

National Debt Capital Markets Services

June 2013

Eye on the bouncing ball....

Stimulus: Federal Reserve Chairman Ben Bernanke recently indicated that the U.S. central bank may pull back on its bond purchases, currently set at \$85B per month, if the economy continues to show strong recovery.

Reaction: Treasury prices drop to their lowest level in the past 14 months, pushing yields to similar period highs. Is the Chairman's thought process driven in part by the highest consumer confidence in years?

Will we see higher interest rates across the board and will this lead to a squeeze on the recovering housing market, and in turn cycle the economy into a slowdown? Markets are quick to react to speculation and price according to what might be, rather than what is. Our economic recovery remains fragile, which may very well mean that we have some distance to go to get the rubber firmly on the road. This market movement in yield, and its effect, will have negative implications for debt pricing, but hopefully only for the short term.

In the meantime, we will continue to see bond market gyrations on both sides of the border, at least until there is some consistent and sustained evidence of growth driven by other than consumer sentiment. Interest rates should therefore continue to exist in a fairly tight range of approximately 25 basis points. Lenders will continue to be picky about what, where and how they lend their funds, all having quite varied interpretations. We are starting to see shortages of 10-year-term funds, which will not likely reverse until the next fiscal period when new allocations are established. Shorter-term funds remain reasonably plentiful, although subject to lenders' credit scrutiny.



Fiscal Snapshot

Bank of Canada Rate

May 2013	1.25
One month ago	1.25
One year ago	1.25

Indicative Commercial Mortgage Spreads* Over Government of Canada Bond Yields

Conventional	5 Year	10 Year
May 2013	1.70-2.30	1.85-2.65
One Year Ago	1.65-2.25	1.80-2.50
Insured	5 Year	10 Year
May 2013	0.70-1.10	0.80-1.20
One Year Ago	0.85-1.25	0.90-1.40

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

Bank Prime Lending Rate

May 2013	3.00
One month ago	3.00
One year ago	3.00

Government of Canada Benchmark Bond Yields

	5 Year	10 Year	Long
May 2013	1.25	1.74	2.29
One month ago	1.16	1.69	2.37
One year ago	1.48	2.06	2.63

Highlighted Transaction

Asset Type	Structure Finance Facility - Standalone Retail Portfolio
Location	Various Ontario locations
Financing Details	A 16-year term facility in the amount of \$105M at an interest rate of 3.76%

We Originate Financing

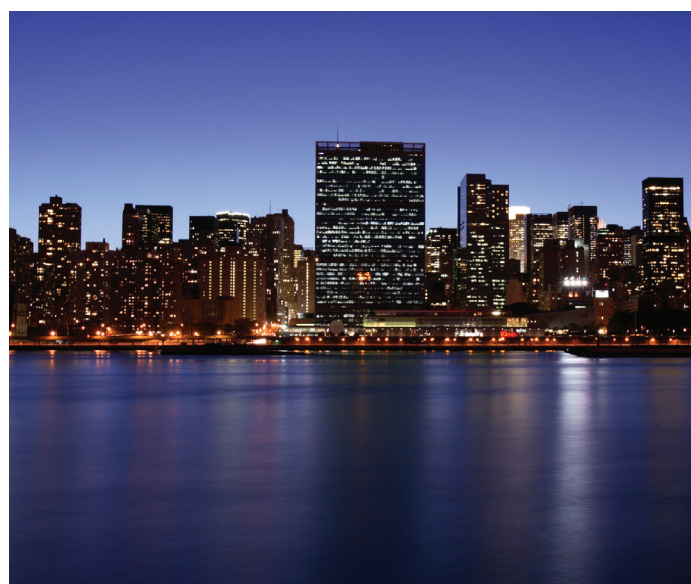
We originate fixed and floating rate mortgages for all types of property owners, for all types of properties including term, construction, bridge, interim, mezzanine, construction and CMHC insured financings.

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

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