



Canadian Commercial Mortgage Report

Q2 2025



Major Items Impacting the Market

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

Federal Policy –The new Liberal government has pledged to address Canada's housing affordability crisis using prefabricated homes. Industry leaders, such as Mattamy Homes' Peter Gilgan, have already responded, with Gilgan announcing plans to open a dedicated factory. While the full details of this federal policy have yet to be finalized, the government's ambitious goal is to deliver 500,000 prefabricated homes annually. If successful, this initiative could significantly reshape the residential real estate landscape. A historical parallel can be drawn to the post-WWII era, when CMHC facilitated the construction of approximately 30,000 homes for returning veterans.

Economy – Unemployment has risen to 7.0%—the highest level since 2016, excluding the pandemic years—reflecting a broader economic slowdown. GDP growth remains tepid, averaging under 1.0% per quarter. In response, the federal government is exploring ways to stimulate economic growth independently of the United States, where protectionist tariffs remain an issue. Trade negotiations with the UK and China are underway, and interprovincial commerce is expected to benefit from the easing of internal trade barriers.

Household Debt – Household debt levels continue to climb, reaching \$3.07 trillion in Q1 2025. Debt as a percentage of income has now reached approximately 175%, one of the highest ratios in the developed world. This growing burden increases Canadian households' sensitivity to interest rate fluctuations, posing a significant economic vulnerability.

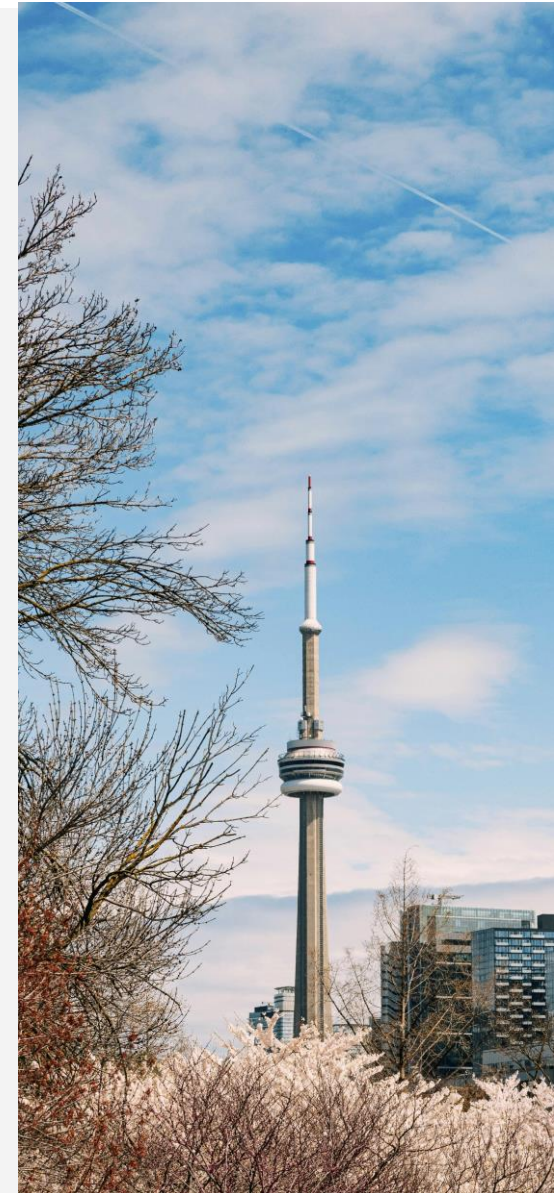
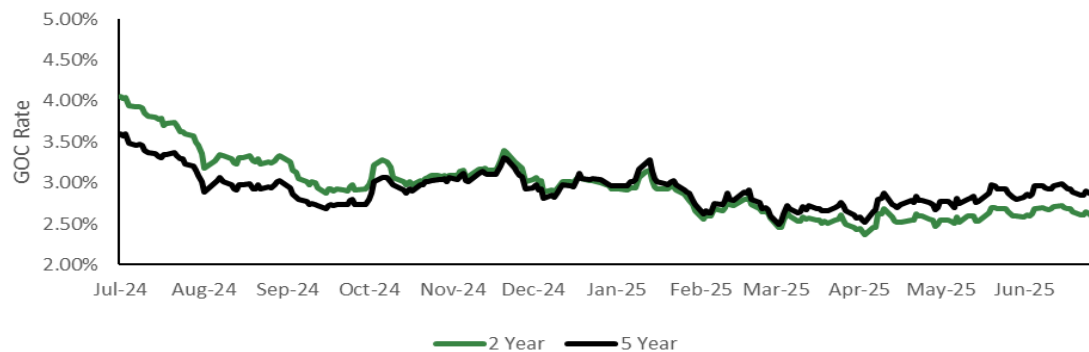
Canada's commercial real estate market is beginning to stabilize. The once red-hot industrial sector is cooling due to trade tensions, while the retail sector is undergoing transformation. Investor sentiment toward the office market is gradually improving. As the new Liberal government rolls out its policy agenda, further shifts in the commercial real estate landscape are expected in the coming quarters.

Key Mortgage Base Rates

GOC's have been on the decline in the Q2 2025 with Federal Rate cuts occurring only once in Canada which have been held in April and June. The US market has also been on a holding pattern. Further rate cuts have been projected in 2025 as inflation has remained steady sub 3.0% in Canada.

Key Rate	Jun 30, 2025	Jun 2, 2025	1 Month Change	Apr 1, 2025	3 Month Change
2 Year GOC	2.59%	2.58%	0.01%	2.43%	0.16%
5 Year GOC	2.83%	2.82%	0.01%	2.57%	0.26%
5 Year CMB	3.20%	3.15%	0.05%	3.10%	0.10%
10 Year CMB	3.74%	3.60%	0.14%	3.50%	0.24%
Prime Rate	4.95%	4.95%	0.00%	4.95%	0.00%

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. Industrial is also softening while Office and Retail and starting to gain some momentum.

Asset Type	Interest Rate (Low)	Interest Rate (High)	Amortization	Leverage Max	DSCR (min)
Retail	4.80%	6.80%	Up to 25	Up to 75%	1.25x
Industrial	4.30%	6.30%	Up to 25	Up to 80%	1.15x
Downtown Office	4.80%	5.80%	Up to 25	Up to 70%	1.30x
Suburban Office	5.30%	6.30%	Up to 25	Up to 70%	1.20x
Multifamily Apartment	4.30%	5.30%	Up to 30	Up to 85%	1.10x
Multifamily (CMHC)	3.50%	4.20%	Up to 50	Up to 95%	1.20x
Hotels / Hospitality	4.80%	7.80%	Up to 25	Up to 75%	1.20x
Retirement Home	5.05%	7.30%	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 \$2.5B 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.

Our Team

Garret MacGillivray

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

Chad Gemmell

Managing Director
chad@gemreal.ca
416-886-3404

Scott MacGillivray

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