

Debt Capital Markets Services

Unparalleled global recession

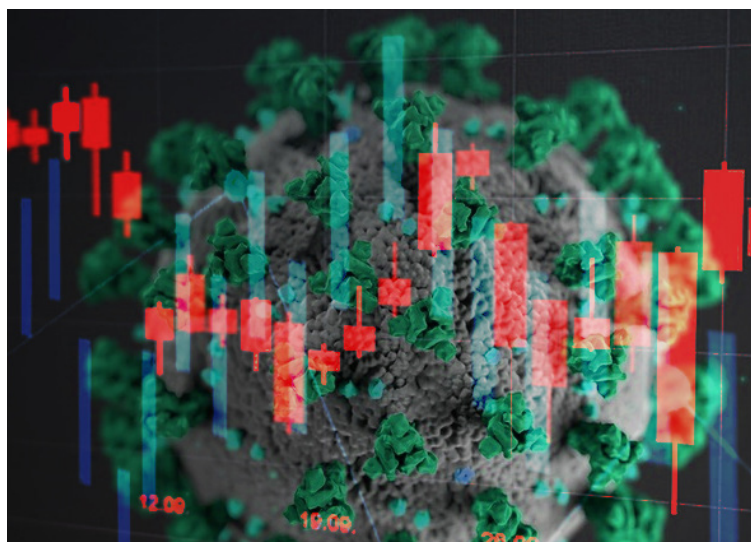
As we dive deeper down the rabbit hole, the likes of Fitch Ratings, J.P. Morgan and Goldman Sachs report that an unparalleled global recession is underway. This is pretty stark news and, of course, there are some areas of the globe that are worse off than others.

Brian Coulton, Chief Economist at Fitch Ratings said in late April that a recession of unprecedented depth in the post-war period is expected; that the decline is now expected to be twice as large as had been anticipated in early April 2020; and that it will be twice as severe as the 2009 recession. Fitch's statement is based upon incoming data flows. Coulton went on to detail that the decline in GDP equates to US \$2.8 trillion falls in global income levels relative to 2019 and a loss of US \$4.5 trillion, relative to Fitch's pre-pandemic expectations for 2020 GDP.

The COVID-19 crisis is now being referred to unofficially as the "Great Lockdown".

The International Monetary Fund describes the global decline as the worst since the Great Depression of the 1930s and expects that the global economy will contract by 3% this year – all major advanced economies will be in recession this year. A return to the pre-virus peak is not expected until at least 2022.

The magnitude of the resurgence of world economies will be at different paces for different countries. Given the deep and uncharted waters that we find ourselves in, predictions of how fast and how strong a recovery will be are clouded at best. Just as each country will recover at its own pace, various industries will also experience different rates of recovery. However, perhaps the 17th-century English theologian and historian Thomas Fuller put it best: "It is always darkest before dawn."



Fiscal Snapshot

Bank of Canada

	Bank Rate	Bank Prime Lending Rate
April 2020	0.50	2.45
March 2020	0.50	3.45
April 2019	2.00	3.95

Government of Canada Benchmark Bond Yields

	5-Year	10-Year	Long
April 2020	0.38	0.54	1.12
March 2020	0.60	0.71	1.32
April 2019	1.54	1.71	1.99

Indicative Commercial Mortgage Spreads* Over Government of Canada Bond Yields

Conventional	5-Year	10-Year
April 2020	2.75 - 3.50	2.75 - 3.50
April 2019	1.70 - 2.10	1.80 - 2.35
Insured	5-Year	10-Year
April 2020	1.25 - 1.75	1.35 - 1.75
April 2019	0.90 - 1.10	0.90 - 1.10

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

Source(s): Bank of Canada

Highlighted Transaction

Asset Type	Single tenant, suburban office
Location	Major Canadian city
Facility Details	A \$22.0 senior loan was arranged for long term financing. The structure included a term of 10 years, amortized for 25 years at a competitive rate of interest and on a partial recourse basis.

Intelligent Debt Financing Solutions

The Avison Young 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.

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



Norm Arychuk, Mortgage Broker*
416.673.4006
norman.arychuk@avisonyoung.com

*Licence #: M09002260
Brokerage Licence #10637

Michael Ho, Mortgage Broker**
416.673.4012
michael.ho@avisonyoung.com

**Licence: # M15000834
Brokerage Licence #10637

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avisonyoung.ca

Avison Young Commercial Real Estate (Ontario) Inc., Brokerage
18 York Street, Suite 400
Mailbox # 4
Toronto, Ontario, Canada M5J 2T8
416.955.0000



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