

B.C.'s new-home buyers take double blow with high prices, six-per-cent GST

36-per-cent rebate on tax applicable only if house costs less than \$350,000

BY FIONA ANDERSON
VANCOUVER SUN

The high price of new houses in British Columbia means buyers are out of pocket in two ways: First, because of the high prices themselves; second because almost all now have to pay the six-per-cent goods and services tax.

GST is payable on the purchase of a new home, but a rebate kicks in for houses under \$450,000. The size of the rebate depends on the price of the house, with homebuyers entitled to a 36-per-cent refund if the house costs less than \$350,000. Once the \$350,000 threshold is reached, the amount of the rebate dwindles to zero as the price nears \$450,000.

The aim of the GST rebate program was to help middle- and

low-income purchasers in every region of the country, said David Gamble, spokesman with the federal finance department.

But in B.C., most new single-family homes now cost more than \$350,000, so the average low- or middle-income buyer is hit with a big GST bill, according to Peter Simpson, CEO of the Greater Vancouver Home Builders' Association.

The association has been lobbying the federal government to revisit the thresholds that were put in place when the GST was implemented in 1991. At the time, only 25 per cent of new homes in Vancouver cost more than \$350,000. Now almost all of them do, Simpson said.

According to numbers from the Canada Mortgage and Housing Corp., between January and May this year, 97.5 per cent of new homes in Vancouver cost more than \$350,000. What's of even more concern to Simpson is

that the same is now true elsewhere in the province, with almost 90 per cent of new homes in Abbotsford and Victoria, and more than half of the homes in Kelowna and Nanaimo, above \$350,000.

So moving outside Vancouver to find affordable housing is no longer an option, Simpson said.

Cities in the province take six of the top-10 spots in CMHC's national numbers for new houses costing more than \$350,000. Calgary, despite its blistering hot real estate market, doesn't even make it into the top 10, having only 25 per cent of its new homes above the threshold.

When the GST was put in, the government promised to review the threshold levels every two years and make adjustments as necessary, Simpson said. But there has been significant changes in the housing market since, and no adjustments, he added.

"We're extremely grateful for

the one-per-cent drop [in GST implemented in July], but along with that [the government] needs to take a good look at the rebate thresholds and make adjustments, like they promised, to reflect areas of high housing costs," Simpson said.

Gamble said his department has been reviewing the thresholds. "Finance officials will continue to monitor the situation and any recommended changes will be considered in the context of assessing fiscal priorities," Gamble said.

But Gamble wouldn't say whether any recommendations to change the thresholds had been made to the minister, saying such information would not be public. It would be up to cabinet to change the thresholds, he said.

Gamble said analysts concluded that housing affordability remains relatively healthy in most markets.

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Finning deals troubled division to Briggs UK

REDUCING DEBT | B.C. firm takes a writeoff as Briggs enhances presence in Britain

BY CRAIG WONG

Heavy equipment dealer Finning International Inc. has signed a deal to sell its troubled British materials handling division to Briggs Equipment UK Ltd. for \$175 million Cdn.

The Vancouver-based company said Monday as part of the sale it will take a one-time after-tax charge of about \$33 million, or 37 cents a share, in the third quarter, primarily for the write-off of goodwill and intangible assets.

"We've been involved in this process for some several months... and in respect of the other party I think it's fair to say they had been entertaining, for some time, a U.K. presence," said Finning CEO Doug Whitehead.

"Insofar as Briggs plays in this space, I think the U.K. opportunity was something that intrigued them [the buyer]."

Proceeds from the sale to Briggs Equipment UK, a subsidiary of Sammons Enterprises Inc. of Dallas, will be used to reduce debt. Finning said Monday it will buy back about \$105 million of \$418 million of outstanding notes due in 2013.

Whitehead said the sale will allow Finning to focus financial and management resources on businesses in the U.K. that are more closely connected to its Caterpillar equipment division, which include dealerships in England, Scotland and Wales.

Finning paid \$220 million for British materials-handling firm Lex Harvey Ltd. in 2003 and combined it with the company's existing materials handling division in Britain. The U.K. materials handling business had dragged on Finning's bottom line.

In local currency, revenue for the second quarter this year from the materials handling division of the company's U.K. operations was 19.2 per cent lower than the same period last year due to lower revenues in both rental revenues and equipment sales.

The materials division is mostly a stand-alone operation, with "one or two activities which are shared services," said Nick Lloyd, managing director of Finning Group operations in the U.K.

Lloyd said Finning will provide those services to the purchaser for "a short period of time."

"Some areas, obviously, will have reduced workload going forward in the support area and we're obviously planning to resize those accordingly," Lloyd said.

"The majority of the thousand staff will transfer with the business. It is a remarkably clean process for us."

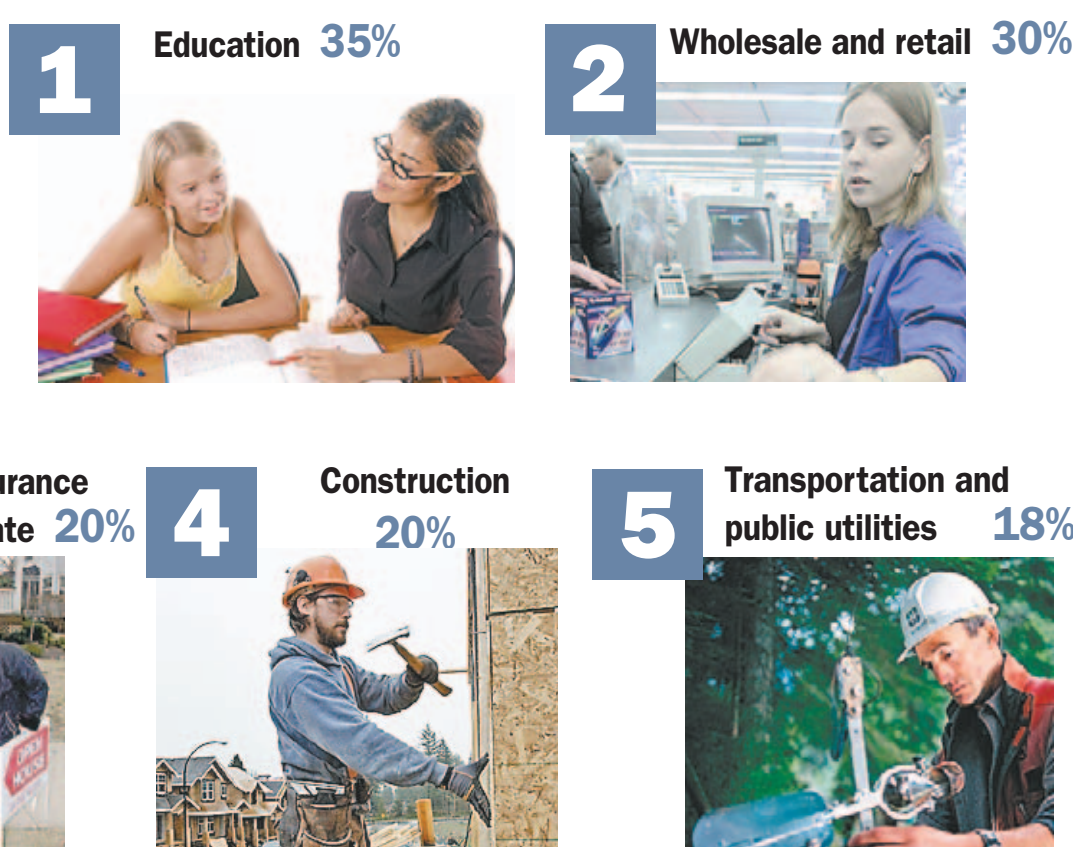
The transaction with Briggs is subject to customary closing conditions and adjustments and is expected to close by Sept. 29.

In Monday trading on the Toronto Stock Exchange, Finning shares dipped 59 cents to \$37.94.

Canadian Press

The hiring range

As the job market cools, it helps to know which sectors are still warm. These are Canada's top five hiring sectors for the fourth quarter of 2006, by net percentage of business expecting to hire new employees.



Source: Manpower Inc.

VANCOUVER SUN

Labour market expected to cool in fourth quarter

ECONOMY | A survey shows 14 per cent of employers plan to cut their work force

BY BRUCE CONSTANTINEAU
VANCOUVER SUN

Vancouver area job seekers should expect a cooling labour market in the fourth quarter this year, according to the latest Manpower Employment Outlook Survey.

Twenty-nine per cent of local employers plan to hire workers in the quarter while 14 per cent plan to cut their work force and 54 per cent will maintain current staffing levels, concludes the Manpower Inc. survey.

The net employment outlook — the difference between the number of employers who plan to hire and the number of employers who plan layoffs — is 15 per cent in Vancouver. That's down sharply from 43 per cent for the third quarter this year.

The national survey of more than 1,700 Canadian employers revealed a national net employment outlook of 18 per cent — including 45 per cent in Calgary, 40 per cent in Edmonton and 34 per cent in Victoria.

Manpower Inc. is an international employment placement firm that regularly conducts such surveys.

"The outlook for Vancouver still

remains positive because 54 per cent of employers say they will maintain their current staff levels, which includes all the very heavy hiring that went on late last year and early this year," said Don Cormack, a representative of Manpower's Vancouver office.

He said many employers have likely scaled back their hiring intentions due to labour shortages and a lack of qualified people to fill certain jobs.

"You can't hire people if they're not there," Cormack said. "In our business, we just can't find enough people to fill job openings and that even includes unskilled labour."

The survey said the strongest hiring sectors in the Western Canadian market for the fourth quarter include wholesale and retail trade (with a net employment outlook of 45 per cent), construction (42 per cent), education (29 per cent) and finance-insurance-real estate (28 per cent). Transportation and public utilities had the lowest net employment outlook, at three per cent.

Greater Vancouver Home Builders' Association chief executive officer Peter Simpson said the Lower Mainland house construction sector remains as strong as ever so builders are still looking to hire more workers.

"Construction is migratory but we're still seeing a lot of people coming here to work," he said in an interview. "I'm trying to get some things done at my house and I have to line up like everyone else. Guys are cancelling on me left

and right because they have bigger jobs to do."

Business Council of B.C. executive vice-president Jock Finlayson said the survey results appear to be consistent with recent unemployment reports that show the pace of job growth in B.C. is declining. B.C. lost 2,000 jobs in August and the provincial unemployment rate rose from 4.7 per cent to 4.8 per cent, which is still extremely low by historical standards.

"The general economic picture in the province remains pretty good but I think the pace of economic growth may be moderating," Finlayson said. "The downturn in the U.S. economy, weaker lumber prices and the sharp runup in the Canadian dollar are all combining to impart a more modest tone to economic expansion."

He agreed with Cormack that the decline in Vancouver's net employment outlook has as much to do with a lack of qualified workers to fill jobs as it has to do with a slowing economy. Finlayson also said it's no surprise that Calgary and Edmonton employers have more aggressive hiring plans than those in Vancouver.

"The Alberta situation is truly unique in Canada and I think we'll see Alberta lead the country on hiring, economic growth, investment growth and everything else for the next few years, unless oil prices really fall dramatically," he said.

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Housing starts drop more than expected

Apartment and condo construction down, report says

BY ERIC BEAUCHESNE

OTTAWA — Home construction has slowed more than expected, and the sector — which has been an engine of overall economic growth — was already a drag on industrial activity as early as last spring, a pair of agencies report.

Housing starts fell 10 per cent last month to a seasonally adjusted annual pace of 213,700 — their lowest level in a year after three straight months of increases, pulled down by a drop in apartment and condominium construction, Canada Mortgage and Housing Corp. reported Monday.

Urban housing starts declined even further, by 11.3 per cent to 179,300 units in August compared to July. Urban multiples decreased 22.2 per cent to 87,800 units in August, while singles were up 2.6 per cent to 91,500 units.

The drop for urban housing starts was even greater in British Columbia, where they fell 21.2 per cent, the biggest percentage plunge of any province.

Double digit declines were also recorded in Ontario, the Atlantic region, and the Prairie region where urban starts were down 19.8, 18.0, and 10.0 per cent respectively. Urban starts were up 19.6 per cent in Quebec.

"Although this outcome was clearly softer than most were expecting, it is hardly a harbinger of doom for the Canadian housing market," said TD Trust economist Eric Lascelles, noting that housing starts are still relatively robust.

Further, residential building

plans are still holding up, which bodes well for an ongoing healthy pace of housing activity, and new home prices continue to rocket upward at nearly 10 per cent per year. This, Lascelles said, suggests that, if anything, housing starts are not currently keeping pace with demand.

But housing was already cooling last spring, a separate report from Statistics Canada suggests.

Overall, Canadian industries were operating at 85.5 per cent of their capacity in the spring, down from 85.7 per cent in the first quarter — the third straight quarterly decline, it said. "Most export-based industries and industries associated with the housing market reduced their capacity utilization in the second quarter," it said.

Industrial capacity, a measure of how busy businesses are, was also down from the 87.6 per cent peak reached during the late 1980s housing boom.

The reports, which followed news last week that job growth has stalled, add to evidence the economy is cooling off.

Rising house prices will continue to dampen demand for new homes in the latter part of this year, CMHC chief economist Bob Dugan said.

Bart Melek, BMO Capital Markets economist, also warned the storm clouds gathering over the U.S., a softening employment environment, and higher interest rates will all gradually erode activity in the coming months.

But mortgage rates "have moderated recently" noted J.P. Morgan economist Ted Carmichael.

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