

IN BRIEF

From Herald News Services

Xstrata to spend \$3.8B on nickel mine

SOUTH PACIFIC • Xstrata PLC said on Wednesday it will spend \$3.8 billion US to develop the open-pit Koniambo nickel mine on the South Pacific island of New Caledonia.

Xstrata Nickel owns a 49 per cent stake in Koniambo, with the remainder held by joint venture partner Societe Miniere du Sud Pacifique.

Xstrata paid more than \$20 billion to acquire Canadian mining giant **Falconbridge Ltd.** last year. It joins Brazil-based **CVRD**, which is building the Goro nickel project on New Caledonia, a French Overseas Territory. CVRD paid \$17.5 billion last year to buy the Canadian miner that started development of Goro, **Inco Ltd.** Koniambo will have initial annual production of 60,000 tonnes of nickel per year.

Bank of Nova Scotia expands in Mexico

BRANCH NETWORK • Bank of Nova Scotia, Canada's second-largest bank, plans to almost double its Mexican branch network over the next three years to tap growing demand for loans and deposits, the head of the bank's Mexico unit said.

The Toronto-based bank plans to have 800 to 900 branches in the country, up from about 550. The lender will open 100 offices in Mexico next year alone.

"We've proven that we can open good branches in good locations and get good results," Anatol von Hahn said in an interview in Lima, where Scotiabank is holding an investor conference.

Abbott Labs boosts Ottawa output

DIAGNOSTIC GEAR • Abbott Laboratories, the Chicago-area drug company, said Wednesday that sales of i-STAT diagnostic gear made in Ottawa grew more than 20 per cent in the latest quarter.

Abbott tried to sell a broad range of diagnostic products to **General Electric** earlier this year for \$8.13 billion US but the deal fell apart in a disagreement over price, triggering a shareholder lawsuit and special charges which hurt company results in the third quarter ending in September.

Newmount, Shore set budget

ORION PROJECT • Shore Gold and Newmont Gold have committed a \$12-million budget to go underground at its Fort a la Corne joint venture on a large kimberlite it has dubbed Orion.

The company is using freeze wall techniques to sink the shaft and has borrowed the headframe from Shore's Star diamond project located several kilometres away. Shore head geologist George Read said the experience at the Star kimberlite was that going underground for a bulk sample produced a much higher diamond count per tonne.

Taqa to fund takeover with Canadian bonds

FINANCING • Abu Dhabi National Energy Co., the state-controlled power and oil company known as Taqa, plans to sell bonds in Canadian dollars, Moody's Investors Service said.

Taqa's wholly owned Canadian unit, Taqa North Ltd., is selling the notes to help finance the company's \$4 billion acquisition of Canada's **PrimeWest Energy Trust**, Moody's said Wednesday in a statement.

Moody's rates the bonds the same level as the Abu Dhabi government at Aa2, its third-highest investment-grade ranking.

Transport strike set to paralyze France

TRAFFIC • France faces transport chaos today as rail and energy workers test President Nicolas Sarkozy's will to reform with a 24-hour strike in defence of historic pensions privileges.

Nationwide rail traffic will be at a near standstill with just 46 TGV fast trains running out of the normal 700, state-owned rail operator SNCF said.

Paris metro, bus and regional commuter networks will operate only a skeleton service.



Adam Legge, Calgary Economic Development research and business information director, says the levelling off of housing prices will slow overall inflation in Calgary.

Housing prices forecast to be flat in 2008

'Crazy' market coming back to earth

MARIO TONEGUZZI
CALGARY HERALD

A major Canadian real estate firm is forecasting average house prices in Calgary to remain static next year and sales to drop.

The **Re/Max Housing Market Outlook 2008** report, released Wednesday, says the average price for single-family homes and condominiums combined will increase an estimated 20 per cent this year compared with a year ago and hit \$415,000 for 2007 but it is forecast to remain stagnant in the year ahead.

The report says Calgary's economic performance has been supercharged in recent years but the residential housing market will reflect a changing economy which is slowing down.

The report estimated residential sales to increase by two per cent this year from 2006 and hit 33,580 sales but residential unit sales are expected to fall six per cent to 31,500 units in 2008.

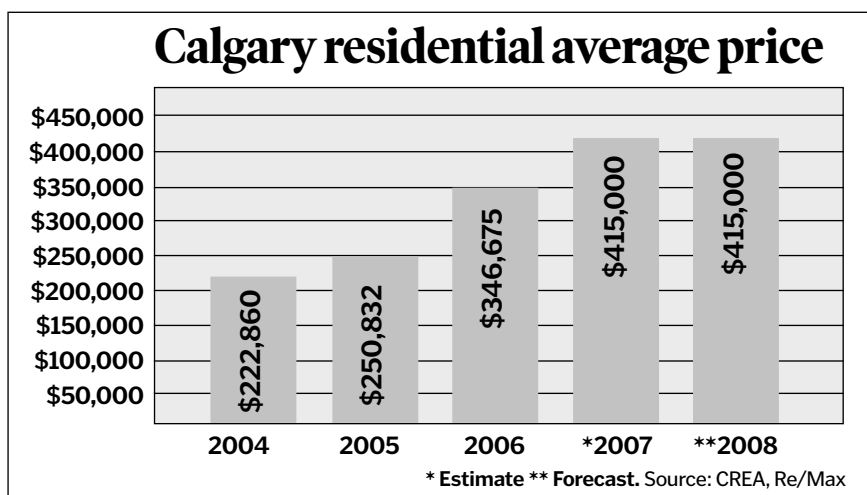
The report says that despite a strong start to the year in 2007, potential purchasers "pulled back as housing inventory hit peak levels in Calgary."

The number of homes available for sale exceeded 11,000 in September.

"Speculation has been a factor in the marketplace, with less experienced investors anxious to cash-out at the crest," says the report. "Demand still exists for properties across the board, but many purchasers are now approaching home ownership with caution."

The levelling off of housing prices will slow overall inflation in Calgary given that housing is the "lion's share of consumer price index inflation," said Adam Legge, the Calgary Economic Development's director of business and research information, adding he does expect to see some price growth in 2008.

"It will generally slow a lot of that



price pressure and intensity that's been happening in the market."

In September, the 2008 Calgary Economic Outlook report prepared by Legge for the CED said inflation is often a signal of intense economic activity but it is dangerous at high and prolonged levels.

"Calgary simply can't afford it — literally and figuratively," said the report.

In January 2007, the Real Estate Investment Network forecast an 18 per cent hike for the year in average house prices for Calgary as well as an additional 12 per cent growth in 2008, said Don Campbell, president of the network and author of the book *Real Estate Investing in Canada*.

"It's starting to come back to a sense of reality," said Campbell.

Canada Mortgage and Housing Corp. also has a slightly different take than Re/Max on the 2008 housing market as it projects local price growth to be in the "single digits," said Lai Sing Louie, senior market analyst in Calgary for the CMHC.

The official CMHC forecast will be released on Oct. 30.

"The year before we had 38 per cent growth. This year it's around 20 per cent. Next year it will be in the single digits it looks like," said Louie.

The Calgary housing market is "coming off a crazy year last year" and in the last couple of months, listings have grown, said Michael Cain, broker/owner of Re/Max House of Real Estate in Calgary.

He said speculators in the local marketplace "are the ones who really cause the trouble for us because they go out and buy two and three houses and sit and hold, and then all of a sudden 'oh, hey, we better get rid of them.' They start putting them all up for sale."

Nationally, the number of homes sold is expected to break through the half-million threshold in 2007, climbing 13 per cent to an estimated 545,400 units, up from 483,770 units one year ago. Average price is projected to appreciate nine per cent to \$303,000, up about \$25,000 over 2006 levels. In 2008, home sales are expected to retreat to 500,000 units while Canadian housing values are forecast to continue their ascent, rising six per cent to \$321,000.

Major market front-runners for price appreciation in 2008 include St. John's (12 per cent), Regina and Kelowna-Central Okanagan (nine per cent), Hamilton-Burlington and Saint John (eight per cent) and Greater Vancouver (seven per cent).

Leading the country in sales growth next year will be Kitchener-Waterloo (seven per cent), followed by Hamilton-Burlington, London-St. Thomas, Sudbury and Halifax-Dartmouth, each forecasting a five per cent gain.

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CANADA

Signs of cooling economy multiply

ERIC BEAUCHESNE
CANWEST NEWS SERVICE
OTTAWA

Evidence that the Canadian economy has already started to lose steam mounted on Wednesday amid a warning from the International Monetary Fund, echoing one by the Bank of Canada earlier this week, that the slump in growth in Canada, the United States and globally will be deeper than either expected just three months ago.

Sales by Canadian wholesalers fell a surprising two per cent in August, more than wiping out the gains of the previous two months.

The news from Statistics Canada of the broad-based retreat in wholesale sales followed its report a day earlier that manufacturing activity during the month was also weaker than expected, prompting some analysts to project that the overall economy also actually shrunk during the month.

J.P. Morgan economist Ted Carmichael, who has been bearish on the outlook for the Canadian economy and been urging the Bank of Canada to start cutting interest rates, said the latest report supports his projection that economic output shrunk at least 0.1 per cent in August and fell to an annual pace of less than two per cent in the third quarter of the year.

The International Monetary Fund, meanwhile, cut its forecast for Canadian economic growth next year by half a point to 2.3 per cent, continuing a slide from 2.5 per cent this year, 2.8 per cent in 2006, and 3.1 per cent in 2005.

The world's banker of last resort also cut its forecast for U.S. growth to just 1.9 per cent both this year and next, and its projection for overall global growth in 2008 to 4.8 per cent.

In Canada, domestic strength propelled the pace of growth to more than three per cent in the first half of the year, and public finances remain strong, the IMF noted.

"Nevertheless, the short-term outlook is clouded by weaker prospects in the United States and the recent global financial market turmoil, which has affected parts of the Canadian markets," it said.

Further, the risks are that the U.S. economy will weaken even more than forecast, it warned.

Reinforcing that fear was news out of the U.S. that housing starts there plunged a further 10.2 per cent last month to 30.8 per cent below their year-earlier level and that building permits, a measure of future construction plans, fell 7.3 per cent to 25.9 per cent below the same month last year.

"The contraction in the housing sector is transitioning from an average downturn to among the worst in the post-World War II history of the U.S. economy," said **BMO Capital Markets** economist Michael Gregory, adding the risk of an outright U.S. recession is rising as the housing market sinks ever deeper.

Other analysts also noted that news that U.S. inflation isn't easing raises questions about how much further the U.S. Federal Reserve will be willing to cut interest rates to offset the impact of its deepening housing recession, which along with the ensuing global credit crunch, and Canada's strong currency, has now spilled over into Canada's economy.

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