

# Canadian Capital Markets 2008

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- Less money
  - Cost of capital more expensive
  - Lower prices
  - Fewer transactions

- UK and USA markets hit the hardest
- Limited ability to source debt
- Prices in UK and USA off 10% – 20%
- Plenty of equity in the market but not ready to invest
- Net exporters of capital – Germany, Australia, Canada & Sovereign funds
- Global capital poised to invest in emerging markets, USA and UK – higher yields

- Canadian first mortgage market size \$15-\$16 billion in 2007
- Major first mortgage lenders were:
  - Nine Life Insurance Companies – 28%
  - Pension Funds – 17%
  - Credit Unions – 15%
  - Banks – 18%
  - CMBS – 22%
- Life insurance companies expect to put out between \$3.7 - \$4 billion in 2008, a drop of 10% - 12% over 2007
- CMBS will be available on a limited basis in 2008
- Lack of CMBS will see an overall drop in available capital from 2007 levels of 23% - 25%

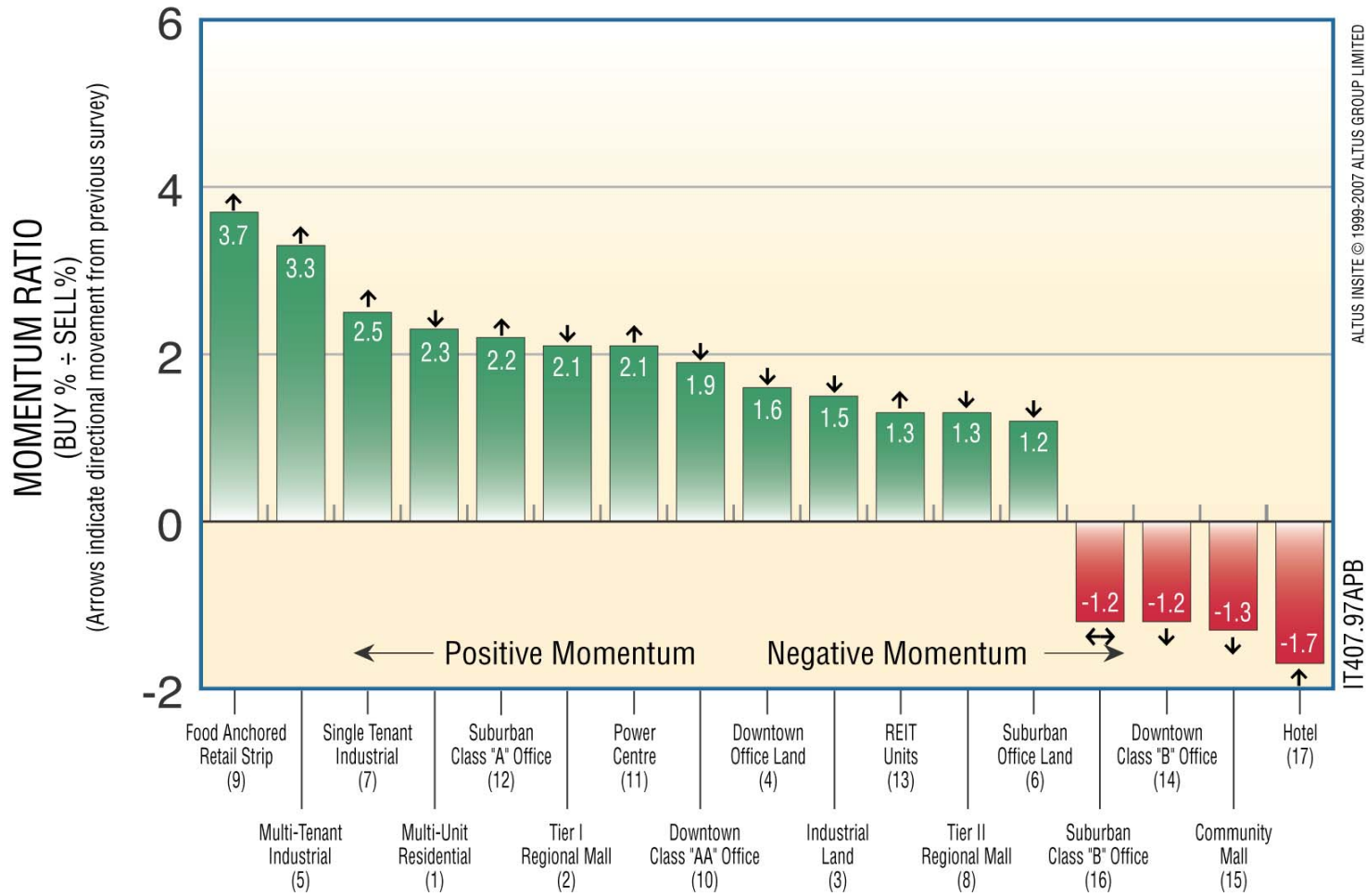
- Conventional first mortgage spreads from insurance companies to be in the 165 – 265 range – mid-point 220 – 225 (10 yrs.), lower if only 5 yr. money
- LTV's down to 60%
- This type of lending only available for quality renewals and “A” quality assets in major markets
- Mezzanine funds costing +400 basis points over BA's. Moving up. In the USA spreads are +700
- If CMBS was available today, spreads for “AAA” assets would likely be +400 basis points

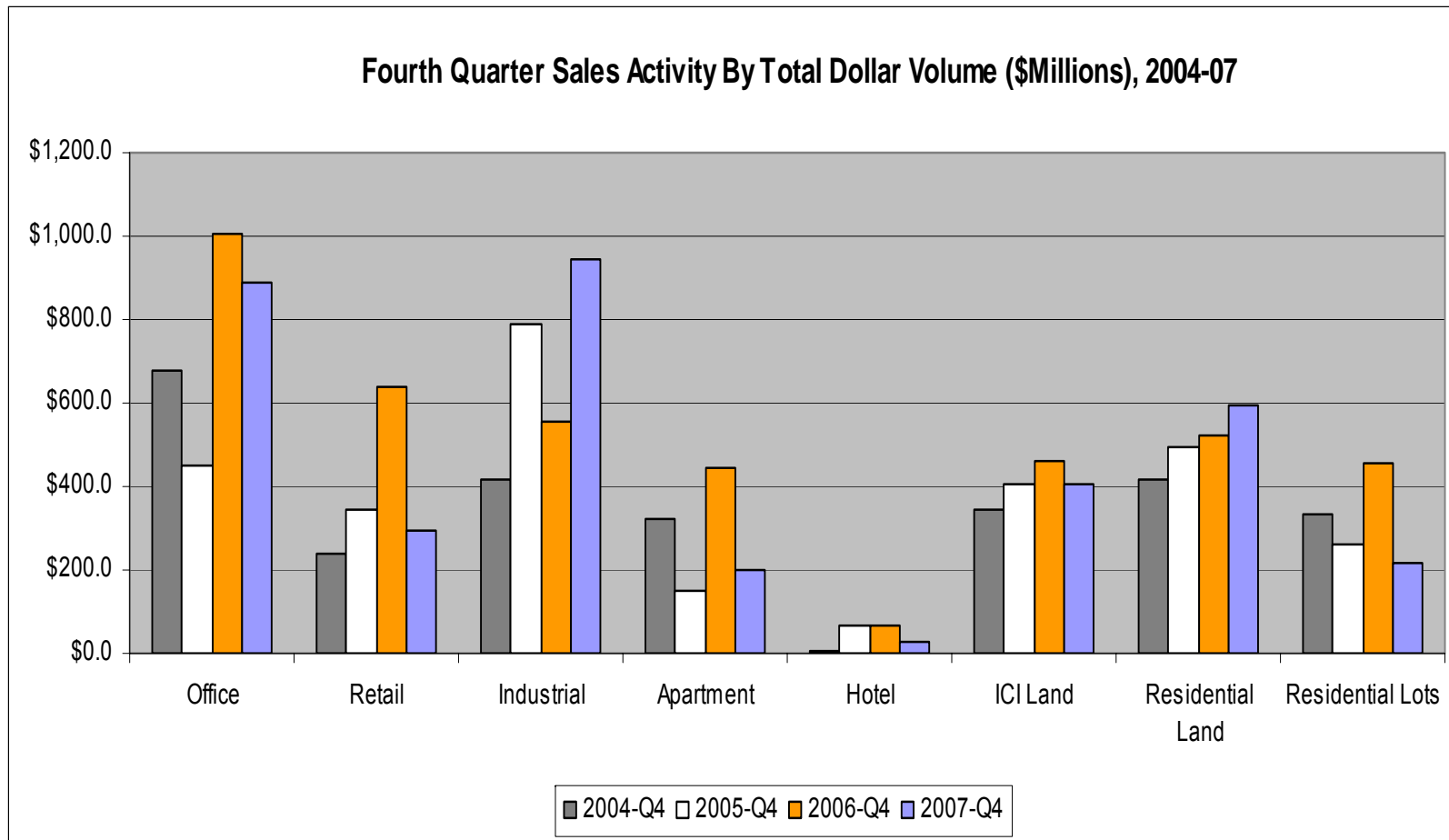
- Core product classes remain in high demand, while secondary markets feel the ‘crunch’
- Flight to quality, and a return to working existing portfolios to increase cash flow
- Cash buyers have an advantage over leveraged buyers who are on the sidelines or must sell
- Traditionally stronger markets and asset classes are back in vogue; Retail, Industrial, Multi-Res, Toronto

- The 'West' is starting to be considered risky and overpriced, especially Vancouver and Calgary
- Class 'B' Office is out of favor across the country
- Well located land continues to be bid aggressively, while fringe development land is not trading
- Pension funds and institutional investors are shifting focus to offshore and U.S. markets
- Few major portfolios on the block, why sell unless forced?

- Quantity of bids down for investment offerings, except for best-in-class assets
- High-end retail is growing significantly with specialty retailers entering the Canadian market.
- Canadian prices are down 50 – 100 basis points

## Altus InSite Property Type Barometer (All Locations)





Fourth Quarter Number of Transactions, 2004-07

