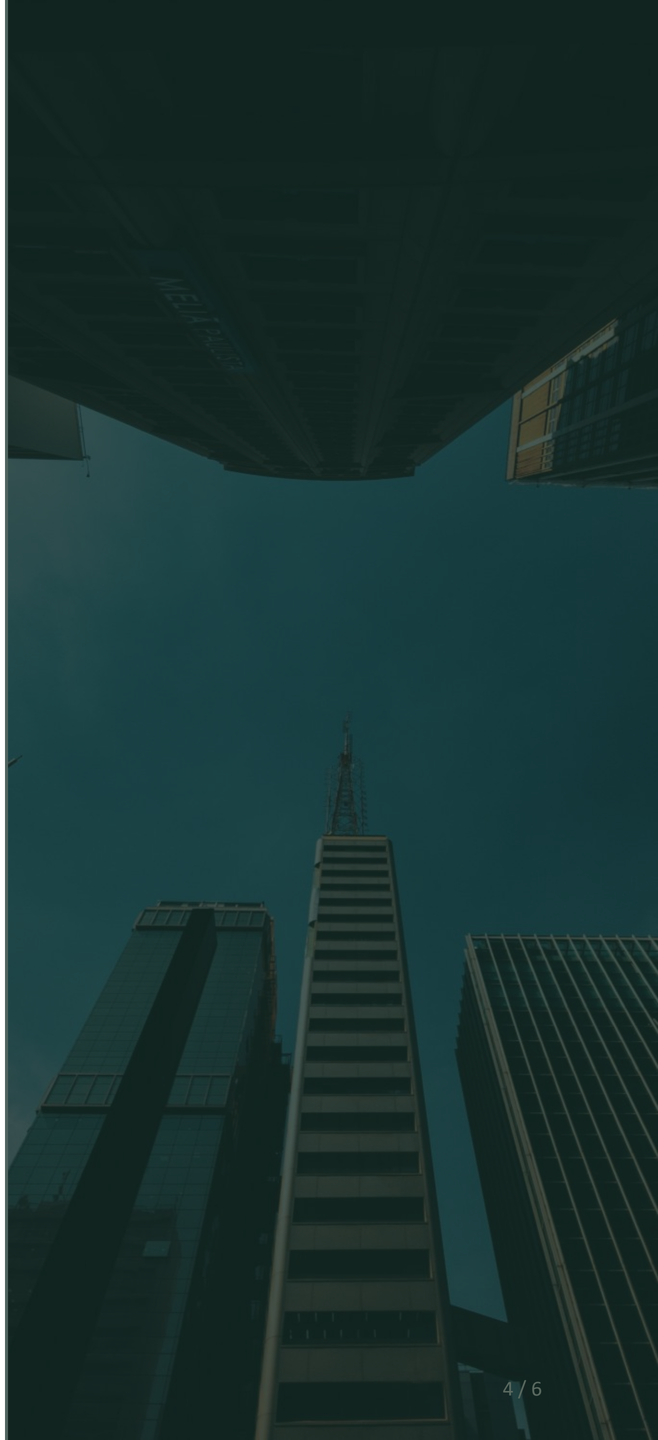
FINANCING PRODUCTS

Term Loans

Term loan pricing moved higher in Q2 2026 in response to rising 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, though tightening lender spreads for well-capitalized sponsors on high-quality assets have partially offset the move, all-in costs for top-tier transactions rose more moderately than headline bond movements alone would suggest.

Asset Type	Rate Low	Rate High	Amort.	Max Lev.	DSCR Min	Outlook
Retail	4.75%	6.00%	25 yr	75%	1.25x	Up
Industrial	4.50%	6.00%	25 yr	80%	1.15x	Flat
Downtown Office	4.75%	6.00%	25 yr	70%	1.30x	Up
Suburban Office	5.25%	6.50%	25 yr	70%	1.20x	Up
Multifamily Apt.	4.50%	5.50%	30 yr	85%	1.10x	Down
Multifamily (CMHC)	3.60%	4.30%	50 yr	95%	1.20x	Up
Hotels / Hospitality	5.00%	7.50%	25 yr	75%	1.20x	Flat
Retirement Home	5.25%	7.50%	22 yr	75%	1.20x	Flat

Want an opinion on your mortgage renewal? Reach out to discuss financing strategies — garret@gemreal.ca (613 816 6563)



FINANCING PRODUCTS

Bridge & Construction Loans

Bridge Loans

Appetite for land loans is beginning to return as lender books gradually clear. Vendor take-back mortgages (VTBs) remain the predominant financing structure outside of all-cash purchases. Conservative underwriting has become the new standard, with for-sale product now requiring a clear litmus test to substantiate real value.

Loan Type	Low	High	Leverage	Outlook
Stabilization / Reno.	6.45%	9.45%	90%	Flat
2nd / Mezz. Debt	7.45%	9.95%	85%	Flat
Land Loans	7.45%	10.45%	65%	Flat

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	Low	High	Leverage	Outlook
For Sale Residential	6.20%	7.95%	80%	Flat
Multifamily Conventional	5.70%	6.95%	85%	Flat
Multifamily CMHC	4.70%	5.45%	95%	Flat
Commercial	5.95%	7.45%	75-80%	Flat
Land Servicing	5.95%	8.95%	65-70%	Flat

Note: "Low" rates assume an AAA/AA-quality real estate asset in a strong market. Interest rates and leverage vary depending on the borrower's financial strength and the quality and location of the asset. All quotes above are estimates and are subject to numerous assumptions.

Talk to our team about structuring your next bridge or construction facility.

ABOUT GEMREAL

About Us

GEMREAL Capital Corporation (FSRA #13189) 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 — acquisition, refinancing, renovation/PIP, or new construction — we secure the best loan possible in the market, backed by extensive lending-industry knowledge and recent funding experience.

NOTABLE DEALS DONE

$24,000,000
Land Loan

Size: 72 Units
Rate: Prime + 2.55%
Leverage: LTC 80%
Term: 2 Years

$93,000,000
Student Rental Bridge Loan

Size: 1,300 Beds
Rate: Prime + 350 bps
Leverage: LTV 68%
Term: 1 Year

$15,500,000
Residential Construction Loan

Size: 44 Units
Rate: Prime + 1.65%
Leverage: LTC 75%
Term: 2 Years

$14,500,000
Industrial Term Loan

Size: 200,000 sf
Rate: BA + 165 bps
Leverage: LTV 75%
Term: 5 Years

OUR TEAM

Garret MacGillivray
Managing Director
garret@gemreal.ca
613-816-6563

Chad Gemmell
Managing Director & Principal Broker
chad@gemreal.ca
416-886-3404

Scott MacGillivray
Sales Director
scott@gemreal.ca
647-208-6203