

CALGARY BUSINESS

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MARGIN CALLS

59-carat watch sells for \$1.3M

JEWELRY • Watchmaker Jaeger-LeCoultre, part of Cie. Financiere Richemont, said on Tuesday it sold its most expensive watch ever, as demand for super-luxury goods remains resilient despite fears of an economic slowdown. Yves Meylan, the company's French director general, said the 1 million-euro (\$1.3 million) watch with a diamond-studded bracelet was sold along with a matching watch with a leather strap for \$934,000 by Dubrail, a Paris-based dealer which specializes in clients from the Middle East and Africa.

"It's the most expensive watch bracelet we have ever produced and sold," he said in a telephone interview.

The Gyrotourbillon movement watch and bracelet is encrusted with 459 diamonds weighing 59 carats. Without the stones and work involved in mounting them, the watch usually retails for around \$387,000, he said.

Alibaba.com scores big debut

E-COMMERCE • Shares in Alibaba.com nearly tripled on their trading debut on Tuesday, beating all expectations, after China's largest e-commerce firm raised \$1.36 billion in Hong Kong's most popular initial public offering.

The stirring debut reflects voracious appetite for China-related stocks, as investors, many of whom received far fewer IPO shares than they wanted, shrugged off the Hong Kong market's sharp drop on Monday and what several observers consider to be a sky-high valuation to buy Alibaba.com shares.

"I'm not convinced," said Andrew Clarke, a trader at Societe Generale Securities in Hong Kong.

"It's massively overpriced. I'd rather go buy Exxon at 15 times earnings."

Shares in Alibaba.com, in which U.S. Internet giant Yahoo Inc. is a key investor, traded as high as \$4.69, compared with an IPO price of \$1.59, which was at the top of an indicated range after the company's share sale drew record demand from Hong Kong retail investors.

HERALD ENERGY



Court clears way for appeal of coal bed methane drilling decision

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Leah Hennel, Calgary Herald

Darryl Schmidt, director of leasing in Calgary for Cadillac Fairview Corp. Ltd., says massive new retail projects in the city are reacting to pent-up demand.

Famed retailers racing to Calgary's red-hot market

Louis Vuitton, Tiffany, plan to open stores

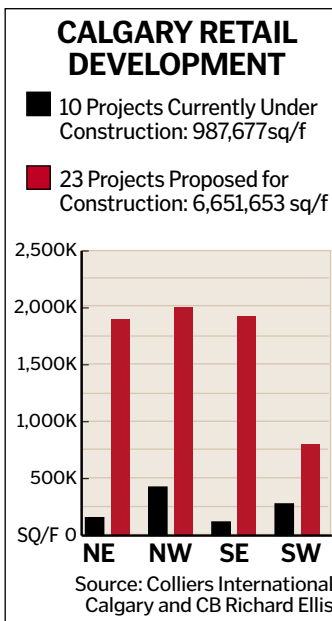
MARIO TONEGUZZI
CALGARY HERALD

Calgary's booming economy, a young population and high levels of disposable income have some international retailers looking at this marketplace — some overlooking Toronto and Vancouver — as their first entry point into Canada.

A record low vacancy rate and pent-up demand is fuelling massive retail development in the city, with about one million square feet currently under construction and another 6.6 million square feet proposed for the city.

Within the next year to three years, Calgarians can expect to spend their dollars at a number of new retail giants which will set up shop here for the first time including Louis Vuitton, Tiffany, Gucci and Apple.

"The massive retail projects are reacting to the pent-up demand," said Darryl Schmidt, director of leasing in Calgary for Cadillac Fairview Corp. Ltd., during the Buildex Calgary conference Tuesday.



ference Tuesday.

"There's far too much retail demand for the inventory in the market today."

The overall retail vacancy rate in Calgary is currently 1.3 per cent — a record low — in an inventory of just under 31 million square feet of development throughout the city.

"This is exceptionally low," said Schmidt, adding that street-front retail is also at a 1.33 per cent vacancy level.

"It's dramatically below what we would consider equilibrium

in the marketplace."

So far this year, a total of 856,900 square feet have been added to the inventory. There is another 987,677 square feet currently under construction in 10 different projects, which will increase the inventory by 5.8 per cent, added Schmidt.

And there are 23 projects proposed, representing 6,651,653 square feet, which would increase the total inventory in the next 24 to 36 months by 21 per cent, he said.

"We still are underserved on a retail per square foot per capita basis," said Schmidt.

The development is being pushed forward by continuing strong sales. Recently, a report by Kubas Consultants said retail sales in the Calgary area are forecast to break the \$23-billion mark this year and the \$25-billion level in 2008 — recording among the highest annual percentage growth rates in the country.

The report said retail sales in the Calgary Census Metropolitan Area will grow by 9.9 per cent this year to \$23.2 billion while next year the growth is forecast to be 9.6 per cent to \$25.5 billion. In 2006, retail sales in the Calgary CMA were \$21.2 billion.

SEE RETAIL, PAGE D8

Loonie romps to record \$1.08 US

Dollar buoyed by high oil prices, fading greenback

ERIC BEAUCHESNE
CANWEST NEWS SERVICE
OTTAWA

It was another record day for the loonie, which soared on Tuesday to a new modern-day high of \$1.08 US on a surge in commodity prices and weak U.S. dollar.

The Canadian dollar closed at \$1.0852 US, up from \$1.0718 US on Monday. It extended its gains beyond \$1.09 after North American markets closed.

Most of the rise was linked to record oil prices, which topped \$98 US in early trading today, a 28-year high for gold and a falling U.S. dollar, which declined due to expectations of another U.S. Federal Reserve cut.

And it won't be the last new height to be reached, according to a major Canadian bank.

Scotiabank has upped its forecast for the high-flying currency to \$1.12 US, citing the upward push that will come from the fiscal stimulus spurred by last week's promised tax cuts, and continuing high prices for commodities that Canada exports, especially oil.

"The Canadian dollar is well positioned to extend current gains . . . over the next two quarters on the ground of robust support from commodity prices and increasing fiscal stimulus," the bank said.

It is the second forecaster in as many days to suggest the \$60 billion in federal tax cuts, including a second cut in the GST announced by Finance Minister Jim Flaherty last week, will help spur the rise in the dollar, adding to woes of Canada's struggling manufacturing sector, which is being hammered by the strong currency.

A U.S. think-tank, High Frequency Economics, warned the tax cuts will stimulate an economy the Bank of Canada has already warned is too hot, forcing it to raise interest rates further, and putting more upward pressure on the currency.

The U.S. dollar, meanwhile, "remains under sustained downward pressure," Scotiabank said, noting the greenback has fallen against most major currencies, including to record lows against the euro.

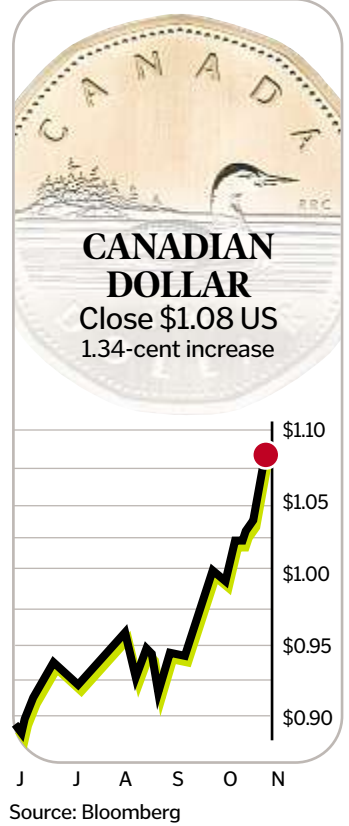
And with the U.S. Federal

Reserve likely to cut interest rates to keep that economy from being pulled into a recession by the housing-market meltdown, the U.S. dollar will likely fall even further against most currencies, it said.

"The U.S. economy is in deceleration mode," it noted.

In contrast, the Canadian economy remains relatively strong, it said.

"However, the downside risks to the outlook have increased significantly in the wake of the ongoing turmoil in global credit markets, the deepening downturn in the U.S. housing market, and the record-breaking run-up in the Canadian dollar," it added, noting that Canada is more



exposed than any other country to a downturn in the U.S. with exports there accounting for 30 per cent of Canada's economic output.

But Bank of Canada senior deputy governor Paul Jenkins, in a speech in New York, said that with the emergence of giant developing economies, like China and India, and the ensuing surge in global demand and prices for commodities, there's been a disconnect this decade between the performance of the Canadian and U.S. economies.

The share of Canada's exports going to the U.S. has fallen to 79 per cent this year from a peak of 87.1 in 2002, and while the commodity boom has boosted Canada's trade earnings, it has eroded those of the U.S., he noted.

SEE LOONIE, PAGE D9

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CanWest News Service Archive
 Calgarians can expect a great influx of top-rate retailers within the next three years, including Abercrombie and Fitch, according to one retail analyst.

FROM DI RETAIL: 'We're merely slowing down to red-hot'

The burgeoning sales numbers will push the Calgary CMA to capture 5.6 per cent of all Canadian sales this year and 5.9 per cent in 2008.

The economic boom in Alberta and the resultant high migration numbers to the province are the biggest factors in the growing retail sales numbers for Calgary, said Ed Strapagiel, executive vice-president of Kubas Consultants.

"It really comes down to the economy," he said. "Even though the retail outlook for Calgary seems to be down from last year in terms of growth (16.2 per cent in 2006), it's really partly because last year was white-hot and we're

merely slowing down to red-hot."

Schmidt said Calgarians can expect a great influx of top-rate retailers within the next three years, including Pottery Barn Kids, Abercrombie and Fitch, Coach, Michael Kors, Hollister Co., Whole Foods, Lacoste, Bass Pro Shops, Cabela's, Aldo Collection, Urban Outfitters and many others.

"It's very bullish. Right now we're getting retailers that are contemplating making their first entry into Canada, Calgary," said Schmidt. "That's never occurred before."

Traditionally, it's been Toronto or Vancouver, but

Schmidt said he's got three or four retailers interested in making Calgary their first entry point into Canada.

The commercial real estate industry is finally seeing some relief from the basically zero per cent vacancy rate recently experienced in the downtown office market, with the rate now in the two per cent range, said Chris Howard, vice-president of Aspen Properties Ltd., at the Tuesday conference.

By 2011, Howard said the downtown office market vacancy rate could be in the nine per cent range, factoring in all the new construction.

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