BONDS vs MORTGAGES

A South African Investor who recently visited Vancouver asked us to explain the seeming anomaly whereby 7½ per cent. could be secured on first mortgages if they were as safe as the average Railway Bond bearing say 4½ per cent.

Our explanation was that American Railroads are now bonded up to fully 60 per cent. of their value, while Vancouver first mortgages placed by this Company never exceeded 50 per cent. of conservative valuation and we knew our valuations to be conservative, while it must be admitted that water constituted an appreciable part of American Railway Capitalization.

But the Railroad is, generally speaking, able to place its loan when conditions are favorable and is, moreover, on account of the volume of its borrowings able to secure funds in that part of the world where money is, to some extent, a drug on the market, while the individual borrower on first mortgages on real estate requires comparatively small amounts and pays prevailing Vancouver bank rates.

We further pointed out that while money rates throughout the world have a tendency to increase, yet this tendency is greater in Vancouver than other places on account of the increasing demand for money to develop the natural resources of the Province.

The prevailing Bank or Mortgage rate in Vancouver a few years ago was about 6 per cent. while to-day it is 7 per cent. to 8 per cent.

Another point favorable to Vancouver first mortgages as compared with Bonds is the question of duration.

Bonds generally have long term maturities while first mortgages usually mature in 3 years.

Many shrewd financial men claim that the increase in the gold supply is due to improved methods of extraction of gold from ore.

That being true, it would seem likely that the increase in gold will continue, thus tending to further increase money rates. Consequently it would seem wise to loan on short terms rather than on long terms, thus permitting the reinvesting of funds at stated limited periods, whereby the maximum of earning power may be maintained.

We have a booklet telling of the care exercised and precaution used in making loans netting investors 7½ per cent. This booklet will be promptly forwarded on application.

DOMINION TRUST COMPANY, LIMITED

Head Office: VANCOUVER, B.C.

Offices: VANCOUVER, VICTORIA, NANAIMO, NEW WESTMINSTER, REGINA, CALGARY AND LONDON, ENGLAND
Operating in Quebec Province as

DOMINION OF CANADA TRUSTS COMPANY

Quebec Bank Building, MONTREAL, P.Q.

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