



Canadian Commercial Mortgage Report

Q4 2024



Major Items Impacting the Market

We are pleased to present the second edition of the GemREAL Quarterly Mortgage Commentary. Our goal is to provide clients with valuable insights into the evolving financial landscape and its impact on key commercial mortgage terms. This resource will continue to be published quarterly, ensuring our clients stay informed.

Over the past three months, Canada's commercial real estate market has experienced several significant developments:

Rate Cuts – In the last quarter of 2024, the Bank of Canada implemented two 50 bps rate cuts in an effort to stimulate a stagnant economy. This is positive news for the construction sector, as lower interest rates directly reduce financing costs.

New US Government – As the new U.S. administration rolls out its economic policies, uncertainty surrounding trade relations with Canada is increasing. Potential tariff threats could have a substantial impact on the Canadian economy and, in a worst-case scenario, contribute to declining real estate prices.

Cap on International Students – The Canadian government has introduced temporary legislation capping international student admissions at 360,000—a 35% reduction from last year. This two-year policy is already affecting university budgets and is expected to lead to decreased demand for student housing and, to some extent, multifamily apartment rentals.

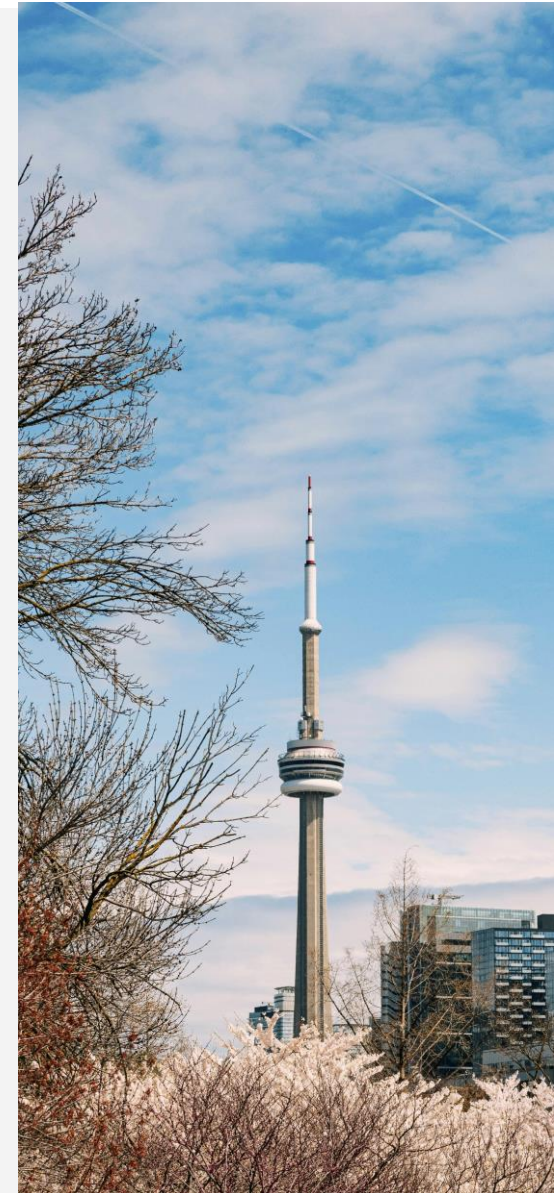
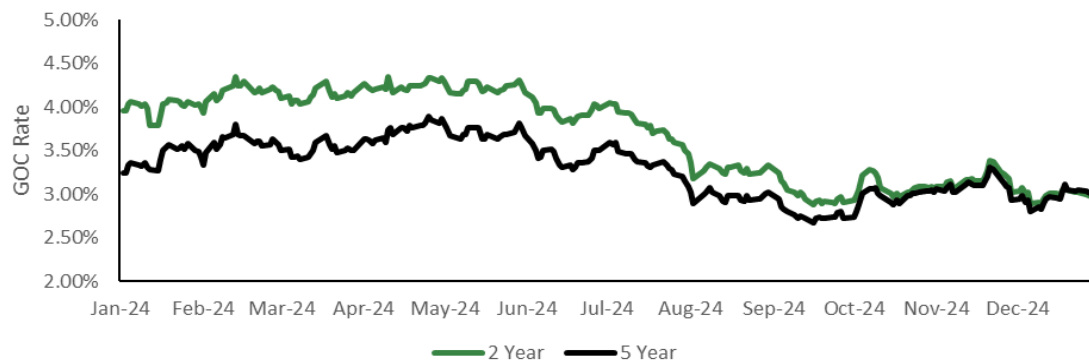
Despite these challenges, Canada's commercial real estate market continues to show signs of recovery and growth, with industrial and multifamily sectors leading the way. However, regulatory changes and economic conditions will play a crucial role in shaping the market's trajectory in the coming months, particularly as Canada navigates its evolving relationship with the U.S. and approaches its own federal election.

Key Mortgage Base Rates

GOC's have been on the decline in the Q4 2024 with Federal Rate cuts occurring in both Canada and the USA. Further rate cuts have been projected in Q1 2025 with some uncertainty beyond Q1 as a potential trade war looms.

Key Rate	Dec 31, 2024	Dec 2, 2024	1 Month Change	Oct 1, 2024	3 Month Change
2 Year GOC	2.93%	3.04%	-0.11%	2.93%	0.00%
5 Year GOC	2.96%	2.94%	0.02%	2.74%	0.22%
5 Year CMB	3.23%	3.35%	-0.12%	3.05%	-0.18%
10 Year CMB	3.53%	3.65%	-0.12%	3.48%	-0.05%
Prime Rate	5.45%	5.95%	-0.50%	6.45%	-1.00%

2 Year Vs 5 Year GOC 2024



Term Loans

Pricing on term loans is declining alongside the Bank of Canada's rate cuts. However, DSCR remains the primary hurdle, limiting leverage growth. The economic viability of tenants will be a key factor in tenanted buildings moving forward, especially amid ongoing economic concerns. Multifamily properties continue to perform well, while student rentals have faced minor setbacks due to new regulations—though not as severe as the disruptions caused by virtual schooling in 2019.

Asset Type	Interest Rate (Low)	Interest Rate (High)	Amortization	Leverage Max	DSCR (min)
Retail	4.93%	6.93%	Up to 25	Up to 75%	1.25x
Industrial	4.93%	6.43%	Up to 25	Up to 80%	1.15x
Downtown Office	4.93%	5.93%	Up to 25	Up to 70%	1.30x
Suburban Office	5.43%	6.43%	Up to 25	Up to 70%	1.20x
Multifamily Apartment	4.68%	5.43%	Up to 30	Up to 85%	1.10x
Multifamily (CMHC)	3.50%	4.20%	Up to 50	Up to 95%	1.20x
Hotels / Hospitality	5.18%	7.93%	Up to 25	Up to 75%	1.20x
Retirement Home	5.43%	7.43%	Up to 22	Up to 75%	1.20x

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Bridge Loans

Appetite remains flat for Land Loans without a clear line of site to construction and given the crunch on term takeouts, stabilization and renovation loans are completely DSCR dependent on the takeout.

Loan Type	Interest Rate (Low)	Interest Rate (High)	Leverage	Future Outlook
Stabilization / Renovation	7.45%	10.45%	Up to 90%	↓
2 nd / Mezzanine Debt	7.95%	10.95%	Up to 85%	–
Land Loans	7.95%	11.45%	Up to 65%	–

Construction Loans

While workouts and defaults continue to be an issue, recent rate cuts are instilling some investor confidence back into the marketplace. More creative financing strategies are often required but deals can be made with an increase in appetite from A Lenders who are looking to deploy capital.

Asset Type	Interest Rate (Low)	Interest Rate (High)	Leverage	Future Outlook
For Sale Residential	6.95%	8.95%	Up to 80%	–
Multifamily Conventional	6.45%	7.95%	Up to 90%	↓
Multifamily CMHC	5.70%	6.45%	Up to 95%	–
Commercial	6.95%	8.45%	Up to 75-80%	↓
Land Servicing	6.95%	9.95%	Up to 70-75%	–

*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 \$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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