



# Debt Market Monitor

December 2011 Update

## Basic Euronomics 101

And the turmoil continues...

The Euro is the official currency of 17 of the 27 member states of the European Union. It is the second largest reserve currency after the U.S. dollar, and represents the highest combined value of bank notes and coins in circulation in the world. Beyond the official 17-member states, the currency is used by five other European countries. More than 300 million Europeans use the currency daily and it is estimated that more than 175 million people worldwide use currencies which are pegged to the Euro.

With that in mind, one can understand how difficult it will be to come to a consensus, considering the many varied economic, political and social agendas that each of these countries may have. Long story short, don't look for this European tragedy to subside any time soon. The issues confronting these member states are some of the largest they have ever had to face.

Layer the Eurozone's challenges over the issues challenging the U.S., and you have a recipe that calls for a continued low-interest-rate environment for quite a long time; possibly well into 2013.

Canadian mortgage lenders have received a stable return for their efforts thus far, but to a lesser extent than historically enjoyed. More often we see that many of these mortgage investors have now instituted floor levels to establish minimum interest rates, to avoid getting caught in volatile bond yield spikes that lately seem to occur with greater regularity. Caution will continue to guide both institutional and non-institutional lenders alike, not only in underwriting standards, but also in managing the volatility of the bond market and derived mortgage rates.

*Happy Holidays*  
*Happy Holidays*  
 The Debt Capital Markets Group wishes you  
 a peaceful and joyous holiday season.



## fiscal snapshot

### Bank of Canada Rate

November 2011	1.25
One month ago	1.25
One year ago	1.25

### Bank Prime Lending Rate

November 2011	3.00
One month ago	3.00
One year ago	3.00

### Indicative Commercial Mortgage Spreads\* Over Government of Canada Bond Yields

Conventional	5 Year	10 Year
November 2011	1.75-2.50	1.90-2.75
One Year Ago	1.65-2.75	1.85-2.85

Insured	5 Year	10 Year
November 2011	0.90-1.50	1.00-1.50
One Year Ago	0.80-1.25	0.90-1.50

\*Spreads are indicative of high quality real estate in major Canadian markets

### Government of Canada Benchmark Bond Yields

	5 Year	10 Year	Long
October 2011	1.46	2.15	2.69
One month ago	1.51	2.29	2.92
One year ago	2.34	3.07	3.48

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## Commercial Mortgage Services

### highlighted transaction

<b>Asset Type:</b>	<b>Retail Building</b>
<b>Location:</b>	<b>Major Canadian Market</b>
<b>Financing Details:</b>	<b>A \$575,000 first mortgage was arranged as a bridge structure to facilitate the repayment of a first mortgage and to provide for equity repatriation. This short-term financing was executed with a private, non-bank lender in short order, to meet our client's timing requirement.</b>

### we originate financing

We originate fixed and floating rate mortgages for all types of property owners, for all types of properties including term, construction, bridge, interim, mezzanine, construction and CMHC insured financings.

*Please feel free to contact us for more details related to mortgage financings or real estate transactions.*

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