

Intelligent Investment

2025 Canadian Real Estate Lenders' Report

REPORT

CBRE RESEARCH
FEBRUARY 2025



Introduction

The 2025 edition of CBRE’s Canadian Real Estate Lenders’ Report analyzes the responses of 37 domestic and foreign lenders, representing over \$200 billion in commercial real estate loans under management combined, to a 38-question survey conducted from December 10, 2024 to January 20, 2025. The survey has been in publication since 2014 and asks questions on activity expectations, lending terms and criteria as well as lender sentiment and preferences.

The results from our survey suggest that overall lender sentiment has improved for real estate and lenders are gearing up for a much more active 2025. While some challenges persist for lending in select asset classes, borrowers can expect to see greater debt availability and stronger levels of competition among lenders this year.

Key Takeaways

- 1. **76% of lenders plan to increase their origination volumes in 2025** and 24% intend to deploy over 20% more real estate lending capital this year.
- 2. **Lenders plan to be at their most competitive level of the last three years** with 70% preparing to very actively or actively bid on real estate deals in 2025.
- 3. **Overall lender sentiment broadly improved in 2025 across nearly every real estate asset class** aside from land and high-rise condos, both of which noted a material year-over-year increase in lender levels of concern.



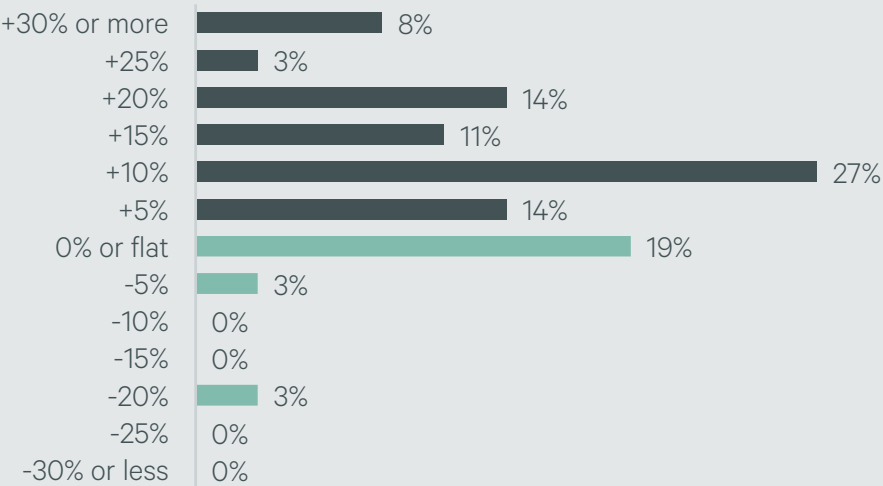
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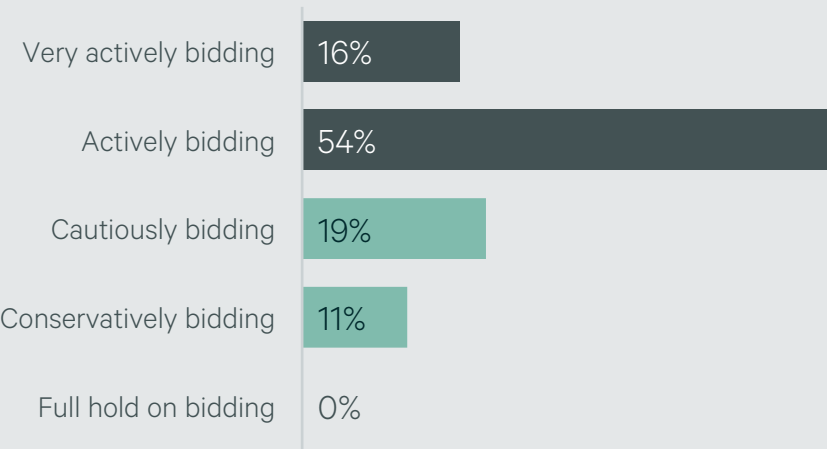
Evan Lee
Associate Research Director
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2025 Canadian Real Estate Lenders Survey Highlights

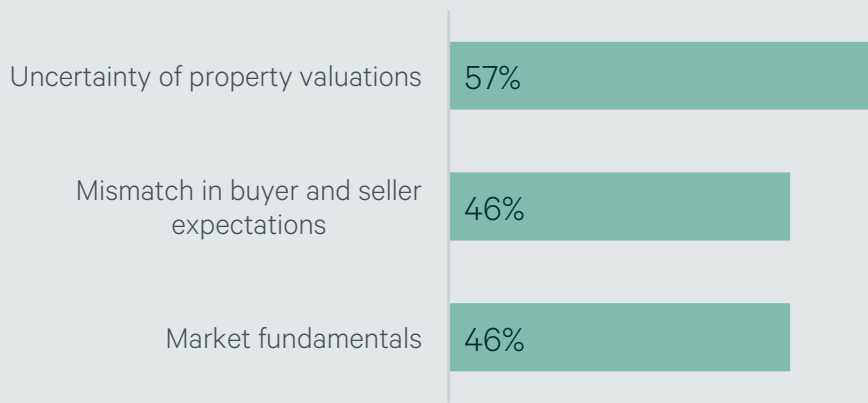
Most lenders plan to originate more deals in 2025



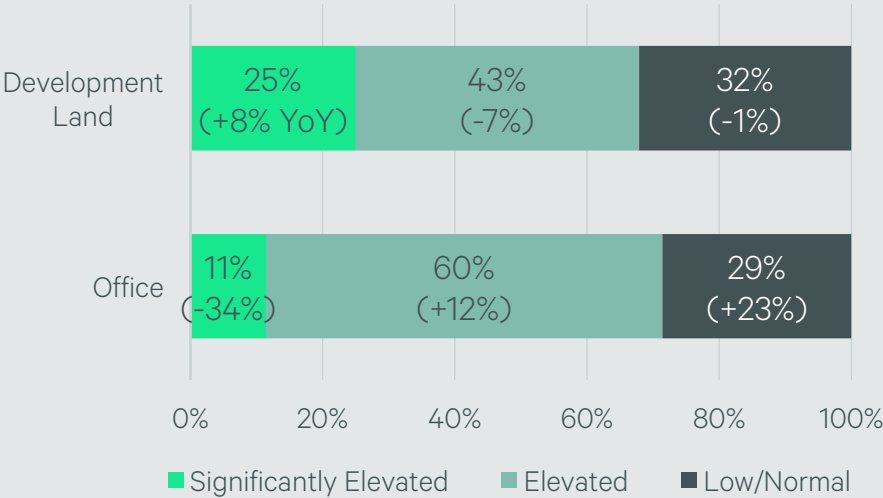
Competition among lenders will be stronger



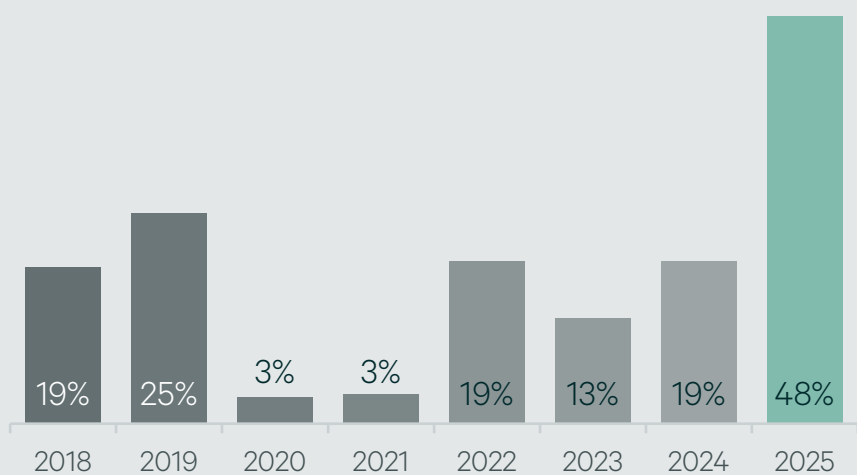
Biggest challenges involve underwriting and price expectations



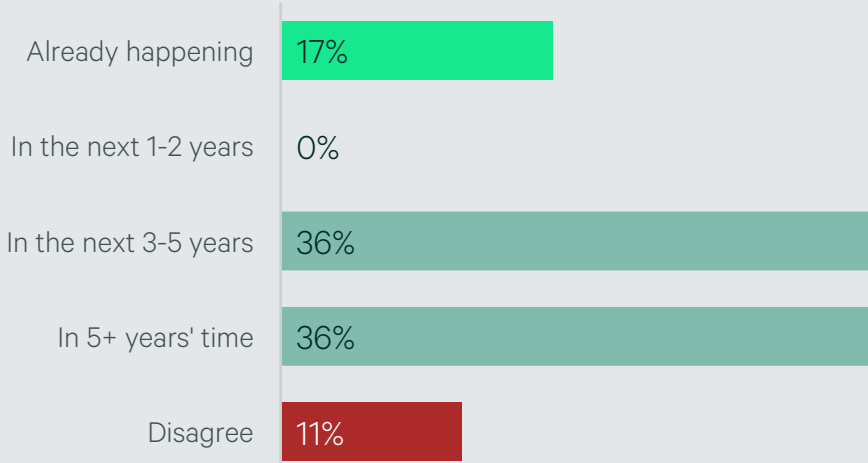
Credit risk highest for development land while office improves



Lenders making a strong shift into increasing retail budgets



Sustainability's impact on lending being deferred later



Source: CBRE Research, Canadian Real Estate Lenders Survey, February 2025.

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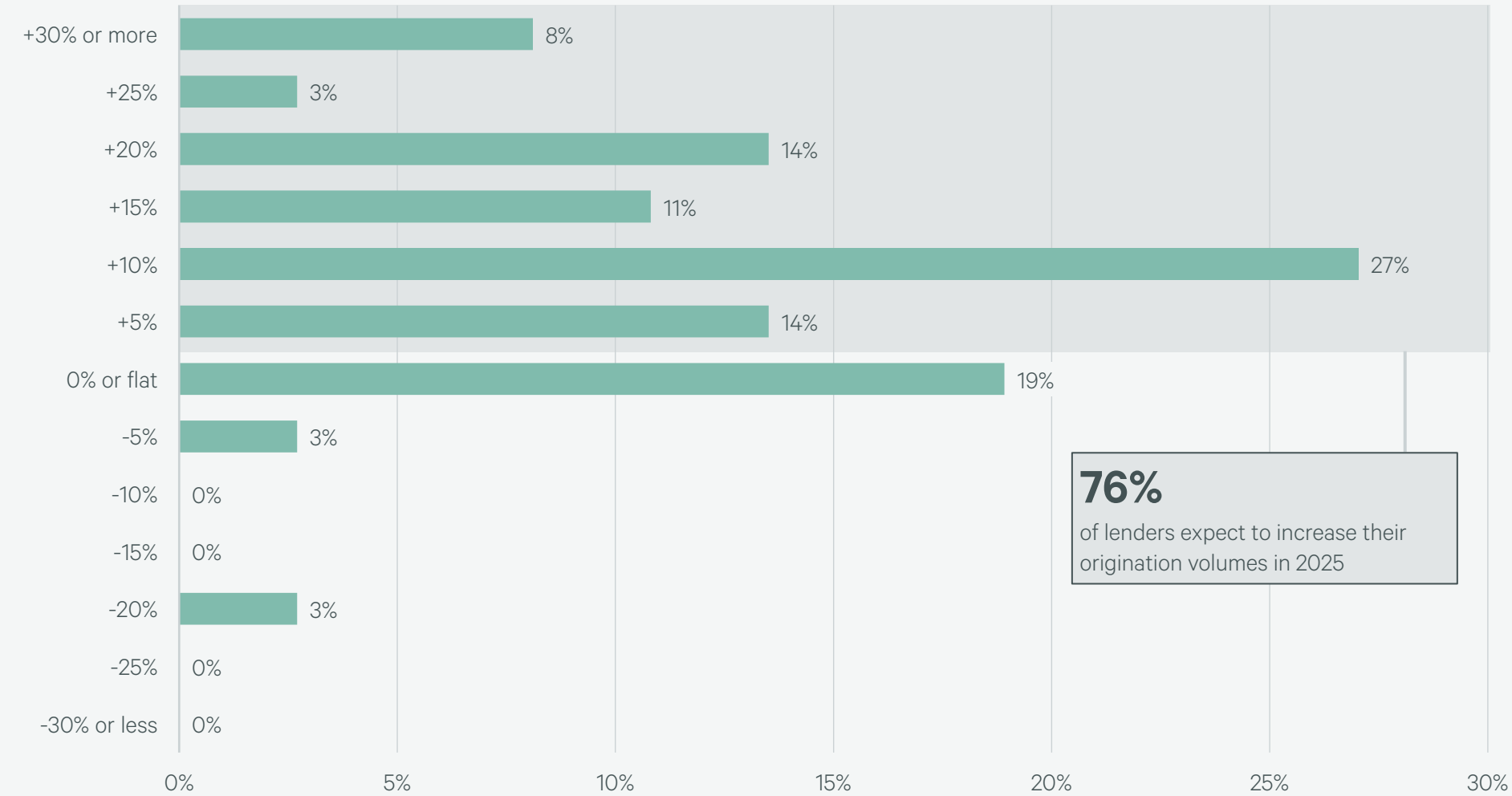
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2025 Lender Intentions

Stronger debt market liquidity expected in 2025

- Debt market liquidity is anticipated to be stronger in 2025 with 76% of lenders expecting higher origination volumes relative to last year.
- Notably, 24% of lenders are preparing to deploy 20% or more real estate lending capital in 2025.
- Of the remaining lenders, 19% expect their origination volumes to hold flat year-over-year and a marginal 6% intend to lower their origination activity in 2025.
- Overall, lender origination volumes are expected to rise by 10% in 2025 on a weighted average basis.

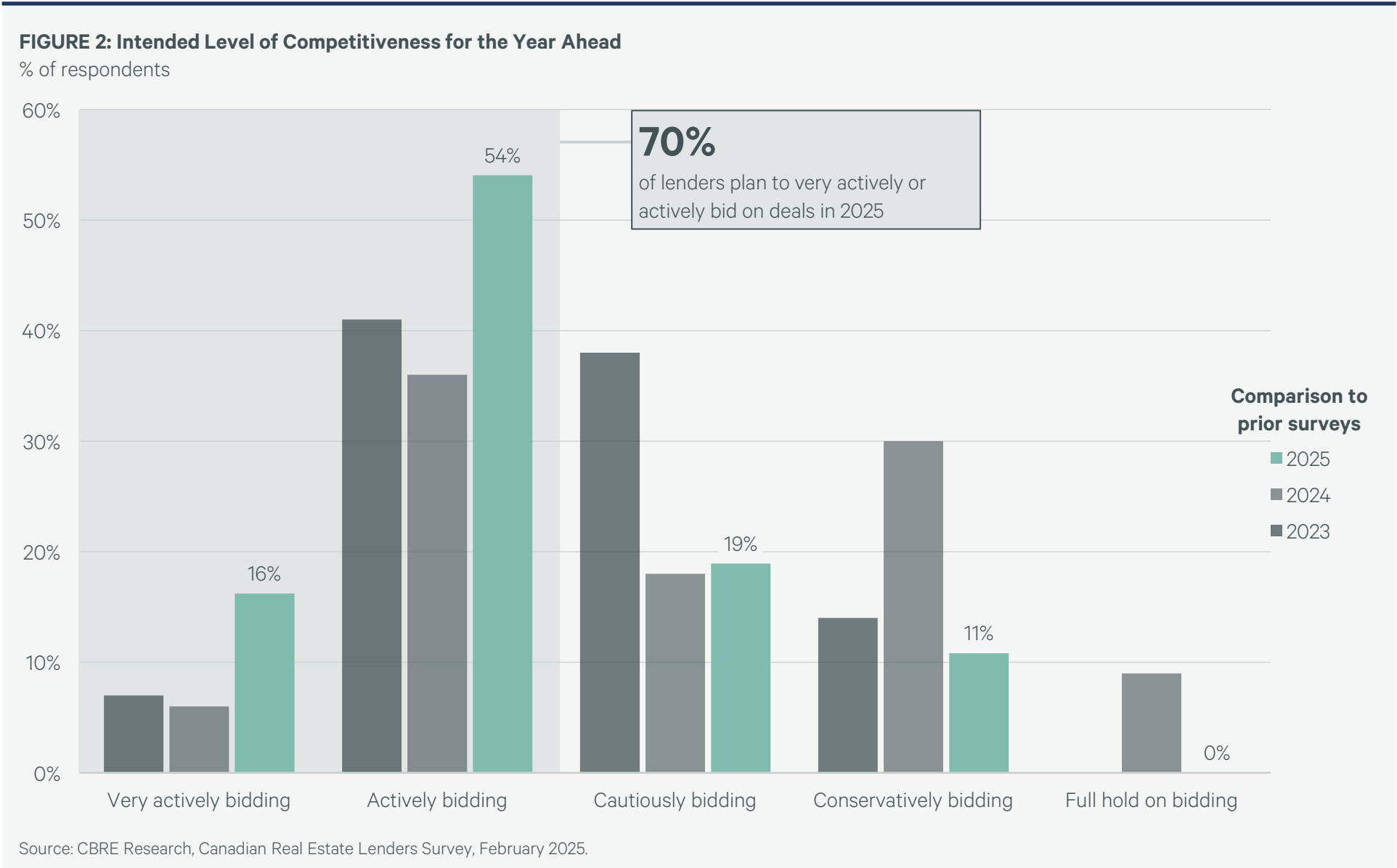
FIGURE 1: Origination Volume Expectations for 2025 vs. 2024
% of respondents



Source: CBRE Research, Canadian Real Estate Lenders Survey, February 2025.

Lenders plan to be at their most competitive level of the last 3 years

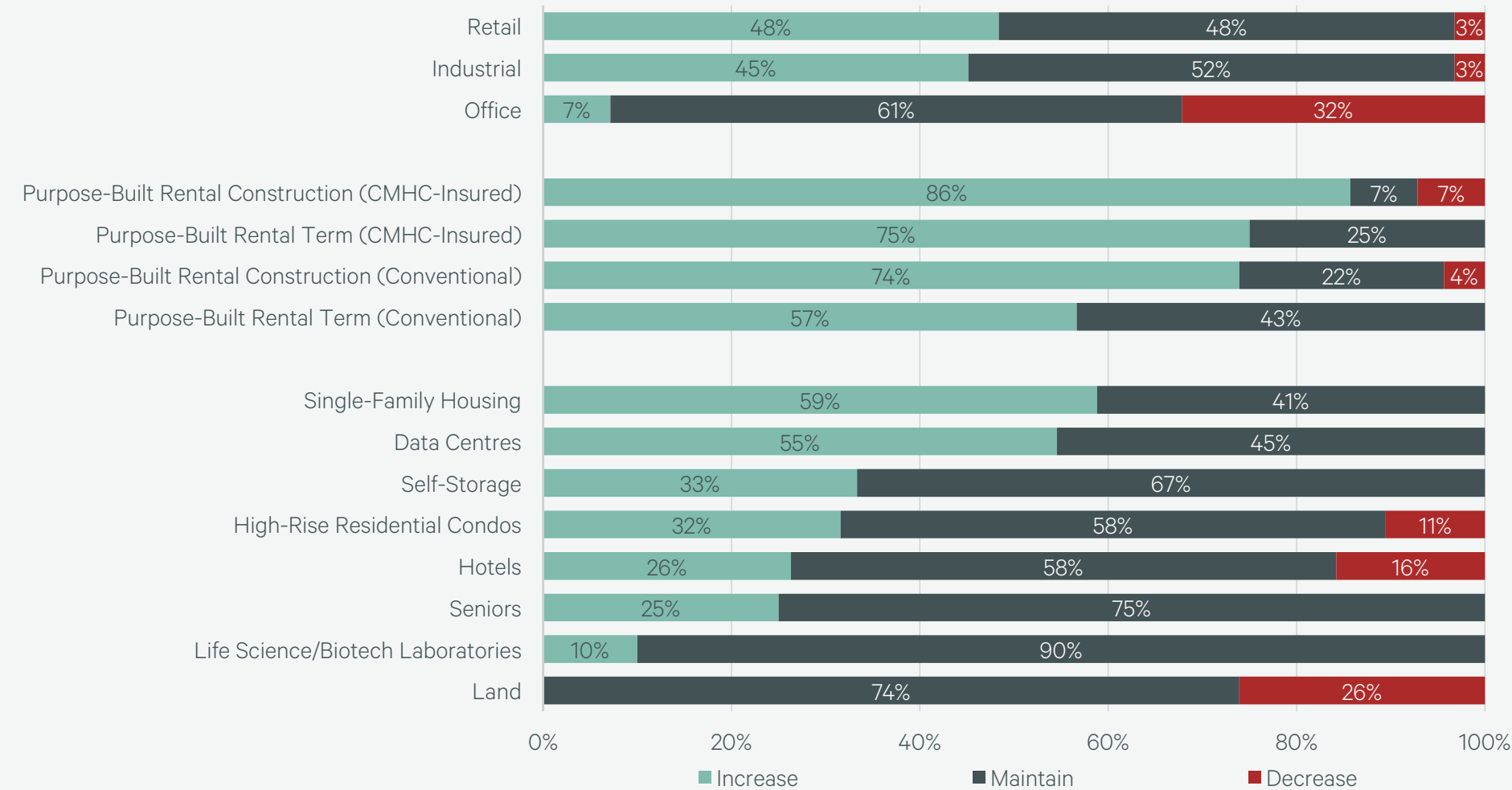
- Lenders are preparing for a more active 2025 as 70% plan to very actively or actively compete on deals this year.
- This marks the highest level of intended competitiveness seen from lenders in the last three surveys, where only an average 45% of lenders had plans to actively bid on deals in 2024 and 2023.
- The share of lenders planning to conservatively bid or that are on full holds also shrunk year-over-year to 11%, the lowest level recorded in the last three years.



Most lenders looking to expand their purpose-built rental loan books

- Purpose-built rental loans, and particularly for CMHC-insured product, continues to be the top targeted asset class for lenders. Debt availability for purpose-built rentals is set to grow the most in 2025 as an average 73% of lenders look to increase their respective budgets for this sector.
- Lenders also expressed strong desires to grow their retail loan books in 2025. 48% of lenders intend to increase their retail budgets, outpacing industrial (45%) and office (7%) intentions.
- For 61% of lenders, office loan budgets will likely hold flat year-over-year, however, nearly one-third are looking to decrease their office exposures in 2025.
- For applicable lenders in the alternative assets space, single-family housing and data centres are seeing the strongest intentions for greater loan budgets in 2025.
- Land is the only real estate asset class where no lender plans to expand their loan books in 2025. Instead, 74% applicable lenders intend to maintain their existing budgets and 26% are planning to decrease in 2025.

FIGURE 3: Budget Intentions by Asset Class
% of applicable respondents

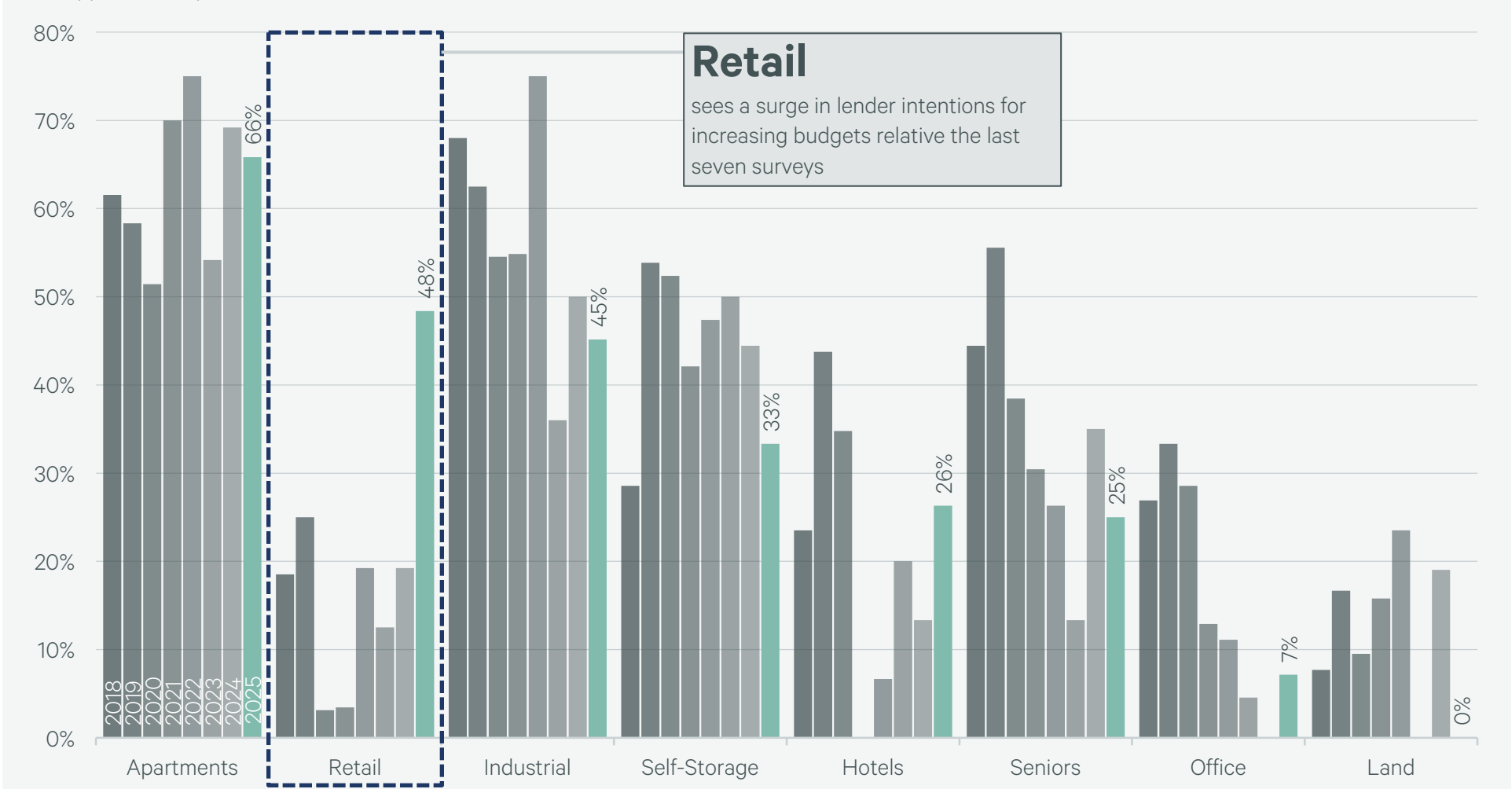


Applicable respondents are those that expressed an interest to increase, maintain or decrease their budgets for the specific asset class and excludes N/A responses.
Source: CBRE Research, Canadian Real Estate Lenders Survey, February 2025.

Intentions to increase retail budgets surge

- Lenders are showing a significant shift in demand for retail as evidenced by the surge in intentions to increase budgets in 2025. Nearly half of lenders plan to grow their retail budgets this year, a notable jump compared to the average of 14% seen over the last seven surveys.
- After declining for five consecutive years, lender intentions to increase office budgets rebounded modestly from 0% last year to 7% of lenders in 2025.
- Intentions for growing industrial loan books continue to be relatively solid, accounting for 45% of lenders in 2025, but remain well below the average 63% of lenders seen over the 2018-2022 period.
- Notably, lender intentions for increasing hotel budgets for the year ahead have continued to steadily trend higher since the pandemic.

FIGURE 4: Historical Intentions to Increase Budgets by Asset Class
% of applicable respondents

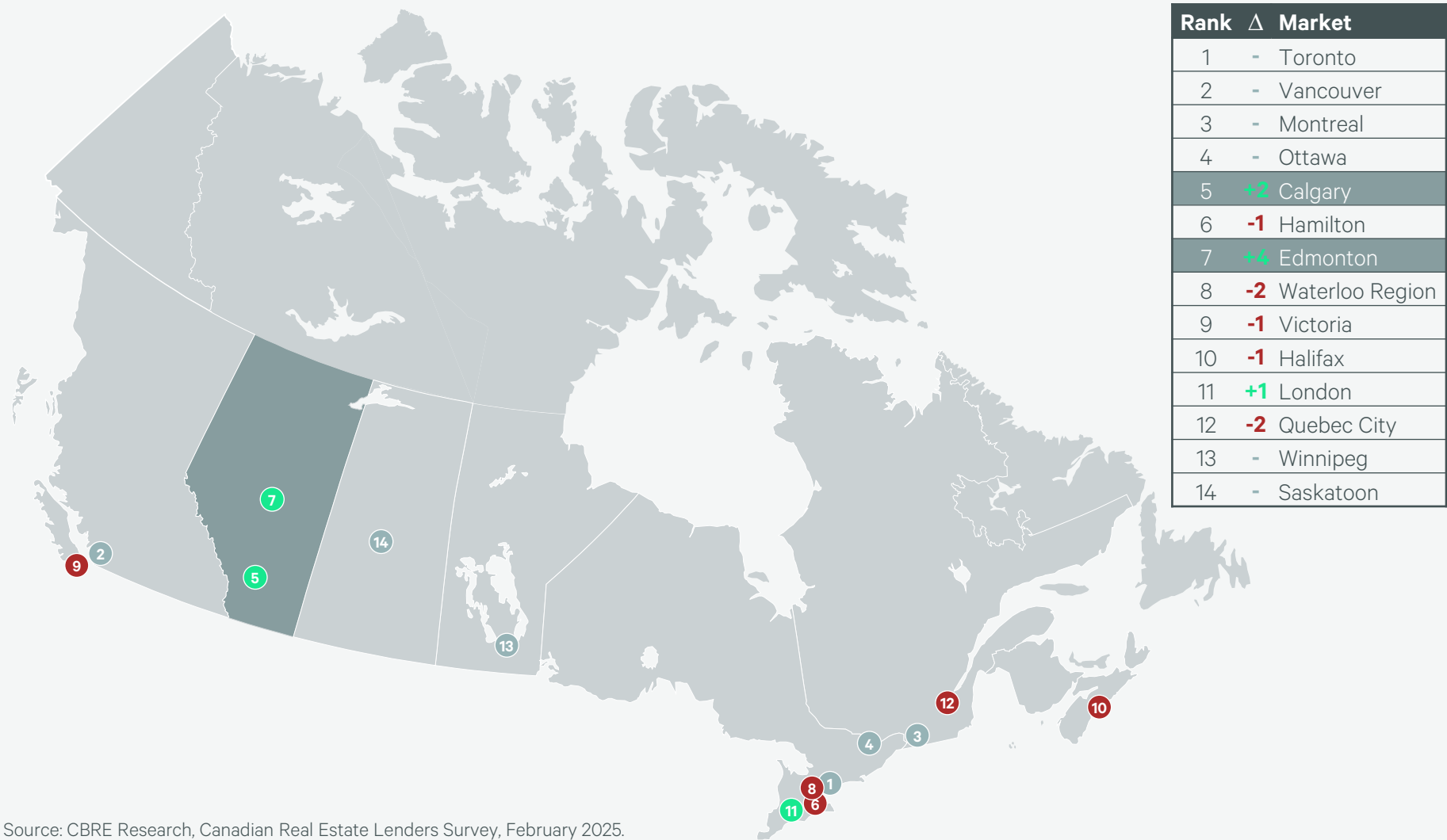


Apartments asset class is the simple average of purpose-built rental conventional term and CMHC-insured term loans.
Source: CBRE Research, Canadian Real Estate Lenders Survey, February 2025.

Alberta sees the largest increase in lender appetite

- The top markets of choice for lenders continue to be major markets of Toronto, Vancouver, Montreal and Ottawa which recorded the strongest levels of lender appetite in 2025.
- Notably, Calgary and Edmonton saw the greatest increases in market rankings (by share of “high appetite” responses) in 2025, rising 2 and 4 places year-over-year, respectively.
- Overall, a minimum 73% of lenders are active participants with some level of interest in every market across Canada.

FIGURE 5: Lender Rankings for Canadian Markets
Descending order of “high appetite” responses



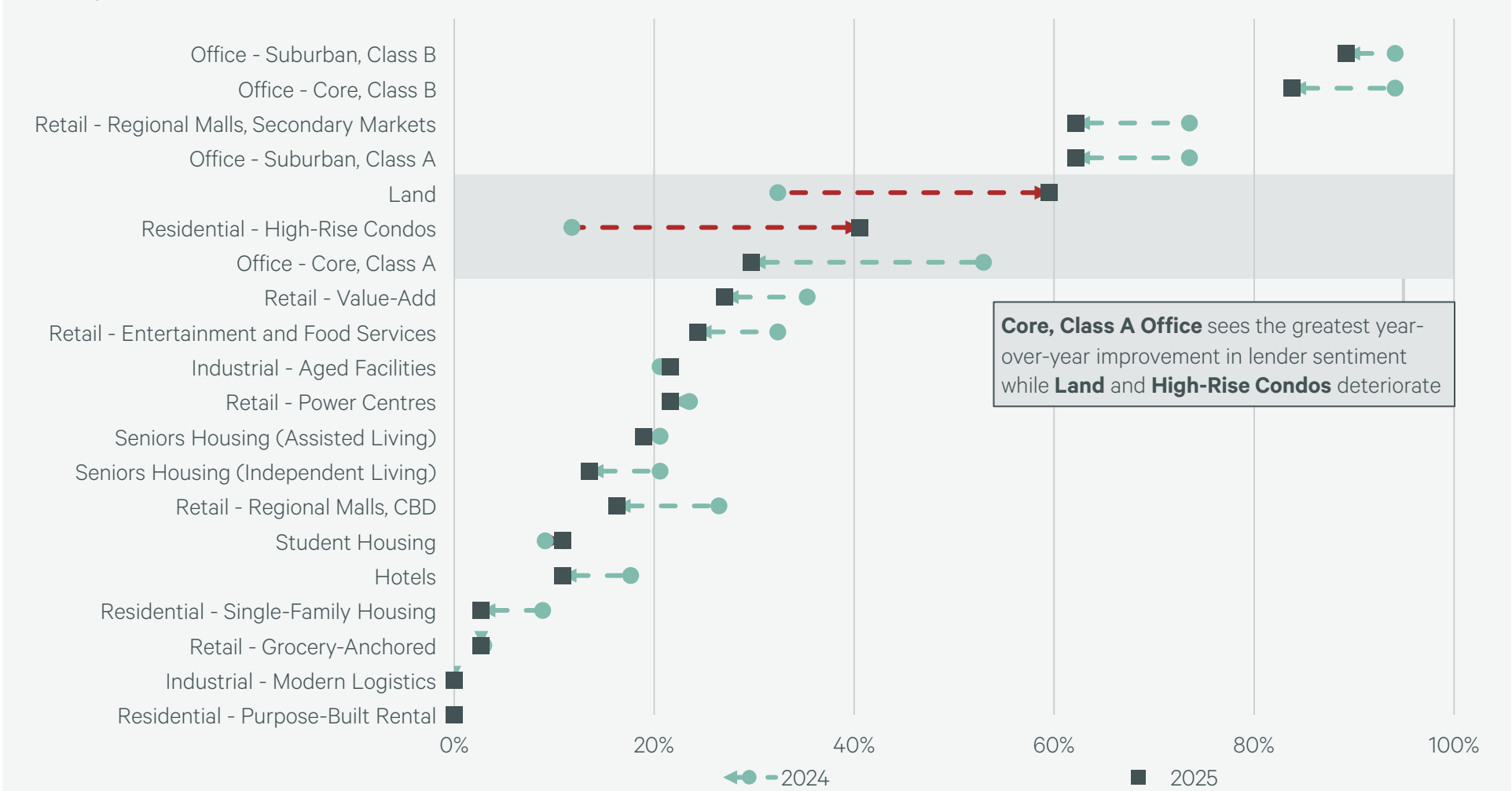
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Risk Expectations

Sentiment improves across nearly every asset class

- Overall lender sentiment on real estate broadly improved in 2025 as lenders largely expressed lower levels of concern for nearly asset class year-over-year.
- While Class B offices remain the two top asset classes of concern for lenders, Core Class A office recorded the greatest year-over-year improvement among all the categories.
- Land and high-rise condos were the only two asset classes that saw a strong deterioration in lender sentiment in 2025, with 59% and 41% of lenders concerned with the asset classes, respectively.
- The asset classes lenders are least worried about continue to be purpose-built rental, modern logistics, grocery-anchored retail and single-family housing.
- Alternative asset classes student housing and hotels are tied as the third least concerning property types for lenders. In particular for hotels, this asset class has seen strong consistent improvement over the last four consecutive surveys.

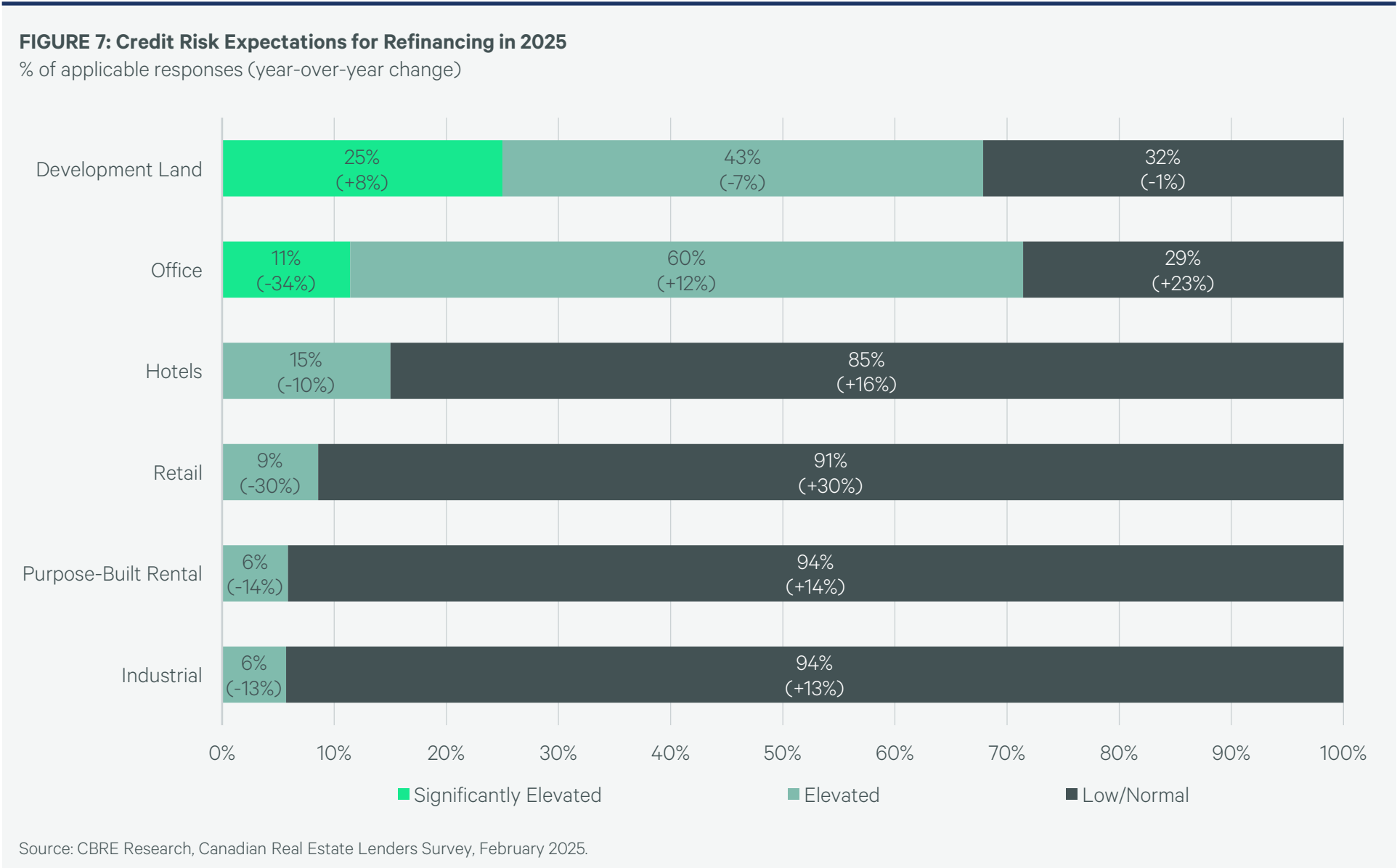
FIGURE 6: Asset Classes of Concern
% of respondents



Source: CBRE Research, Canadian Real Estate Lenders Survey, February 2025.

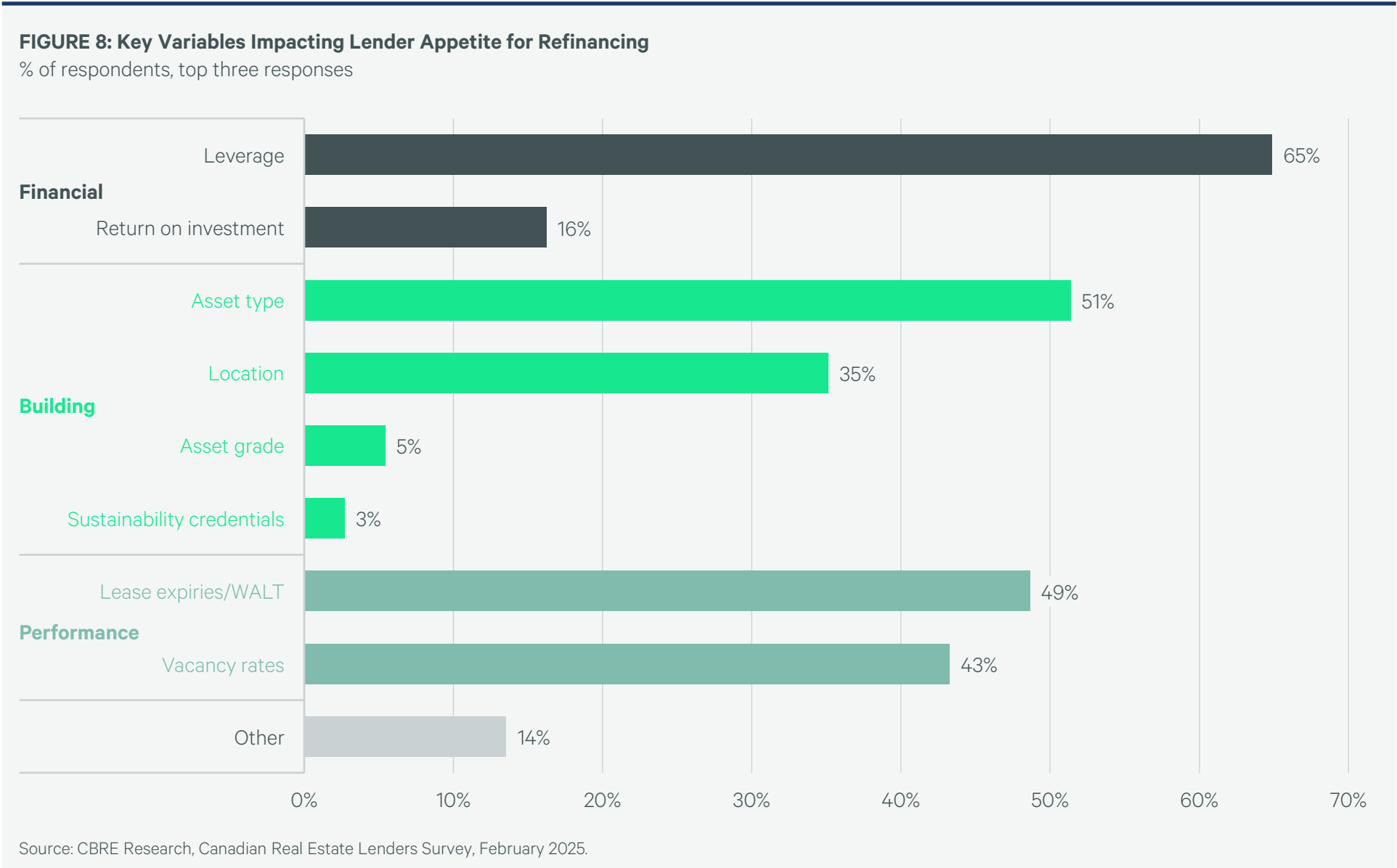
Credit risk outlook broadly improves except for development land

- Development land, amid a drop in market values, has overtaken office as the asset class that lenders expect to see the most significant refinancing credit risk in 2025.
- Meanwhile, credit risk expectations for office improved substantially with a large year-over-year drop in lenders that anticipate significantly elevated risk in 2025 (11% vs. 45% in 2024).
- Credit risk expectations have improved in 2025 for industrial, purpose-built rental, retail and hotel, as the vast majority of lenders anticipate low or normal levels of refinancing risk for these asset classes.



Leverage and asset type are the most impactful variables for refinancing

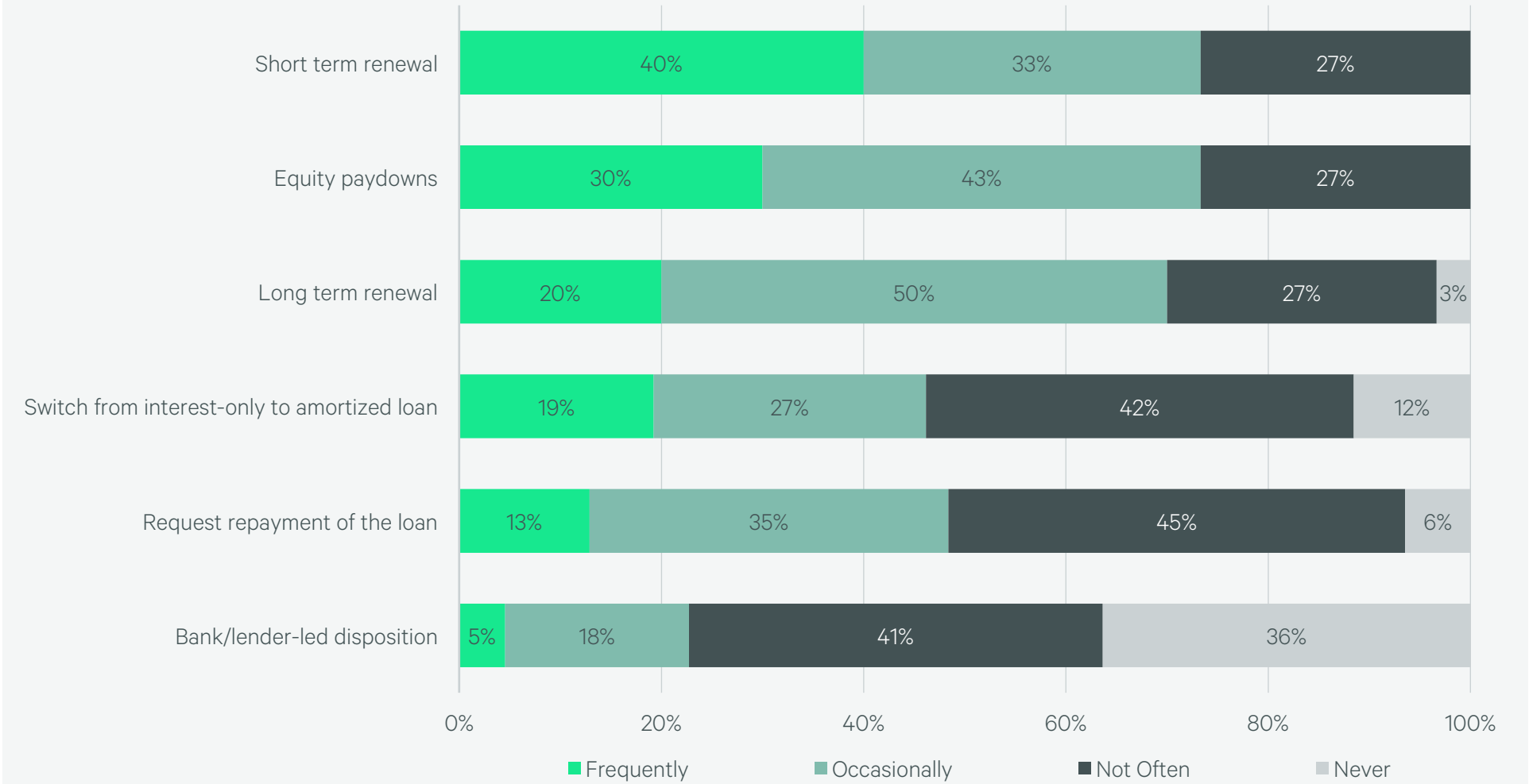
- In the current environment of economic uncertainty and nascent recovery in market fundamentals, lenders have noted leverage and asset type as the two most impactful variables in 2025 with respect to refinancing decisions.
- Property performance variables were the next key variables that factored into 49% and 43% of lenders' decision-making, respectively.
- Notably, property-specific metrics such as a building's class and sustainability credentials have a low impact on lender appetite for refinancing. Instead, lenders are focusing on more macro variables such as overall asset type and location.



Office refinancing largely being deferred or needing equity injections

- Through an open-ended survey question, lenders most commonly cited high vacancy rates and renewal uncertainties as the greatest challenges in office lending today. Lenders also noted difficulties in establishing benchmark values, causing underwriting uncertainties for office loans.
- In regards to office refinancing, borrowers are most often getting short term renewals or having to make equity paydowns on their loans.
- While 45% of lenders report they are not often requesting repayment of the office loan on renewal, almost half have done so frequently or occasionally.
- 36% of lenders report that they have never forced asset sales, however, it is occurring as some 23% of lenders have had to frequently or occasionally lead asset dispositions.

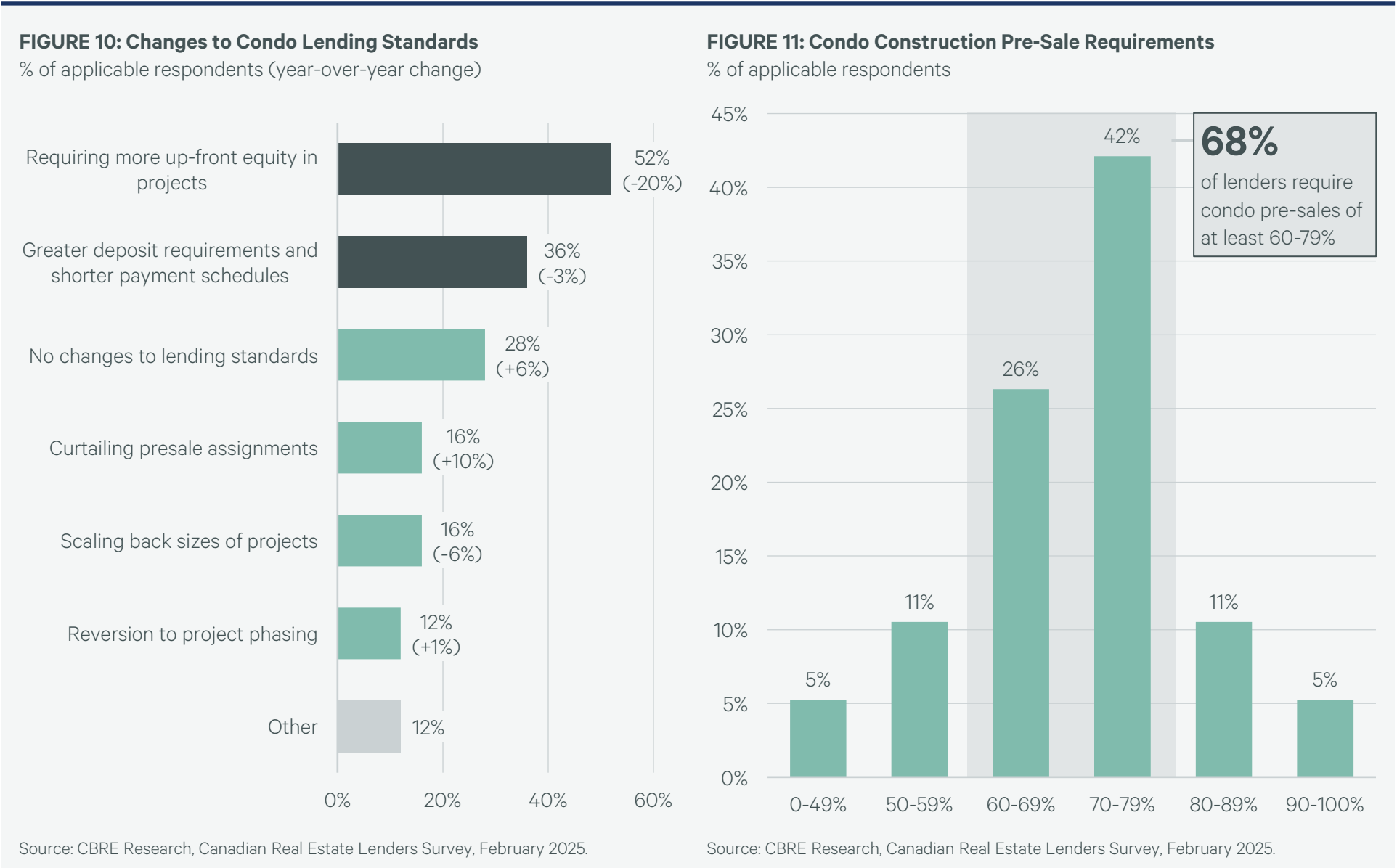
FIGURE 9: Lender Approach to Office Refinancing
% of applicable respondents



Source: CBRE Research, Canadian Real Estate Lenders Survey, February 2025.

Significant hurdles in place for condo development loans

- Condo construction loans face some significant hurdles in 2025 as lenders respond to the weaker sales environment. While fewer condo development lenders are requiring more up-front equity relative to last year, it remains the top change that 52% of lenders are making in 2025.
- 36% of applicable lenders are asking for greater deposit requirements and shorter payment schedules to secure a condo development loan.
- As well, 68% of lenders currently require 60-79% pre-sale commitments for condo construction financing. However, given the weaker condo sales market, this will likely be a more significant financing hurdle than compared to past years.

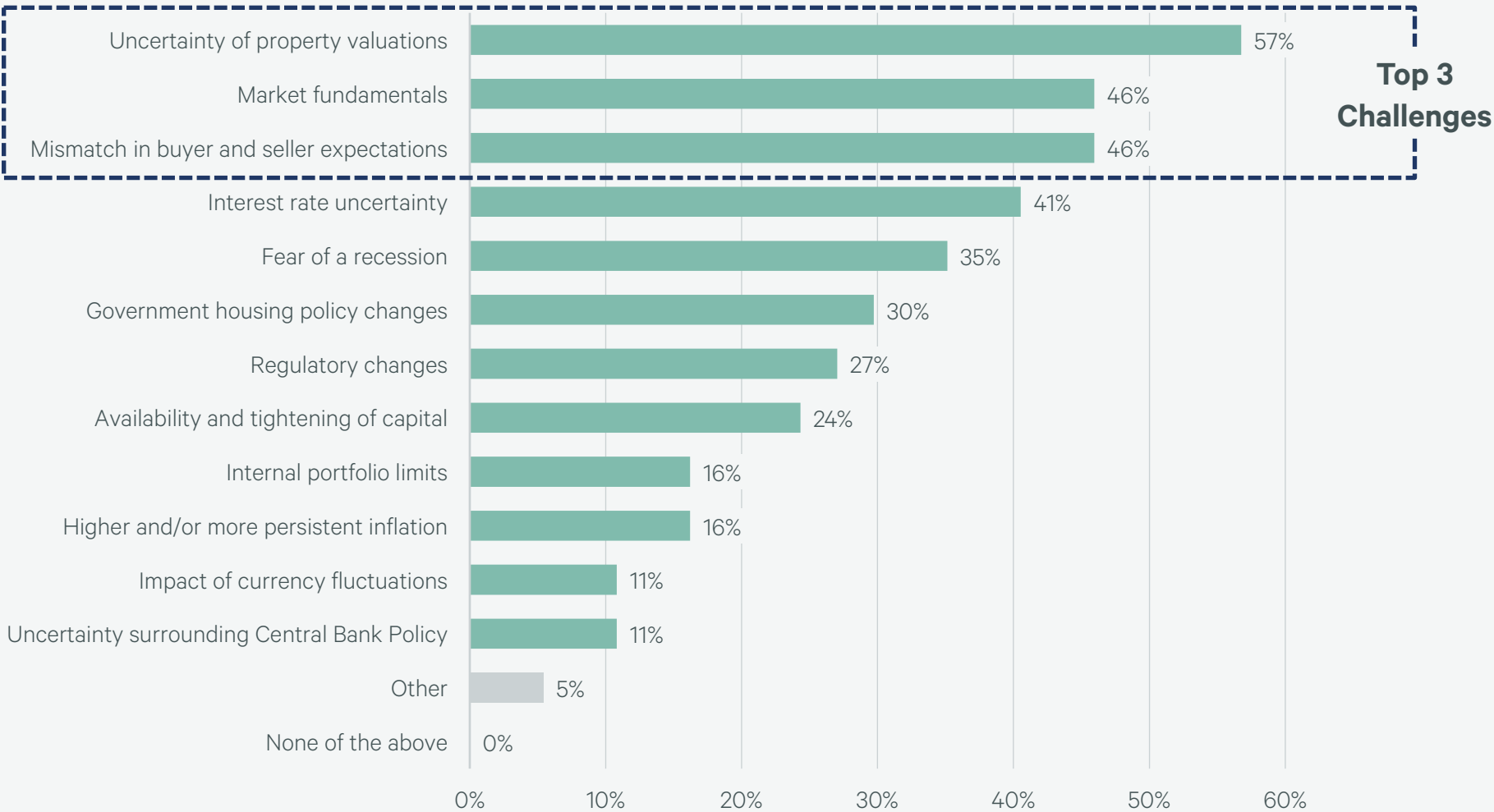


Property underwriting is the biggest challenge for lenders

- The biggest challenge for the 2025 lending environment in Canada is the uncertainty surrounding underwriting property valuations according to 57% of lenders.
- Alongside concerns with market fundamentals, which also ranked as a top major challenge, lenders have had to shift some of their underwriting assumptions on vacancy and rent growth in the current softer real estate market.
- The persistent mismatch in buyer and seller expectations has hampered overall investment activity and rounds out the top lending challenges for 2025.

FIGURE 12: Major Challenges to the 2025 Canadian Lending Environment

% of respondents



Note: the 2025 survey was conducted prior the material escalation in tariff threats, however, tariffs remain a more minor concern for lenders as at publication.
Source: CBRE Research, Canadian Real Estate Lenders Survey, February 2025.

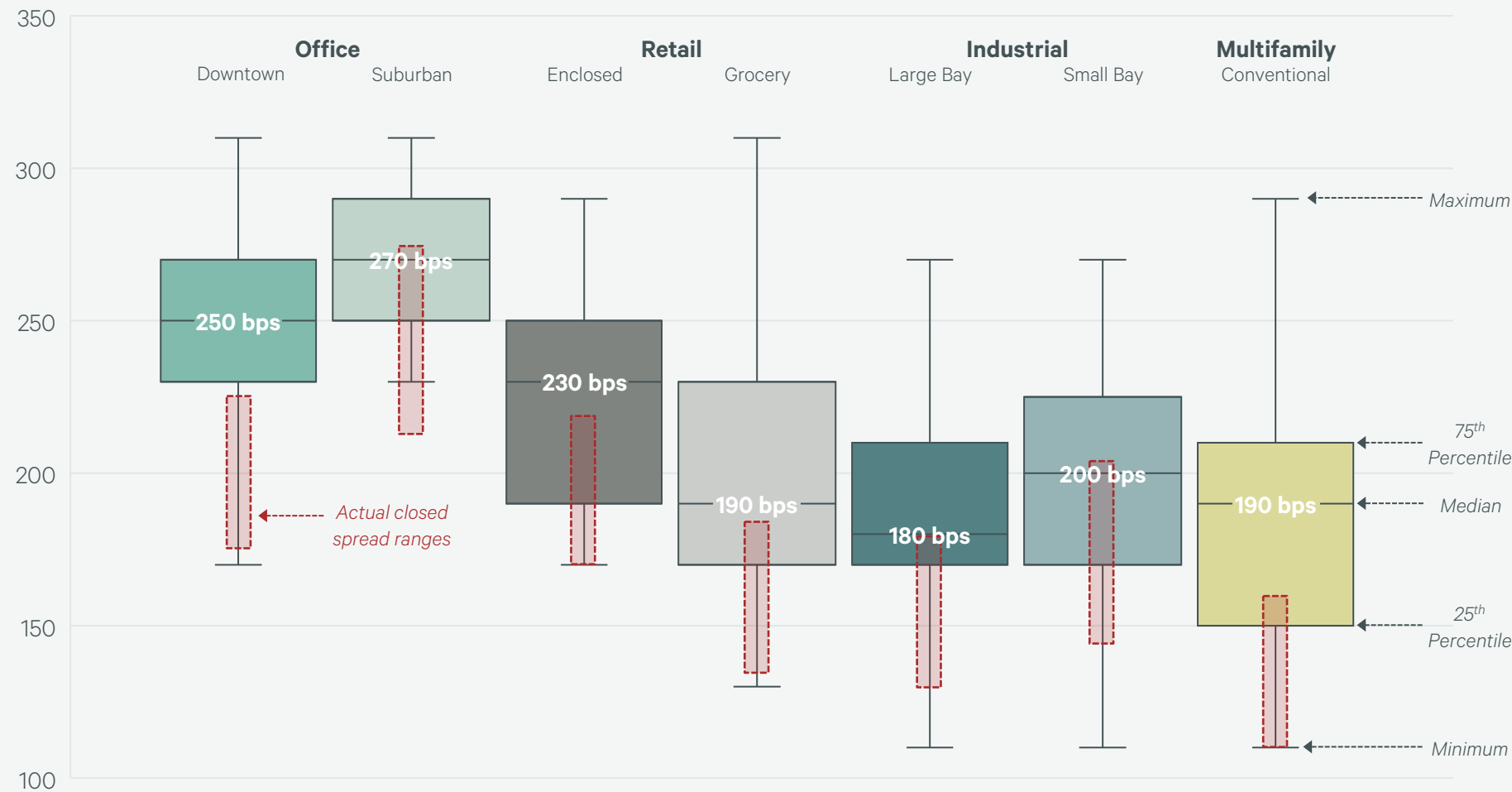
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Debt Pricing

Lenders quoting debt notably higher than where deals are closing

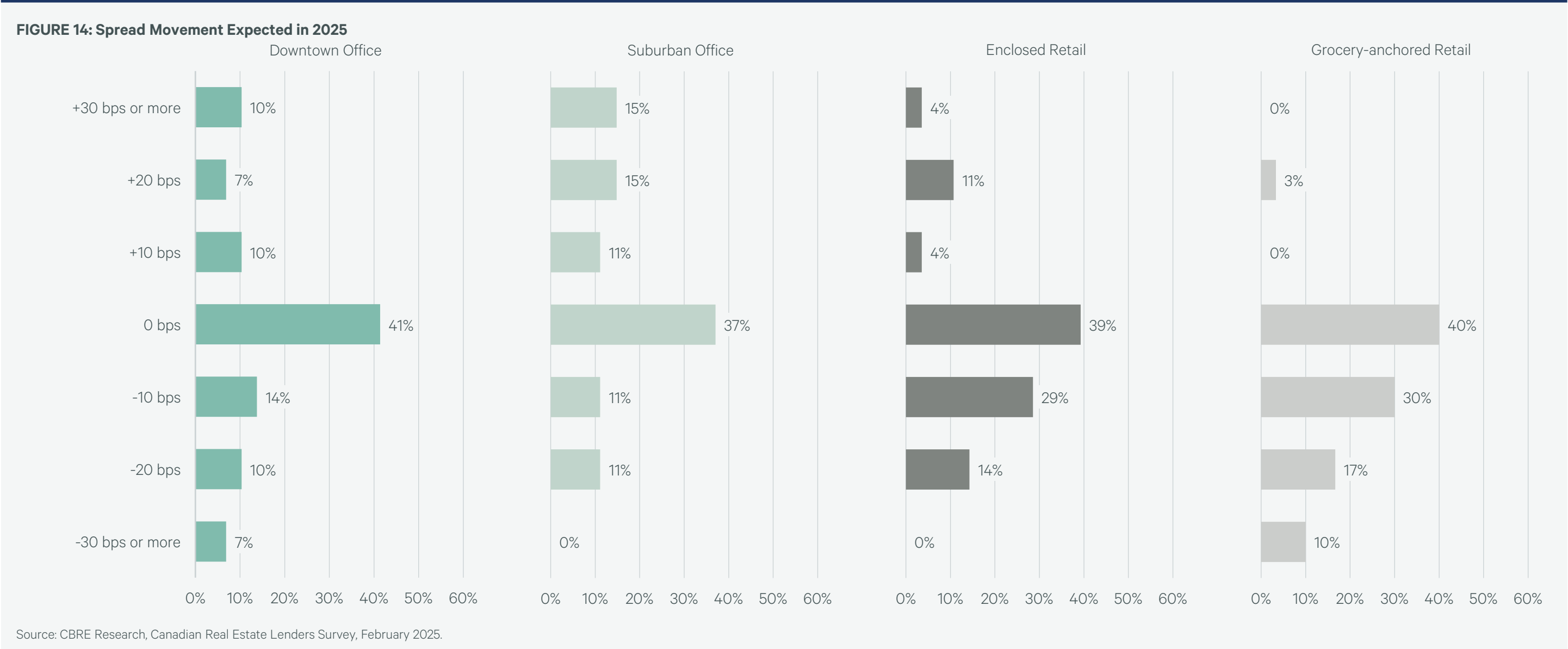
- Based on lender quotes for five-year term debt on top tier properties, most lenders are bidding with spreads materially higher than where actual deals have recently closed. Across every surveyed asset class, the median spread quote was on average 35 basis points (bps) higher than seen in recent closed deals.
- The widest gap between median lender quotes and actual spreads is seen in the conventional multifamily and downtown office asset classes, which differentials of 55 bps and 50 bps, respectively.
- On the other hand, lender quotes for suburban office, large bay and small bay industrial were closer to actual closed spreads with a differential of 25 bps.
- Lenders are the most divided when it comes to quoting grocery-anchored retail and conventional multifamily five-year term debt, providing a wide 180 bps range of spreads.
- The distribution of suburban office spread quotes were the tightest among the surveyed asset classes, with lenders pricing within a range of 80 bps.

FIGURE 13: 5-Year Term Deal Pricing Quotes on Top Tier Assets
Spread (basis points)

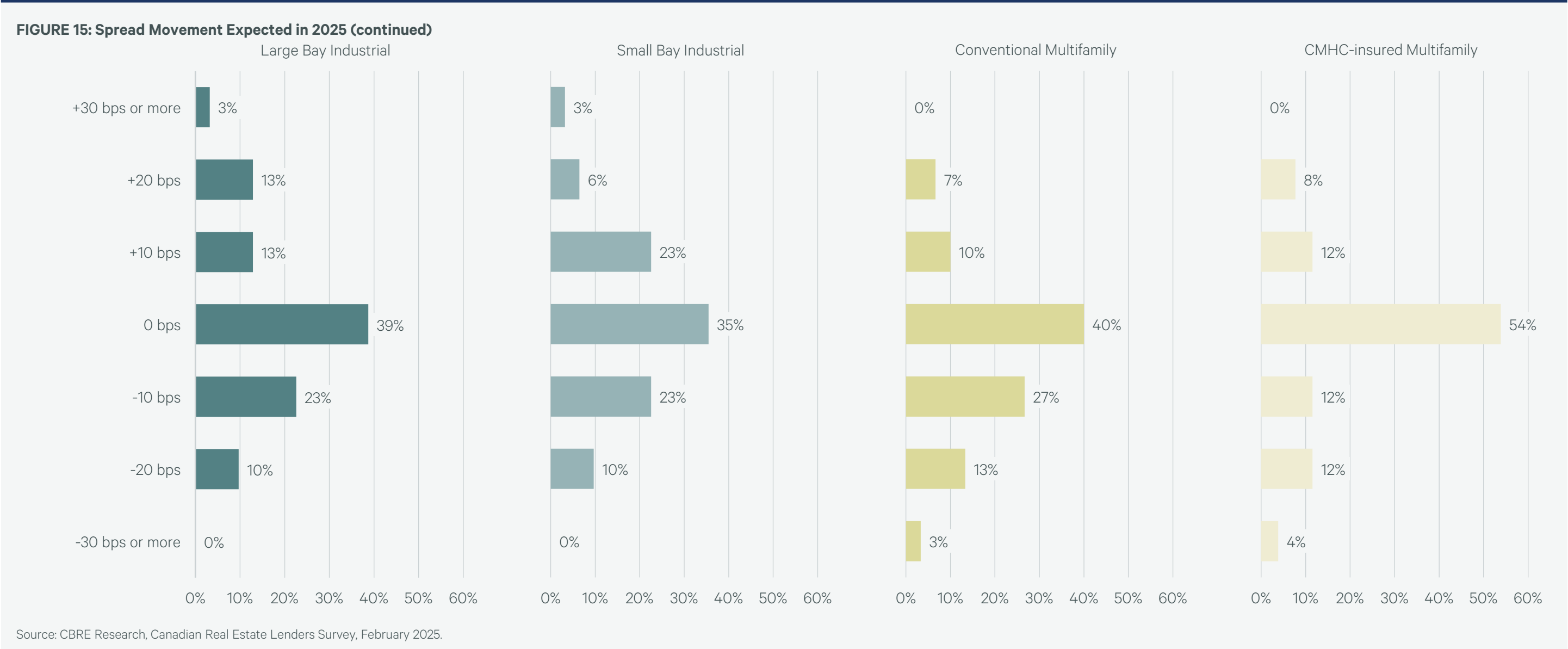


Excludes statistical outliers.
Source: CBRE Research, Canadian Real Estate Lenders Survey, February 2025.

Spread expectations for 5-year term deals

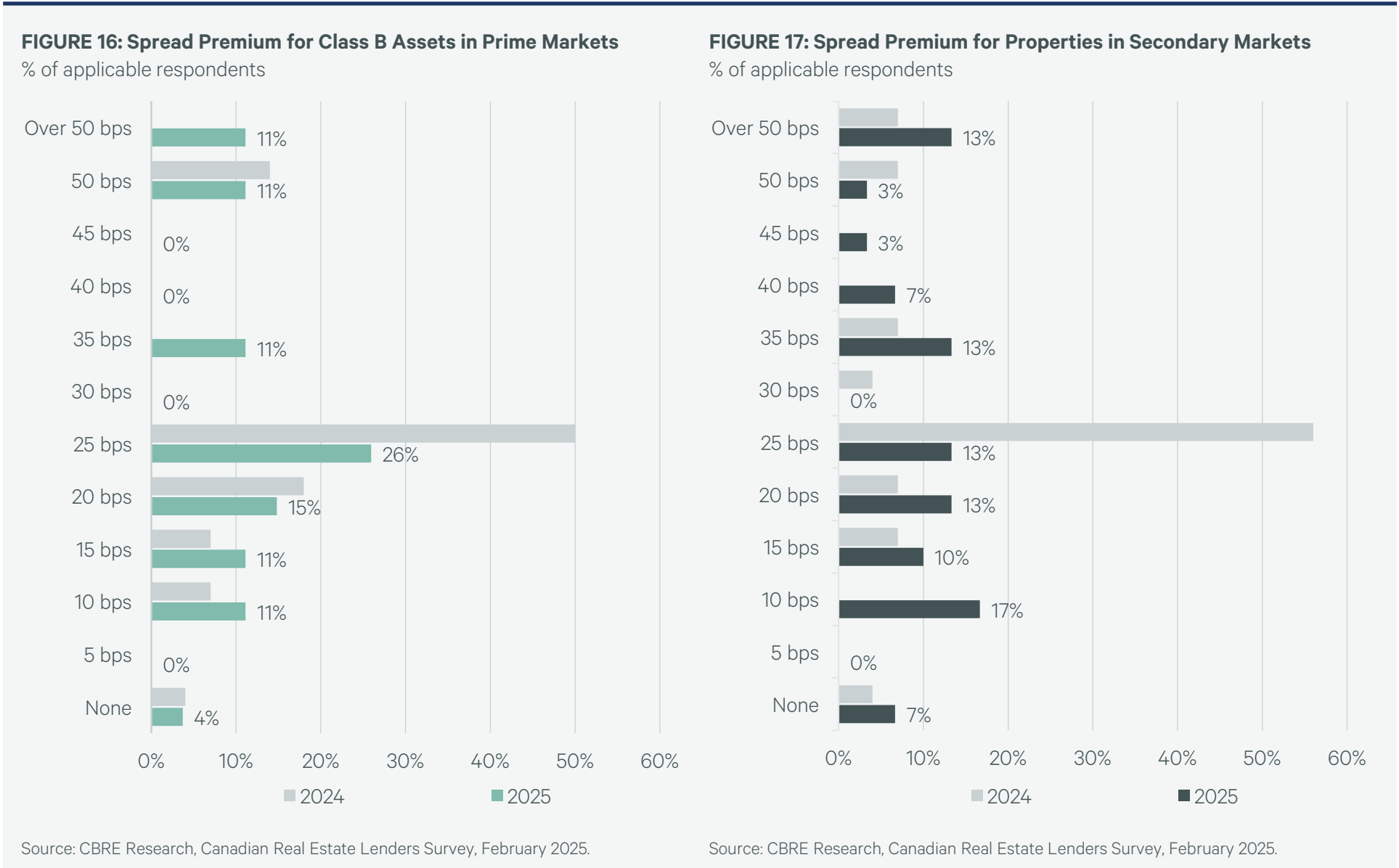


Spread expectations for 5-year term deals (continued)



Premiums for Class B assets and secondary markets widen

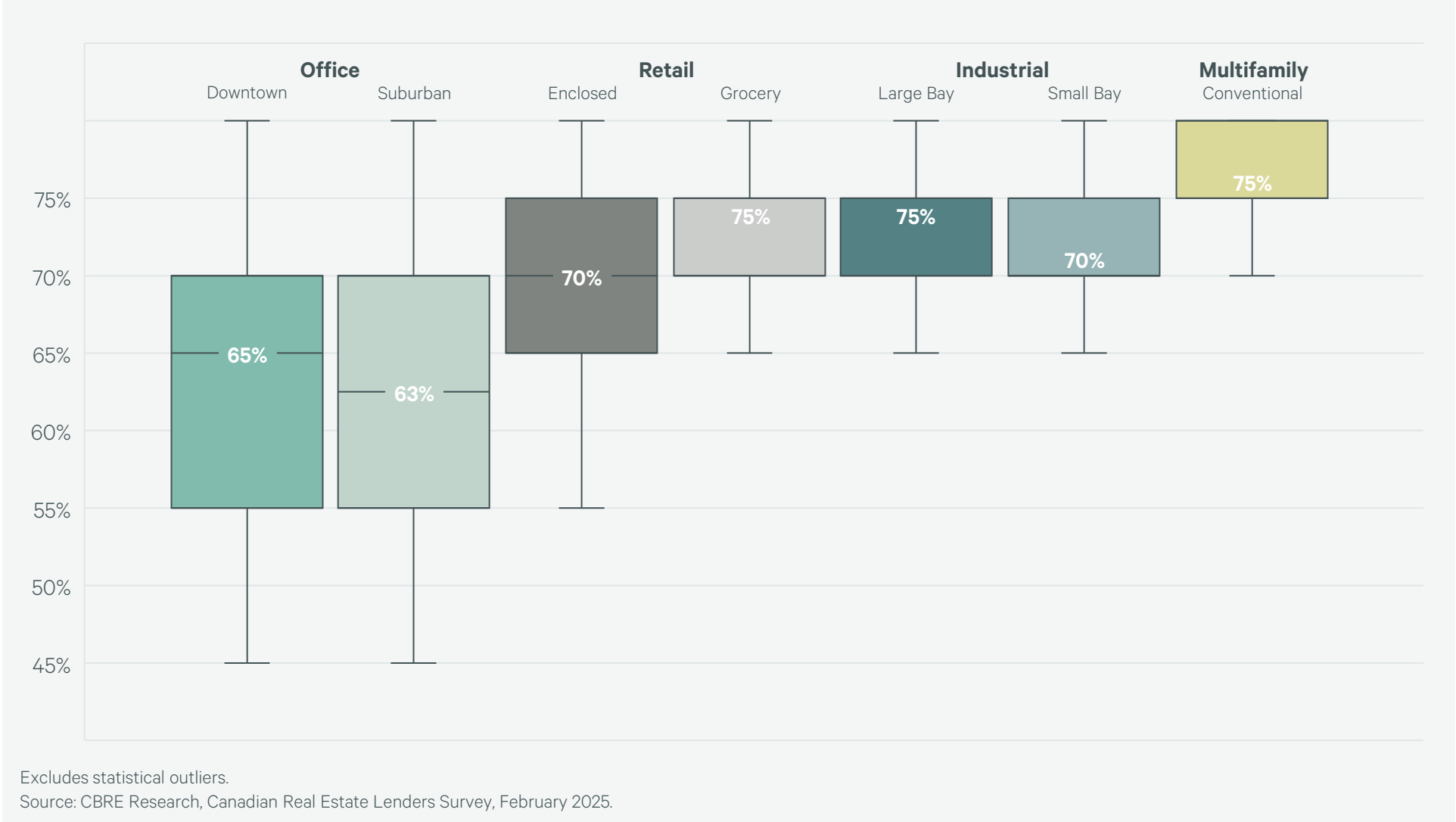
Lender assigned premiums for Class B assets and properties in secondary markets have widened year-over-year in 2025. Last year, most lenders required 25 bps premiums but in 2025 the range of responses broadened.



Lenders offer the greatest loan-to-value for multifamily assets

- Conventional multifamily loans can expect to achieve the greatest loan-to-value (LTV) in 2025, as most lenders are offering 75% or higher LTVs for top tier assets.
- Meanwhile, lenders are most divided when it comes to office loans, with maximum allowable LTVs ranging from as low as 45% for some and up to 75% or higher for others.

FIGURE 18: Maximum Allowable Loan-to-Value for Top Tier Assets
% of asset value



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Sustainability Considerations

Sustainability impact on real estate mortgages are getting deferred

- In 2025 there has been a noticeable increase in the number of lenders that believe it will now take over five years before sustainability criteria will start to materially impact loan terms. Compared to the years prior where more lenders had expected sustainability's impact to arrive within a few years, this seems to indicate a slight retrenchment among some lenders.
- The share of lenders that believe sustainability does not and will not have an impact on loan terms has also increased slightly to 11% of lenders.
- However, sustainability does remain an important lending criteria for some lenders, as 17% report that carbon footprints are already impacting loan availability and terms.



Most lenders expect only modest impact on lending due to sustainability

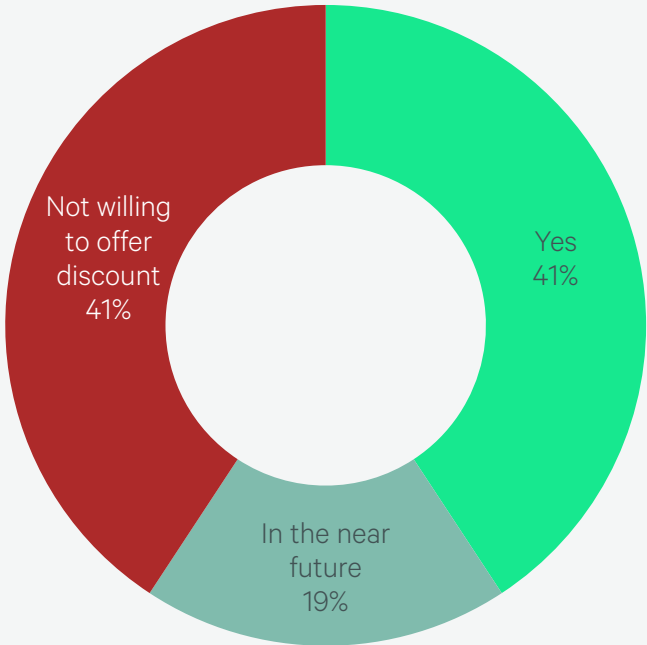
- For lenders that currently or soon expect to see a material influence on lending as a result of sustainability criteria, most only foresee a moderate or limited impact on the availability of debt capital and its pricing.
- Only 11% of applicable lenders believe sustainability will have a significant impact on lending conditions.



Strong sustainability credentials can lead to modest spread discounts

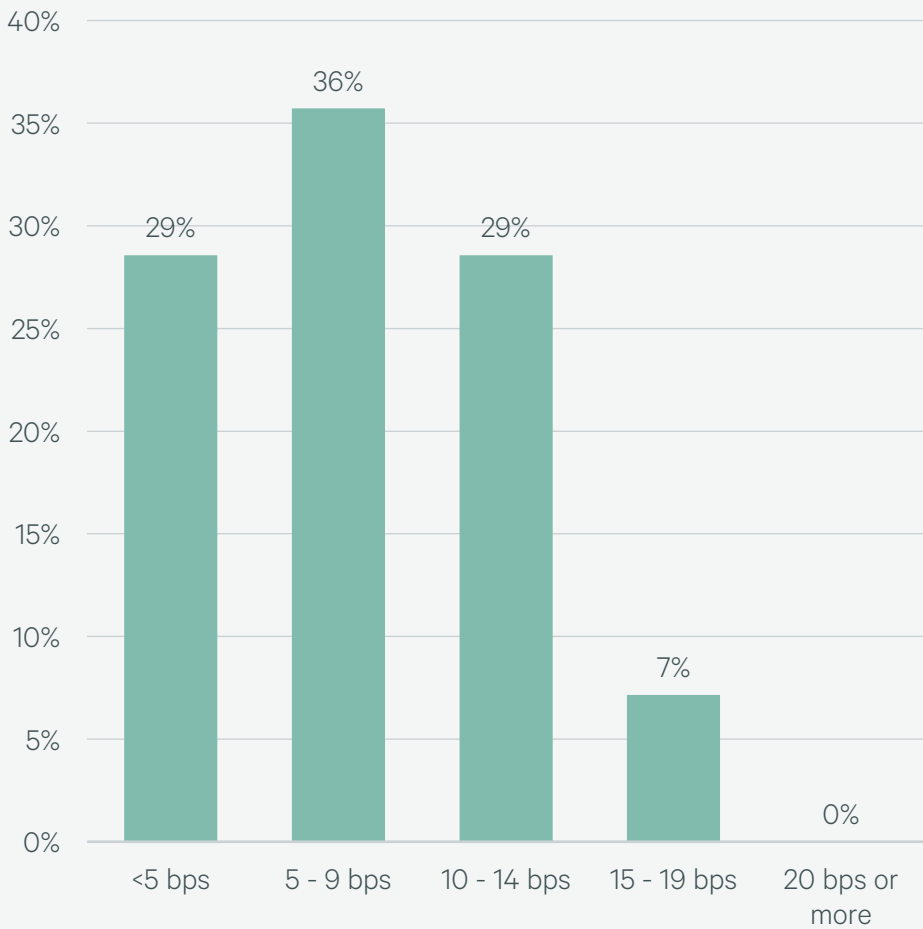
- 59% of lenders are currently or will be willing to offer more affordable credit spreads for assets with strong sustainability credentials.
- For those applicable lenders, the weighted average spread discount offered is 8 bps overall but 36% of lenders are willing to extend discounts of 10-19 bps.

FIGURE 21: Tighter Credit Spreads for Strong Sustainability Metrics
% of applicable respondents



Source: CBRE Research, Canadian Real Estate Lenders Survey, February 2025.

FIGURE 22: Spread Discount Offered for Strong Sustainability Metrics
% of applicable respondents



Applicable respondents those that answered "Yes" or "In the near future" in Figure 21.
Source: CBRE Research, Canadian Real Estate Lenders Survey, February 2025.

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Respondent Profile

Respondent Profile

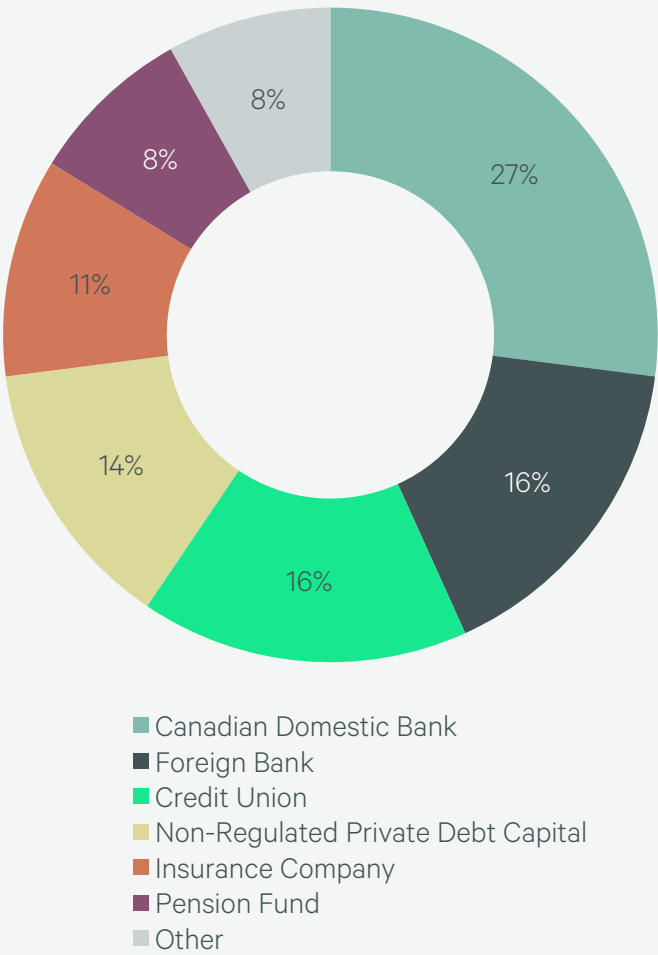
Survey Statistics

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Companies

38
Questions

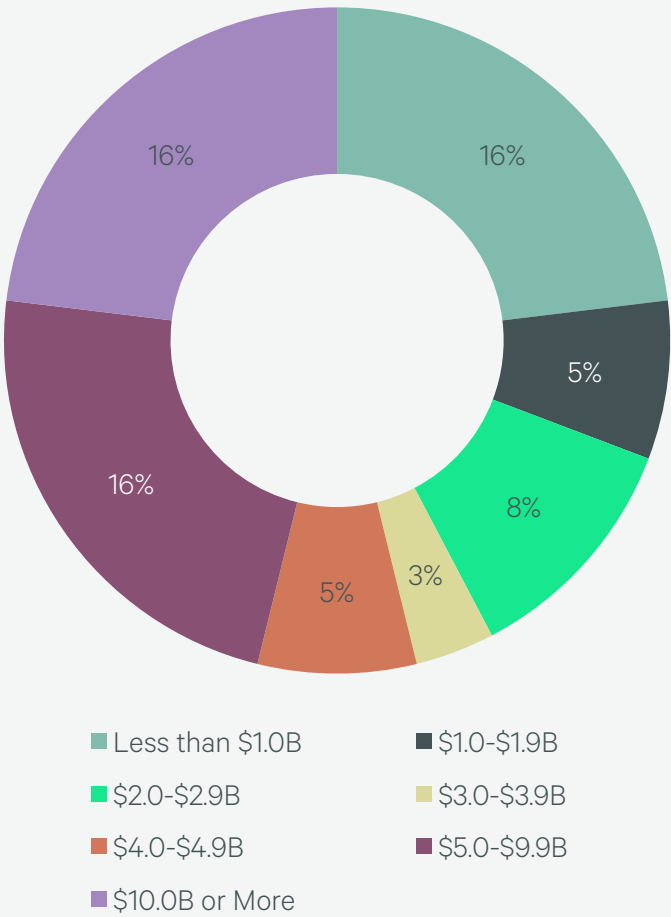
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Loans Under Management

Figure 23: Respondents by Type of Lender
% of respondents



Source: CBRE Research, Canadian Real Estate Lenders Survey, February 2025.

Figure 24: Respondents by Loans Under Management
% of applicable respondents



Source: CBRE Research, Canadian Real Estate Lenders Survey, February 2025.

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