

Outlook 2026

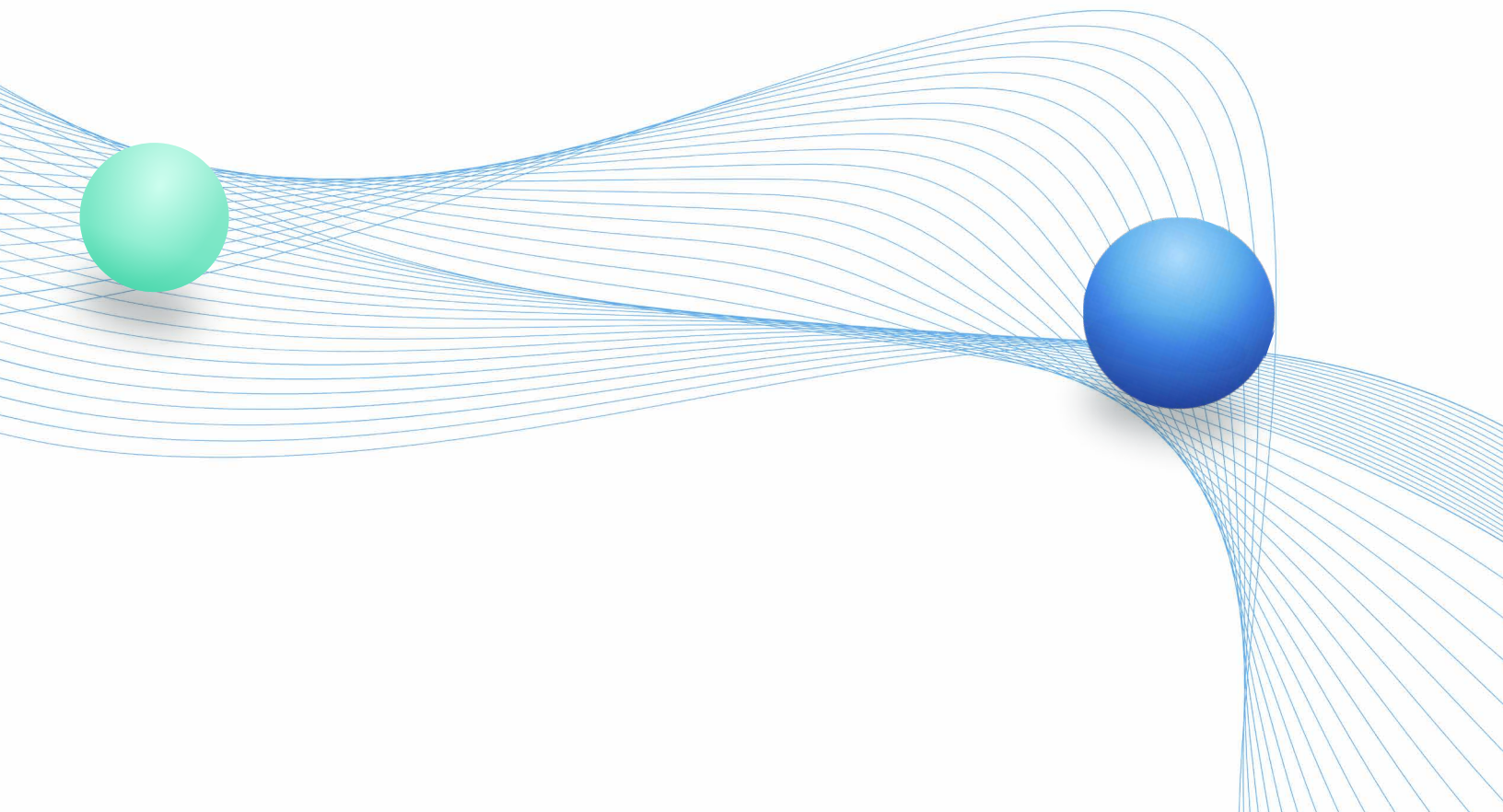
Real Estate

Forward-thinking real estate investors and owners have opportunities to build risk-mature portfolios that exceed expectations.



What to Expect in 2026

Economic uncertainty will pressure real estate profits in 2026, though ongoing interest rate cuts could unlock refinance opportunities and improve market liquidity. Although liability coverage remains challenging with crime-related claims, declining property insurance rates are likely to provide much-needed relief. Real estate investors and owners who adapt and respond to persistent risk — those with portfolios that are risk mature — will be rewarded with improved performance.



Profitability

Regional market dynamics and portfolio diversification will be key to profitability.

Despite economic uncertainty and rising construction costs, the likelihood of lower interest rates and insurance premiums will stabilize or even improve profitability in 2026.

Sector results have been mixed. Vacancy rates for multi-family properties reached a five-year high due to a shift in immigration policies, overbuilding and increased rental supply.¹ But office buildings across Canada are showing stronger results, posting vacancy rates below pre-pandemic levels, with the Toronto greater metro area leading the way.² The industrial sector is holding steady, although tariffs and trade issues are affecting Ontario properties.³

There are also good signs on interest rates for real estate owners and investors. The Bank of Canada in September 2025 announced it had lowered its overnight lending rate one-quarter of a percentage point, followed by an identical cut in October.⁴

Those cuts are likely to boost profits and facilitate refinancing at lower interest rates, though they may not immediately affect real estate investors' portfolio strategies.

Interest rate cuts will also give owners the opportunity to invest in property improvements that have been deferred. However, construction labour shortages and tariffs could further complicate construction costs.

According to HUB International's 2026 Profitability & Resiliency Executive Survey,⁵ 91% of respondents in an industry category that includes real estate said rising operating and labour costs will be the biggest threat to profits in 2026. Tariffs won't have the same effect on rebuilding costs as in the U.S., but they will be affected.

Portfolio diversification — both geographically and in property types — will be key to profitability in 2026. Real estate owners should consider if they can [convert underperforming assets like shopping malls and older office buildings into profitable mixed-use properties](#) that incorporate residential, retail and public space.

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Developers are also building mixed-use properties from the ground up, with retail on ground floors and residential spaces above. These projects offer the benefits of a diversified portfolio within a single property while leveraging available tax incentives that local governments create to stimulate the housing supply.

Investors must factor regional insurance cost variations into their profitability projections, as they can vary widely.

Still, insurance premium cuts will continue for the next 12 months and possibly beyond. Underwriters will favour real estate owners and investors who have well-maintained properties, closely evaluated risk exposures and demonstrated their portfolios are risk mature.

Real estate investors and owners can also take advantage of niche and alternative insurance solutions to boost profits. Doing so requires the help of a broker well-versed in the real estate industry to find the right coverage at an affordable rate.

Profitability

1. Yardi, "[Vacancy reaches five-year high in Canada's rental market](#)," July 23, 2025.
2. CBRE, "[Canada Office Figures Q3 2025](#)," October 1, 2025.
3. Altus Group, "[CRE This Week in Canada - What's impacting the CRE market?](#)" October 8, 2025.
4. Reuters, "[Bank of Canada signals likely end to rate cuts, but keeps options open](#)," October 29, 2025.
5. The HUB International 2026 Profitability & Resiliency Executive Survey polled 350 industry leaders and executives across North America on the issues facing them on profitability and resilience.

Vitality

Creative benefits solutions will help meet labour challenges for both real estate companies and their tenants.

As in most other industries, labour shortages continue to weigh on the real estate market. Tenants in hospitality, including hotels and restaurants, remain understaffed,⁶ while retail and customer service positions are experiencing significant uncertainty, with legacy retailers closing their doors.⁷

Meanwhile, the number of warehouse job openings rose 20% in mid-August 2025 year-over-year, with turnover in logistics positions approaching 40%.⁸ These challenges can compromise tenants' ability to stay viable long-term.

Technology and artificial intelligence (AI) are improving efficiency for both property management and commercial tenants but can't solve the mounting labour challenge alone. The shift to hybrid work further complicates the picture for office landlords,⁹ who are often forced to adopt "office hotelling" models that reduce per-tenant space needs and drive down rents.

To help increase occupancy rates, real estate industry players are repositioning their properties with enhanced amenities and lifestyle features like concierge services, fitness facilities and rooftop spaces. However, owners and investors will struggle to find construction workers who can make these improvements or simply maintain buildings.

As a result of these trends, property owners are carefully assessing potential tenants' industry outlook and ability to attract and keep workers.

Real estate investors and owners have tools at their disposal to stem labour shortages. Improved training, stronger compensation packages and career pathing will help employee recruiting and retention. Workers can then envision a fully realized career in property management.

Personalized benefits help differentiate employers in the eyes of current and potential employees. Tools like HUB's [Workforce Persona Analysis™](#) can help deliver personalized benefits that can boost recruiting and retention through data and analytics.

Training, strong compensation packages and career pathing will help real estate investors and owners improve employee recruiting and retention.

Personalization is especially powerful when it speaks to employees' most pressing concerns. [HUB's 2025 Canadian Workforce Vitality Gap Index](#) found that financial stress is the number one challenge today's workers face. By offering tailored financial wellbeing platforms, employers can directly address that need and strengthen both recruiting and retention.

6. HRD, "[Tourism sector faces persistent recruitment challenges in 2025](#)," January 15, 2025.
7. Retail Insider, "[SPECIAL REPORT: The State of Labour and Staffing in Canadian Retail: Navigating Change Amid Emerging Trends](#)," April 30, 2025.
8. MacMillan Supply Chain Group, "[What Supply Chain Issues Can We Expect This Holiday Season?](#)" August 12, 2025.
9. WFH Research, "[SWAA July 2025 Updates](#)," August 2, 2025.

Resiliency

Further reductions in insurance premiums await investors and owners with strategically managed portfolios.

Real estate owners and investors are likely to see further insurance rate relief in 2026, coming on the heels of rate reductions throughout 2025. Owners and investors with risk-mature portfolios will be far better positioned to benefit from the reductions.

Greater competition and excess capacity will continue, bringing commercial property rates down by as much as 10%. Rates will also depend on catastrophic (CAT) risk exposure, and properties and portfolios with higher exposure or loss experience may see rate increases. Those exposures include earthquakes in British Columbia, convective storms and floods nationwide.

Where a property is located is likely to be the deciding factor in determining rate reductions. For instance, properties in catastrophe-prone areas may not see rate reductions as weather disasters proliferate.

With the insurance market already reeling from an unprecedented \$9.2 billion in insured losses in 2024 (stemming at least in part from the wildfires in Jasper),¹⁰ the first half of 2025 brought an additional 12 weather-related catastrophes across the country.¹¹ The continuing pace of unpredictable weather underscores the importance of geographic pricing differences and underwriting scrutiny.

Insurance carriers will continue to demand updated replacement valuations. Higher expenses for building materials and labour will result in elevated repair costs for damaged properties, increasing claims costs for insurers.

But a resilient real estate portfolio will mean more than properties in safe markets. Savvy investors are digging deeper into property data before committing money, often leveraging AI to identify assets that can withstand both physical and financial shocks.

Property location will be the major determinant in rate reductions.

Underwriters will look favourably upon properties with updated valuations, accurate cost projections and demonstrated risk maturity. The key will be the degree of competition from underwriters in local markets and understanding which class of real estate they are targeting. Consulting with a broker with localized carrier relationships in regional markets can help deliver optimal results in 2026.

10. Insurance Bureau of Canada, "[Rise in catastrophic weather events exposes issues with underinsurance for many businesses.](#)" July 9, 2025.

11. Insurance Institute, "[Aviva Canada reports escalating NatCats during first half of 2025.](#)" accessed October 10, 2025.

Preparedness

Advanced risk maturity will help protect against emerging and unpredictable risks.

Preparing for weather disasters, minimizing legal exposure and improving cybersecurity will underpin the real estate industry's efforts to stave off losses from risks that are difficult to predict and quantify. These enterprise-wide efforts will accelerate a portfolio's risk maturity and help prepare it for 2026.

Two-thirds of all "Built Environment and Infrastructure" enterprises (which includes real estate operations) say they are confident in tackling regulatory and legal challenges in 2026, according to HUB International's 2026 Profitability & Resiliency Executive Survey. That confidence will be tested, however.

The ever-increasing number of lawsuits — and ever-increasing jury awards that have plagued real estate owners — are of particular concern. Although Canadian real estate investors have largely avoided U.S.-style nuclear verdicts, the trend is affecting how Canadian owners and investors approach risk management.¹²

So far, nuclear verdicts are mostly confined to enterprises that do business across the border, but Canadian real estate owners and investors need to be aware that they are targets when actionable incidents happen on their properties.

Cyber exposures also present a major unpredictable risk, as real estate enterprises are prime targets for business email compromise¹³ and wire fraud schemes. For instance, a large Canadian rental company announced a cyber security breach in 2024 that left tenants open to identity theft and fraud.¹⁴

Artificial intelligence (AI) has made it even more difficult to combat, particularly for social engineering schemes in which fake but hyper-realistic documents, videos and even video calls have resulted in escrow funds being stolen, directed to accounts from fake investors.

Properties reliant on automated systems face further vulnerabilities, where an attack can halt operations or compromise tenant data.¹⁵ As smart buildings and AI-driven monitoring become more common, [proper cyber defenses](#) will become paramount in managing risk.

*Real estate companies are **prime targets for business email compromise and wire fraud schemes.***

In an ever-evolving risk environment with legal and cyber threats, real estate owners and investors need to be cognizant of the interrelated nature of different risks and take a broader view of preparedness, improving risk maturity within their portfolios.

By working with brokers to integrate litigation risk assessments, cyber incident response plans and rigorous cybersecurity and [cyber insurance](#) into an [enterprise risk management \(ERM\)](#) program, real estate owners and investors can prepare for emerging risks.

12. Canadian Underwriter, "[Will thermonuclear jury verdicts reach Canada?](#)" November 25, 2024.
13. Stewart, "[How Business Email Compromise Attacks Real Estate Transactions.](#)" April 28, 2025.
14. CTV News, "[Major Canadian rental company warns tenants that hackers may have their banking info.](#)" August 23, 2024.
15. Facilities Manager Advisor, "[The Not-So-Hidden Cyber Risks in Commercial Real Estate.](#)" May 8, 2025.

Moving Your Organization Forward

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 2026. Here are some important considerations:

1 Accelerate your risk maturity.

An uncertain economic environment, a greater number and intensity of catastrophes and an improved awareness around nuclear verdicts 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.

2 Make safety a tenet of the organization.

Increased litigation against real estate companies has become common. Make safety a foundation 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.

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.

4 Increase workforce engagement through benefits.

Real estate entities have had difficulty attracting and retaining employees, but those with a benefits strategy based on personalization and fostering a [quality employee experience \(QEX\)](#) 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.

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.

Real Estate Rate Guide – Canada

HUB International’s rate guidance comprises an analysis of proprietary national survey data and interviews with HUB commercial insurance brokers and risk services consultants who specialize in the real estate industry.

Below are projections of rate increases or declines that we anticipate in 2026. It’s important to discuss your business’ exposure with your insurance broker and understand what to expect well in advance of your next renewal.

Coverage	2026 Real Estate Rate Guide	Insights
Commercial Property	-10% to Flat	The commercial property market is competitive for several reasons, including new entrants, continued profitable results and stable reinsurance costs. Reinsurance support remains strong, and the lack of major global or Canadian events has contributed to favourable conditions.
		Overall, rate movements are expected to be flat or fall as much as 10%. Renewals or incumbent placements typically see a 5% rate decrease, with greater reductions possible with favourable claims and risk management processes.
		However, rates will depend heavily on catastrophic risk exposure. Properties and portfolios with higher exposure or loss experience may see small rate increases. Insurers are emphasizing that owners and investors list proper insurance-to-value, ensuring the best terms and conditions for clients. Specific terms and language will remain important, with absolute pollution exclusions appearing on both casualty and property policies with significant exposure. Deductibles for earthquake exposures will continue to be scrutinized.
Casualty - Commercial Property Owners	-10% to Flat	Coverage enhancements remain a focus, with endorsements and sublimits considered to round out protection for commercial building owners. Risk management plays an increasingly central role in pricing, and insurers will reward best-in-class housekeeping, maintenance and loss prevention with more competitive rates.
		Commercial casualty coverage remains highly competitive, with rates trending flat or downward as much as 10%. Adequate capacity remains available, and many insurers are focused on increasing limits while maintaining competitive premiums due to the favourable market conditions.
Residential/ Habitational Property	-10% to Flat	The residential and habitational property segment will also benefit from excess market capacity. Rates will remain flat or decrease up to 10%.
		While deductibles will face downward pressure, it will often be in insureds’ best interest to maintain higher deductibles to avoid attritional losses and preserve favourable terms long term.
		Maintenance will remain critical in reducing the frequency of claims, with insurers closely monitoring property upkeep. Casualty exposures in real estate are likely to remain stable trending flat to -5%, with emphasis on sidewalk and property maintenance to reduce liability exposures.

Real Estate Rate Guide – Canada

Coverage	2026 Real Estate Rate Guide	Insights
Catastrophic Perils	-5% to Flat	<p>Earthquake risk in British Columbia remains the largest driver for catastrophic (CAT) claims. However, secondary perils such as floods, wildfires and hail are becoming more prevalent. Wildfire risk is receiving heightened attention, with carriers monitoring exposures closely.</p> <p>Risk management efforts now extend to improving building resiliency through fire-resistant siding, landscape modifications and maintenance practices aimed at reducing fire vulnerability. While reinsurance capacity remains plentiful, carriers are factoring in these secondary peril exposures when underwriting.</p>
Alternative Risk Solutions	N/A	<p>Alternative risk options are becoming more viable for larger real estate accounts. With the current soft market, 2026 is likely to be an opportune time to explore these structures before conditions harden. Parametric solutions, particularly those aimed at catastrophic perils, are gaining traction as a way to fill gaps left by traditional insurance programs.</p>
Umbrella and Excess Liability	-5% to Flat	<p>Umbrella and excess liability follow the same trends as general casualty. Capacity remains abundant, and pricing is highly competitive, creating opportunities for clients to strengthen their towers at preferred rates.</p>
Environmental	-10% to -5%	<p>Environmental insurance is experiencing an expansion, with new entrants and abundant capacity driving broader coverage options.</p> <p>Environmental coverage will be a strong consideration for accounts with potential hazardous exposures or properties being held for future development. Straight pollution property coverage is available; landlords should note that tenants may be held liable for pollution-related claims.</p>
D&O	-5% to Flat	<p>The directors and officers (D&O) insurance market will remain competitive, with rates falling as much as 5%, depending on account size and structure. Larger organizations may see significant reductions, particularly for private companies.</p>
Cyber and Crime	-10% to Flat	<p>Cyber insurance, including coverage for social engineering fraud, continues to gain importance. Fraudulent electronic funds transfers remain a key area of concern. With new entrants driving additional capacity, rates could drop up to 10% in 2026.</p>
E&O – Property Managers	-5% to Flat	<p>Most property managers secure minimum errors and omissions (E&O) coverage through their licensing associations, though excess options remain available and relatively inexpensive. The current soft market presents an opportunity to secure favourable umbrella or excess structures at competitive rates.</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 an 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.

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managed

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