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SATURDAY, MAY 24, 2008

MLS sale price falls first time in 12 years

Market eyes stability amid higher listing

MARIO TONEGUZZI
 CALGARY HERALD

A sign of the cooling housing market in Alberta was evident in numbers released Friday by the Canadian Real Estate Association showing the average MLS sales price in the province in April declined compared with a year ago — the first year-over-year monthly decline since July 1996.

The CREA report said the average sale price in Alberta was \$353,515 last month for all residential properties — a decrease of 1.7 per cent from the \$359,640 registered in April 2007.

The number of sales throughout the province also fell by 23.2 per cent — 7,803 units in April 2007 to 5,996 in April 2008 — while new listings soared by 25 per cent — 14,017 last month compared with 11,213 a year ago.

"What's happening in Alberta is that listings are on a very strong up trend and at the same time sales are returning to more typical levels," said Gregory Klump, CREA's chief economist.

"The market in Alberta was tightest toward the end of 2005 and it's becoming more balanced since then. That coincided with the increase in listings. And at the same time, because price reacts with a lag to the tightness of the market, av-

erage price increases peaked for the province in close to mid-2006 and they've become smaller ever since."

The province is following a general trend being experienced in Calgary as well with falling sales, stabilized prices and increasing listings, said Lai Sing Louie, senior market analyst in Calgary for Canada Mortgage and Housing Corp.

"The one market where there's still a lot of price strength is in Fort McMurray (Wood Buffalo region). If you look up there, that real estate market still seems to be rising there," he said.

Louie said the CMHC's provincial forecast for 2008 is for prices to rise by 3.6 per cent to an average of \$369,000 from \$356,235 in 2007. In that forecast, the Calgary region is expected to see a price increase of 3.6 per cent to \$429,000 (\$414,000 in 2007), while the Edmonton region's increase will be 3.4 per cent to \$350,000 from \$338,636 last year.

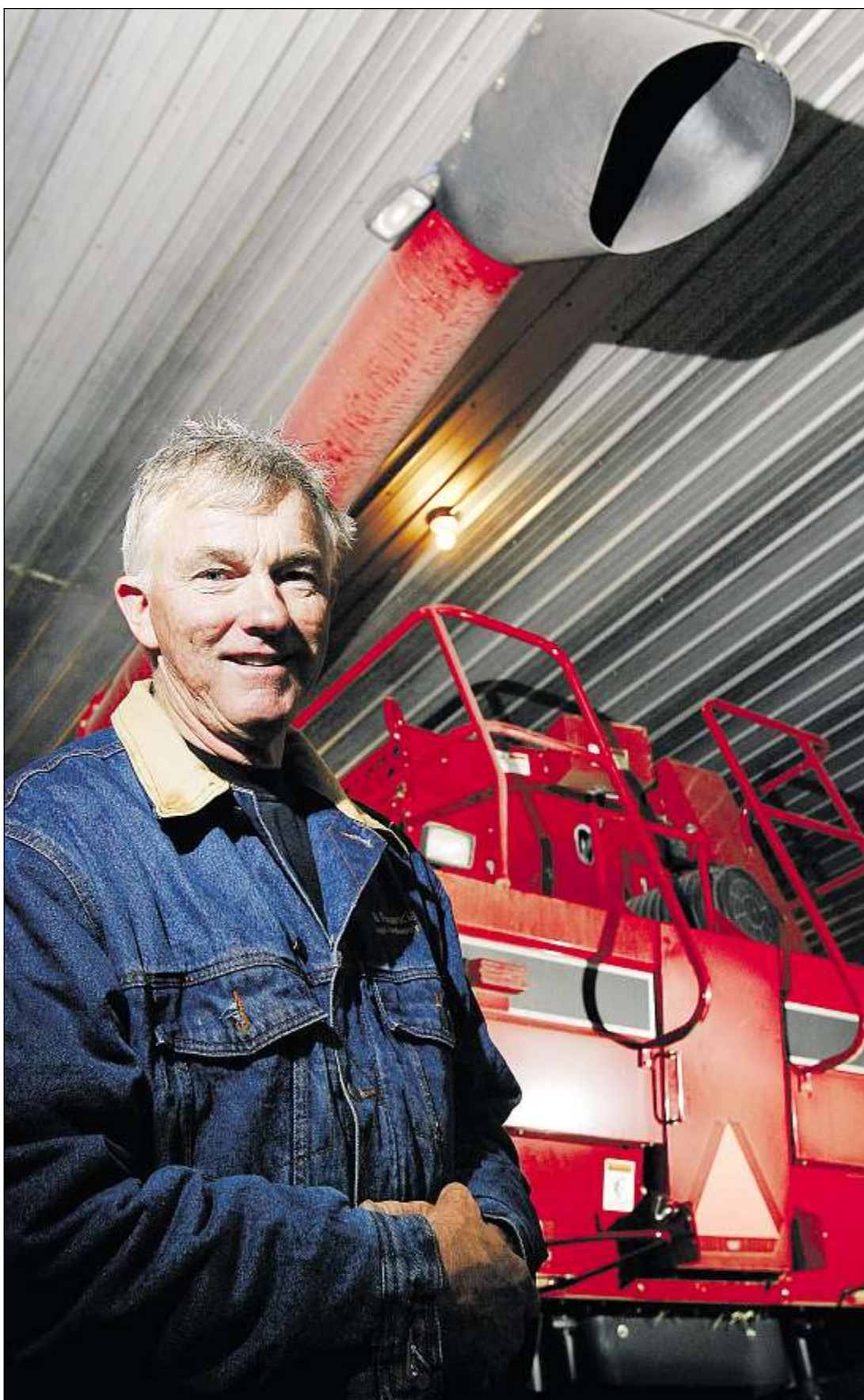
However, the Wood Buffalo region is forecast to see a 15 per cent hike in the average MLS sale price to \$530,000 from \$460,768 in 2007.

Nationally, the CREA report said the average MLS sales price rose by four per cent last month — the smallest year-over-year price increase in more than six years — to \$317,619 from \$305,499 in April 2007.

Across the country, sales dropped by 6.2 per cent compared with a year ago (52,385 units to 49,114), while new listings increased by 20.3 per cent (82,501 units to 99,248).

SEE HOUSING, PAGE D3

SPRING SEEDING IN FULL SWING



Jenelle Schneider, Calgary Herald

Glenn Sawyer, who's been farming since 1974, says rising input costs are easier to bear if commodity prices stay high.

Alberta farmers hope for a robust harvest

Wheat, canola planting rises despite cost concerns

GINA TEEL
 CALGARY HERALD

Spring seeding is under-way in Alberta and farmers already have dollar signs dancing in their eyes as they toil to get the year's crop in.

With grain and oilseed crops fetching fat prices, even as crops like wheat have strayed far from the record high of \$13.495 per bushel set on the Chicago Board of Trade on Feb. 27, the feeling is farmers could hit pay dirt this year if luck holds.

The robust optimism comes with a ramped up risk factor, however, as sky-

rocketing costs for inputs like fertilizer and fuel — and even crop insurance premiums — mean farmers are paying considerably more upfront to put a crop in the ground this spring.

If things go sideways between now and harvest, some farmers could well be crying in their coffee come fall as the colour of those dollar signs they envisioned fades from black to red.

Insufficient rains, pests, hail and other inclement weather, and the shifting sands of global grain supplies are among the major factors that have the potential to turn the tide.

Out near Lethbridge, Ray Taylor, who farms with his son, said the family is optimistic, but they do need an above-average crop to break even.

SEE CROPS, PAGE D5

SEEDING INTENTIONS

■ Alberta farmers expect to plant 2.36 million hectares of spring wheat in 2008, or 20 per cent more than in 2007. If so, this will be five per cent above the 10-year average;
 ■ The total seeded area for all wheat is anticipated to be 2.75 million hectares, or 17 per cent more than in 2007;
 ■ Canola seeding intentions are for 2 million hectares, or 13 per cent more than last year. If so, this will be 31 per cent above the 10-year average;
 ■ Barley will see 15 per cent fewer hectares seeded this year, to 1.65 million hectares.

ALBERTA PROJECTED CROP PRODUCTION

■ Spring wheat production for the province is projected at 6.14 million tonnes, up 17 per cent from last year, and seven per cent higher than the 10-year average;
 ■ Barley production is expected at 4.59 million tonnes, 10 per cent lower than 2007, and eight per cent off the 10-year average;
 ■ Canola production is forecast to rise 11 per cent to 3.33 million tonnes, 30 per cent higher than the 10-year average.

Source: Statistics Canada and Alberta Agriculture

MARGIN CALLS

Revived Faberge to hatch first egg

LUXURY • A revived Faberge luxury goods group plans to resurrect its founder's work next year with the launch of the first jewel-encrusted egg since 1917, when the Faberge family was scattered by the Russian revolution.

A group of investors bought rights to Faberge last year — which had been used to market cosmetics like Brut men's fragrance — and has been working to restore the firm to its origins with the support of the Russian founder's relatives.

"Faberge will announce their first new collection, the first authentic, family blessed collection since 1917, in the course of next year," Sean Gilbertson, a partner in the Pallinghurst fund that owns Faberge, told Reuters.

The original Faberge company was founded in 1842 by Russian jeweller Gustav Faberge, who gained fame for designing elaborate jewel-encrusted eggs for Russian czars.

Scandinavians warm to coffee

DRINK • Scandinavians will keep the top global spot for coffee consumption per head, thanks to a Starbucks-style revolution that has made coffee drinkers of a youthful generation. Norway's biggest coffee roaster said in an interview.

"Ten years ago, I felt I was working with an old-fashioned product. Today, the Starbucks trend has sort of rejuvenated coffee as a modern drink," Herman Friele, owner and chairman of Norway's 210-year-old Friele coffee company, told Reuters on Thursday.

People in the four Scandinavian countries on average drink 9.4 kilograms of coffee each year he said, and new, trendy ways of consuming coffee, such as with tea bag-like coffee pods, were helping the drink find new buyers.

"The younger ones who actually go to coffee bars are keen on cappuccino, keen on pods, keen on flavoured coffee. They are keen on coffees that are segmented and different from the mainstream," Friele said.

The United States and Brazil are the world's biggest coffee consumers overall, but drink less per capita.

HERALD NEWS SERVICES

HERALD ENERGY



Thermal solar touted as a potential power source of the future

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ALBERTA MLS RESIDENTIAL MARKET (APRIL)

	April 2008	April 2007	% Change
SALES	5,996	7,803	-23.2%
AVERAGE PRICE	\$353,515	\$359,640	-1.7%
NEW LISTINGS	14,017	11,213	25%
YEAR-TO-DATE	2008	2007	% Change
SALES	19,978	27,908	-28.4%
AVERAGE PRICE	\$359,135	\$347,681	3.3%
NEW LISTINGS	50,554	38,034	32.9%

Source: Canadian Real Estate Association



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OUTLOOK

If Alberta can't thrive with this record oil, nobody can

Top economist sees above-average growth for years

GEOFFREY SCOTTON
CALGARY HERALD

Douglas Porter, deputy chief economist with BMO Capital Markets Corp., is among the country's most-respected economists, producing extensive analysis and research on all facets of the economy, investment and markets. Several years ago Porter distinguished himself by discovering a flaw in Statistics Canada's Consumer Price Index, arguably the most respected measure of consumer inflation in the world.

Porter visited Calgary briefly this week and during his stop he spoke at length with Calgary Herald senior business writer Geoffrey Scotton about the outlook for the Alberta economy and the state of Canadian and global enterprise.

Question: When you look at the Alberta economy, what's working for it, what's working against it? What are you worried about, if anything?

Answer: In Alberta's case, just like in the rest of the country more broadly, the risk is strong energy prices, a strong currency and the inflation we're seeing for workers and other things will force out a lot of other industries that have to compete internationally. However, I certainly don't want to rain on Alberta. If Alberta can't thrive with \$30 US per barrel oil then nobody can in the world. If I have one concern, it's some of the latest housing numbers. In April, we did see outright price declines from a year ago in both Edmonton and Calgary. But looking a little bit further afield, I can't get that bearish on the housing market in either city when oil prices are doing what they're doing.

Q: Are you concerned at all about the longevity of the robust growth in Alberta?

A: We're seeing a fundamental shift. This increase in energy prices has been on the slow boil since early this decade and it hasn't been caused — like the '70s spikes were — by a withdrawal of supplies, it's been driven first and foremost by strong demand and with the expansion of the oilsands projects that is a multi-year process. So, as long as people keep coming here and oil prices hang up there, Alberta can turn out well-above-average growth for years given the commodity price backdrop.

Q: Any thoughts about some of the other commodities that are prominent in Alberta and Western Canada?

A: None of the others have quite the sizzle oil does, but the forestry sector is really the only sector where we're seeing a commodity that hasn't really benefited from the boom in China and the emerging markets. Looking at this more broadly, it's not just China, we're seeing strength basically in just about every emerging market in the world right now and even with the U.S. recession we've had this year, the global economy is still going to grow by almost four per cent, which is a solid performance. There may be hiccups along the way, but I think in that type of environment you're going to see strong commodity prices, not just for oil but for others as well.

Q: Natural gas prices have strengthened considerably in recent months but we haven't seen much of a rebound in exploration — although some attribute that to the re-modelled Alberta royalty regime. Why haven't



Ted Jacob, Calgary Herald

BMO Capital Markets deputy chief economist Douglas Porter expects oil costs to have an effect on demand, eventually taking steam out of prices.

we seen more of an increase in exploration, particularly when demand, linked to generation, is rising?

A: There might be some specific issues to Alberta but I think there's a little bit of a lag. I suspect if gas prices stay close to current levels you're going to see a real pick up in exploration.

Q: What are your thoughts on oil prices and, to a lesser degree, natural gas prices? Are you thinking of changing your forecast of an average \$106 US per barrel in 2008?

A: I would say we've been contemplating looking at the forecast about every two weeks the way oil prices have gone this year. That's been a bit of a painful exercise. Our official call is \$106 per barrel. I think the risks are totally one-sided on that call, though. It is believable we could get oil spiking to \$150, at least temporarily, but I have to believe even at today's level — well below \$150 — we will see some impact on demand that will eventually take some steam out of prices. I do get the sense that people are at long last starting to change their behaviour. They're becoming more and more convinced this run-up in oil prices is not a flash in the pan, we are in a brave new world for oil prices and I do think we are reaching a pain threshold for a lot of consumers, especially North American, who will start to change their behaviour.

prices, particularly oil. Historically, commodity price gains have translated into a stronger loonie but not recently. Will that linkage re-establish itself?

A: I think eventually it will. I think the one thing that changed with the credit crisis was merger and acquisition activity almost came to a standstill. The Canadian dollar had been a big beneficiary for years of a wave of foreign takeovers of Canadian companies and that big support for the Canadian dollar has suddenly been pushed aside. I think one of the big reasons the Canadian dollar hasn't fully responded to the strength is not just energy, but all commodities this year. Ultimately, Canada — the loonie — can only remain divorced from oil prices for so long. Our forecast is based on oil prices tapering off in the second half of the year and based on that we saw the Canadian dollar drifting a little bit back below parity — but if we're wrong on oil prices then we're going to be wrong on our Canadian dollar call as well.

Q: There's a view the U.S. economy has bottomed and it's now coming back. Could energy costs derail, delay or extend that recovery?

A: Definitely. This is a situation where maybe the markets have had their eye on the wrong ball all these months. The markets have been so focussed on the credit crisis and the problems with the housing market — which are very serious, no two ways about it, but there are things that can eventually be solved and turned around. Meanwhile, we've had this spike in oil prices rolling down the mountain, which is perhaps ultimately a bigger risk to certainly the U.S. economy and potentially the global economy. I definitely think, if I had to pick out the one single biggest risk for the Canadian outlook right now, it is the potential for the U.S. economy to get absolutely hammered by the oil price spike.

Q: Can you give us a sense of your outlook for the U.S. economy, the Canadian economy and the Alberta economy?

A: We forecast a little bit more than one per cent growth in both the U.S. and Canada. We're at 1.2 per cent for the U.S. and 1.4 per cent for Canada. If anything, the risk to Canada might be the number is a little bit on the low side and potentially the same thing for the U.S., but I've made a bit of a point of saying this is a situation where I don't know whether real GDP truly captures the underlying performance of the Canadian economy. (In Alberta, we have 2.6 per cent growth this year, a little bit of a slowdown from better than three per cent last year.)

What is going on in Canada is the value of what we sell to the rest of the world is going up so quickly it's not getting captured in terms of real output growth because real output only measures physical volume of things that are produced.

A classic case is, supposedly, over the past year the U.S. economy has grown more than the Canadian economy in terms of GDP, but I don't think anyone in the world would suggest the U.S. economy is doing better than the Canadian economy right now.

GSCOTTON@THEHERALD.CANWEST.COM

IN BRIEF

From Herald News Services

BCE set to fight on in court

FINANCES • A negotiated settlement to resolve the dispute between BCE Inc. and its bondholders is unlikely in the short term. The giant telecommunications company has filed an "urgent" appeal to the Supreme Court of Canada asking the country's highest court to overturn a lower court's decision jeopardizing its \$52-billion takeover.

The 34-page filing, made Thursday night, asks the country's highest court to consider hearing an appeal in an "expedited process." The legal salvo is part of a strategy BCE intends to deploy "in steps." Sources say the plan does not include negotiations or discussions with the company's bondholders at least until a decision is rendered by the Supreme Court.

"BCE isn't in any rush to make a settlement until it gets its answer from the court on its application," said an insider who asked not to be named.

In the meantime, the June 30 deadline for the privatization draws nearer and it is very unlikely the court will move quickly enough to accommodate that deadline.

U.S. homebuilders take tumble

TRENDS • U.S. homebuilders had the greatest weekly decline in more than six years after a report Friday showed falling prices and a record supply of unsold properties.

Standard & Poor's index of 15 U.S. homebuilders fell 2.9 per cent Friday, ending the week down 16 per cent, the steepest weekly slide since September 21, 2001. The index closed at 304.99 in New York Stock Exchange trading.

FROM DI HOUSING

"The reason you've got a month-over-month decline (in Alberta average prices) is that the sales price in April last year was extraordinarily high," said Klump. "It has come back just a little bit but it has stabilized."

Year-over-year change in average price peaked in about mid-2006 in the province and it's been declining ever since. April's decline was the first monthly year-over-year decline since July 1996 when the average price fell by one per cent in Alberta.

CREA said the number of new listings for homes for sale on MLS in Canada reached its highest level ever in April. Two new properties were listed for sale for every home that sold through the MLS system, said the national organization.

"This price trend is in line with the association's projections for the balance of 2008," said CREA president Calvin Lindberg. "Price increases are now maintaining at levels that are historically more consistent with the Canadian real estate market."

"There are more listings on the market which means more choice for the buyers. That also means sellers have to pay more attention to how they price their home."

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Susan J. Brown, CFP, CIM
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