

U.S. ECONOMY

# Report reinforces gloomy outlook

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CANWEST NEWS SERVICE  
OTTAWA

The loonie plunged and North American stock markets sold off sharply as the mood on both sides of the border darkened amid new evidence the U.S. economy is already in or near recession and that the weakness is spreading.

The report of a much-deeper-than-expected drop in U.S. non-manufacturing economic activity last month, following last week's reports of declines in employment and auto sales, provide "compelling evidence" the U.S. is in recession, said BMO Capital Markets economist Sal Guatieri.

"The odds of another hefty Fed rate cut in March just went up, way up," he added.

"This development adds to the evidence . . . that the U.S. economic expansion has come to an end," said Stefane Marion, economist at National Bank of Canada, which is now forecasting the U.S. economy will shrink in the first half of the year by 1.4 per cent.

The unexpected slump in services, along with a report suggesting stagnant U.S. consumer spending in January, sparked concerns about the impact of a U.S. consumer-led recession on Canada's export-oriented economy, knocking the loonie down by more than one and a third cents to 99.28 cents US from \$1.0067 on Monday.

TD Securities economic strategist Jacqui Douglas noted that the drop in output of the services sector, which accounts for about two-thirds of U.S. economy activity, was the steepest on record.

"Looking at the details of the report, the situation is just as ugly," she said. "Overall, this report is just plain sour, and . . . we can be certain that U.S. economic growth got off to a very weak start in 2008."

A former Bay Street bull added to the gloom, meanwhile, with a revised, and much more bearish, outlook for both Bay and Wall streets through the first half of the year.

"North American stock markets face further declines this spring with the prospect of significant write-downs by North American banks and weakness in the U.S. economy," stated a summary of the report by CIBC World Markets chief economist Jeff Rubin.

The high-profile Rubin warned that the tandem of falling U.S. housing prices and rising default rates will likely trigger another \$50 billion in asset writedowns by North American banks this winter, which, combined with the struggling U.S. economy, could be a catalyst for another five per cent stock-market correction.

And that's despite the steep interest rate cuts by the Federal Reserve and the efforts by Washington to insulate some 300,000 mortgage holders from higher carrying costs, he noted.

However, Rubin remained bullish on the outlook for markets in the second half of the year.

"While interest rate cuts and fiscal stimulus will not salvage U.S. housing prices or prevent subprime mortgage default rates from rising, they should go a long way in containing broad contagion effects to the rest of the economy," he said, predicting a rebound in the U.S. economy and stock markets after midyear.



Fewer residents of other provinces are moving here than during 2006, when net migration hit a record level, says Canada Mortgage and Housing Corp. analyst Lai Sing Louie, and that's easing pressures for renters.

# Apartment pendulum swings in renters' favour

## Higher vacancies begin prompting rental incentives

MARIO TONEGUZZI  
CALGARY HERALD

Rental demand in Calgary is projected to moderate this year and the vacancy rate is forecast to rise slightly because of a drop in net migration to the city, says a new report.

The report by Canada Mortgage and Housing Corp. says vacancy rates bottomed out in 2006 at a record low level of 0.5 per cent and rose to 1.5 per cent in 2007. They are forecast to rise to two per cent this year.

And after two consecutive years of double-digit increases in the same sample rent of existing structures, rents are unlikely to rise as rapidly in 2008.

The local rental market has "softened considerably" from where it was a year ago, said Gerry Baxter, executive director of the Calgary Apartment Association.

"There are more units available for rent today than there were a year ago," he said. "The last six months of last year saw a pretty dramatic shift in the

CALGARY CMA RENTAL MARKET		
	Vacancy rate	Avg. rent*
2007	1.5%	\$1,089
2008 (F)	2.0%	\$1,140
2009 (F)	2.0%	\$1,175

SOURCE: CMHC  
NOTES: F — FORECAST. \*2-BEDROOM CMA — CALGARY CENSUS METROPOLITAN AREA INCLUDES THE CITY, AIRDRIE, THE MUNICIPAL DISTRICT OF ROCKY VIEW, CHESTERMERE, COCHRANE, IRRICANA, BEISEKER AND CROSSFIELD.

market and it continues now. Our members tell us they get lots of people coming to the door, but tenants are more discriminate. They're taking longer. They're shopping around."

Baxter said he expects the market to continue to soften slightly this year.

The CMHC report said the average rent for a two-bedroom apartment in the Calgary Census Metropolitan Area was \$1,089 in 2007 and is projected to rise to \$1,140 this year and to \$1,175 in 2009.

The vacancy rate is also expected to be two per cent in 2009.

Net interprovincial migration to Alberta has experienced the first drop since 1994, said Lai Sing Louie, senior market analyst in Calgary for the CMHC.

"That is a sign that not as many people are coming to Alberta, and Calgary gets about roughly 40 per cent of the interprovincial migration to Alberta, so that means there will be less people coming to Calgary," he said. "That's the primary reason why we've increased our projection of the vacancy

rate to two per cent."

Net migration in Alberta was a record in 2006 at 81,000 people. The numbers are not yet in for 2007, but the CMHC is estimating net migration was 47,000 and that is forecast to decline to 42,000 in 2008.

"The demand for rental accommodation remains strong in the Calgary CMA, but a drop in net migration has begun to ease demand pressure in the rental market," said the CMHC's first-quarter Housing Market Outlook report.

"Improved job markets in other provinces and the rapid escalation of housing costs relative to other parts of the country will contribute to lower levels of net migration to Calgary."

The report said higher home-ownership costs will keep some tenants in the rental market, but lower migration flows are the primary risk to the 2008 vacancy rate forecast.

Louie said with vacancy rates easing upwards, the market is starting to see the appearance of rental incentives.

"When landlords are advertising and giving you a break, they're likely not going to try to move (rent) up too much because they're trying to get people into their units," said Louie.

The apartment rental universe in Calgary is 38,150 units, he said, and there are also 6,447 condominiums for rent.

He said the number of private row and townhouse units amounts to 4,122. The CMHC has also done a survey on accessory suites such as basement apartments and in October 2007 it estimated there were 49,052 households renting those types of units.

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# IN BRIEF

From Herald News Services

## Barrick's new mine in Tanzania on target

**MINING** • Barrick Gold Corp., the world's biggest gold miner, said on Tuesday it expects its Buzwagi gold mine in Tanzania to be in production next year at a cash cost of less than \$300 US an ounce.

Alexander Davidson, Barrick's executive vice-president of exploration and corporate development, added that the Toronto-based miner is expecting much better results from its other mining operations in Tanzania.

Production at its Bulyan Hulu gold mine was hit last year when about 1,000 workers walked off the job. The mine has since returned to full production.

Barrick's expansion in Africa comes amid an industry-wide effort by gold miners to find new deposits as existing mines are depleted.

## TD Bank sets out green targets

**ENVIRONMENT** • Toronto Dominion Bank has announced it will be carbon neutral by 2010. The bank said it will reduce greenhouse gas emissions, purchase green power and set up a TD Emissions Reduction Fund.

On Monday, competitor Bank of Nova Scotia revealed it has set up a climate change fund, which it claimed was "the first of its kind in Canada." Also on Monday, Citigroup Inc., JP Morgan Chase & Co. and Morgan Stanley said they will set environmental standards for lending to power companies.

## Trader refuses to be 'scapegoat' for loss

**BANKING** • Societe Generale SA trader Jerome Kerviel said he won't become the "scapegoat" for the bank's 4.9 billion-euro (\$7.2-billion Cdn) trading loss.

"I am taking my share of responsibility, but I will not be the scapegoat for Societe Generale," Kerviel told Agence France-Presse on Tuesday.

Kerviel has been charged with breach of trust, falsifying documents and hacking into the computer systems of France's second-largest bank. The 31-year-old trader amassed 50 billion euros in bets on European stock index futures, the liquidation of which resulted in the biggest trading loss in banking history.

Kerviel told prosecutors during 48 hours of interrogation on Jan. 26 and 27 that the bank had been "complacent" about his trades.

"As long as we were winning and it wasn't too visible, things worked out, no one said anything," Kerviel told prosecutors.

## Screenwriters' strike cuts Disney's costs

**ENTERTAINMENT** • Walt Disney Co. said Tuesday advertising trends are strong during the current quarter, while chief executive Robert Iger said he expects to see cost savings as the company cuts back on the shooting of television pilots due to the screenwriters' strike.

"Even if there's a settlement soon and the writers go back to work quickly, it is guaranteed that we will make far fewer pilots this year than we have made in the past, and there will be some savings there," Iger told analysts and reporters on a conference call.

Iger said the strike did not significantly affect the company's first quarter.

The company Tuesday posted a quarterly profit far ahead of Wall Street targets, boosted by strong results at its theme parks, media and consumer products groups.

## Gilmore & Associates Inc. Announcement



Tim Collins

Ron Gilmore, President of Gilmore & Associates Inc. is pleased to announce that Tim Collins has joined the firm as Principal. Tim is a senior Security and IT professional who has held management positions and consulted in industry sectors including Oil and Gas, Legal and Financial Services, High Tech, R&D, Manufacturing and Government/Defence. Past clients and employers in these sectors include ATI Technologies, Halliburton, Occidental Petroleum, and Hewlett Packard.

In addition to his experience and training in the security industry, Tim is also an Incorporated Engineer and an information technology specialist with over 25 years of experience. He has architected and managed operations for multi-national companies and has extensive experience in international markets including the Middle East, Africa, Europe, the Far East and SE Asia as well as in Canada and North America. Tim has a comprehensive approach to security that is consistent with industry's adoption of converged security models that are supported and endorsed by international standards such as ISO17799, NIST and the PCI DSS. His understanding and experience in integrating effective IT, Security and Business Continuity practices into organisations enables him to provide clients with pragmatic, professional advice that both enables and empowers business success.

Gilmore & Associates Inc. is a Calgary-based information technology consultancy specializing in outsourcing guidance, project management, information architecture, security and ERP support.

David Richards, Regional Director, Prairie Region, is pleased to make the following announcements:

**Shane MacKay, Regional Sales Manager - Prairie Region**  
A strong team leader, Shane brings to Aon more than 20 years of progressive knowledge and sales experience in the areas of sales, strategy, management, training and staff development. A creative communicator and motivator, sales teams managed by Shane have a record of consistent year over year growth. Most recently with Cadbury Adams Canada as a Regional Sales Manager, Shane was also a Key Account Manager, Retail Sales Manager, Regional Field Sales Manager, and District Sales Manager.  
Shane will lead and effectively direct all sales activities, including researching prospects, developing business plans, organizing communication, and enhancing Aon's brand proposition.  
A graduate of the Commercial & Industrial Sales & Marketing program at Red River College in Winnipeg, Shane is also active in the community as a minor hockey coach, division coordinator and coach mentor.

**Jan LeRoy, Regional Leadership Development Manager - Prairie Region**  
Jan joined Aon in 2003 as the Regional Human Resources Manager, and brings to her new role over 28 years of experience in the areas of leadership development, personal coaching, training, program design and career coaching.  
Jan's diverse background includes a number of leadership positions in both the Human Resources and General Management fields encompassing a broad cross-section of industries.  
She is a graduate of the psychology program of the University of Western Ontario.  
Jan's passion for people and her enthusiastic approach to leadership coaching and mentoring supports Aon's strong commitment to leadership development and talent management in the Prairie Region.

**Russ Quilley, Alberta Regional Client Service - Market Relations**  
An accomplished client service professional, Russ brings to Aon more than 10 years of committed experience as an insurance broker. He has previously held Broker, Account Manager, and Marketing Manager roles within Aon. Russ excels at assessing and evaluating risk exposures, and providing solid insurance and risk management advice.  
Russ is a graduate of the Grant McEwen College where he received his Diploma in Insurance and Risk Management. He also holds a Fellow Chartered Insurance Professional and Fellow in Risk Management.

Aon is a world leader in risk management, insurance broking, reinsurance and human capital consulting services. As Canada's leading insurance brokerage and risk management firm, Aon is committed to developing superior financial and insurance products and improved, more cost-effective ways of dealing with risk.

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