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TUESDAY, MARCH 25, 2008

Land for homes doubles in value

Huge demand will keep lot prices sizzling

MARIO TONEGUZZI
CALGARY HERALD

The total dollar volume for residential land transactions in Calgary ballooned to \$712 million in 2007, more than doubling what it was two years ago.

Data compiled by **RealNet Canada Inc.** shows residential land sales in Calgary have been on a steep rise since 2001 when they totalled \$136 million, but they began to soar in 2005 when they reached \$350 million and then went to \$572 million in 2006.

"When we've talked in the past about anticipated decrease in housing with costs, it's not on the horizon because the land that developers are buying which they're going to pass through to builders is a lot more," said Deep Shergill, president of the Canadian Home Builders' Association for the Calgary region.

"The land has consistently gone up in price around Calgary . . . Our lot prices as builders are going up. So our lot prices are reflecting what's happening to land prices."

Shergill said many of the land deals were likely made and closed before things levelled off in the housing market in the Calgary region. "I do know that developers that have purchased land even this year are still paying more than they paid the year before," he said.

"The basic thing is there is a shortage of land either perceived or otherwise. The reason I say perceived or otherwise is that it really depends on which way the city is going to grow. Where the development permits may be available . . . If you're buying land in an

existing area where an area structure plan has already been done, then you're basically just buying a small piece to develop. That is available, but that's at a higher price obviously because there's not very much land that you can bring on fairly quickly."

And because of that, Shergill said, it's not likely to see lot prices going down any time soon. He said there remains a huge demand for single-family homes in the market.

"A lot of people are waiting to see if prices are going to stabilize or if they are going to come down. There's always the outside chance, but the reality is that I don't think the prices have really moved in the past few months," said Shergill. "The demand is there, but supply is very limited."

The years 2006 and 2007 in particular experienced high levels of new residential construction throughout the city, said Lai Sing Louie, senior market analyst in Calgary for **Canada Mortgage and Housing Corp.**

"Prices escalated quite dramatically for land," he said. "At one period in 2006, the land component of (Statistics Canada's) New Housing Price Index indicated that people were paying 50 per cent more for land than they were a year previous and that went on for a period of time."

In the most recent data by Statistics Canada, the federal agency said new house prices in the Calgary Census Metropolitan Area grew by 5.6 per cent between January 2007 and January 2008. In 2006, the rate of new home price growth in the Calgary region peaked with a stunning 60.6 per cent year-over-year hike in August.

The Calgary CMA includes the city, Airdrie, the Municipal District of Rocky View, Chestermere, Cochrane, Irricana, Beiseker and Crossfield.

SEE LAND, PAGE D6

FLYING IN THE LAP OF LUXURY



Oilsexco Inc. CEO Arthur Millholland pauses on the steps of a Bombardier Challenger 605. The corporate jet departed Calgary on Monday on the inaugural flight for its first Canadian customer.

Ted Jacob, Calgary Herald

High-flying Flexjet makes Calgary debut

Oilpatch's rise turns city into 'key focal point' for growth

JON HARDING
CALGARY HERALD

Bombardier's newest, most expensive corporate jet departed Calgary International Airport on Monday on an inaugural flight for its first Canadian customer, yet another sign the oilpatch is rolling despite turbulent times shaking other North American business sectors.

In a move that echoes the recent arrival of luxury car makers Ferrari and Bentley amid sky-high oil and natural gas prices, **Bombardier Flexjet** said it too is honing in on Calgary.

Flexjet's business involves selling stakes in small, luxurious private aircraft as a less expensive option to owning a

new corporate jet outright.

Dallas-based Bombardier Flexjet, a wholly owned subsidiary of Montreal-based aerospace giant Bombardier Aerospace, sees enormous growth potential among scores of Canadian oil companies, large and small, that have foreign operations.

Flexjet is, therefore, now circling Calgary as its "key focal point" for growth in Canada, said the company's senior vice-president of marketing, Sylvain Levesque.

"You essentially have a group of large public companies, but also junior-sized oil and gas companies and a large population of high-net worth individuals, which is very typical of our market," said Levesque from Dallas. "In that respect, Calgary is a perfect market for us."

Adam Tibbitts, a Flexjet spokesman who was in Calgary, said there are a "half-dozen" other potential Challenger 605 owners Flexjet is in discussions with, four in

Calgary and two in Edmonton.

"They are similar in many ways to **Oilsexco**, a company based in Canada with operations overseas," Tibbitts said.

The Challenger 605, a \$29-million 12-seater built in Canada and commissioned only a month ago, took off at 3 p.m. destined for Reykjavik, Iceland, and then onwards to its final landing point in London.

The aircraft, one of just three Challenger 605s in operation, is 31.25 per cent-owned by Calgary-headquartered Oilsexco Inc., a Canadian oil and gas explorer whose assets are based entirely in the U.K. North Sea.

CEO Arthur Millholland travels to London and Aberdeen, Scotland, twice a month.

"One feature is the cabin is pressured at about 1,800 metres above sea level compared to the 4,000 (metres) or so you'd get with a commercial flight, which means very little jet lag," said Millholland.

SEE FLEXJET, PAGE D7

MARGIN CALLS

Grilled chicken puts KFC to test

FAST FOOD • Can Kentucky Fried Chicken translate its fried chicken success into grilled chicken success? The chicken chain will soon find out.

KFC Corp., a unit of Yum Brands Inc. that is known for its selection of Original Recipe and Extra Crispy fried chicken, said Monday that it is testing Kentucky Grilled Chicken in a bid to add non-fried foods to its menu.

The new grilled chicken is being tested in Indianapolis, Colorado Springs, San Diego, Oklahoma City, Jacksonville, Fla., and Austin, Texas, with a U.S.-wide roll-out expected for early 2009.

"This great tasting product will help KFC continue to evolve and increase our relevance among consumers looking for non-fried menu options," said Gregg Dedrick, president of KFC, in a statement.

A slowing U.S. economy has taken a toll on domestic results at many fast food chains as people are spending less money eating at restaurants.

Cuba blocks critical blogger

BLOG • Cuban authorities have blocked access from Cuba to the country's most-read blogger, Yoani Sanchez, she said Monday.

Sanchez, whose critical Generation Y blog received 1.2 million hits in February, said Cubans can no longer visit her web page — <http://www.desdecuba.com/generaciony/> — and two other home-grown bloggers on the website on a server in Germany.

All they can see is "error downloading" message.

"So the anonymous censors of our famished cyberspace have tried to shut me in a room, turn off the light and not let my friends in," she wrote in her blog Monday.

Sanchez said she cannot directly access her website from Cuba to update postings anymore, but has found a way to beat her Communist censors through an indirect route.

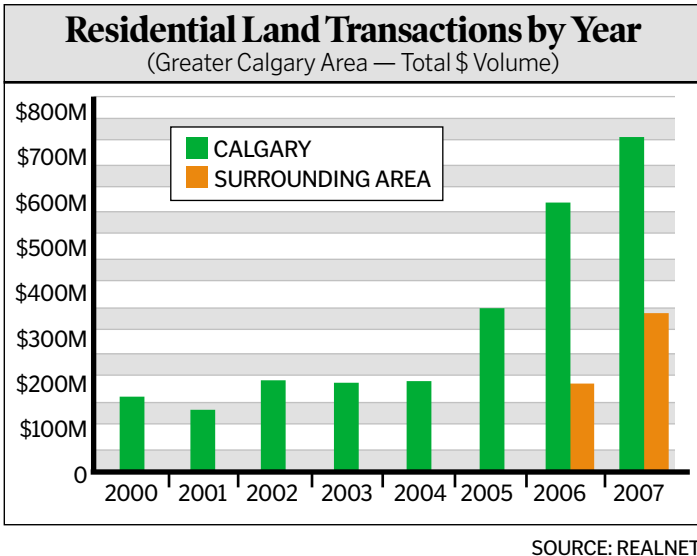
The 32-year-old philology graduate has attracted a considerable readership by writing about her daily life in Cuba and describing economic hardships and political constraints.

HERALD ENERGY



Strengthening U.S. dollar sends oil briefly below \$100 a barrel

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FROM DI LAND: 'There's a storm coming'

Construction of single-detached homes in the Calgary CMA was strong in both 2006 and 2007. The CMHC said housing starts in that single-detached category were 10,482 units in 2006, an extraordinary year, setting the benchmark for activity. Starts dropped by 25.8 per cent in 2007 to 7,777 units and are forecast to have a further 17.7 per cent decline this year to 6,400 units.

"(The year) 2006 was a real boom year for Calgary. The interesting thing is to see this tremendous rise continue into 2007," said Bruce Irvine, vice-president for business development and retention at Calgary Economic Development, referring to the residential land transactions. "We think that's got a lot to do with factors in cities and other markets globally. Right now Calgary is still the place. There's a storm coming. Calgary is not going to be immune to that, but it's certainly one of the best places to weather it."

In the short term, he said, investors are looking for transactions that make sense for them and they're looking also for long-term land holding.

"The long-term story is that there continues to be faith in this market and a growing opportunity — part of the story that's tremendous here — is the massive growth at the fringe of the city in terms of value," added Irvine. "By these (RealNet) numbers, 30 per cent of the transactions are occurring around the outside edge of the city. That land comes into development later. It's further-out land."

MTONEGUZZI@THEHERALD.CANWEST.COM

Russia raises growth, inflation forecasts

OUTLOOK • Russia on Monday raised its forecasts for economic growth and inflation this year, saying the economy was now expected to expand by 7.1 per cent. The economic development ministry, whose previous forecast for growth had been 6.7 per cent, said inflation in 2008 was now seen at 9.5 per cent instead of 8.5 per cent. The bigger inflation number was blamed on rising food costs.

Lutz leading comeback at GM

Renewed trust bodes well for automaker

NICOLAS VAN PRAET
CANWEST NEWS SERVICE
TORONTO

In the summer of 1990, North Americans saw a rash of anti-Japanese commercials on their local television stations that featured everything from stern-faced Samurai fighters to underhanded mocking of the Japanese physique.

Many of the ads were paid for by dealers of North American cars who were seeing their business hammered by foreign-based competition. A commercial for the Oldsmobile Cutlass Ciera, built at one point at GM Canada's former Ste-Therese plant in Quebec, contrasted the average height of U.S. men with their shorter Japanese counterparts. "That's why our car is built for our size families, not theirs," the ad concluded.

The dealers apparently believed they could win domestic buyers by playing up racial differences and nationalism. They were wrong.

That thinking has been swept aside by a massive product revitalization program led by Bob Lutz, the automaker's vice-chairman, widely acknowledged as **General Motors Corp.**'s chief "car guy."

Back in 1990, Detroit's carmakers held 65 per cent of the U.S. market. This year, that share is set to drop to less than 50 per cent as **Honda Motor Co.**, **Toyota Motor Corp.**, **Nissan Motor Co.** and other international automakers continue their relentless assault on American turf.

But if those commercials crossed the line, one Detroit-based automaker is taking a more subtle approach toward its Japanese rivals — focused on the quality of its automobiles,

not racial stereotypes or scare-mongering.

GM has been running TV spots in Canada featuring its Pontiac G5 that depict a Japanese executive in a highrise office. In one commercial, he watches a video of the G5 and its features. At the end, he lowers his head and turns away in near-disgust, the implication being he is disappointed his company hasn't made a comparable vehicle that sells for the same price.

In another ad, the same executive says, "They're driving me crazy," and his lips twitch as though he might cry.

The ads suggest a renewed confidence at GM that industry watchers say they have not seen

"It's a legitimate swagger"

DENNIS DESROSIERS, ANALYST

for years. The product revitalization effort led by Lutz has given the automaker a renewed swagger that shows up in its marketing. And it's aimed at Asian manufacturers that have been tearing away its sales.

"For the first time in a long time, it's a legitimate swagger," said Dennis DesRosiers of DesRosiers Automotive Consultants in Richmond Hill, Ont. "What bullishness exists from analysts on GM comes down to the fact that they've done a fabulous job on their product. It's a case of whether they can restructure their costs and re-size fast enough to allow their products to bail them out."

One measure, albeit a limited one, of how GM's vehicles are scoring with buyers can be seen in the list of most popular cars and trucks sold in Canada.

In January, GM had seven of the top 20 cars and trucks — including Pontiac's G5 and G6 models — a position it hasn't held recently, DesRosiers said, noting that bodes well for GM.

Early retail turn rates for



Daniel Acker, Bloomberg News

Bob Lutz, vice-chairman of product development for GM, is known as a "car guy."

GM's new Chevrolet Malibu are also positive. A typical Malibu sat on dealer lots just 15 days before selling, a turn rate far less than its nearest competitor, the Toyota Camry, according to data released last week by Power Information Network.

But that means GM has a big target on its back, analysts at J.D. Power & Associates warn. The market research firm said this month it is upbeat but conservative on GM's prospects in Canada, arguing the carmaker will face mounting pressure from smaller rivals eager to poach its customers.

GM is also juggling its brand lineups, causing some uncertainty within the company, J.D. Power & Associates said. It predicts GM will suffer a one per cent sales drop between 2007 and 2012, the only one of Canada's five major auto manufacturers to post a decline.

GM sold 400,755 passenger vehicles in Canada last year, down 4.1 per cent from 2006. The market overall enjoyed its second-best year on record, with 1.65 million units sold.

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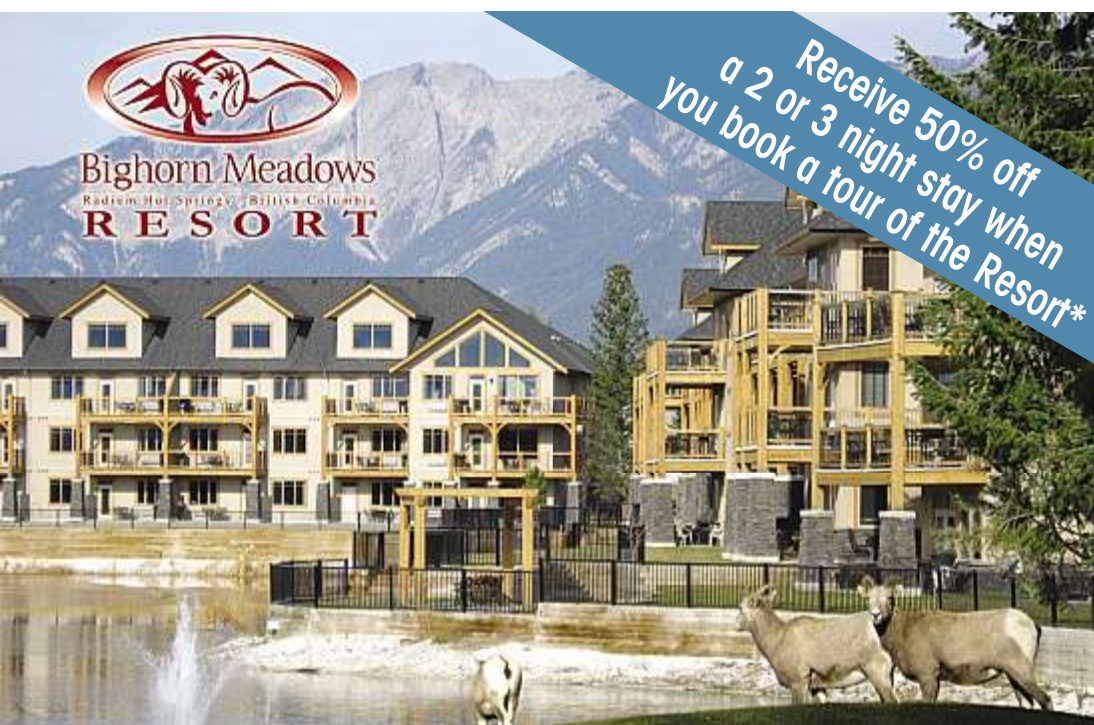
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