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CALGARY HERALD

September 29, 2007

HOW CALGARY TWINS ROSE TO THE TOP OF THE ALT-POP WORLD

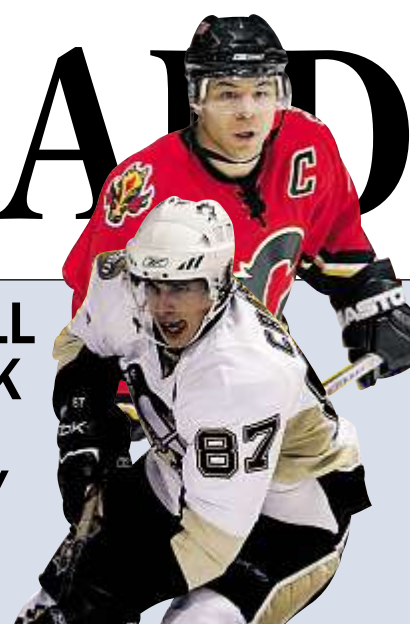
Entertainment, Page D1



Tegan & Sara

WHO WILL YOU PICK IN OUR HOCKEY POOL?

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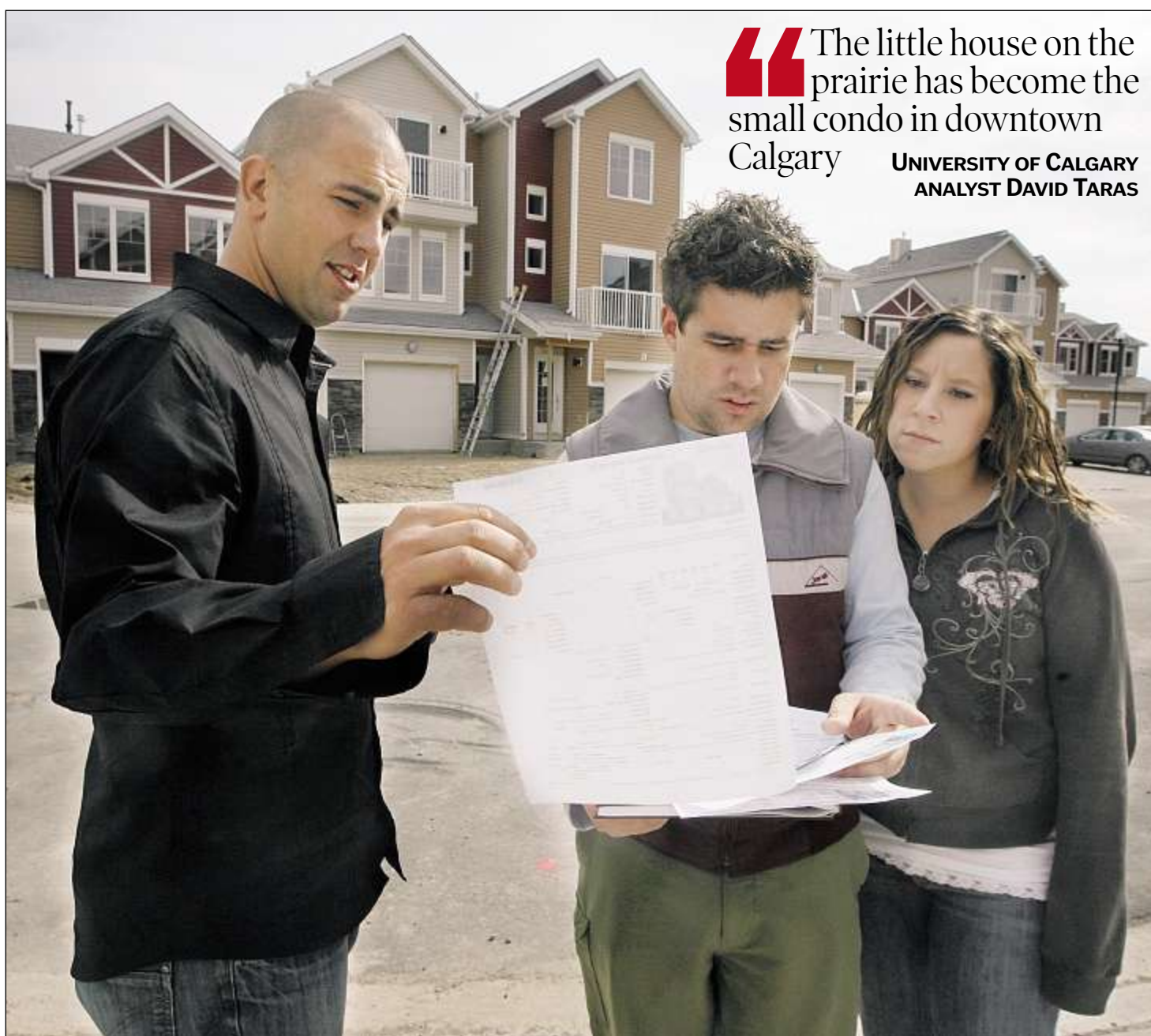
SATURDAY, SEPTEMBER 29, 2007

GIMME SHELTER



SPECIAL REPORT

HOUSE PRICE EXPLOSION LOCKS OUT MIDDLE CLASS



“The little house on the prairie has become the small condo in downtown Calgary”

UNIVERSITY OF CALGARY ANALYST DAVID TARAS

Real estate agent Derek Morin, left, goes over home sale listing sheets Friday with Ryan Munday and Stephanie Jacques. The couple were shocked to learn they can't afford to buy a house in Calgary's high-priced market despite their professional salaries.

Calgary buyers downsize dreams

KELLY CRYDERMAN
CALGARY HERALD

For their first house, Ryan Munday and his girlfriend had a simple wish list: a backyard, garage and monthly mortgage payments close to the \$1,500-a-month rent they now pay for their downtown apartment.

Munday, 25, is an electrical engineer for Petro-Canada and Stephanie Jacques, 24, works as a substitute teacher. The two professionals didn't think their ambitions were unreasonable.

“We realized very soon it was

very close to impossible,” Munday said.

The couple was pre-approved for a \$350,000 mortgage. With some financial help from Jacques' sister, Munday thinks their monthly mortgage payments will be about \$1,600 once they find a place to buy.

But instead of a typical house with a wooden fence — and a patch of land to barbecue in privacy — they are limited to a condo or townhouse in their search.

“It was a big shock,” Munday said, adding his engineering friends constantly discuss how little they can afford.

“To have two professional incomes in one household and not be able to afford a house is ridiculous.”

Across the city, it's a common refrain of disappointment.

Young working Calgarians who always expected to own a home as big — or bigger — than their parents had are now doing a hard reassessment.

The city no longer offers the bounty of cheap land that drew many of the province's early

settlers, or even the newcomers who arrived from Saskatchewan or rural Atlantic Canada as little as two years ago.

That bargain-basement time has passed — replaced by an era of big-city housing realities.

“The little house on the prairie has become the small condo in downtown Calgary,” said University of Calgary political analyst David Taras, who contends Alberta's “gold standard” for middle-class life is shifting dramatically because of the huge upswing in housing prices.

SEE HOUSING, PAGE A4

EnCana makes \$1B threat

Stelmach calls for calm amid royalty debate

LISA SCHMIDT
CALGARY HERALD

Alberta's royalty debate reached a full boil Friday as the country's largest petroleum producer warned it will withdraw \$1 billion in spending from the oilpatch if the province proceeds with changes to the royalty system.

Premier Ed Stelmach appeared unmoved by the threat from EnCana Corp. that it would drastically cut spending in the province — which the

IN THEIR WORDS

“It's getting ugly out there.”

Charles Frank, Page C1

“There would be life after EnCana.”

Don Braid, Page A8

Calgary-based firm called “just the tip of the iceberg” — if the government approves a proposal to raise royalty rates on oil and gas developments.

A government-commissioned report found Albertans are not getting their “fair share” from oil and gas development in the province, recommending changes to the royalty and tax system that would boost the government's take.

SEE ENCANA, PAGE A8

Fallen soldier was uneasy about mission

Fallen Calgary soldier Cpl. Nathan Hornburg was visibly anxious three days before his deployment to Afghanistan, recalls his long-time friend Lourdes Juan.

“There was a nervousness to him that I've never seen before,” Juan said.

A plane carrying Hornburg's body was greeted by his family after landing Friday at Canadian Forces Base Trenton in Ontario.

Cpl. Nathan Hornburg with friend Lourdes Juan.

See stories, Page A3



Fred Thornhill, Reuters
Gen. Rick Hillier consoles family members of Calgarian Cpl. Nathan Hornburg.

TRAVEL
Why Paris still towers over other tourist destinations

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Complete weather information Page E10

Today 10°
Tonight 0°

Loonie leaves greenback behind

The Canadian buck finally closes trading above parity with the U.S. dollar, hitting \$1.0052 US

See story, Page C1

CITY & REGION
Paramedics warn pay deal may spark exodus

Page B1

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TOP NEWS

THE MIDDLE-CLASS HOUSING SQUEEZE



GIMME SHELTER

The Herald looks into the housing landscape of three of the most expensive cities in Canada to see how middle-income earners are adapting. Toronto and Vancouver can provide some indications as to what Calgaryans can expect in the years ahead.

Today: Many working Albertans are for now giving up on their dream of a single-detached house. Young people in Canada's priciest cities are taking on significantly longer mortgages or living longer with Mom and Dad.

Sunday: Newcomers streaming into the province are surprised to find there are no limits to how much a landlord can increase the rent — although increases are limited to once per year.

Monday: With about 80 rental units being transformed into condos every month in Calgary, the Herald will take a look at measures Toronto and Vancouver city councils say protect tenants' homes.

FROM AI HOUSING: Prices put crunch on professionals

In the past year, much local attention has focused on the homeless and low-income earners caught in this "super-boom," as Taras calls it. But teachers, firefighters, waiters, nurses, engineers and other middle-income earners are also feeling crunched by the thumping hikes in housing costs. More and more, people who didn't get into the market before the double-digit percentage increases of the past several years are leaving town, getting financial help from family, or simply living longer with mom and dad.

Albertans are also leading the country's quick uptake of mortgages lasting as long as 40 years, which add tens of thousands of dollars in extra interest over the life of the home loan.

All that, and people are scaling back their housing expectations. "The damage has been done and we're now in this new affordability tier," said Adam Legge, director of research and business information for Calgary Economic Development.

A city report looking to 2016 found that housing affordability is at its worst point in 23 years, thanks to the dramatic price increases of 2006.

"Even though incomes in Calgary have risen," the study said, "they did not increase enough to cancel the effect of rising house prices."

While the rate of rent hikes and housing price increases has moderated over the last few months, the city has taken its place among Canada's most expensive cities — centres such as Vancouver and Toronto.

There, people rent long past the age when most Albertans expect they will be able to buy. Professionals with good incomes often live for years in tiny condos, and single adults or couples often stay in their parents' homes well past their early 20s.

This new reality is a tough switch for a city where home ownership is part of the ethos.

Among larger Canadian cities, Calgary has the highest rate of ownership in the country — with almost three-quarters of city citizens holding title to a shelter. That compares to 68 per cent in greater Toronto and 65 per cent in greater Vancouver, according to Statistics Canada.

"It's indoctrinated into us — 'you own real estate,'" said Jennifer Podmore, a former Albertan who now owns a Vancouver-based company called MPC Intelligence, which tracks new residential developments. "Now we have to do a cultural shift and think about whether 'land' counts if it's 35 storeys up."

Albertans now put a higher share of their incomes towards mortgages, taxes and upkeep than people in any other province — except for B.C., according to a housing affordability report from RBC this month.

In fact, Alberta is now less affordable than Ontario, home to Canada's largest city.

As the entire country endures the largest and most broad-based slide in affordability since the 1990s, Alberta "house prices have been growing at a pace well above incomes and, within a fairly brief period, this has created stressed affordability conditions," the report said.

For many Calgaryans, the math is daunting.

A local family or household must have an income greater than \$100,000 a year to qualify for a mortgage on a standard bungalow, according to RBC.

A separate analysis from Calgary Economic Development found only one in four city families can afford the mortgage and costs associated with purchasing a mid-range, single-family home.

"Affordability of housing has definitely eroded," said Legge, who noted business owners now peg housing as one of their top three issues.

"Calgary had always been able to be a place where people getting a start or people at middle income levels could afford a house.

"That may be a disappearing trend in Calgary."

The average sale price of a single-family home in the city hit a record high in July of more than half a million dollars, although it dipped to \$473,154 this month.

At the beginning of the decade, that figure stood at \$188,841.

The prices in Calgary's rental market — which increased by an average of 18 per cent last year — don't make renting a particularly affordable alternative for some residents. Canada Mortgage and Housing Corp. predicts the average rent for a two-bedroom apartment in Calgary will be \$1,075 this year.

And anyone looking at the local listings today knows it's hard to find an above-ground two-bedroom unit for under \$1,200.

These trends are leading many city-dwellers to increasingly turn to higher-density

CALGARY

MANO AND SANDRA CANTANIA FACE A 40-YEAR MORTGAGE WITH HEFTY MONTHLY PAYMENTS OF NEARLY \$3,000



Newlyweds Mano and Sandra Cantania signed on for years of mortgage payments after they bought this northwest home.



Incomes in Calgary have not kept pace with increasing house prices in the city.

HOW CALGARY PRICES COMPARE

	Average price	Mortgage	Affordability index*	Qualifying income	Monthly payment
Vancouver	\$589,916	\$442,437	70.7%	\$128,882	\$3,150
Calgary	\$459,889	\$344,916	44.8%	\$100,998	\$2,456
Toronto	\$411,224	\$308,418	44.8%	\$95,909	\$2,196
Montreal	\$226,453	\$169,839	36%	\$58,232	\$1,209

*Affordability index is the percentage of income needed to service the mortgage, taxes and utilities
 Note: Average prices of a single-family bungalow as of second quarter of 2007. Mortgage is calculated as home price minus 25% down payment. Qualifying income is the income demanded by banks to consider a mortgage of that size. Monthly payment is for a five-year fixed mortgage at 7.19%. Source: MLS, Royal Bank, National Post

housing, such as duplexes, apartments and condominiums.

CMHC expects a province-wide drop in single-detached housing construction due to "continued price escalation."

So far this year, multi-family starts in Calgary account for more than 42 per cent of the housing market, compared to

36.2 per cent in 2005, a sure sign that higher-density housing is gaining popularity.

"Cost is one factor for the trend towards multi-family living, but lifestyle and location are others," said Lai Sing Louie of CMHC.

Generally, condominiums for middle-income earners are getting smaller in size — espe-

cially close to downtown or along public transit routes.

"That's all being driven by affordability," Podmore said.

Although many smaller units are being built for young workers or investors who will rent them out, developers are making sure these crunched spaces are far more livable.

Cardel Homes, for instance,

has shifted more of its focus from single-family homes to meet the demand for multi-family units.

Tim Logel, head of the multi-family division of the company, said it is working on a project to develop larger-than-usual one-bedroom units.

Each will be about 775 square feet, and Logel hopes this extra space and better design will mean that single people or couples will find them comfortable to live in for the longer term — rather than just a transitory couple of years.

But many don't make it as far as a one-bedroom condo without their parents' help.

"Every year since we started (building multi-family) in 2000, more and more people have sought the assistance of their family," Logel said.

"And people are staying longer in the home to save." Not only are baby boomer parents — many who bought their houses decades ago — bucking up for condo down-payments or co-signing mortgages, they are often housing their own grown children

According to Canada's most recent census, the number of adult children living with their parents is steadily increasing, with the numbers higher in larger cities where there are many immigrant families and housing costs are sky-high.

Year by year, Calgary is becoming that kind of city.

SEE FAMILY, PAGE A5



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TOP NEWS

FROM A4 FAMILY: Couples share mortgage payments to save cash

Earlier this year, Sukhjinder and Harjit Danjal bought a large \$400,000 house with Sukhjinder's parents in the city's northeast. The two couples, along with little one-year-old Jodhveer, moved into the brand-new house — with two master bedrooms — this month.

"It's a cultural thing," says Harjit Danjal, 27, who is taking university courses while her husband works for Gas Liquids Engineering. "When you get married in an Indian family you have to live with the husband's family."

The arrangement carries tradition forward, and it's also an affordable choice. The \$2,800 monthly mortgage payments are split equally between the two generations.

"If you're living together you can save more," says Sukhjinder Danjal, 28. "On my own I wouldn't have been able to buy it. You know how the prices are now. My parents wouldn't have been able to buy it."

The impact of the housing squeeze runs across the spectrum.

Calgary-Hays MLA Art Johnston says there are obvious challenges when it comes to Calgary's housing situation — he's seen them up close.

Last year, three of his four adult sons were back living at home.

Two were saving for condos and one had been ejected from his apartment due to a condo conversion.

"It concerns me when I look at the situation Calgary-wide and provincially," the former police officer said. "Friends are moving in with friends, or family members are helping."

While some young people turn to their families, others — in increasing numbers — turn to longer-term mortgages and low, or no, down payments.

Newlyweds Mano and Sandra Cantania took out a zero-down mortgage on a \$505,000 Hawkwood house that they took possession of late in the summer. They were planning on renting for a couple more years to save for a down payment.

But with a baby on the way, they wanted to buy now.

Mano, a petroleum engineer who hails from Regina, expected he would be able to buy a "normal" house, with a two-car attached garage. His wife, an advertising executive, wanted to live in an established neighbourhood with mature trees.

The couple just expected it to cost about \$200,000 less than what they actually paid.

"Then, boom, it's up to half a million," said Mano, 35.

Not wanting to compromise, the couple learned about the zero-down mortgage option from their broker. "I didn't know we could do that," Mano said. "I kept telling Sandra, 'I don't know

where we're going to get the down payment.'"

The Cantanias now have a 40-year mortgage with monthly payments just under \$3,000, which Mano calls a "kick to the wallet."

Other Calgarians are following a similar path. In the last year, mainstream financial institutions have reverted to offering long amortization periods not seen for three decades — in the 30-to-40 year range.

In 2006, CMHC started insuring zero-down mortgages — propelling them into the Canadian mainstream — for people with good credit and lots of future earning potential.

"It can help people access housing who otherwise wouldn't be able to get into the marketplace or afford the house that they have selected," said CMHC's John McWilliam.

A quarter of all new mortgages in Canada this year are 30-, 35- and 40-year mortgages — and nowhere are they more popular than in Alberta, according to Derek Holt, assistant chief economist for RBC.

Holt will release a detailed report next week showing the uptake for these new mortgages is highest in Wild Rose Country, followed by B.C. and Ontario.

While such long-term loans are helping people enter an expensive market, they're also drastically driving up debt levels.

On a modest-sized \$300,000 loan, homeowners will pay \$200,000 more in interest charges if they choose a 40-year mortgage over a more traditional 25-year one, said Gary Siegle of mortgage brokerage firm Invis.

Paul Bojakli of brokerage Mortgage Intelligence said at least one in five mortgages he now sees are for people who put down five per cent or less — people with excellent credit who are trying to keep up with the Joneses. "It's like a higher class of poverty," Bojakli said. "People are just on the verge. They're living in big homes and they're just on the verge. They're just keeping it together."

Economic times remain promising, but as many long-time Albertans can attest, it's hard to predict the future — especially when it comes to real estate.

Many financial tools are helping people buy homes, but Calgary Economic Development's Legge wonders "if they're on the margin, what happens if the interest rates rise?"

That's a risk it seems many are willing to take, even if prices are steep and expectations are shrinking for people hoping to own their own shelter.

"It's more exciting than anything to know you're investing in something like that," says Munday, who was hunting for a townhouse on Friday.

"It feels a lot better to be paying a mortgage than to be paying rent."

KCRYDERMAN@THEHERALD.CANWEST.COM

VANCOUVER

KARINE NG PAID \$229,000 FOR THIS ONE-ROOM, 440-SQUARE-FOOT CONDO IN TRENDY KITSILANO



Kim Stallknecht, CanWest News Service

Karine Ng paid almost "the price that one would pay in Hong Kong" for her apartment, says her mother.

Rentals common in pricey market

KELLY CRYDERMAN
CALGARY HERALD
VANCOUVER

When Karine Ng's family immigrated to Canada from Hong Kong 16 years ago, her parents carefully pored over real estate listings for days — before proclaiming Vancouver a true bargain.

However, her mother wasn't quite as enthusiastic earlier this year when the 28-year-old bought a tiny studio-style condo in popular Kitsilano.

At just 440 square feet, the place looks more like a college dorm than a home worth \$229,000.

"You're almost paying the price that one would pay in Hong Kong," Ng's mother told her.

Ng, a high school teacher, is thankful she was able to plunk down a significant down payment after saving money while living with her parents and working abroad.

But all of Ng's possessions have to squeeze into a space the size of a normal condo's living room, and her Murphy Bed has to be packed back into the wall whenever guests visit.

"It fits everything and I'm happy with it, but the price is quite hefty," said Ng, who pays about \$1,100 a month in mort-

gage payments and condo fees.

"It's a studio and really small."

Welcome to the most expensive city in Canada, famous for its "hefty" housing prices.

Forbes magazine recently declared Vancouver the second-most overpriced city in North America, after Los Angeles — a claim unlikely to be disputed by the greater metropolitan area's two million residents.

This is a place where people paid more than \$750,000, on average, to purchase a single-detached home this year.

In part, this trend is driven by the upcoming Olympics; in part it's the baby boomers pumping money into investment and recreational property, and to a significantly lesser extent, it's foreign dollars flowing in to buy Canadian land.

With all these factors putting upward pressure on prices, more than half of the population rents. Construction hammers being wielded are mostly working to put together new high-density, multi-unit housing.

If buyers can realize the dream of acquiring an unattached house with a patch of grass, most consider a secondary or basement suite a normal requirement just to help cover mortgage costs.

A would-be homeowner must have a household income of almost \$130,000 to buy and maintain a standard bungalow in Vancouver, or \$93,000 for a townhouse, according to RBC.

However, the same study found Calgary is increasingly in the same high-priced realm.

For more than a year, Cowtown has been the second- or third least-affordable city in Canada, depending on what type of housing is being examined. For instance, it now takes a household income of \$79,000



Kim Stallknecht, CanWest News Service
Colin Miley and his girlfriend Azadeh Etemadi stand in their apartment's tiny kitchen.

for someone to buy a townhouse in Calgary, according to RBC.

In Vancouver, residents have been wrestling with concerns about the stratospheric cost of housing for much longer.

"Who is supporting the economy? It's the workers and if they get priced out, then Vancouver will become a resort town," said Tom Durning, of the Tenant Resource and Advisory Centre, a group that advocates for British Columbia renters.

"How will you support a workforce if they can't afford to live here?"

With an international border, mountains, ocean and even agricultural land reserves within urban areas blocking the unfettered growth of single-family homes, Vancouver residents have adapted.

Single-detached houses make up just a third of all homes in the greater-Vancouver area — which includes municipalities as far east as Langley and Maple Ridge — whereas they make up 60 per cent in Calgary.

Increasingly, Vancouver residents live with less floor space.

Or, they swallow a lengthy commute and move way out east or north.

And like Calgary, there are signals that the zero down and 40-year mortgages are increasingly a factor in helping people afford housing.

Yet, even with extended mortgages and a long history of high housing costs, annual housing price increases of about 10 per cent recently — combined with the labour shortage afflicting all of Western Canada — has left many Vancouver residents grumbling.

Condo fees — an often-underestimated cost of multi-family housing — have doubled in the last five years, said Antonio Gioventu, executive director of the Condominium Home Owners' Association.

"What little gains people have had (in income) have been substantially eroded," Gioventu said. "I wonder how the next generation is going to be able to afford housing."

The next generation is wondering themselves.

"Even the rough neighbourhoods in Vancouver are ridiculously expensive," said Colin Miley, 34, a freelance writer who is renting a small apartment in east Vancouver with his graphic designer girlfriend so they can save for a house.

They'll have to buy somewhere on Metro Vancouver's fringes — perhaps Langley, an hour-long drive from downtown, if the traffic is light.

"Even two people working five days a week can't just waltz in and get a mortgage," Miley lamented.

"It's really hard to get excited about what you can get."

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