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Is there a growing disconnect between borrowers and lenders?

The prevailing narrative is that the market has seized up, but new research suggests something more nuanced

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Canada's commercial real estate market may not be frozen after all.

That is one of the central conclusions from the newly released 2026 Canadian Commercial Real Estate Survey by Franc & Co., which surveyed more than 100 borrowers and lenders across the country and found that while both capital and projects exist, significant misalignment between market participants is preventing transactions from moving forward.

The report, which compares the perspectives of developers, project sponsors and asset owners against those of banks, credit unions, mortgage investment corporations and private lenders, found that the greatest challenge facing the industry may not be a lack of capital, but a growing disconnect between those seeking financing and those providing it.

The prevailing narrative is that the market has seized up. What the research suggests is something more nuanced. The market is highly fragmented. Borrowers and lenders are looking at the same conditions, but often reaching very different conclusions about value, risk, opportunity and recovery timelines.

The survey found wide gaps between borrowers and lenders in several critical areas:

- Borrowers continue to value unsold condominium inventory significantly higher than lenders.
- Borrowers and lenders differ materially on what constitutes realistic financing costs.
- Borrowers see opportunity primarily in purpose-built rental housing, while lenders increasingly favour office and retail assets.
- Nearly three-quarters of borrowers believe lenders have not adequately adapted to current market conditions, while most lenders believe they have.

These disconnects are contributing to a growing transaction gap across the market.

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2029 emerging as consensus for recovery

The study found that 73% of lenders and 63.7% of borrowers hold a negative or somewhat negative outlook on Canada's residential real estate market in 2026.

Not a single respondent from either group expressed strong confidence in market conditions over the next twelve months.

One of the survey's most notable findings was the convergence around 2029 as the expected year of market rebalancing. More than half of borrowers (54.5%) and 42.3% of lenders identified 2029 as the most likely timeframe for the condominium market to return to equilibrium.

What's remarkable is that these two groups disagree on many operational issues, yet independently arrive at the same conclusion regarding the broader recovery timeline. That suggests the challenges facing the industry are viewed as structural rather than temporary.

Development charges a significant concern

While respondents disagreed on many issues, both borrowers and lenders ranked development charges as one of the most significant obstacles to project feasibility.

The finding emerged before recent federal and provincial announcements regarding development charge reforms, making the survey a useful snapshot of industry sentiment immediately preceding those policy changes.

More complex market than headlines suggest

The report concludes that Canadian commercial real estate is experiencing less of a traditional market freeze and more of a period of fragmentation, where lenders and borrowers continue to operate with different assumptions, expectations and risk tolerances.

The result is a market where projects struggle to secure financing, capital remains under-deployed and transaction volumes remain muted despite significant demand for housing and investment opportunities.

The encouraging takeaway is that these gaps are now measurable. Once you can identify the disconnects, you can begin addressing them. Better communication, more targeted capital sourcing and greater alignment between lenders and borrowers will be critical to restoring momentum across the sector.