



Canadian Commercial Mortgage Report

Q1 2025





Major Items Impacting the Market

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

Canadian Election – We are writing this Q1 report just as the results of the Canadian federal election have been announced. With a Liberal minority government now in place, one significant uncertainty has been resolved, providing some reassurance for the markets to continue their growth. We expect to gain more clarity on the government's policy direction by the end of Q2 2025.

Tariffs, Tariffs, Tariffs – The United States has launched a trade war with the world, imposing tariffs ranging from 10% to a full embargo on China. This move has influenced U.S. monetary policy, as the Federal Reserve has signaled it will pause interest rate cuts in anticipation of rising inflation caused by the tariffs. While not directly affecting Canada, we often align with U.S. monetary policy, so this may be an early indication of what's ahead for Canada, depending on how inflation evolves in the coming months.

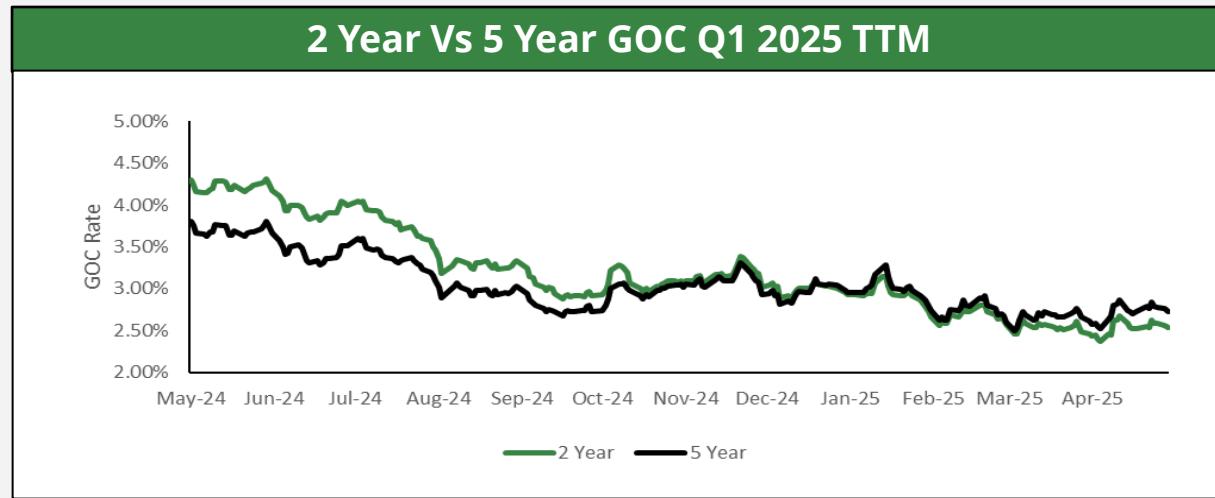
Rising Loan Loss Provisions – Canadian banks have significantly increased their provisions for loan losses in Q1 2025 for commercial real estate. The six major banks collectively set aside approximately C\$5.2 billion in loan loss provisions, up from C\$4.36 billion in Q2 2024. This rise signals a heightened level of caution among lenders as they brace for elevated credit risk and ongoing economic uncertainty.

Despite these challenges, Canada's commercial real estate market continues to show resilience, with the industrial and multifamily sectors leading the recovery and growth. While the rise in loan loss provisions is a concern, it appears to be a proactive measure by lenders rather than a sign of imminent distress. Looking ahead, Q2 will be pivotal, as newly unveiled economic policies following the federal election will help shape the country's financial and investment landscape.

Key Mortgage Base Rates

GOC's have been on the decline in the Q1 2025 with Federal Rate cuts occurring in Canada while on hold in USA. Further rate cuts have been projected in 2025 as inflation has remained steady sub 3.0% in Canada.

Key Rate	Mar 31, 2025	Mar 3, 2025	1 Month Change	Jan 2, 2025	3 Month Change
2 Year GOC	2.46%	2.46%	0.00%	2.93%	-0.47%
5 Year GOC	2.61%	2.50%	0.11%	2.96%	-0.35%
5 Year CMB	2.82%	2.80%	0.02%	3.30%	-0.48%
10 Year CMB	3.45%	3.55%	-0.10%	3.85%	-0.40%
Prime Rate	4.95%	5.20%	-0.25%	5.45%	-0.50%



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.

Asset Type	Interest Rate (Low)	Interest Rate (High)	Amortization	Leverage Max	DSCR (min)
Retail	4.60%	6.60%	Up to 25	Up to 75%	1.25x
Industrial	4.10%	6.10%	Up to 25	Up to 80%	1.15x
Downtown Office	4.60%	5.60%	Up to 25	Up to 70%	1.30x
Suburban Office	5.10%	6.10%	Up to 25	Up to 70%	1.20x
Multifamily Apartment	4.10%	5.10%	Up to 30	Up to 85%	1.10x
Multifamily (CMHC)	3.10%	3.80%	Up to 50	Up to 95%	1.20x
Hotels / Hospitality	4.60%	7.60%	Up to 25	Up to 75%	1.20x
Retirement Home	4.85%	7.10%	Up to 22	Up to 75%	1.20x

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Bridge Loans

Appetite remains flat for Land Loans as loan books are oversaturated – VTBs are becoming more the norm. Stabilization and renovation loans are completely DSCR dependent on the takeout with higher scrutiny on projections.

Loan Type	Interest Rate (Low)	Interest Rate (High)	Leverage	Future Outlook
Stabilization / Renovation	6.95%	9.95%	Up to 90%	↓
2 nd / Mezzanine Debt	7.95%	10.45%	Up to 85%	–
Land Loans	7.95%	10.95%	Up to 65%	–

Construction Loans

Workouts continue to persist with a higher allocation for 2025 than previous years. Rate cuts are instilling some investor confidence back into the marketplace with federal election promises to cut red tape and reduce soft costs to the developer being a promising start for policy makers if they can execute.

Asset Type	Interest Rate (Low)	Interest Rate (High)	Leverage	Future Outlook
For Sale Residential	6.70%	8.45%	Up to 80%	–
Multifamily Conventional	6.20%	7.45%	Up to 85%	↓
Multifamily CMHC	5.20%	5.95%	Up to 95%	–
Commercial	6.45%	7.95%	Up to 75-80%	↓
Land Servicing	6.45%	9.45%	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.

The firm was founded on integrity, experience, outstanding leadership and trusted performance. We believe in developing and sustaining long term relationships with our clients and maintaining the highest level of service. We have completed **over \$2.2B of construction and term financing** across Canada and in the USA. We believe in developing and sustaining long term relationships with our clients and maintaining the highest level of service. To accomplish this we provide clients with senior-level attention, comprehensive knowledge, detailed preparation and analysis, and top-level industry relationships.

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