
# Capital Debt Markets Monthly Update

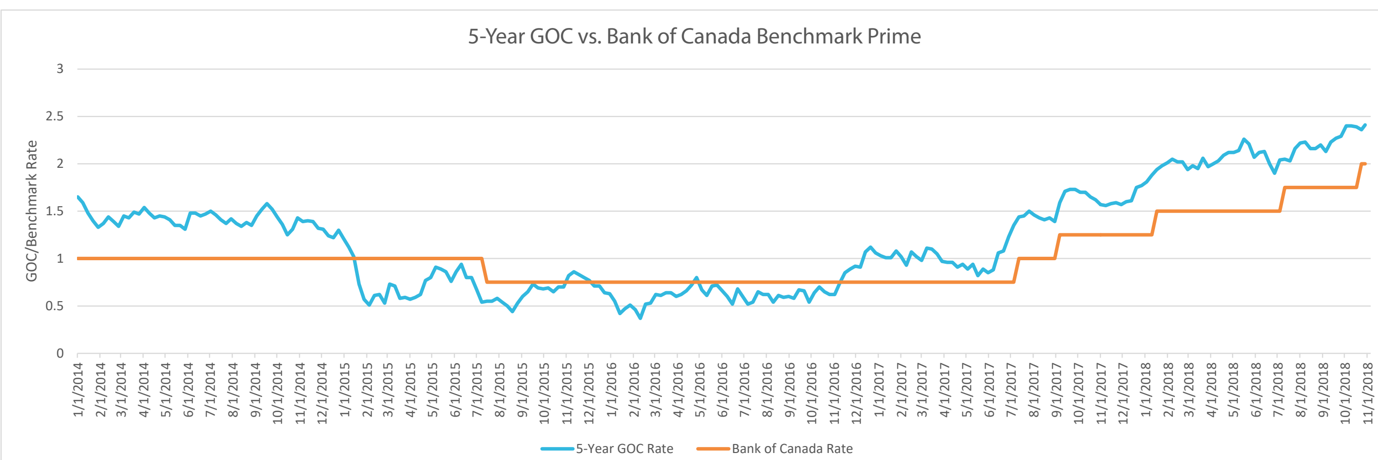
NOVEMBER 2018

| 5 - Year GOC | | 10 - Year GOC | | Prime Rate | |
|---|---|---|---|---|---|
| 2.43% | ▲ 0.14% | 2.50% | ▲ 0.04% | 3.95% | ▲ 0.25% |
| | *2018-11-01* | | *2018-11-01* | | *2018-11-01* |

## Market Update

- The lending market in Alberta is strengthening. Many lenders from B.C. and Ontario that were not bullish on lending in Alberta have since been aggressive on deals within our market.
- Interest rates have been increasing throughout 2018 due in large part to the Government of Canada raising their benchmark prime rate, which in turn has an impact on GOC bond rates which is how many lenders price their loans
- The Government hinted at a further increase in December of the benchmark prime rate, with further complicates the interest rate environment.
- Typically as prime rate is expected to increase, the bond market will see a sharp increase in rates. Once the decision to raise prime rate is made the GOC tends to see downward pressure correcting itself from the sharp increase. The recent prime rate increase has varied from this.
- The spreads between the 5 year and 10 year bonds are extremely thin at 0.069%. This creates a high demand as well as a shortage of 10 year money compared to spread as high as 0.55% in Spring 2017.

## Bond Rate




## Case Studies

- One of the recent transactions that Avison Young's Debt team funded was an acquisition of an industrial building located in NE Edmonton. The financing arranged was for $15,000,000 (67%) against a value of $22,500,000 at 4.19% for a 5 year term amortized over 20 years with only corporate recourse. The team was able to bring forward 5 offers to the Borrower, before selecting the offer that best fit their needs. The property had a minor environmental issue that the debt team assisted mitigate the perceived risk to the lender without any holdbacks to the Borrower. This is a function of the Advisory arm that the team performs on every deal.
- Another transaction that Avison young recently arranged was for the acquisition of an industrial/office building located in west Edmonton. The debt group was able to place structured financing of $6,000,000 on a purchase price of $6,350,000 secured by both the subject property and additional properties owned by the purchaser in order to release equity for the purchase. Once the additional properties are sold, the total loan is paid down to $4,400,000 resulting in the release of personal guarantees. The interest rate was 3.85% for a 5 year term, amortized over 20 years. The company purchasing the building will be moving into a large component of vacant space creating an owner user component of the deal.