

National Debt Capital Markets Services

Canadian Debt Market Focus

Unfortunately, there is no single-source authority for Canadian mortgage market statistics.

Recently, REALPAC – the national association dedicated to advancing the long-term vitality of Canada’s real property sector, published its Commercial Mortgage Market Report as of May 2017. Unlike similar publications featuring these types of statistics in the U.S., the Canadian landscape offers no single point of origin to source the data. Therefore, readers must rely on estimates due to shortcomings that exclude the actual amounts related to the multi-residential lending field and mortgage holdings by pension funds. Nevertheless, REALPAC’s summary is the best single review of the Canadian commercial mortgage market.



REALPAC estimates the size of the Canadian institutional mortgage market at approximately \$190.1 billion, which is up 4% from 2016. The REALPAC report is noteworthy in that it identifies the participants and reveals lenders that are growing or shrinking their mortgage-investment books in Canada. Chartered banks remain the dominant lender, holding more than C\$60 billion of the Canadian mortgage market and representing an increase of 6% over their 2016 levels and a steady 32% of market share. Pension funds made the largest gains, growing their 2016 holdings by 13% to \$12 billion and 6% of market share. Life insurance companies contracted their holdings by 4% to \$25 billion, representing 13% of market share. Credit Unions maintained their 20% market share by growing their holdings by 6% to \$38 billion.

Virtually all lenders are active and flush with debt capital across the stack – and anxious to transact. However, by no means are they willing to lend on high-risk, poorly sponsored situations. As long as the Canadian real estate market continues to be one of choice by investors, supporting values and returns, the Canadian debt market will continue to participate and prosper. Alternative investments for many Canadian institutions do not warrant the risk-reward payoff – and real estate loans represent familiar territory, providing solid returns in the past as well as the foreseeable future.

Fiscal Snapshot

Bank of Canada

	Bank Rate	Bank Prime Lending
January 2018	1.25	3.20
One month ago	1.25	3.20
One year ago	0.75	2.70

Government of Canada Benchmark Bond Yields

	5-Year	10-Year	Long
January 2018	2.08	2.29	2.36
One month ago	1.86	2.04	2.26
One year ago	1.11	1.75	2.41

Indicative Commercial Mortgage Spreads*
Over Government of Canada Bond Yields

Conventional	5-Year	10-Year
January 2018	1.50 - 2.00	1.65 - 2.00
One year ago	1.70 - 2.00	1.85 - 2.35
Insured	5-Year	10-Year
January 2018	0.80 - 1.10	0.80 - 1.10
One year ago	0.95 - 1.10	1.00 - 1.20

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

Highlighted Transaction

Asset Type	Development land
Location	Major Canadian city
Facility Details	A senior charge facility in the amount of \$10,000,000 was arranged for a 2-year term, structured payments of interest only at a competitive floating rate of interest.

Intelligent Debt Financing Solutions

The Avison Young National Debt Capital Markets dedicated team is focused on providing innovative North American-wide debt and equity solutions to accomplish goals. We originate debt and equity for all types of real estate and all types of clients. Debt origination includes fixed and floating rate structures, permanent and construction financing, structured finance, bridge and mezzanine debt and insured agency financing - CMHC and Fannie Mae / Freddie Mac.

Our years of combined debt/equity capital markets experience has created meaningful relationships that we can put to work for you.

Please contact our National Debt Capital Markets team for more details related to debt financings or real estate transactions.



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