



Canadian Commercial Mortgage Report

Q3 2025



Major Items Impacting the Market

We are pleased to present the fourth edition of the GemREAL Quarterly Mortgage Commentary. Throughout the third quarter of 2025, Canada's commercial real estate financing market has continued to evolve, marked by several notable developments:

Build Canada Homes –The federal government has launched Build Canada Homes with an initial C\$13 billion in capital. Its mandate includes providing financing, leveraging public land, and removing risk for private builders to accelerate construction. One of its first key initiatives: building 4,000 factory-built homes across six federally owned sites in Dartmouth, Longueuil, Ottawa, Toronto, Winnipeg, and Edmonton. There's additional capacity in the portfolio for up to 45,000 units if more sites are used.

Industrial Oversupply – In the industrial sector, signs of softening have emerged. In Q1 2025, Canada's industrial availability rate inched up by 10 basis points (bps) to 5.0 %, the highest it has been since 2016. CBRE Meanwhile, in Q2, some reports suggest the rate climbed to 6.2 % as negative absorption returned. Altus Group Rents held relatively flat nationally, with the average at about CA\$15.47/ft², up only \$0.01 from the prior quarter. CBRE In Toronto, the industrial availability rate jumped ~40 bps year-over-year to 4.9 %, reflecting shifting balance of supply and demand.

Office Rebound – The office sector, long viewed as a drag on CRE performance, has shown signs of stabilization. In Q3 2025, Toronto recorded 1.6 million square feet of positive net absorption, the strongest quarterly performance in Canada. Downtown office vacancy dipped to 17.0%, down from nearly 18% earlier in the year, and Class A buildings have seen the sharpest improvement as tenants continue their "flight to quality."

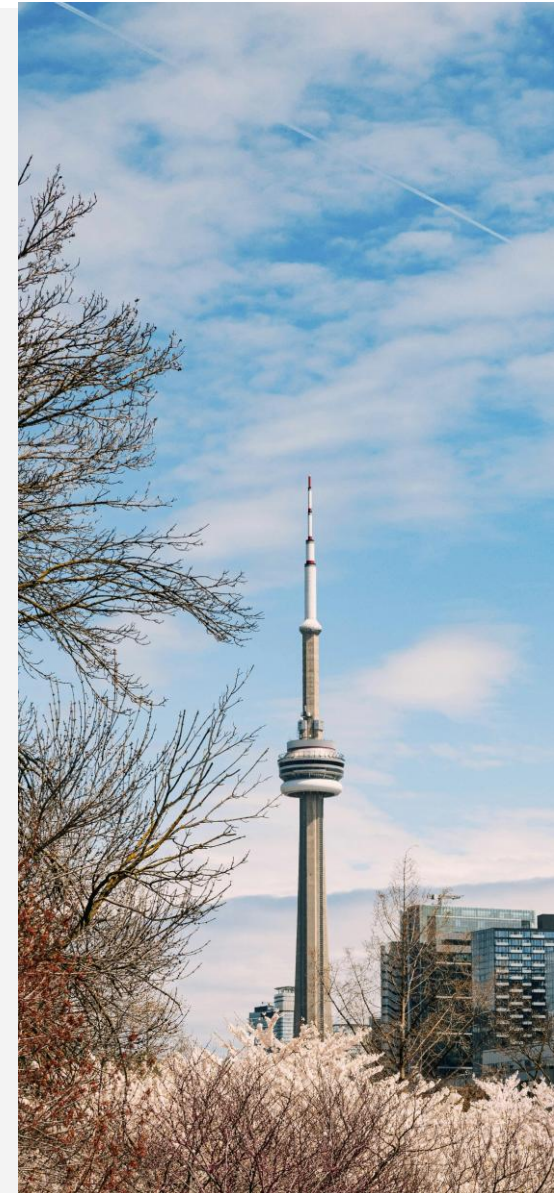
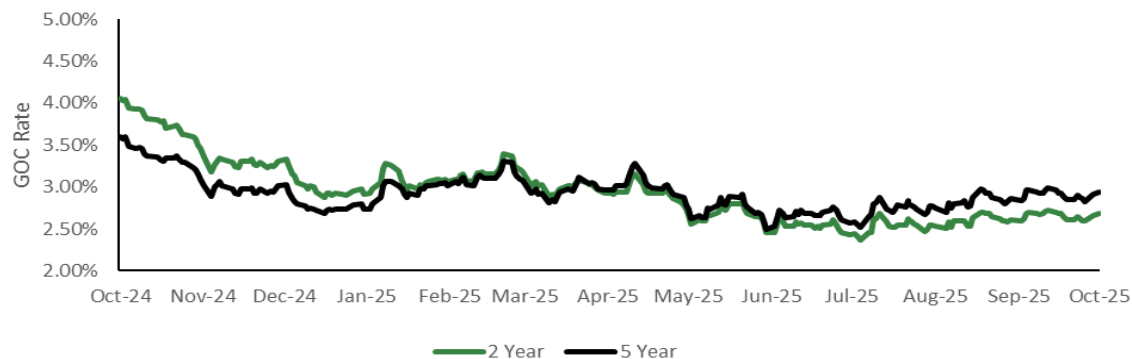
Canada's CRE market is shifting. The federal government is pushing new housing through Build Canada Homes, industrial space is showing signs of oversupply, and the office sector is finally seeing early signs of recovery. Early projections from economists are that Canada will avoid a recession in the coming quarters and slide into 2026 with nominal growth, this will not doubt help the real estate markets continue to shift as we find a soft landing.

Key Mortgage Base Rates

GOC's have been on the decline in the Q3 2025 with Federal Rate cuts occurring only once in Canada which had been held until September. The US market has recently broken their holding pattern and started cutting as well. Further rate cuts have been projected in 2025 as inflation has remained steady sub 3.0% in Canada.

Key Rate	Sep 29, 2025	Sep 2, 2025	1 Month Change	Jul 2, 2025	3 Month Change
2 Year GOC	2.47%	2.66%	-0.19%	2.66%	-0.19%
5 Year GOC	2.74%	2.92%	-0.18%	2.91%	-0.17%
5 Year CMB	3.10%	3.28%	-0.18%	3.10%	0.00%
10 Year CMB	3.66%	3.70%	-0.04%	3.70%	-0.04%
Prime Rate	4.70%	4.95%	-0.25%	4.95%	-0.25%

2 Year Vs 5 Year GOC Q2 2025 TTM





Term Loans

Term loan pricing is declining in tandem with falling Government of Canada (GOC) bond rates. Banks are tightening spreads on high-quality, low-leverage deals as they seek to deploy capital and enhance competitiveness. These deals are drawing significant lender interest, helping to balance otherwise constrained loan portfolios. Borrowers with such properties can now access the most favorable rates seen since before the COVID era. Some lenders are still experiencing fallout from the decline in developments as these projects are held on their books inhibiting their ability to put out capital.

Asset Type	Interest Rate (Low)	Interest Rate (High)	Amortization	Leverage Max	DSCR (min)
Retail	4.70%	5.70%	Up to 25	Up to 75%	1.25x
Industrial	4.20%	5.70%	Up to 25	Up to 80%	1.15x
Downtown Office	4.45%	5.70%	Up to 25	Up to 70%	1.30x
Suburban Office	5.20%	6.20%	Up to 25	Up to 70%	1.20x
Multifamily Apartment	4.20%	5.20%	Up to 30	Up to 85%	1.10x
Multifamily (CMHC)	3.40%	4.10%	Up to 50	Up to 95%	1.20x
Hotels / Hospitality	4.70%	7.20%	Up to 25	Up to 75%	1.20x
Retirement Home	4.95%	7.20%	Up to 22	Up to 75%	1.20x

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Reach out to our team and discuss financing strategies today. Experience the GemREAL advantage (garret@gemreal.ca)

Bridge Loans

Appetite remains flat for Land Loans as loan books are oversaturated – VTBs continue to be the norm. Stabilization and renovation loans are completely DSCR dependent on the takeout with higher scrutiny on projections. Appetite is strong for bridge plays with income producing components as high yield lenders look to place capital in less risky projects.

Loan Type	Interest Rate (Low)	Interest Rate (High)	Leverage	Future Outlook
Stabilization / Renovation	6.70%	9.70%	Up to 90%	↓
2 nd / Mezzanine Debt	7.70%	10.20%	Up to 85%	–
Land Loans	7.70%	10.70%	Up to 65%	–

Construction Loans

Workouts continue to persist with a higher allocation for 2025 than previous years. Stalled projects are clouding lenders books and limiting their ability to outlay capital until paybacks or creative structuring's are achieved.

Asset Type	Interest Rate (Low)	Interest Rate (High)	Leverage	Future Outlook
For Sale Residential	6.45%	8.20%	Up to 80%	–
Multifamily Conventional	5.95%	7.20%	Up to 85%	↓
Multifamily CMHC	4.95%	5.70%	Up to 95%	–
Commercial	6.20%	7.70%	Up to 75-80%	↓
Land Servicing	6.20%	9.20%	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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