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Price increases in Calgary's robust housing market have been moderating "because people have simply been priced out," says economist Amy Goldbloom.

# Housing affordability diverging

## Edmonton prices taking off while Calgary easing up

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CALGARY HERALD

Call it a tale of two cities in Alberta's housing market. A report by RBC Economics on housing affordability says the province's two largest cities — Calgary and Edmonton — are diverging when it comes to affordability in the current hot real estate market. "Calgary recorded decent affordability improvements for two-storey homes, detached bungalows and condos in the first quarter, while the spotlight turned to Edmonton, which saw a significant deterioration in affordability," states the report released on Friday. "The divergence in affordability trends between the two cities is chiefly the result of house price trends and the fact that Calgary is further up the curve in terms of hefty price gains already booked. Although its annual gains are still robust (up 30 per cent to 40 per cent), Calgary saw quarterly price gains wind down significantly and even post an outright decline for two-storey and detached homes."

The report, authored by RBC assistant chief economist Derek Holt and economist Amy Goldbloom, said in contrast to Calgary, the pace of house price growth accelerated in Edmonton in the first quarter, posting significant double-digit quarterly increases. "While the economic drivers are expected to remain supportive, the strong drop in affordability in the past year will create headwinds for Edmonton's housing market momentum in the coming year by dampening demand and consequently limiting price growth," said the report. RBC has compiled the housing affordability measure since 1985. It shows the proportion of median pre-tax household income required to service the cost of mortgage payments (principal and interest), property taxes and utilities on a detached bungalow, a standard two-storey home, a standard townhouse and a standard condo (excluding maintenance fees). For the first quarter, the Calgary housing affordability measures were as follows: detached bungalow, 39.6 per cent; standard two-storey, 41 per cent; standard townhouse, 32 per cent; and standard condo, 25.7 per cent. Those figures for the fourth quarter of 2006 were: detached bungalow, 40.7 per cent; standard two-storey, 42.8 per cent; standard townhouse, 31.4 per cent; and standard condo, 25.9 per cent.

The average prices in Calgary for the first quarter and their percentage increase from a year ago were: detached bungalow, \$402,122, 28.9 per cent; standard two-storey, \$410,167, 27 per cent; standard townhouse, \$326,939, 41.6 per cent; and standard condo, \$260,411, 38.4 per cent. Goldbloom said there is a little bit of a moderation in price growth in the Calgary housing market. "There's been severe cost escalations which have slowed down the economy. So we're starting to see it come off of these very high peaks. Still remaining obviously at very elevated levels," said Goldbloom. "But this is a natural sort of slowdown that's occurring because people have simply been priced out of the housing market. We've seen a very steady deterioration throughout 2006 in affordability and that's now starting to filter through. "The impact of that deterioration is starting to have an effect on demand. So we're starting to see demand ease off which helps take some of the price pressures off as well."

Lai Sing Louie, Canada Mortgage and Housing Corp.'s senior market analyst for Calgary, said there is general upward pressure on mortgage rates right now which impacts affordability. There's also been good, steady growth in the average prices in Calgary during the first quarter of the year. "Wages are rising. Just in Calgary, the year-to-date wage growth is just under six per cent. It's not quite on average covering the growth in housing prices. All that tends to impact affordability," said Louie. For the first quarter, the Edmonton housing affordability measures were as follows: detached bungalow, 38.5 per cent; standard two-storey, 39.4 per cent; standard townhouse, 28.7 per cent; and standard condo, 27.7 per cent. Those figures for the fourth quarter of 2006 were: detached bungalow, 33.4 per cent; standard two-storey, 35.9 per cent; standard townhouse, 22.9 per cent; and standard condo, 22 per cent. The average prices in Edmonton for the first quarter and their percentage increase from a year ago were: detached bungalow, \$361,176, 55.8 per cent; standard two-storey, \$360,800, 51.3 per cent; standard townhouse, \$269,794, 70.5 per cent; and standard condo, \$264,800, 87.3 per cent.

“Calgary is further up the curve in terms of hefty price gains”

RBC ECONOMICS REPORT

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Herald Archive, Edmonton Journal

The pace of house price growth accelerated in Edmonton in the first quarter of this year, posting double-digit increases, according to RBC Economics.

# U.S. sales overstated, COLD-fX maker admits

## Revision reduces Edmonton firm's earnings by \$5.5M

CANWEST NEWS SERVICE  
EDMONTON

CV Technologies Inc. overstated its U.S. sales of cold and flu remedy COLD-fX by \$5.6 million for fiscal 2006 after a disappointing launch led to a raft of returns from retailers, the company said in a release late Thursday. The company earned \$639,000 for the year, \$3.5 million less than originally reported, while the first-quarter 2007 loss jumped \$2 million to \$3.6 million, restated earnings show. Trading in CVT shares was halted April 19 after it failed to file financial information on time. It announced the numbers would be restated, and predicted the increased losses that it reported Thursday. It last traded at \$1.50 on the Toronto Stock Exchange on April 19, down sharply from the 52-week high of \$4.46. Restating the financials was a condition of being allowed to resume trading. "Given that the U.S. was a new market and that COLD-fX was a new product for this market, the company has now realized that in the absence of any history of returns, the criteria to recognize revenue were not met," CVT said. The company now does not recognize revenue until "the risk of prod-

uct returns is substantially eliminated," adding some of the returned cold and flu treatment will be repackaged and sold in Canada. The restated fiscal 2006 earnings were worth one cent a share, compared with four cents a share in the original filing. The first-quarter 2007 loss was three cents a share, compared with the previously reported one cent a share. CVT also reported it lost \$3.3 million in the second quarter ended March 31, compared with a \$1-million profit for the same period last year. Revenues were down \$2.1 million to \$7.9 million. The Edmonton-based company said a slower than normal spring respiratory illness season was the key factor in the sales drop. CVT also said investment in higher-than-anticipated inventory and normal slow summer sales meant it had to arrange a \$10-million demand operating line of credit based on margining of accounts receivable and inventory and financing of the new corporate headquarters building up to \$6.1 million. CVT recently named Ross Montagnano chief operating officer, and said it is currently recruiting a sales vice-president. It also said a senior executive advisory team is being put together that would include independent business professionals.

# Aging workforce could affect growth: StatsCan

ECONOMY • Canada's lagging employment productivity could become even more of an issue as the country faces a labour force slowdown in coming decades, a new report suggests. Statistics Canada reported Friday that Canada's labour force will continue growing, but the overall participation rate will fall sharply during the next quarter-century in the wake of the nation's low fertility and the retirement of millions of baby boomers. The overall participation rate is the

proportion of the total population aged 15 and over actively in the labour force. The aging of the population will be exacerbated starting in 2011, when the first baby boomers will reach the age of 65, the report noted. The agency suggested that future economic growth may have to depend less on employment growth and more on higher productivity, which could offset the consequences of a slowdown, or even decline, in the labour force. — CanWest News Service

# IN BRIEF

FROM HERALD NEWS SERVICES

## Google complaint 'baseless,' Microsoft CEO says

COMPUTERS • Microsoft Corp. chief executive Steve Ballmer on Friday said a complaint lodged by Google Inc., accusing the software giant of stymying competition, is "baseless," as Microsoft is complying with a 2002 antitrust settlement. In a complaint filed with the U.S. Department of Justice last December, Google said a feature built into Microsoft's Windows Vista operating system that allows users to search a computer's hard drive does not leave room for competition from other desktop-search applications. Google argues this feature violates a consent decree that monitors Microsoft's behaviour as part of its settlement with the U.S. government, which had accused the company of using its monopoly to harm competition by incorporating new features into its operating system.

## Benign U.S. inflation report reassures financial markets

ECONOMY • A steady rise in food and energy costs pushed overall U.S. consumer prices up 0.7 per cent in May, the sharpest rise in a year and a half, a government report showed Friday. However, the core measure of the U.S. Labor Department's consumer price index, which removes food and energy, rose just 0.1 per cent, below Wall Street's median forecast of 0.2 per cent. With volatile food and energy costs out of the picture, the muted price gains reassured financial markets that inflation remains under control. A year-on-year rise in the core consumer price index of 2.2 per cent was the lowest since 2.1 per cent in March 2006.

## Best Buy to shut down two U.S. repair shops

ELECTRONICS • Best Buy Co. Inc. said Friday it will close two repair centres by mid-August and eliminate 180 jobs in a cost-cutting move. The U.S. consumer electronics retailer, which has operations in Canada, said it will close a repair centre in the Minneapolis suburb of Bloomington, which employs 140 people, and one in St. Louis, which employs 40 people. Both centres repair audio-visual equipment such as camcorders and music players, said spokeswoman Dawn Bryant. She said the work will be taken over by a Best Buy repair centre in Chicago. After the closures, Best Buy will still have 10 repair centres. "This is all about efficiency and maximizing square footage and reducing overhead," Bryant said. She said she had no estimate for how much the closures would save Best Buy. Workers in both centres will get help finding other jobs, either within Best Buy or outside the company, she said. Best Buy operates the Best Buy and Future Shop outlets in Canada.

## Areva offers \$2.5 billion US for uranium miner

ACQUISITIONS • French nuclear giant Areva has presented a takeover bid for UraMin Inc. that puts a \$2.5-billion US value on the South Africa-headquartered company interlisted on the Toronto Stock Exchange. Areva said Friday it is offering \$7.75 US per share for UraMin stock, or about \$8.25 Cdn at current exchange rates. After a halt was lifted Friday morning on the Toronto stock market, UraMin shares rose 46 cents or 5.8 per cent to \$8.40 Cdn. This was up from \$6.95 before the company said Monday it was in negotiations on a potential sale, and up from \$2.55 a year ago. UraMin, whose main asset is the Trekkopje uranium project in Namibia along with exploration sites in the Central African Republic and South Africa, "perfectly fits into Areva's strategy to significantly increase its uranium production in the medium term," according to a joint statement. UraMin's board supports the proposal, and Areva — which already owns 5.5 per cent of UraMin — has lock-up agreements with officers and directors holding 25 per cent of UraMin's shares.

## Announcement

The Board of Directors of Shaw Communications Inc. is pleased to announce the appointment of Gregory J. Keating to the Board.

Mr. Keating joins our Board with many years of experience as an executive in both the cable and satellite industry and has a Bachelor of Arts (honours) from Saint Francis Xavier University. Gregg grew up in the cable industry under the tutelage of his late father, Charles V. Keating, one of Canada's pioneers in the industry and a former Shaw board member. Gregg lives in Nova Scotia and has three children.

Mr. Keating is currently Chairman and Chief Executive Officer of Altimax Venture Capital, which is the parent company of The Keating Group, a Nova Scotia based privately held company with a diversified portfolio of businesses including: Altimax Courier, a national transportation courier service; Landmark Developments, a diverse real estate company; Altimax Network Service Ltd., satellite direct sales, installation and service; and Glamour Sources Ltd., specialty products supplier to the professional beauty industry.

With our continued growth in all areas of our business, we believe that Mr. Keating's experience, skills and knowledge will provide us with valuable insight and direction.

Please join us in welcoming Mr. Keating to the Shaw Board of Directors; we wish him every success in this role.



Gregory J. Keating

