

ALTA WEST CAPITAL NEWSLETTER



Welcome to the inaugural edition of the Alta West Mortgage Capital Corporation (AWC) Quarterly Newsletter. The following will contain regular updates aimed at offering an overview of the economic landscape, housing market trends, and the latest developments at AWC. Our aim is to offer you valuable insights into how broader market dynamics influence our investments, while highlighting the opportunities that lie ahead for sustained stability.



Company News

We are pleased to announce that AWC and its AWM Diversified MIC (Diversified) have received a positive third-party review from Fundamental Research Corp (FRC) for FY2024. Each year, AWC commissions FRC to conduct a thorough financial analysis of Diversified. Once again, Diversified has been classified as a product with a "Very Good Return to Risk Ratio," marking the fourth consecutive year of receiving such a top rate amongst peers reviewed by FRC. [Fundamental Research Report \(AWM Diversified MIC\) - Sept 12 2024.pdf](#)

ECONOMIC OVERVIEW

The Canadian economy continues to experience an incremental cooling of inflation, with the Consumer Price Index (CPI) landing precisely upon the Bank of Canada's 2% target. Notably, despite the decline, rents remain a significant outlier, registering an 8.6% year-over-year increase, which marks a 40-year high. Overall, markets are expecting further rate cuts from the Bank of Canada as inflationary pressures ease, which is expected to provide some relief for borrowers (and indirectly, renters) as mortgage rates continue to drop.

It is a universal truth that economic growth is never without risk. Despite rising GDP in recent years following the 2020 pandemic, inflation and debt have also seen an increase. The debt service ratio for Canadian households reached a significant high of 15% in Q2 2024, matching levels from 2007 and 2019, indicating that households are devoting a larger share of income to servicing their debt. This financial strain is likely to persist, especially with many bank mortgages set to be renewed in 2025-2026, potentially at much higher rates than the fixed rates established in 2021-22. For this reason, companies like AWC that offer debt consolidation and flexible mortgage services to borrowers will play a crucial role in providing much-needed financial relief. Such financial solutions make AWC an appealing option for many seeking to ease the burden on their households. Furthermore, AWC's MICs, with an underwriting emphasis on risk management, will continue to play a steadfast role in investor portfolio diversification.



INDUSTRY NEWS



In the residential sector, August saw a sharp 22% decline in housing starts, largely driven by a steep 55% nationwide year-over-year drop in condo starts, signaling a slowdown in new construction as developers face shifting demand and financing challenges. Similarly, mortgage originations fell by 15% year-over-year in June, reflecting a weaker market and cautious borrowing due to higher interest rates. However, despite these challenges, Albertan home sales rose by 1.3% in August, while national home prices remained flat. With inventory levels rising and markets like Ontario and British Columbia experiencing continued sluggishness, the housing sector appears to be stabilizing between slower demand and increased supply. There have also been major changes from the CMHC, with the extension of terms to 30 years, a reduction in qualifying criteria for different mortgages, most notably: insured deals now go up to \$1.5 million.

COMMENTARY FROM CHIEF FINANCIAL OFFICER, DAVID BARER

Moving into FY2025, we anticipate further rate cuts, which should create new opportunities for growth. While the debt service ratio remains a concern, we expect that lower interest rates coupled with cooling inflation and resultant housing costs will provide relief to borrowers, and we foresee a more active market in the latter half of the year. Our Loan-to-Value (LTV) strategy remains a key component of our approach, allowing us to mitigate risk and capitalize on new market opportunities. We continue to see AWC as well-positioned to achieve its goals of consistent returns and steadfastness, with rates projected to fall throughout 2025.



David Barer
Chief Financial Officer

NEW PRODUCTS

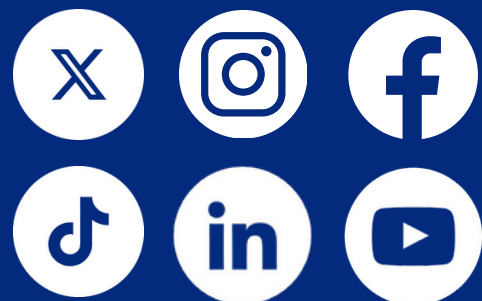
We are pleased to announce the addition of several new product offerings, including **HELOCs** and **No Fee First Mortgages**. These strategic enhancements reflect our commitment to broadening our portfolio and providing tailored financial solutions for a diverse range of clients. As we continue to innovate and respond to market demands, these products will further position us to meet the evolving needs of homeowners and real estate investors, while maintaining our focus on delivering value and sustainable income streams. In terms of investor capital, the new HELOC product offers a strategic advantage in its portfolio yield augmentation while raising our profile and loyalty in the broker client community via an expanded product suite. The No Fee 1st Mortgage will give AWC the capacity to grow its market share with a competitive product, particularly in BC where borrowers/brokers are anecdotally “fee-sensitive.” With rates dropping, we anticipate renewed activity in the investor segment as well as an influx of homeowners who have deferred upgrades during the recent inflationary environment. The Renovation Loans will allow for higher quality counterparties & enhanced yields while maintaining low portfolio duration (typically 6-12 month loan terms). All these new products, in addition to offering more financial tools for Canadians, will also serve to diversify the portfolios while simultaneously driving higher yielding products to the funds and their investors.

For more details on the MICs managed by AWC or to schedule a consultation, please contact us at investor.relations@awcapital.ca or (403) 254 9075 Ext 4218. We look forward to continuing our partnership and helping you navigate the financial opportunities ahead.



[Our Chief Financial Officer, David Barer, breaks down how our First Place MIC operates--offering steadfastness, security and historically consistent returns.](#)

STAY CONNECTED



Alta West Capital is registered as an Exempt Market Dealer (“EMD”), Restricted Portfolio Manager (“RPM”) and Investment Fund Manager (“IFM”) in the province of Alberta. The firm is also registered in the provinces of British Columbia, Ontario, Manitoba, Saskatchewan and Yukon as an EMD. This information is directed only to residents of those provinces. Mortgage Brokerage #12633 | Mortgage Admin #12634. [Read full disclaimer here](#)