

CADILLAC FAIRVIEW TOWER

 **GEMREAL**
no nonsense capital

Canadian Commercial Mortgage Report

Q4 2025

Major Items Impacting the Market

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

Residential Price Decline– In Q4 2025, Canada's housing market continued to exhibit softening demand and downward price pressure after a challenging year. According to the Canadian Real Estate Association (CREA), national home sales declined into late 2025, with December sales down about 2.7 % month-over-month and 4.5 % year-over-year, and total annual transactions ending the year at roughly 470,314 units, a 1.9 % drop compared to 2024. The MLS Home Price Index — a key measure of underlying price trends — fell 0.3 % from November to December and was down approximately 4 % year-over-year by year-end, suggesting price moderation in many markets.

Return to Office – The Canadian office sector, long challenged by pandemic-era shifts and high vacancy, ended 2025 with a second consecutive year of positive net absorption, a key measure of leasing activity and demand. This was led by strong downtown Toronto performance, where substantial lease transactions pushed annual office space absorption higher and helped reduce vacancy across several markets — particularly in Class A space. Terraforming older inventory via conversion projects also removed more than 1 million sq ft from supply in Q4 as landlords repositioned dated assets. The Government's return to work policies lead the way in movement away from home and will continue to lift this space as demand increases.

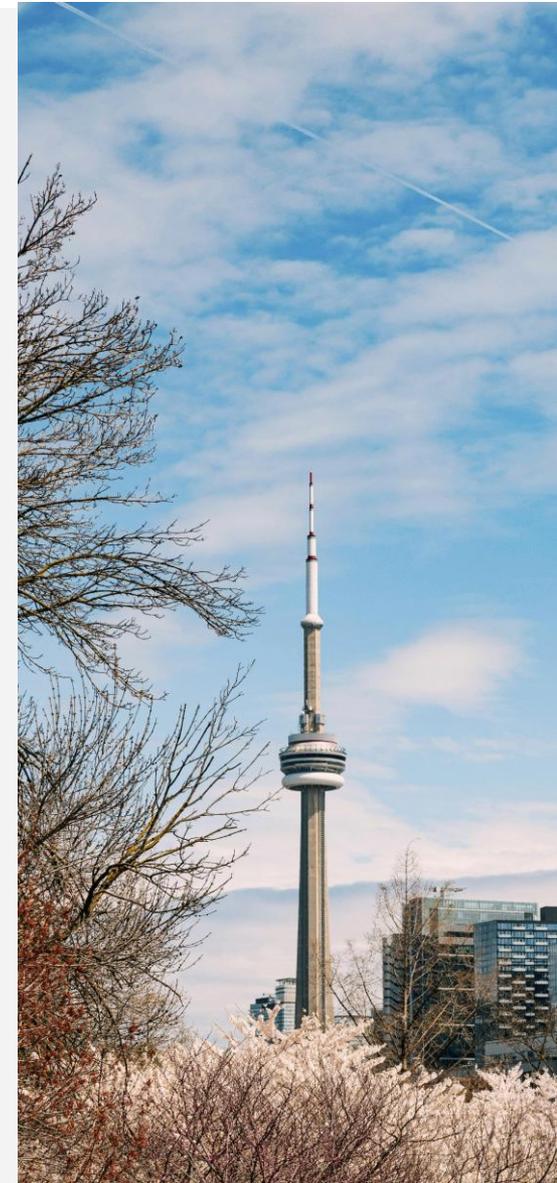
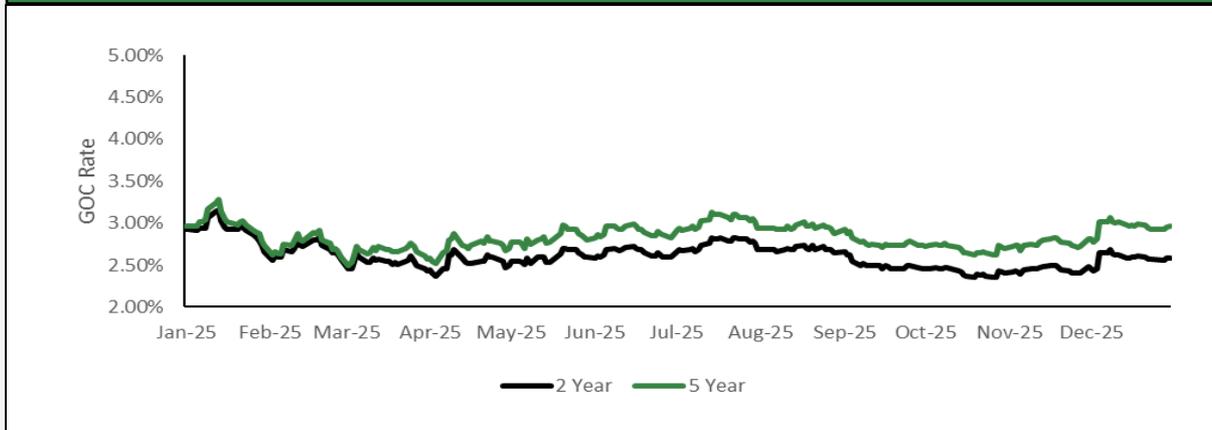
Canada's CRE market is beginning to stabilize as each asset class faces its own unique pressures. Improved interest rate visibility and a narrowing of bid-ask spreads are starting to bring up transaction volumes. Well defined, defensive assets continue to excel as we move into 2026.

Key Mortgage Base Rates

GOC's have spiked in Q4 2025, this came after stronger than expected economic statistics were released. Investors have begun pricing with the expectation of reduced likelihood of further Bank of Canada rate cuts. Higher fiscal debt also put upward pressure on these yields.

Key Rate	Dec 31, 2025	Dec 1, 2025	1 Month Change	Oct 1, 2025	3 Month Change
2 Year GOC	2.58%	2.48%	0.10%	2.46%	0.12%
5 Year GOC	2.96%	2.81%	0.15%	2.73%	0.23%
5 Year CMB	3.15%	2.95%	0.20%	2.90%	0.25%
10 Year CMB	3.70%	3.55%	0.15%	3.50%	0.20%
Prime Rate	4.45%	4.45%	0.00%	4.70%	-0.25%

2 Year Vs 5 Year GOC Q4 2025 TTM





Term Loans

Term loan pricing has increased in response to the rise in Government of Canada (GOC) bond yields, which serve as the primary benchmark for fixed-rate lending. Higher GOC rates have directly pushed up base borrowing costs across the market. However, this 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	4.75%	6.00%	Up to 25	Up to 75%	1.25x
Industrial	4.50%	6.00%	Up to 25	Up to 80%	1.15x
Downtown Office	4.75%	6.00%	Up to 25	Up to 70%	1.30x
Suburban Office	5.25%	6.50%	Up to 25	Up to 70%	1.20x
Multifamily Apartment	4.50%	5.50%	Up to 30	Up to 85%	1.10x
Multifamily (CMHC)	3.50%	4.20%	Up to 50	Up to 95%	1.20x
Hotels / Hospitality	5.00%	7.50%	Up to 25	Up to 75%	1.20x
Retirement Home	5.25%	7.50%	Up to 22	Up to 75%	1.20x

Want an Opinion on Your Mortgage Renewal?

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 continue to be oversaturated – VTBs continue to be the norm when these assets do transact. Appetite for condominium inventory loans at good LTVs are getting stronger as lenders are starting to have a line of sight to the end of the Condo over supply.

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

Construction Loans

Presales and preleasing remain the #1 factor in the determination of construction lending. Presales are at an all time low for residential, but preleasing is still occurring for retail / industrial properties which are receiving the preferential loan terms.

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

Our Team

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

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

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