

Inflation warning sparks selloff

Loonie surges as Toronto stocks take pounding

ERIC BEAUCHESNE
CANWEST NEWS SERVICE
OTTAWA

The Canadian dollar soared briefly above parity with its U.S. counterpart on Tuesday and the stock market plunged more than 400 points after the Bank of Canada warned that inflation will rise a lot more than expected, even as economic growth slows.

That warning was echoed south of the border by Federal Reserve Board chairman Ben Bernanke, who told the U.S. Senate banking committee there are "significant" risks to growth and more signs that consumer prices will continue to rise.

"News that Canadian home prices are now in retreat is the latest skunk at the economy's summer picnic"

DOUGLAS PORTER,
BMO CAPITAL
MARKETS

Oil prices plunged by the biggest dollar amount in 17 years after his remarks.

The outlook for weaker-than-expected growth in Canada was underscored by news that home prices have fallen for the first time this decade, with the average price of a home in June being 0.4 per cent lower than a year earlier.

"Coming amid the trauma in equity markets, the rolling credit crisis, and lofty energy costs, news that Canadian home prices are now in retreat is the latest skunk at the economy's summer picnic," said BMO Capital Markets economist Douglas Porter.

The Bank of Canada — which kept its trend-setting interest rate steady Tuesday — cautioned that there are "significant risks" that inflation could be even higher than the more than four per cent now projected or that growth could be even more anemic than the one per cent now anticipated.

The reaction in stock markets was negative leaving Bay Street's benchmark S&P/TSX composite index, which was down more than 400 points at one point, just over 383 points lower at the end of the day. The loonie also lost steam later in the day after briefly surpassing parity — on expectations of higher inflation, which would push up yields on Canadian securities — closing at 99.77 cents US, up from 99.48 Monday.

“ Anyone expecting a continued decline in average price will be surprised and disappointed

GREGORY KLUMP, CALGARY REAL ESTATE ASSOCIATION ECONOMIST



Jonathan Ernst, Reuters

Resale home prices eked out a 1.1 per cent gain for the first six months of 2008 in Calgary despite a jump in listings.

Calgary home sales take 32 per cent slide

Transaction decline for first half of year largest in Canada

MARIO TONEGUZZI
CALGARY HERALD

Residential MLS sales in Calgary for the first half of this year showed the largest decline in the country compared with a year ago, according to statistics released Tuesday by the Canadian Real Estate Association.

The number of MLS sales in the city during the first six months of 2008 fell by 32.3 per cent to 13,525 units and the total dollar volume also decreased by the biggest percentage in the country, by 31.6 per cent to \$5.6 billion.

The average MLS sale price in Calgary increased by 1.1 per cent to \$416,109 compared with the first half of 2007 while new listings rose by 14.7 per cent to 33,954 units.

Nationally, MLS sales dropped by 13.3 per cent to 169,265 units during the first six months of 2008 compared with 2007.

Total dollar volume also dropped by 10.5 per cent to \$57.6 billion, new listings rose by 8.1 per cent to 332,958 and the average sale price increased by 3.2 per cent to \$340,390.

Despite the decline in sales for the first six months of this year, "on a month-over-month basis sales have increased in Calgary in the last two months," said Gregory Klump, the real

MLS RESIDENTIAL SALES				
JUNE				
	Units sales	Year-over-year change	Average price	Year-over-year change
Calgary	2,400	-21.5%	\$418,866	-2%
Canada	30,751	-15%	\$341,096	-0.4%
First half of 2008				
Calgary	13,525	-32.3%	\$416,109	1.1%
Canada	169,265	-13.3%	\$340,390	3.2%

Source: Canadian Real Estate Association

estate association's chief economist.

"Sure they're well down from their peak . . . but price is really the reason that activity has receded from its peak early last year. With the surge in resale home prices in Calgary, that's made affordability difficult for more people and as a result that caused home sales activity to be down from its peak," he said.

"There's more product from which to choose and it's a less frenzied market."

But Klump said the trend has been for increasing sales in Calgary on a monthly basis.

"It's clear looking at the data that I'm looking at, that in terms of the prices, they've stabilized," he said. "Anyone expecting a continued decline in average price will be surprised and disappointed."

For the month of June, all categories showed decreases for Calgary in the residential MLS market compared with June 2007 — total dollar volume fell 23 per cent to \$1 billion; sales slid 21.5 per cent to 2,400 units; the average sale price fell two per

cent to \$418,866; and new listings dropped 8.4 per cent to 5,080 units.

Across the country, June sales dropped by 15 per cent to 30,751 units, total dollar volume decreased by 15.4 per cent to \$10.5 billion, the average sale price declined by 0.4 per cent to \$341,096, and new listings rose by 6.2 per cent to 55,639 units.

For Calgary, the market saw a cut in demand this year primarily because of a lower level of net migration, said Lai Sing Louie, senior market analyst in Calgary for Canada Mortgage and Housing Corp.

But he said that even though prices are off their peak they are still elevated. Louie said the number of residential properties for sale in Calgary remains high and it will take a while for the market to bring down that level of supply.

"And until that level of supply comes down, there will be downward price pressure on the marketplace," said Louie.

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IN BRIEF

From Herald News Services

Vehicle sales rebound in May, but trucks falter

AUTOMAKERS • Vehicle sales rebounded in May after three months of declines, although Statistics Canada's monthly report offered little good news for North American manufacturers reeling under the weight of rising gasoline prices and a faltering economy.

Statistics Canada reported Tuesday that despite the Canadian sales rebound, truck sales continued to fall and car sales were tilted toward overseas manufacturers.

According to the federal agency, seasonally adjusted data showed Canadian consumers bought 145,224 vehicles in May, a 1.1 per cent increase over sales in April. Of those totals, sales of passenger cars rose 4.3 per cent to 78,988 units.

"However, despite May's result, the trend for North American-built passenger cars remained flat while overseas-built cars continued to follow an upward trend."

Price at pumps rises to record above \$1.40 a litre

GASOLINE • You're lucky to find gasoline anywhere in Canada for less than \$1.30 a litre and the average is now more than \$1.40, according to figures released Tuesday.

Petroleum industry research firm MJ Ervin & Associates said the average price for regular gasoline across the country rose 0.6 cents over the past week to a record of \$1.401 a litre.

As usual, the highest average was in Labrador City, N.L., at \$1.552 a litre, even with last week's rates.

Kingston, Ont., had the cheapest gasoline at \$1.282 a litre, down 6.9 cents from the previous week, the biggest decline on record and the only place among the 60 communities surveyed where the average price was less than \$1.30.

A number of the major Prairie markets saw average prices unchanged, including Calgary at \$1.326 a litre, Edmonton at \$1.319, Regina at \$1.379 and Saskatoon at \$1.359.

Bombardier looks to China to fuel growth

AIRCRAFT • Bombardier Inc. aims to bolster its presence in China, both by collaborating with Chinese suppliers and in pursuing the market as a key area for selling planes.

"Bombardier will play an increasing role in China," CEO Pierre Beaudoin said Tuesday after signing a long-expected agreement with state-owned China Aviation Industry Corp. to build the centre fuselage for the CSeries family of jets.

"China for us . . . represents an important opportunity as manufacturers."

Bombardier already has 3,000 employees in China.

Bombardier's choice of China Aviation was, in part, to improve the company's chances of securing orders from Chinese carriers. China Southern and Shanghai Airlines are expected by analysts to announce orders for the CSeries family of 110 to 130 seat jets.

Vacancy rate eases for industrial space

MARIO TONEGUZZI
CALGARY HERALD

With more industrial real estate projects reaching completion, the market has seen the vacancy rate ease upwards from the beginning of the year, says a report by Colliers International in Calgary.

The report for the second quarter of 2008 says the vacancy rate continued to increase to 2.32 per cent from 2.19 per cent in the first quarter of the year.

And the vacancy rate is expected to climb over the next three to nine months with the arrival of just over two million square feet of industrial real estate product on the market by the end of this year.

"That being said, few new construction projects are planned when compared to the past 12 months," said the report. "This slowdown in planned and new construction is expected to be quite temporary as the influx of land coming to the market in 2009 is expected to provide large volumes to the marketplace."

In a total market of 115.2 million square feet, the Colliers report said just under 2.6 million square feet are vacant.

The report said the continued rise in industrial real estate vacancy "is in line with the trends seen in (the first quarter) with more projects reaching completion and ready for occupancy."

New industrial real estate developments under construction and expected to be completed this year include 670,000 square feet

CALGARY INDUSTRIAL REAL ESTATE MARKET

Second-quarter vacancy

Region	Sq. ft.	% change
Central	379,902	1.33
Northeast	802,155	2.38
Southeast	1,203,655	2.56
Total	2,587,446	2.32

Source: Colliers International Calgary

in the northeast and 1.5 million square feet in the southeast, said Jon Mook, vice-president and partner with Colliers in Calgary.

In the future, Calgary's ring road on the northern and eastern

outskirts of the city will have an impact on the industrial real estate market. For new companies that are shipping a lot of product, there will be a slow push to being close to that ring road because it will allow quick access in and out of the city, said Mook.

"We have an insatiable demand for industrial land," said Richard Pootmans, business development manager of real estate for Calgary Economic Development, adding the ring road will contribute significantly to the city's ability to service industrial land on both sides of 84th Street S.E.

"The utility corridor (ring road) will in fact enable us to bring a lot more serviced industrial land to the market."

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EDUCATIONMATTERS IS PROUD TO ANNOUNCE THREE NEW APPOINTMENTS TO THE BOARD OF GOVERNORS

JOHN C. DRYSDALE



John began his teaching career with the Calgary Board of Education (CBE) as an elementary school teacher at Collingwood School in 1973. During the next 34 years as a professional educator he served in a number of school based and system based leadership positions in the CBE. John retired in June 2007 as Superintendent of Educational Support Services. In addition to his CBE roles John has belonged to and served on a number of professional committees and community boards. John is also a patron of the arts and an avid reader. He has a passion for travel and the desire to pursue further volunteer community involvement and support for public education.

LYNDA LYSTER



Lynda dedicated 27 years to a career in education with the Calgary Board of Education. As a teacher, principal, and Director of Educational Services, she valued relationships and worked to upgrade public school libraries. Since leaving the CBE in 2006, she has assumed the Chair of the Marigold Library System, a cooperative network of libraries. In addition, she is Chair of Making Changes, an organization that helps women participate more effectively in the community. Lynda also continues to be involved with the welfare of children through Governors for Children and her work with schools in Mexico.

NANCY CLOSE



Nancy sits on the Board of Sage Theatre Society and represents Sage Theatre at imagineCALGARY. She helps coordinate the Collaborative Action committee in support of the imagineCALGARY Plan. Nancy was a trustee for the CBE for eight years. Previous to that, she was involved as a volunteer school council chair as well as being on the executive of the Calgary Council of Home and School Association (now CAPSC) and SPEAK (Support Public Education, Act for Kids). Nancy's passions are public education, the arts and the concept of building community.

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