

IN BRIEF

From Herald News Services

Alberta led country for 2006 retail growth

ECONOMY • Canadian retailers rang in profits of \$21.8 billion in 2006, up 9.5 per cent from the previous year and the highest level since 2002, Statistics Canada said Wednesday.

The tills were really humming in Alberta, where retail revenue jumped 12.2 per cent to \$58 billion and operating profits soared 27.2 per cent, the most of any province.

Nationally, overall revenues were \$427.2 billion in 2006, up 5.7 per cent, with the biggest consumer purchases being vehicles and home and garden products, the federal agency said.

Of the total, chain stores saw revenues of \$190.3 billion in 2006, up 7.3 per cent, and non-chain stores \$223.5 billion, up 4.6 per cent, while non-store sales — through e-commerce, mail-order and vending machines — totalled \$13.4 billion, up 1.3 per cent.

The 2006 figures are the latest available.

Thomson, Reuters get nod for merger

ELECTRONIC DATA • Shareholders of Thomson Corp. and Reuters Group PLC overwhelmingly approved the proposed combination of the two electronic data companies on Wednesday, a transaction that will create the largest player in the sector.

The deal, which is expected to close next month, will give the combined Thomson-Reuters a 34 per cent share of the financial data market that primarily serves bankers and brokers. Its biggest competitor in that arena is Bloomberg LP, which was founded by Michael Bloomberg, now the mayor of New York.

The combination of Thomson and Reuters was previously endorsed by Thomson's controlling shareholder, Woodbridge Ltd., the investment vehicle of Toronto's billionaire Thomson family.

About 99 per cent of the votes cast by shareholders Wednesday were in favour of the deal.

Citigroup to pay \$1.66B to settle Enron lawsuit

FINANCE • Citigroup Inc., the biggest U.S. bank by assets, will pay \$1.66 billion and give up an estimated \$4.25 billion in claims to settle an Enron Corp. creditor lawsuit over its alleged role in the former energy trader's collapse.

The creditors, represented by the Enron Creditors Recovery Corp., were seeking \$20 billion from Citigroup. The bank is the last defendant in the 2003 suit, which seeks to hold Enron's lenders liable for the fraud that destroyed the company. Once the biggest U.S. energy trader, Enron filed for bankruptcy in 2001.

"When this broke, people thought no one would receive anything," said Charles Tattelbaum, a bankruptcy attorney with Miami-based Adorno & Yoss, of Enron's collapse.

Wednesday's settlement, if approved by the court, avoids a trial next month and largely ends six years of litigation over the 2001 implosion of Enron, the biggest bankruptcy in U.S. history when it was filed.

“There’s still plenty of underlying demand to support the prices that are there”

GENWORTH FINANCIAL PRESIDENT PETER VUKANOVICH



Demand for condominiums in Calgary is expected to remain strong in 2008 as homebuyers look for alternatives to more costly single-detached homes, says Genworth Financial president Peter Vukanovich.

Condo study disputes fears of market bubble

Calgary prices expected to increase at moderate pace

GEOFFREY SCOTTON
CALGARY HERALD

There's no so-called bubble in Calgary's rapidly expanding condominium market, says a new report from a major mortgage insurer that concludes local prices will continue to rise, moderately, over the next half decade.

In a study conducted with the Conference Board of Canada, Genworth Financial Mortgage Insurance Co. Canada said Wednesday that average condo prices in Calgary should rise 4.1 per cent in 2008 and by an annual average of 3.1 per cent between now and 2012.

"In the whole Alberta area, in both Edmonton and Calgary particularly, you're seeing more balanced supply and demand," Genworth Financial president Peter Vukanovich told the Herald. "I don't think it's a bubble. There's still plenty of underlying demand to support the prices that are there."

Vukanovich said that with elevated prices of single detached homes, condos represent a growing alternative for potential homeowners and that will continue to support demand. Nonetheless, climbing and already high condo prices will temper that trend.

"With the average prices of new

homes in Calgary and Edmonton forecast to exceed \$470,000 in 2008, the condo market remains extremely important to first-time buyers who wish to remain in Alberta's largest urban communities," Vukanovich said. "Condominiums are beginning to fill the demand for affordable housing."

While the forecast increases mark a major softening from the stratospheric gains of 47.9 per cent recorded in 2006 and 22.2 per cent seen in 2007, Genworth believes prices will continue to rise — however at a more reasonable and sustainable pace. Still, the gains in Calgary over the next five years are expected to be the best of any major Canadian city, Genworth said.

By 2012, the average price of a condo in Calgary is forecast to rise to \$320,728 from the \$275,633 average Genworth estimated for 2007. In both years, and throughout the period, Calgary condo prices are second in Canada only to Vancouver's.

Calgary resale condo prices have softened since hitting a cyclical peak averaging \$332,237 in May 2007. In February, Calgary Real Estate Board figures show the average price of a resale condo was \$311,812, holding firm from January. January's prices showed a significant gain from December 2007,

suggesting the market is firming, with the average sale price in December, \$304,719, rising to \$311,232 in January.

Strong price gains accompanied by strong demand in 2006 and 2007 have resulted in a surge of condo construction, with more than 5,400 condo units hitting the market in 2006 and 4,721 built or started in 2007. That surge appears to have spilled over into the early months of 2008, with multi-family starts in Calgary in February 149 per cent higher than the same month of 2007.

Richard Corriveau, a senior regional economist with Canada Mortgage and Housing Corp. in Calgary, said the analysis and forecasting from the Conference Board and Genworth is sound. However, he believes price appreciation will probably be even stronger than the 3.1 per cent average. Federally owned CMHC and Genworth, based in Richmond, Va., and once owned by General Electric Co. — are competitors.

"It could be too conservative," Corriveau said of the Genworth forecast, noting its forecast 3.1 per cent average price gain would be close to or the equivalent of zero in real terms, once inflation is factored in.

Corriveau also supports the conclusion there is little worry about a bubble in the condo market, where prices are bid up and up, only to crash eventually.

"We don't subscribe to the bubble notion," said Corriveau. "You might see some short-term variations, but in the long run whatever you buy now will be worth more into the future."



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CIBC reveals \$25B exposure

Dollars tied to mono-line insurers

DUNCAN MAVIN
CANWEST NEWS SERVICE
TORONTO

Canadian Imperial Bank of Commerce confirmed Wednesday it has \$25 billion of previously undisclosed investments tied to the health of mono-line insurers and the U.S. economy.

But the new disclosure, concerning investments not tied to the U.S. subprime mortgage market, was welcomed by some analysts who had feared the bank's problems were even worse than they now appear.

"Bottom line — there are more writedowns to come, but the less-toxic nature of non-subprime assets is a positive," said Sumit Malhotra, an analyst at Merrill Lynch & Co.

A number of analysts had been frustrated by the bank's earlier refusal to give more details of this book of non-subprime investments.

There were fears the portfolio of securities backed by corporate loans, commercial mortgages and other assets would be hit by the same sort of charges CIBC has recorded in its subprime book.

The bank has taken \$4.2-billion hit in subprime and other credit-crunch writedowns, more than any of its Canadian peers.

But Wednesday, CIBC chief executive Gerry McCaughey told a banking conference in Montreal the underlying assets linked to the portfolio in question are performing much better than the bank's subprime assets.

Ian de Verteuil, an analyst at BMO Capital Markets, noted the portfolio appears to be well-diversified, and the largest exposures are to the highest-quality mono-lines. The book is hedged with 10 financial guarantors, but only about a quarter of the total portfolio is hedged with the weaker mono-line insurers.

Mono-line insurers are those that deal with just one type of product, such as credit cards or mortgages.

McCaughey said the bank will continue to focus on balance-sheet strength in 2008 and described a challenging capital-markets environment.

"It is difficult to see (CIBC) World Markets' ongoing operating conditions improving in the near term," he said.

The division recorded a loss of \$2.16 billion in the first quarter of 2008. It has also recently exited a number of business lines that were not core, and has changed the senior management at the investment bank.

McCaughey said he wants the bank to emerge from its recent troubles with "a more pure-play model."

He said the bank's retail banking group, which already accounts for more than 75 per cent of the bank's business, continues to perform well. He also said the bank would be reluctant to buy back shares and reduce its capital base when stability returns to the banking sector "because the market has shown that surprises are possible."

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