Monthly Mortgage Commentary

DEBT & EQUITY FINANCE | CANADA

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KEY RATES

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Rates	October 31, 2013	October 3, 2013	August 28, 2013	July 23, 2013
Canadian Dollar (CAD/USD)	$0.9564	$0.9687	$0.9533	$0.9705
Prime Business Rate	3.00%	3.00%	3.00%	3.00%
30 Day BAs	1.15%	1.16%	1.16%	1.15%
Bonds				
5-Year Canada Bond	1.71%	1.86%	1.90%	1.69%
10-Year Canada Bond	2.42%	2.54%	2.63%	2.40%

Source: Bank of Canada, close of business 31/10/13

MORTGAGE RATES

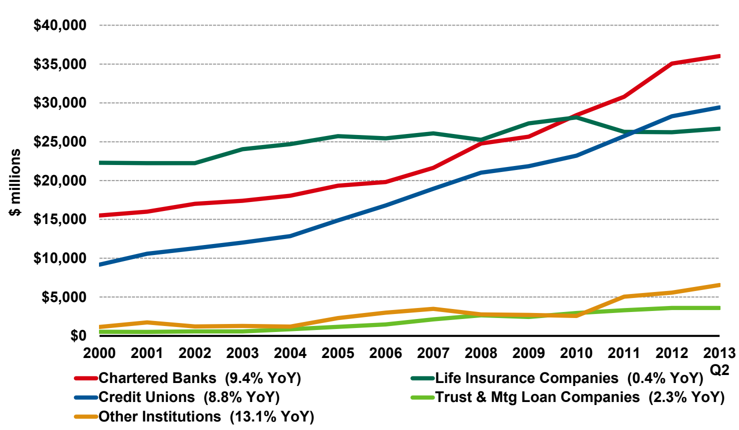
Commercial Mortgages	October 31, 2013	Monthly Change	CMHC Mortgages	October 31, 2013	Monthly Change
3-Year Loan Term	3.07% - 3.77%	↓	5-Year Mortgage	2.60% - 3.05%	↓
5-Year Loan Term	3.52% - 4.22%	↓	10-Year Mortgage	3.44% - 3.94%	↓
10-Year Loan Term	4.23% - 4.93%	↓			

Source: CBRE Limited and CMHC

COMMENTARY by Ross Moore, Director of Research, Canada

Canadian lenders continue to add to their book of business with good mortgage activity across the country. Pricing clearly varies by market (and sub-market), property class and quality of real estate (and rent roll), but debt financing remains available to most borrowers. Over the past month all eyes have been on the bond market as relatively large movements driven by both events here in Canada and in the United States had unsetting effects on interest rates. On October 23rd, in a somewhat surprise announcement, the Bank of Canada in its Monetary Policy Report, removed its previous statement suggesting monetary stimulus would be withdrawn as the economy improved. Instead, they indicated today's 1.0% overnight target rate would remain pending price pressures and/or a pick-up in the economy. This had an immediate downward effect on medium and long term rates. In the U.S., the eventual conclusion of the 2013/2014 budget impasse, associated debt ceiling talks and the resulting talk of default sparked a relief rally in Treasurys, pushing rates lower. The combination of these events resulted in a swing of nearly 25 basis points (bps) over the last month.

Commercial Mortgage Holdings



Source: Bank of Canada - non-residential mortgages

As a result, the movement in 5-year and 10-year bond rates over the past four weeks was more pronounced than the previous four week period, with 5-year bond yields falling by 15 bps, while 10-year rates fell by a slightly more muted 12 bps. As of October 31st, 5-year Government of Canada bonds registered 1.71% and 10-year Canada's 2.42%. Mortgage rates saw a corresponding drop, decreasing to 3.52% at the low end and 4.22% at the high end for 5-year mortgages while 10-year mortgage rates ended October with the best pricing at 4.23% and for lesser quality loans 4.93%.

Perhaps surprising to some, a number of 'market moving events' ranging from Tapering to Congressional gridlock, to a possible default by the U.S. Government did little to upend Canada's mortgage market which continues to function with barely a blip marked by both healthy demand and ample supply. With a slightly softer economy, however, marginally weaker fundamentals, underwriting standards have been tweaked at the margin. Borrowers have been able to meet the new criteria and secure the financing they need. With the exception of Canada's insurance companies, most lender groups are positioned to grow their books in the coming year. Canada's chartered banks and some of the country's non-bank financial institutions, such as credit unions and Quebec's Caisse Populaires, are poised to lead the way. Recent data shows these two groups have more than doubled their respective commercial real estate loan books over the last decade and shows no sign of slowing.

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