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Chris Bennett, SGS oilsands director

# CALGARY BUSINESS

MONEY • ENERGY • TECHNOLOGY • WORK

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**DEBORAH YEDLIN**  
 'Fair share' flirts with breach of contract

It might be easier to understand the sound and fury emanating from the oilpatch if last week's recommendations by the royalty review panel are viewed in the context of three discrete segments: oilsands, conventional oil and natural gas, and land sales.

From the oilsands perspective, the most troubling aspects of the panel's report have to do with the suggestion that there be no grandfathering for existing projects under a new royalty structure.

From a legal standpoint, this could be construed as a breach of contract.

Or as **Canadian Natural Resources** vice-chairman Murray Edwards pointedly acknowledged last week with respect to the company's multibillion-dollar Horizon oilsands project: "We believe we have a contract in place for that project."

Energy companies that buy the right to explore and develop lands pay an up-front cost to the government. There are three basic elements that have to be in evidence for a contract to exist: offer, acceptance and consideration. Companies that own the leases effectively have a contract to develop them under existing conditions.

Nowhere does the fine print say the government reserves the right to change its mind once the process is underway.

Moreover, there is a history in legislative practice that embraces grandfathering as a principle. Think of this in the context of budgets brought forward by governments; it's tough to find instances where taxes have been levied retroactively. Generally speaking, legislative principles suggest applying tax changes on a go-forward basis, not a retroactive one.

The notion of levelling the playing field by eliminating any sort of grandfathering is false; most people take the definition of a level playing field to mean that everyone knows the rules and there are no exceptions made.

The other issue regarding the oilsands that is causing great consternation is the proposed severance tax. Not only does it add another layer of complexity — even though the report states its aim is to make things simpler — it's simply a bad idea.

SEE YEDLIN, PAGE E6

## Single-family home price falls \$32,000



Gavin Young, Calgary Herald

"We're seeing price reductions and corrections pretty well everywhere in every sector," says Gary MacLean of Re/Max.

# Affordability gap cools housing market

Homes taking longer to sell as supply grows

MARIO TONEGUZZI  
 CALGARY HERALD

A substantial erosion in housing affordability over the past few years combined with a surge in new listings has started to bring the Calgary housing market back down to earth, according to a report by **TD Bank Financial Group**.

And the latest numbers on the Calgary Real Estate Board website support that conclusion. As of Wednesday, the average sale price of a single-family home in Calgary metro over the past 30 days had dropped by \$32,000 to \$473,154 from the record high of \$505,920 set in July. The median sale price in the past 30 days has dropped by more than \$17,000 to \$421,250, from the high of \$439,000 recorded in June. And active listings continue to rise — there are currently 5,454 in the single-family market.

Gary MacLean, with **Re/Max Real Estate Central**, said sales remain comparable to last year but the market has changed dramatically in recent months.

"It's not like the real estate market is evaporating, but the problem is that there's so much for sale. So it's a supply and demand thing. Supply goes up, something goes the other way," said MacLean.

"We're seeing price reductions

### Calgary metro MLS Single-family homes

	JUNE '07	JULY '07	AUG '07	PAST 30 DAYS
Listings	4,443	4,510	4,821	5,454 (Active)
Avg. Sale Price	\$496,890	\$505,920	\$485,914	\$473,154
Med. Sale Price	\$439,000	\$435,000	\$430,000	\$421,250

Source: Calgary Real Estate Board

and corrections pretty well everywhere in every sector.

"The thing that's never happened in history before is listings increasing in the fall . . . What's happening this year is the sales are going through their natural cycle, falling off in the fall. It's not a crash," he said.

"What's happening this year that's different is that listings are coming on at an incredible rate . . . The market is overcrowded with listings. People have to be so precise on their price."

In the spring, the Calgary market was experiencing one sale for every listing. At the end of August, that ratio deteriorated considerably to one house selling for every 3.57 on the market, said MacLean. And that, of course, has increased the amount of time it takes to sell a house in Calgary.

The TD report said the "main corrective force" at work in Canada's hottest markets — Calgary, Edmonton and Vancouver — is affordability.

"As it erodes in the wake of large home price growth that has significantly outpaced household income growth, it dampens housing demand for new and existing homes," said the report, adding that sales in Calgary seem

to have peaked this year.

"What's happened to the average resale home price in Calgary since 2005 is nothing short of phenomenal. Year-over-year average resale home price growth has averaged 25 per cent since then. In June 2006, Calgary overtook Toronto as Canada's second-most expensive major metro market behind Vancouver, and has never looked back since."

Lai Sing Louie, senior market analyst in Calgary for Canada Mortgage and Housing Corp., said that with all the listings, people are taking their time to buy.

"There's no sense of urgency. That whole sense of urgency has been bled out of the system by the huge increase in supply," said Louie. "What's happening now is that people are . . . thinking, 'Well, let's take some time to decide because there's lots of stuff out there, so even if that one goes we can choose another house.' That's causing people to re-price their houses," he said.

"Buyers know there's so much out there they don't need to pay full asking price."

Mike MacLean, with **Re/Max Real Estate Central**, said the city has "more listings than we've ever had in the history of the real estate board."

"There's a large percentage of people who have bought properties for investments and are trying to unload them before they drop in price," he said.

"Traditionally sales drop off at this time of the year anyways because the busiest time is the spring. So the sales are dropping off, the listings are increasing, so of course you end up with days on the market increasing as well," he said, adding prices remain high compared to what they were a year ago.

"The people that are serious about selling their homes, they have to say to themselves, 'You know, I'm just going to have to bite the bullet . . . I missed the peak and now I just have to be more realistic.'"

The TD report said there is a cooling in sales growth in the Calgary market. From yearly increases in sales of 19 per cent in 2005 and five per cent last year, this year's gain is expected to come in at two per cent and the report expects sales to pare back by about five per cent next year "as poor affordability puts a dent in demand."

"More listings on tap, along with softer demand, should combine to help Calgary's housing market ease off the pedal gradually rather than slam on the brakes," said the report.

According to the report, the average resale home price (condos and single-family homes combined) was \$346,700 in Calgary in 2006. It is estimated to reach \$432,000 this year — a hike of 24.6 per cent — and it is forecast to hit \$485,000 in 2008 — another 12.3 per cent increase.

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## MARGIN CALLS

Let Mickey grace your home

**PROPERTY** • Faced with the worst U.S. housing market in years, **KB Home** is wishing upon a star.

The No. 5 U.S. home builder said Wednesday it would begin to offer homes customized with **Walt Disney Co.** characters — such as Mickey Mouse, Cinderella and Pirates of the Caribbean.

Starting next year, buyers will be able to specify flooring, window coverings and lighting inspired by Disney characters.

"Almost 60 per cent of KB Home home buyers are families with children," said Wendy Marlett, senior vice-president of sales and marketing at KB Home, in a statement.



— Reuters

Setting up shop easy in Canada

**COMPETITIVENESS** • Starting a business in Canada is relatively easy; it's doing business here that's challenging, according to a World Bank report.

Canada is the second-easiest country in the world in which to launch a business, but falls to seventh when it comes to doing business, according to the latest annual report by the international development bank, which ranks 178 industrial and developing countries on how business-friendly they are, based on the ease of starting and running a company.

It takes on average just eight days and two steps for an entrepreneur to launch a business in Canada, compared with an average of nearly 15 days and six steps for industrial countries, the report Wednesday noted.

While Canada was second only to Australia as the easiest country in which to start a business, its overall business friendliness rating, while unchanged from a year earlier, was dragged down by its relatively poorer performance in the nine criteria used to determine the ease of operating a business.

— CanWest News Service

## HERALD ENERGY



Oilpatch spokesman Pierre Alvarez defends emissions

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