

Two-Speed Recovery:

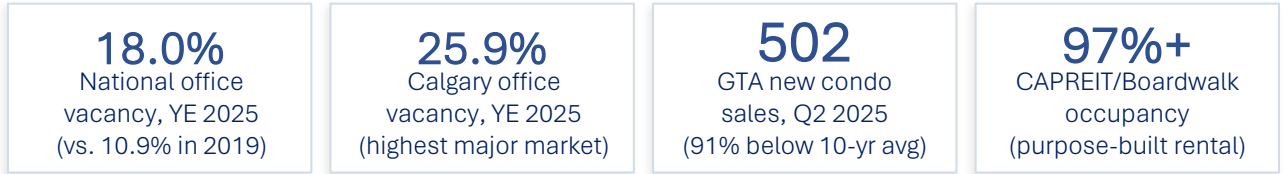
Canadian CRE's Bifurcated
Landscape

April 2026

Two-Speed Recovery: Canadian CRE's Bifurcated Landscape

Office stabilizes from top down; condo investors and legacy office face deepest impairment risk

National office vacancy at 18.0% (YE 2025) — still 7pp above pre-pandemic — while GTA condo sales hit 30-year lows. Recovery is uneven: trophy office and purpose-built rental outperform; legacy office and condo investors face deepest impairment risk.



OFFICE: RECOVERY BIFURCATED

National vacancy: 18.0% at YE 2025 (from 18.7%) — first annual decline since COVID. Still 7.1pp above 2019's 10.9%.

Toronto recovery: 2.7M sqft net absorption in 2025 via downtown large-block deals. Trophy/Class A vacancy at a three-year low.

Calgary divergence: 25.9% vacancy despite negative absorption — offset only by office-to-resi conversions. Energy M&A fueling sublet growth.

Class B/C stress: Flight-to-quality is structural. B/C vacancy rising as A tightens — bifurcation widening.

Conversion relief: 7.8M sqft converted, 2.6M demolished since 2021 (2.2% cut). Pipeline at 20-yr low; no new supply beyond CIBC Sq. II (2026).

Pricing bid-ask: Appraisal values lag transactions. Office bid-ask gap widest among major property types (CBRE EA).

OFFICE VACANCY SNAPSHOT (YE 2025)

Market	Vacancy	vs 2019
National	18.0%	+7.1pp
Toronto (overall)	18.0%	+7pp
Toronto (downtown)	15.0%	+4pp
Calgary	25.9%	+14pp
Vancouver (downtown)	12.8%	+2pp
Montreal	18.3%	+7pp

MULTIFAMILY: STRESSED SEGMENTS

Purpose-built resilience: CAPREIT and Boardwalk at 97%+ occupancy with 4–7% rent growth (YE 2025). AB and SK leading on population-driven NOI gains.

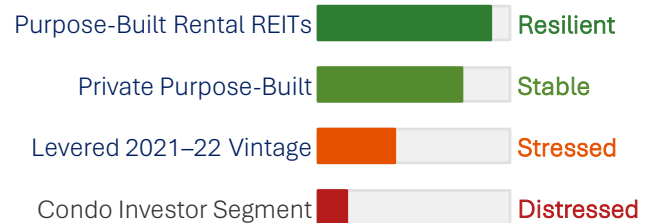
Cap rate expansion: GTA high-rise caps: ~3.75% (2021) to ~4.25% (late 2023), 50bps expansion. Stabilized/compressed modestly in late 2024 on BoC cuts (CoStar, CBRE).

BoC normalization: 275bps of cuts from peak (Jun 2024–Oct 2025); overnight rate at 2.25%. Materially improving refi economics for 2026+ maturities.

Construction collapse: Starts 74% below 2021 peak, 30% below pre-pandemic avg (CBRE, Q2 2025). Yield-on-cost spread at ~50bps — insufficient for new development.

Condo investor stress: GTA new condo sales: 502 units in Q2 2025, 91% below 10-yr avg, 30-year lows (Urbanation). Unsold completed units: record 2,478 (5x 2023). ~60 months of supply.

MULTIFAMILY BIFURCATION



Legacy office (B/C) and condo investors face deepest impairment; Trophy/Class A and purpose-built rental REITs remain resilient. Office bid-ask spread is the key barrier to price discovery. Development pipeline collapse creates a 2027+ supply shortage — a medium-term positive for existing rental portfolios.

Sources: CBRE Canada Office Figures Q4 2025 / CBRE Toronto Downtown Office Figures Q4 2025 (January 2026); Globe and Mail / JLL December 2025 (Class B/C vacancy); Cushman & Wakefield Q4 2025 Canadian Cap Rates & Capital Markets Report; Urbanation GTA Condominium Market Q2 2025; CBRE Canada Multifamily starts data Q2 2025; Boardwalk REIT / CAPREIT investor reports Q3 2025. Vancouver downtown vacancy: CBRE Q2 2025 (Q4 city-level not separately published). GTA condo unsold inventory per Urbanation/Dancap Q4 2025 report. All data reviewed March 2026.



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