

Outlook 2025

Real Estate

Insurance rates are likely to stabilize — and real estate operations with strong risk management will capitalize.



What to Expect in 2025

Demand and interest rates will have a major impact on profitability.

While real estate insurance rates are finally stabilizing (or even decreasing), natural catastrophes and other issues still pose significant risks. Real estate owners and operators will also need to bring their compensation and benefits packages more in line with employees' wants and needs. To take full advantage of potential premium savings, industry players must remain vigilant and adapt to effectively manage and respond to persistent risks.

45%

of Canadian commercial mortgage debt — or \$203 billion — will mature between 2024 and 2026.¹

1. RENX, "[Lending in Canada: A closer look at office and insured mortgage origination](#)," May 21, 2024.

High costs and vacancy rates will challenge profits, but falling interest rates and insurance stabilization will provide relief.

The industry has seen major challenges to profitability, as it has dealt with rising operating costs related to construction, labour and insurance, high borrowing costs and increasing vacancy rates. But 2025 could see a turnaround.

On the surface, profitability challenges remain. In the second quarter of 2024, industrial vacancies hit 4.2%, the highest since 2017.² And despite significant growth in Toronto, negative absorption in Montreal, Vancouver and Ottawa kept the national office vacancy rate largely the same as previous quarters, around 18.6%.³

Real estate investors and owners are also feeling pressure from \$67 billion in commercial real estate mortgages set to mature in 2024, with a similar number expected again in 2025 and 2026.⁴ The Bank of Canada's decision to cut interest rates several times in the summer of 2024 may ease concerns on refinancing those loans.⁵

In addition, the likelihood of additional interest rate cuts provides another beacon of hope.⁶ As inflation eases toward the end of the year and the cost of borrowing comes down, so should loan and business expenses. Real estate investors will see renewed demand.

The cost of insuring commercial real estate remains a challenge, particularly in areas where there is a high frequency of convective storms, wildfires and other disasters. More than six out of 10 real estate industry respondents to the HUB International 2025 Outlook Executive Survey⁷ say increased expenditures such as insurance are the biggest threat to their profits in 2025.

However, capacity is slowly returning to the property insurance marketplace, bringing much-needed competition from insurers for real estate owners and operators with risks

Case Study

A HUB client mistakenly miscalculated its business income, resulting in higher insurance rates. Using data analytics and industry expertise, HUB helped the client properly recalculate its income and reduced the property's total insured value (TIV) by US\$800 million, resulting in about US\$2.5 million in premium savings.

that are well-maintained and with strong risk management strategies to protect assets.

To take advantage of rate stabilization and boost profits, real estate owners and operators should evaluate exposures and determine with a best-in-class broker how to secure coverage that's affordable and can form the proper backstop for a risk management program. Real estate operations that do so will be poised to take advantage of new growth opportunities in 2025.

2. CBRE, "[Canada Industrial Figures Q2 2024: Rental rate growth streak ends as availability rate approaches 15-year historical average.](#)" July 1, 2024.
3. CBRE, "[Canada Office Figures Q3 2024: Canadian office market on track for first year of positive net absorption since 2019, despite Q3 lull.](#)" October 1, 2024.
4. RENX, "[Lending in Canada: A closer look at office and insured mortgage origination.](#)" May 21, 2024.
5. Bank of Canada, "[Policy Interest Rate.](#)" accessed November 4, 2024.
6. MarketWatch, "[The Bank of Canada just cut its lending rate. Here's what that could mean for Canadians.](#)" September 4, 2024.
7. HUB's Outlook Executive Survey polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.

Personalized benefits will help recruiting and retention in a tight labour market.


The real estate sector hasn't been immune from the relentless labour shortages that have plagued most industries. The issue ranks as one of the biggest concerns across the industry, including real estate professionals like property managers.⁸

The number of job openings in the professional and business sector, which includes positions responsible for property maintenance such as landscapers and cleaners, are consistently among the highest across all industries. When lacking staff, security and maintenance erodes, making properties magnets for crime, putting them at a higher risk of damage and often increased property insurance rates.

So, it's not surprising that 77% of real estate industry respondents to HUB International's 2025 Outlook Executive Survey listed productivity as an HR concern that needs addressing, and 62% said recruiting would be a key priority in 2025.

For tenants, it's an issue as well: Leisure, hospitality, retail and food service businesses have long struggled to find employees to fill open positions, making it difficult for businesses to operate profitably and pay the rent. Short-staffed tenants are also an increased safety exposure for property owners.

As companies keep trying to lure employees back into the office, building owners must invest in improving their properties to make them a more desirable place for workers. But finding construction workers to build new properties, repurpose existing buildings, or make needed repairs to maintain property values or attract new tenants has been an ongoing challenge.



Real estate investors and owners who offer flexibility, a safe working environment and robust benefit offerings will be better positioned to recruit and retain a strong workforce.

Property owners and operators can boost recruitment and retention through personalized benefits informed by data and analytics. This strategy can deliver [quality employee experiences \(QEX\)](#) that create an environment in which employees are more engaged and productive than those without personalized benefits.

8. Real Estate Institute of Canada, "[Labour Crisis Plaguing the Real Estate Sector Across the Spectrum from Construction to Property Management](#)," March 28, 2024.

Stabilizing insurance rates will provide welcome relief to a sector that's been hit hard with premium increases.

Real estate owners and operators could finally see some insurance rate relief in 2025. Hard market conditions are expected to ease in 2025 thanks to insurers' efforts to restore profitability through higher premiums and underwriting discipline.⁹

There is now more competition for property insurance premiums, which have had years of double-digit rate increases on renewal. Commercial property rates are expected to be flat or decrease as much as 15%, with some insureds seeing reductions of 20% to 30%, depending on the property and its location.

Rate increases for general liability insurance, as well as umbrella and excess coverage, will be generally flat or dropping 10%, with the exception of insureds with exposure in the U.S.

Residential real estate property premiums will fall or rise modestly within 10% of expiring, and catastrophic perils coverage is expected to stabilize. In the summer of 2024, four major storms across Canada led to a record number of insurance claims. The huge number of claims, a 400% increase over previous years, will take time to resolve.¹⁰

Insurers will continue to closely evaluate properties for risk and insure those built or modified to withstand natural disasters. Real estate owners and operators who have delayed building repairs or improvements need to make their properties resilient and implement strong risk management practices to secure the best rates and policy conditions.

Case Study

Due to numerous water claims, a HUB client was at risk of losing coverage. Working with HUB, the organization created a water mitigation plan, which significantly lowered risk and impressed underwriters. As a result, the client was able to secure coverage — and paid hundreds of thousands of dollars less than if they hadn't worked with HUB.

Real estate owners and operators can get the most out of a stabilizing market by working with an insurance broker who has expertise in real estate to formulate a proper risk management plan and a smart insurance strategy. They should keep valuations current, and properties well maintained and take all available measures to reduce the threat of damage to the property.

9. Swiss Re Institute, "[World insurance: strengthening global resilience with a new lease on life](#)," July 16, 2024.
10. Global News, "[Fires and floods: 4 disasters across Canada led to record number of insurance claims in Canada](#)," September 4, 2024.

Getting ready for emerging risks with a sound risk management strategy.

In 2025, real estate owners and operators will need to prepare for risks that include intensifying weather due to climate change, mushrooming nuclear verdicts, changing regulations and issues with security and safety.

A troubling trend has been the proliferation of third-party litigation financing in which investors front the cost of a lawsuit in exchange for a share of the settlement. While it's a relatively new trend compared to the U.S., where investors committed \$3.2 billion to third-party litigation in 2022,¹¹ it is becoming more common in Canada.¹²

Third-party litigation financing can be a difficult challenge: Claimants will allege a property is in violation of federal, provincial or local building codes in a way that harms individuals. Usually, the real estate company will settle the suit before reaching court. To protect against such lawsuits, real estate owners and operators need to mitigate the risk by ensuring they are up to date on regulatory requirements.

Real estate owners and operators must also be aware of emerging cybersecurity threats and potential criminal activity that could result in harm to their properties or tenants — or lead to expensive litigation.

Such preparation is not an exercise in futility but is essential for the long-term health of the enterprise. However, according to the HUB survey, only 55% of North American real estate industry respondents say they have an enterprise risk management (ERM) assessment process to address emerging risks.



Of those that do, just 37% say that disaster planning is a core element of their ERM assessment, 35% incorporate disaster planning into ERM and less than 30% report safety reviews are part of their risk management assessment.

Collaborating with an insurance broker with deep industry expertise in real estate is the first step toward maintaining and improving preparation for unpredictable risks and securing proper coverage.

11. Munich Re, "[Legal system abuse inflates costs for all](#)," March 25, 2024.

12. Borden Ladner Gervais via Lexology, "[A general introduction to Third Party Litigation Funding in Canada](#)," January 2, 2024.

Navigating Your Next Steps

HUB real estate insurance, risk management and employee benefits specialists will work with you to develop a tailored strategy that will protect the bottom line, support the vitality of your workforce and build resiliency for 2025. Here are some initial considerations:

1

Thoughtfully lean into risk.

An uncertain economic environment and a greater number and intensity of catastrophes have increased risk for real estate owners and investors. A higher deductible reduces premiums and improves experience rating, while alternative risk transfer vehicles can lower costs. Discuss with your broker what kind of insurance strategy meets your risk profile and budget.

Safety needs to be a foundational tenet of the organization, with extra training and risk management practices like increased security for all properties and to-the-letter compliance with regulations. A focus on prevention can save you millions.

2

Make safety a tenet of the organization.

3

Analyze loss trends.

Understand the root causes of large losses and explain to carriers what you're doing to prevent future claims. Develop a strategy with HUB to determine the best time and frequency to review alternative markets.

Real estate entities have had difficulty attracting and retaining employees, but those with a benefits strategy based on personalization and fostering [quality employee experiences \(QEX\)](#) will boost engagement, have an advantage in recruiting and retention and lower risk as well. Work with your benefits advisor to identify the right data for a personalized benefits strategy.

4

Increase workforce engagement through benefits.

5

Be transparent with your broker.

Let your insurance broker know what changes you've made to the business, so there are no surprises at renewal. Review exposures and insurance needs at least 90 days prior to policy renewal, so your broker can identify the best options.

Canada Commercial Rate Guide

HUB International analyzes proprietary national survey data and interviews commercial insurance brokers and risk services consultants to create an annual rate outlook for Canada.

Below is our outlook on insurance rates in Canada for 2025. Discuss your business exposures with your HUB insurance broker to understand what to expect in advance of your next renewal.

Coverage	2025 Canadian Rate Guide	Insights
Commercial Automobile: One to five vehicles	Flat to +5%	Inflation and vehicle thefts continue to push rates upward. Rate increases are being filed in most provinces due to an increase in the frequency of claims and the amount of repair bills rising.
Commercial Automobile: Six or more vehicles	Flat to +5%	Inflation and theft continue to put pressure on rates. An increase in the frequency of claims and higher repair costs have driven rate increases.
Liability	-5% to Flat	Better performance in general liability has helped insurers offset losses in property insurance. Terms and pricing are more flexible as carriers seek to diversify their business.
Excess Liability	Flat	Excess liability premiums remain stable and in some cases are falling, with variability depending on exposure and attachment points. Excess layers with U.S. exposure may see rates increase.
Commercial Property	-10% to Flat	Most segments in commercial property are seeing rate reductions, but property in catastrophe-prone zones is still experiencing rate increases. Rebuilding costs have steadied, but undervalued properties remain a concern, as these properties may not be insured to cover full rebuilding and replacement costs.
Residential/Habitational Property	Flat to +5%	In light of recent natural catastrophes, premium increases and stricter terms and conditions are expected to continue.
Catastrophic Perils	Flat to +5%	Given the increased frequency and severity of weather events, rate increases are expected in catastrophe-prone areas. Climate change continues to push rates higher.
Environmental	-10% to Flat	The environmental insurance market remains favourable as insurers are eager to write new business. However, terms are tightening; insureds need to carefully review exclusions and restrictions at renewal.
Directors & Officers: Private	-10% to Flat	D&O coverage for private companies remains soft with ample capacity as carriers compete to keep business. Rates will be flat at renewal or dropping when there's competition for the business.

Canada Commercial Rate Guide

Coverage	2025 Canadian Rate Guide	Insights
Directors & Officers: Public	-10% to Flat	Public companies continue to see rate cuts or no increases at all due to increased competition. There is plenty of capacity, and underwriters are pricing with favourable terms and conditions.
Cyber Liability	-10% to Flat	Rates continue to reflect improvement in the cyber market. Carriers will lean toward flat rates at renewal unless competition for business drives rates downward.
Inland Marine	-5% to Flat	Despite trending downward overall, rates are rising in some geographies, largely due to the increased frequency and severity of weather events in catastrophe-prone locations, as well as an increase in theft.

NOTE: *Rate* is typically defined as the amount of money necessary to cover losses and expenses while providing an insurance company with a profit for a unit of exposure. *Exposure* refers to a business' or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

Industry Perspective

Business	2025 Rate Guide	Insights
Agribusiness	-10% to +5%	Additional property capacity is available for best of class construction and protection. Unprotected frame properties remain challenging to cover.
Cannabis	-10% to +10%	<p>Insurance rates for cannabis operations will vary depending upon the type of business and coverage. Commercial auto coverage is likely to rise 5% to 10% due to worsening loss trends. However, insureds may be able to negotiate discounts for general liability insurance and package coverages.</p> <p>Despite an improving market overall, property insurance rates in cannabis are likely to increase as much as 10% due to some significant losses. Following market trends, cannabis insureds will enjoy rate relief for D&O and cyber coverage.</p> <p>Stock throughput insurance rates will rise about 5% to 15%, with rate increases at the higher end for perishable or combustible stock.</p>
Construction	-5% to Flat	When construction operations put their business to market, there may be rate decreases. Several factors will drive reductions in rates: increased capacity, favourable claims experience and a more competitive environment.
Education	-10% to Flat	The property market is competitive, giving rate relief for educational institutions. Rates for cyber and D&O are also declining, giving institutions an opportunity to consider fortifying coverages.
Entertainment & Sports	-5% to +10%	<p>After years of rate increases, the market for property insurance in entertainment and sports has leveled out, with slight decreases or slight increases for 2025. General liability coverage will depend on loss history, with rates falling 5% or rising up to 10%.</p> <p>Excess liability coverage insurance rates will be flat or drop slightly. D&O and cyber insurance will follow general industry trends, with rates stabilizing or falling as much as 10%.</p>
Financial Institutions	-10% to +5%	<p>The industry will benefit from trends affecting insurance overall. D&O rates will drop as much as 10% due to strong competition and favourable conditions for insureds, while professional liability rates will reflect aggressive bidding for business.</p> <p>Low claims activity for Canadian private equity firms has attracted capacity for general partner liability coverage. However, firms with U.S. presence are likely to see reduced capacity.</p>
Healthcare	-5% to +10%	<p>Rates for property insurance in healthcare will rise, although the increases are expected to be small. General liability coverage will also increase slightly, with a high rate of renewals; insureds may see a 5% to 10% decrease if they go to market for a lower rate. The same is true for E&O insurance in healthcare.</p> <p>Excess liability rates are expected to remain stable.</p>

Industry Perspective

Business	2025 Rate Guide	Insights
Hospitality	-15% to +10%	<p>A wide range of outcomes in hospitality reflects different market conditions. Underwriters are competing for business for property, general liability and excess liability insurance, driving down rates as much as 15%.</p> <p>Meanwhile, auto insurance remains challenging in some regions though rate increases for larger fleets should be minimal. Like for cyber insurance as a whole, the cyber market in hospitality is also competitive, but can be challenging for hotels, as the risk is shared between the owner, manager and banner.</p>
Real Estate	-15% to Flat	<p>A competitive market will continue to drive property rate reductions for best-in-class properties with favourable loss histories. General liability rates for real estate will remain relatively flat and insureds can negotiate reductions for best-in-class properties.</p> <p>Underwriters are competing for business in excess casualty, moderating or reducing rates for insureds without U.S. exposure.</p> <p>And environmental coverage for property owners could see rates fall as much as 15%, particularly for low-risk residential properties.</p>
Transportation	Flat to +5%	<p>The transportation sector is in a very competitive market cycle. Companies that put their business out to market are likely to get better rates than those simply renewing with their current carrier.</p>

NOTE: Rate is typically defined as the amount of money necessary to cover losses and expenses while providing an insurance company with a profit for a unit of exposure. **Exposure** refers to a business' or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

HUB Real Estate

When you partner with us, you're at the centre of a vast network of experts who will help you reach your goals. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB real estate insurance specialist.

\$2.6B

in commercial insurance premium brokered by HUB

122,000

insurance policies managed

49,200

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