

ECONOMY

# Prepare to pay more: bank

ERIC BEAUCHESNE  
CANWEST NEWS SERVICE  
OTTAWA

Canadians will pay a lot more to fill their gas tanks and heat their homes, and a bit more to fill their bellies, Bank of Canada Governor Mark Carney warned in explaining where the average family can expect to be hit by what it now predicts will be a surge in inflation to more than four per cent by year end.

"The price of natural gas and gasoline for our cars is going up," Carney told a news conference after the bank warned the annual increase in the cost of living would reach 4.1 per cent late this year before peaking at 4.3 per cent early next year. "I think we're all aware of that, we live with that on a daily basis."



"The Canadian economy remains robust"

MARK CARNEY,  
BANK OF CANADA  
GOVERNOR

And food prices are "firming" up, but not dramatically, he added. Offsetting those increases will be an easing in price inflation for less frequently purchased goods, such as cars and houses, as well as some services, he said after the release of the bank's Monetary Policy Report Update.

While the central bank expects the spike in the cost of living to be temporary, it admits there are significant risks that costs could rise even more, just as it warns that economic growth could be even weaker than the one per cent now forecast for the year, which is already the weakest growth in more than a decade.

And some analysts suspect the central bank is being "optimistic" on both inflation and economic growth. "The Bank of Canada remains remarkably optimistic," said Patricia Croft, chief economist at Phillips, Hager & North Investment Management Inc.

"I think the U.S. is already in recession, and I think the Canadian economy is beginning to fray around the edges," she said. "Employment growth was negative in June. House prices are now declining for the first time in a decade. . . . I think there are significant uncertainties."

The Bank of Canada says the worst is already behind Canada.

It projects the economy recovered from its first-quarter contraction to expand at an annual pace of 0.8 per cent in the spring quarter, thus avoiding a technical recession of back-to-back quarterly contractions.

"The Canadian economy remains robust," Carney said.

And it projects that was the start of a recovery that will see growth steadily increase from an annual pace of 1.3 per cent this summer to 3.4 per cent in 2010.

## Calgary and Edmonton are still home to some of Canada's most expensive real estate

REPORT BY ROYAL LEPAGE REAL ESTATE SERVICES



Calgary Herald Archive

The price of Calgary homes fell for the second quarter, but a Royal LePage report says the market remains strong.

# Calgary home prices slide as Canada chalks up gains

### Two-storey house worth 6% less than a year ago

MARIO TONEGUZZI  
CALGARY HERALD

A survey by a national real estate firm shows house prices in Calgary in the second quarter of this year declined in three categories — detached bungalow, standard two-storey and standard condominium — compared with a year ago, while national averages all increased.

According to the House Price Survey and Market Survey Forecast released Thursday by Royal LePage Real Estate Services, the average price drops in the Calgary market were 4.7 per cent for a detached bungalow, to \$438,122, six per cent for a standard two-storey home, to \$437,744, and five per cent for a standard condominium, to \$285,033.

The Edmonton market saw bigger price plunges: by 14.5 per cent for a detached bungalow, to \$320,000, 12.4 per cent for a standard two-storey home to \$348,571, and 14.2 per cent for a standard condominium, to \$226,000.

"Despite some mild price erosion

during the second quarter in both Calgary and Edmonton, these markets remain strong," said the report. "Although prices have come down from where they were last year — one of the best years on record — current house prices are far higher than they were three years ago, before energy-rich Alberta experienced its boom. Relative to the rest of the country, Calgary and Edmonton are still home to some of Canada's most expensive real estate."

By year's end, the average house price in Calgary is expected to remain unchanged from last year at \$414,000, while the number of unit sales is forecast to decrease by 16.1 per cent to 27,000 units sold by the end of the year, said the report. In 2006, the average price was \$346,675.

Nationally, the average prices increased by 5.6 per cent for a detached bungalow, to \$351,587, 5.2 per cent for a standard two-storey home, to \$418,943, and 3.9 per cent for a standard condominium, to \$248,408.

The national average house price is forecast to rise by 3.5 per cent this year to \$318,000, but sales are projected to decrease by 11.5 per cent to 461,000 unit sales by the end of 2008.

"While Calgary's residential real estate market remains strong, speculators are altering the resale market significantly by continually adding to in-

ventory levels," said Ted Zaharko, broker/owner for Royal LePage Foothills in Calgary. "Considering the decreases in average year-over-year sale prices, speculators will likely continue undervaluing and selling their renovation and investment properties throughout the year, as many are now unwilling to hold onto multiple properties while the market continues to catch its breath."

He said inventory levels throughout Calgary will soon return to healthier levels as more speculators move east in search of new real estate development opportunities while principle-asset homeowners hold onto their existing property until market conditions once again pick up steam.

"The resale condo market may prove to be more challenging, however, as many projects are now near complete and will add to inventory levels for that property type in the next six to 12 months," added Zaharko.

In the national survey, Regina showed the greatest annual rise in house prices across the country — 36.7 per cent for a detached bungalow (\$278,850), 39.6 per cent for a standard two-storey home (\$254,000) and a staggering 60.6 per cent for a standard condominium (\$190,000).

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### Canadian Housing Trends: 2008 Royal LePage market survey forecast

City	AVERAGE RESALE HOUSE PRICE					
	2007/2008 % change	2008 Mid-Year Forecast	2008 YTD	2008 forecast	2007	2006
Halifax	4.5	226,000	231,964	233,000	216,339	203,178
Montreal	3.5	238,000	237,753	238,000	229,902	215,659
Ottawa	5.8	289,000	293,076	285,000	273,058	257,481
Toronto	3	388,500	390,289	388,500	377,029	352,388
Winnipeg	15	188,000	191,000	190,000	163,500	151,983
Regina	47.9	245,000	225,896	188,600	165,613	131,851
Calgary	0	414,000	416,109	429,000	414,066	346,675
Edmonton	-0.5	337,000	339,147	341,000	338,636	250,915
Vancouver	5.1	600,000	615,012	587,500	570,795	509,876
CANADA	3.5	318,000		317,228	307,265	276,974

Sources: Royal LePage Real Estate Services, the Canadian Real Estate Association and local real estate boards

## IN BRIEF

From Herald News Services

### Sterling Trucks slashes workforce

**MANUFACTURING** • Sterling Trucks, a major auto manufacturer, has announced 720 assembly line jobs in the small southwestern Ontario community of St. Thomas will be cut Nov. 7.

There are currently 1,350 workers at the plant and the layoffs represent the elimination of one shift at the plant.

"We're a small city in St. Thomas and local businesses that we support will feel the pinch of these layoffs," said Dave Elliot, president of Canadian Auto Workers Local 1001. "The ripple effect is going to be terrible."

Elliot said the workers are "devastated" and the local union is hoping that, in 16 weeks, the economy will once again be able to support the workers.

"We're all going to keep our fingers crossed that the economy will turn around," he said.

### Slow revenue growth punishes eBay stock

**INTERNET** • The world's largest Internet auctioneer, eBay Inc., took its biggest fall in more than three years in Nasdaq trading after reporting the slowest revenue growth since 1998 as customers paid less for items on its retail sites.

The average selling price fell six per cent in the second quarter, slowing growth in spending by online buyers squeezed by record gasoline and food prices. Gross merchandise volume, the value of all goods that users sold on eBay's sites, rose eight per cent, eBay said Wednesday, the smallest increase since the first quarter of 1999.

eBay fell \$3.90, or 14 per cent, to \$24.20 US at 4 p.m. Thursday in Nasdaq Stock Market composite trading, the largest one-day drop since January 2005.

### Potash Corp. plans production boost

**AGRICULTURE** • Potash Corp. of Saskatchewan Inc. will further increase its potash production by 2.7 million tonnes over the next four years, the company announced Thursday.

On the same day PotashCorp cut the ribbon on a \$410-million expansion at its Lanigan mine in Saskatchewan, it also said it would invest \$1.6 billion US to ramp up production to 18 million tonnes by the end of 2012.

The increase in capacity will come through a new project at the Allan mine, and as well as investments in projects already planned at Cory and Rocanville.

The projects will add one million tonnes of annual production each at Allan and Cory, and another 700,000 tonnes at Rocanville.

### More Canadians travelling to U.S.

**TOURISM** • Despite surging gas prices, Canadians continued to travel to the United States last May, according to a Statistics Canada report Thursday.

Canadians took 3.8 million trips of any length to the U.S. that month, an increase of two per cent over April, the agency said. The number of overnight trips south of the border also increased by 2.1 per cent while same-day road trips went up 1.8 per cent, to 2.1 million.

By contrast, the number of trips that Americans took to Canada increased only slightly, by 0.3 per cent, from April.

In May, Canadians also took only 664,000 trips overseas, a decline of 0.9 per cent from the previous month. This is the second straight month of decline for international travel, the agency reported.

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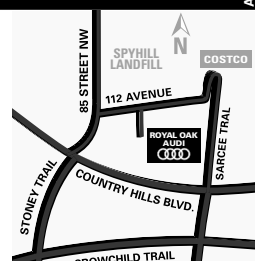
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