

## CALGARY MARKET

# Housing sales soar to \$5.4 billion

Figures up 38%  
in first four  
months of 2007

MARIO TONEGUZZI  
CALGARY HERALD

The total dollar volume in residential MLS sales in Calgary was a whopping \$5.4 billion in the first four months of this year, according to the Canadian Real Estate Association.

In a report released Wednesday, CREA says the dollar volume here has increased by 38 per cent compared to the similar period in 2006.

And Calgary is just behind Toronto (\$11 billion) and Greater Vancouver (\$6.5 billion) in total dollar volume of residential sales.

“Home buying sentiment remains strong in all regions”

GREGORY KLUMP,  
CREA ECONOMIST

Nationally, CREA says total dollar volume was \$38.9 billion, representing an 18.1 per cent increase; unit sales were up 7.4 per cent to 123,761; the average sale price jumped by 9.9 per cent to \$314,497; and new listings rose by 4.7 per cent to 207,892.

“The strong momentum for resale housing market activity this spring builds on its record-breaking performance in the first quarter,” said CREA chief economist Gregory Klump. “There has been anecdotal evidence that resale activity in some Western markets is getting a boost from a



Calgary is just behind Toronto, at \$11 billion, and Greater Vancouver, at \$6.5 billion, in total dollar volume of residential sales for the first four months of the year.

shortage of lots and from buyers who don't want to wait for their new home to be built.”

Klump added that resale housing activity in the first quarter was far stronger than anybody had anticipated.

“Home buying sentiment remains strong in all regions, and new listings have been unable to keep pace with sales activity,” he said.

“The resale housing market will become more balanced as rising prices erode affordability and cause a gradual retreat in sales activity. A strong job market and the continuation of low interest rates will keep sales activity strong even as prices continue to rise.”

According to the Calgary Real Estate Board website on Wednesday afternoon, the 30-day average residential sale price in the city was \$424,946 and the 30-day median sale price was \$390,000. There have been 1,783 residential properties sold so far this month and active listings as of Wednesday afternoon were 5,661.

A revised housing outlook released Tuesday by **Canada Mortgage and Housing Corp.**, forecast the year-end average price of a single-detached home in the Calgary Census Metropolitan Area — which includes the city, Airdrie, the Municipal District of Rocky View, Chestermere, Cochrane, Irricana, Beiseker and Crossfield — to reach \$474,000, about 24 per cent

higher than 2006. And average condominium prices are expected to rise another 26 per cent in 2007 to about \$329,500.

“The huge demand for housing has caused a rapid appreciation of real estate in the Calgary CMA that has translated to average home prices more than doubling in the last four years,” says the CMHC in its report. “Wage growth has been quite high in Calgary, but has not grown as fast as housing prices.”

“In 2008, a moderation in demand and a higher level of supply will reduce the rate of growth of average prices to about 10 per cent.”

MTONEGUZZI@THEHERALD.CANWEST.COM

## Trains on time despite strike, CP says

CANWEST NEWS SERVICE  
TORONTO

Canadian Pacific Railway Ltd. said operations remained on track across the country Wednesday despite a strike by 3,200 employees that took effect the night before.

Members of the Teamsters Canada Rail Conference's Maintenance of Way Employees division began blocking trucks at loading yards across the country, including locations near Vancouver and Toronto, said William Brehl, its president.

“We've got all of our picket lines up and running,” he said. “These intermodal yards are shut down. No trucks are coming and going.”

About 500 of the strikers are based in Alberta with roughly 200 in Calgary, according to the union's pacific region director Henry Helfenbein.

“We seem to be creating a lot of stoppages,” said Helfenbein, who's based in Medicine Hat. “This is part of our strategy, to show we do have the ability to shut these centres down.”

But the railway disagreed about the effect the strike was having on operations.

“Train service is running as normal,” said CP spokesman Mark Seland. “There is obviously some picketing activity going on, but nothing that's impacting train service.”

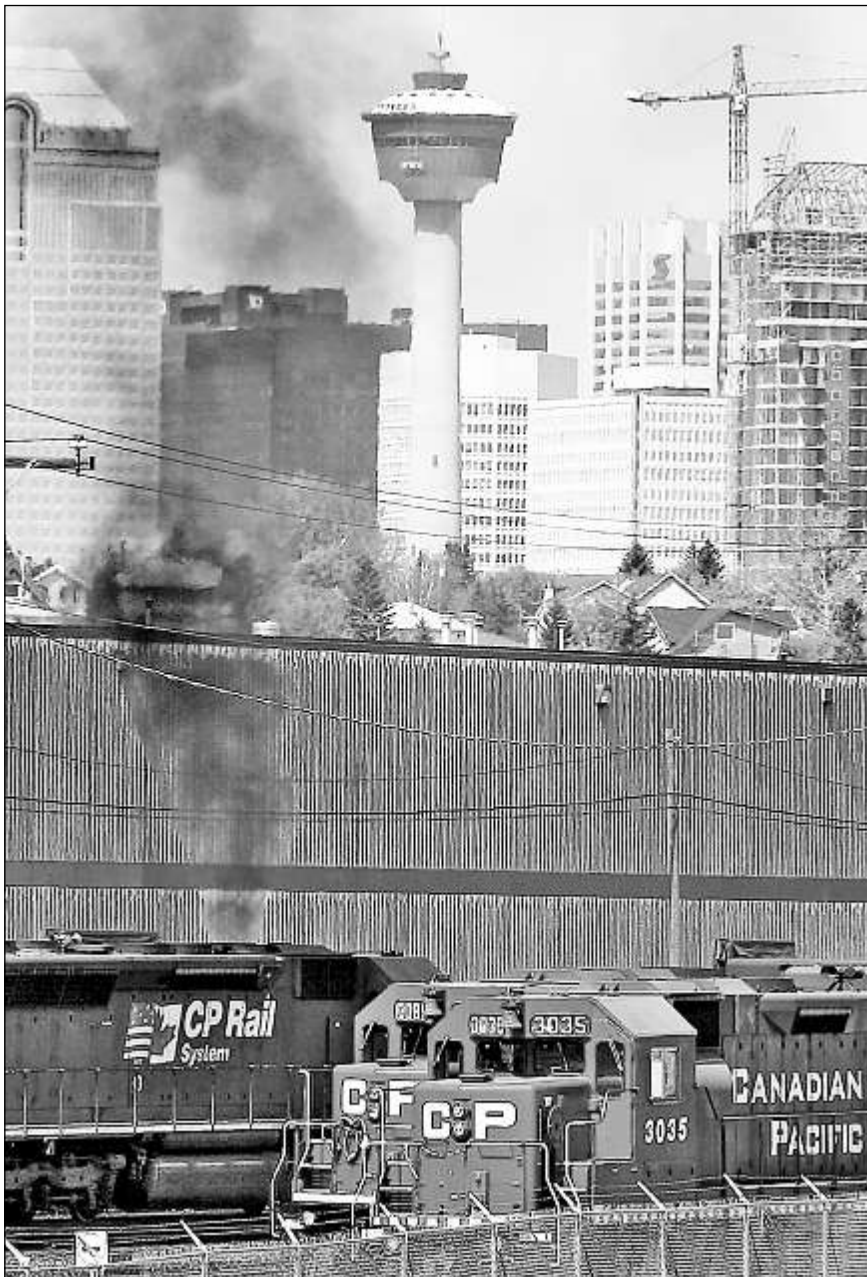
Seland said picketers have the right to inform incoming trucks at the rail yards about the nature of the dispute, but they cannot obstruct them. He said the railway would seek injunctions if they did so.

He said, as far as he knows, union members were only handing out pamphlets to truckers entering the yards.

“Slowing trucks by 10 minutes won't have an impact on service,” Seland said.

A spokeswoman at Vaughn Intermodal Terminal near Toronto said trucks were moving fluidly in and out of the terminal.

The striking workers are responsible for building and maintaining tracks, bridges and other structures. They walked off the job shortly before midnight local time on Tuesday. The union members have been working without a labour deal since Dec. 31. Contract talks broke off on April 28



Canadian Pacific Railway locomotives work in the Calgary yard on Wednesday.

when the two sides failed to reach an agreement over wages, seniority issues and working conditions.

The union is seeking a 13-per-cent wage increase over three years, which the railway said was out of line with 10 per cent increases it has negotiated with other unions. The average yearly salary for workers on strike is \$40,000.

About 1,300 managers are replacing the 1,200 striking track inspectors. The remaining 2,000 union members are responsible for capital projects, which will be deferred until the dispute is resolved, Seland said.

In February, a 15-day strike by conductors and yard workers at **Canadian National Railway Co.** contributed to a \$1-billion reduction in the country's trade deficit that month by preventing automotive, grain and chemical shipments across the country, according to Statistics Canada.

That strike ended with back-to-work legislation being passed, a move that Jean-Pierre Blackburn, the federal labour minister, said he would enact in the CP strike if it posed a significant economic threat. He encouraged the two sides to return to the bargaining table, but no meeting has been planned.

“Right now, our mediator is talking separately with the parties,” Blackburn said.

“But the parties will have to get to the point to sit at the same table to find a solution.”

Some shippers, including the Canadian Wheat Board, expressed con-

cerns a prolonged strike may lead to similar disruptions as the CN stoppage.

CP Rail has contracts to move more than two million tonnes of wheat, barley and other grains from the three Prairie provinces before the end of the crop year July 31.

But many analysts, and the company itself, say the impact of the CP strike will be minimal.

While a short strike may have minimal financial impact, there are concerns safety of the railway network could be compromised if work stoppages were prolonged.

Federal Transport Minister Lawrence Cannon said the ministry has been in close contact with the railway to ensure safety concerns are dealt with promptly.

“Of course, it falls under the purview of my colleague the minister of labour, but from the safety perspective, we'll be watching this very closely,” he said in Ottawa.

**Fording Canadian Coal Trust**, which ships the bulk of its coal on CP Rail, would not speculate on the impact of a prolonged strike, saying the company is monitoring the situation closely.

“Canadian Pacific Railway has assured us that it will work to minimize the impact on its ability to transport our product to the West Coast ports,” spokeswoman Catherine Hart said. “We believe this is acceptable.”

WITH FILES FROM SEAN MYERS, CALGARY HERALD AND CANADIAN PRESS

## Tech sector rebounding after 2000 meltdown

ERIC BEAUCHESNE  
CANWEST NEWS SERVICE

The recovery from the high-tech meltdown at the start of the decade is continuing, but challenges remain, according to separate reports Wednesday, revealing that nearly two-thirds of emerging software companies reported profits last year, while computer and other technology hardware makers saw their profits soar.

“Profit levels for Canadian computer and electronic product manufacturers nearly doubled last year,” the Conference Board of Canada said in its report.

Profits reached \$2.1 billion, with the surge due primarily to declining capital and material costs, the report said, adding profit margins are forecast to reach six per cent this year, which is just below where they stood during the tech boom.

“But the industry is still not all the way back to where it was before the tech bust,” it added.

“This industry is smaller and leaner than it was at the height of the tech boom,” noted Louis Theriault, director of the think-tank's industrial outlook service.

“Manufacturers have cut material costs by one-third over the past six years, and they cannot continue to drive costs down forever,” he said, predicting that with falling prices and modest increases in production profits will increase slowly in the next few years.

Prices, which have fallen since 2003, are forecast to continue slipping throughout the next four years, which will slow profit growth and keep them well short of the \$3.4 billion peak reached before the high-tech-bust, the report said.

Meanwhile, consulting firm **Price-waterhouseCoopers** reported 63 per cent of emerging software firms were profitable last year, adding that's “good news” and in line with the 65 per cent in 2005 and 56 per cent in 2004.

But it's not as good as expected by the CEOs last year.

The report, based on its fourth annual survey of software firms, found that as in past surveys, firm CEOs continued to predict significant revenue increases for the year ahead.

“However, while the majority of CEOs reported revenue increases of at least 10 per cent, many fell short of their forecast,” the report noted.

“Last year, virtually every company expected some revenue growth with 41 per cent expecting an increase over 50 per cent,” it said. “In reality, only 30 per cent achieved a 50-per-cent revenue increase and over a third reported revenue growth of 10 per cent or less.”

While revenues have tended to fall short of CEO expectations in the past three surveys, that hasn't eroded their optimism, said Susan Allen, leader of the PricewaterhouseCoopers engineering company practice.

## IN BRIEF

FROM HERALD NEWS SERVICES

### Nortel reaches deal with OSC over financials

**ACCOUNTING • Nortel Networks Corp.** has reached a tentative settlement with Ontario Securities Commission staff, who allege the company's financial statements in 2000 and parts of 2002 and 2003 violated Canadian and American accounting principles.

Details of the settlement won't be released unless the deal between the company and OSC enforcement staff is approved by a panel of OSC commissioners. They're scheduled to hear the case next week.

However, according to a statement of allegations posted to the OSC's website on Wednesday, along with a notice of the May 22 hearing, the settlement is in relation to some aspects of the massive financial scandal that has bedevilled Nortel for more than four years.

The OSC staff allege Nortel's financial statements for the 2000 fiscal year, the third and fourth quarters of 2002 and the first and second quarters of 2003 didn't comply with accepted accounting principles and were “materially misleading or untrue” or omitted necessary facts.

### BMW moves production to South Carolina

**AUTOS • Bayerischen Motoren Werke (BMW) AG**, the world's largest maker of luxury cars, will move production of its X3 sport-utility vehicle to South Carolina to reduce currency risk, ending a contract with **Magna International Inc.**

Magna, Canada's largest auto-parts maker, will continue to build the X3 at its Magna Steyr unit in Austria until the current contract expires in 2010, BMW spokesman Mathias Schmidt said.

For Magna, production of the X3 supported the auto-parts maker's ambition to build niche vehicles for customers in North America. This follows Magna's last bid this week to buy a stake in **DaimlerChrysler AG's** Chrysler unit.

BMW's decision is “a setback to Magna's assembly operations,” said Toronto-based UBS analyst Fadi Chamoun.

### Canadian trips to U.S. increase in March

**TRAVEL •** Canadians made 3.3 million trips to the United States in March, up 5.6 per cent from February but 3.8 per cent lower than December, Statistics Canada reported on Wednesday. January numbers were not available.

Americans made 2.1 million trips to Canada, up 2.2 per cent from February, but 11.3 per cent below December.

### Norilsk bemoans Lionore breakup fee

**MINING • OAO GMK Norilsk Nickel**, bidding for Canada's **LionOre Mining International Ltd.**, said a rival offer from **Xstrata PLC** included an “unreasonably” high breakup fee.

Norilsk is “surprised and disappointed” by the fee of more than \$300 million, equal to about 4.9 per cent of the value of Xstrata's bid, Norilsk CEO Denis Morozov said.

The fee “does not encourage a level playing field” for all bidders, he said. An Xstrata spokesman declined to comment.

### Mittal profits rise 41 per cent in first quarter

**STEEL • Arcelor Mittal**, the world's biggest steelmaker, posted a 41 per cent gain in first-quarter profit and said earnings will rise further in the next three months as prices increase.

Net income climbed to \$2.25 billion US, or \$1.62 a share, the Rotterdam, Netherlands-based company said Wednesday. That compares with \$1.6 billion, or \$1.16, based on figures Arcelor Mittal calculated as if it had existed a year earlier.

Sales gained 17 per cent to \$24.5 billion.

The company was created by a merger of **Arcelor SA** and **Mittal Steel Co.**

### Google wins right to show Perfect 10 pics

**INTERNET • Google Inc.**, operator of the world's most-used Internet search engine, can display nude “thumbnail” images of photographs from adult publisher Perfect 10, a federal appeals court ruled.

The San Francisco-based court reversed a lower court ruling that blocked Google and **Amazon.com Inc.** from giving Internet users access to reduced-sized images on other websites.

“We don't agree with the decision,” Perfect 10 president Norm Zada said of the appeals court decision. “Anybody with a search box can make smaller pictures of Perfect 10 — every picture we own — show them to millions of people and there's nothing we can do about it.”

### U.S. industrial production exceeds forecast gain

**ECONOMY •** Industrial production in the U.S. rose more than forecast last month as cold weather boosted electricity demand and manufacturers stepped up output after whittling down excess inventories.

The 0.7 per cent increase in production at factories, mines and utilities followed a revised 0.3 per cent decrease in March that was bigger than originally reported, Federal Reserve figures showed.

Capacity utilization, which measures the proportion of plants in use, rose to 81.6 per cent from 81.2 in March.