

REAL ESTATE

# Commercial property sales value rises 4%

MARIO TONEGUZZI  
CALGARY HERALD

Commercial real estate sales in Calgary in the first three quarters of this year totalled just over \$2.9 billion, up \$18 million, or four per cent, from the same 40-week period in 2007, says a report by Avison Young.

The Fall 2008 Calgary Investment Review said there were 196 transactions for all six asset classes for the first nine months of 2008, compared with 296 sales a year ago and \$2.8 billion in value over the same period.

"Global capital markets are suffering a continuing period of contraction caused by a worldwide credit freeze and the resulting wait-and-see reaction by many investors," said the report by Susan Thompson, research manager at Avison Young in Calgary.



People are now looking for quality assets

ADAM LEGGE, CALGARY ECONOMIC DEVELOPMENT

"While investors are still looking for quality purchases to make, highly tightened financing requirements are limiting the number of buyers and limited product availability are resulting in fewer transactions taking place. An increase in distress property sales is likely to be recorded should conditions persist. Those investment acquisitions still being made are of much higher quality with solid fundamentals."

In the Calgary office market, the first 40 weeks have seen 28 property transactions with a combined total selling price of \$1.04 billion, up \$21 million, or 25 per cent, from 2007's \$832-

million volume on 38 sales, said the Avison Young report.

The city has seen a rise in commercial real estate values in a healthy year "so (investors) are focusing more on quality versus quantity," said Adam Legge, vice-president and chief economist for Calgary Economic Development.

"The quick buck time is over in Calgary for the time being," he said. "And the people are now looking for quality assets, long-term holds with good lease rates and good tenants and good leases in place."

Avison Young said in the retail sector this year there have been 29 property transactions with a combined total selling price of \$506 million, up \$125 million or 33 per cent from last year.

"Investment in industrial property continues to smash records in Calgary," said the report. "Already exceeding the entire dollar amount of sales taking place in 2007, year-to-date sales in Calgary industrial total \$602 million in 60 sales."

That's up by 103 per cent, or \$306 million, from 2007.

The report said the "housing market pinch" is definitely being felt in the multi-family investment market. So far this year, there have been 12 multi-family property transactions with sale prices of \$2 million or more, with a combined total selling price of \$214 million, a decrease of 52 per cent, or \$234 million, from a year ago.

The fallout is also spilling over to demand for residential development land. Year-to-date, residential land sales have only recorded \$186 million in 26 sales valued at \$2 million or more — a decrease of 55 per cent, or \$230 million, from 2007.

Year-to-date sales for ICI (Industrial/Commercial/Institutional) Land with sale prices of \$2 million or more have totalled \$358 million in 41 transactions. That's 14 per cent, or \$60 million, behind what it was in 2007 after three quarters.

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## IN BRIEF

FROM HERALD NEWS SERVICES

### Falling prices and interest rates making houses more affordable

**REAL ESTATE** • The recent fall in housing prices in Canada has made home ownership more affordable, and broad-based cuts to mortgage rates announced Wednesday will make that dream even more affordable.

The upside to the downside in housing prices is it has made housing more affordable, especially in some western Canadian cities, according to Desjardins Group, which reported that its index of Canadian housing

affordability is "slowly but surely inching its way" back up to its historic average.

The Quebec-based bank's affordability index, which has averaged 128.8 over the past 20 years, rose to 115.9 in the third quarter of the year from 112.4 in the previous quarter.

"Softer growth in average prices... in several Canadian markets, including the particularly sharp decline in markets like Calgary and Vancouver, explains these results," Desjardins said.

### Magna shutting Ontario plants

**AUTOMOTIVE** • Canadian auto-parts supplier Magna International Inc. said Wednesday it will close its Ontario plants in Aurora and Newmarket, which employ 850 workers, by June because of "difficult economic conditions."

The move is part of Magna's restructuring effort as it grapples with a stalling vehicle market in the United States.

The decision came after a "careful evaluation" of the facilities' financial operations and future business prospects, the company said in a brief statement.

### National Bank faces \$158M charge

**FINANCE** • National Bank of Canada, the country's sixth largest bank, said Wednesday it expects to report charges of about \$158 million after taxes in the fourth quarter.

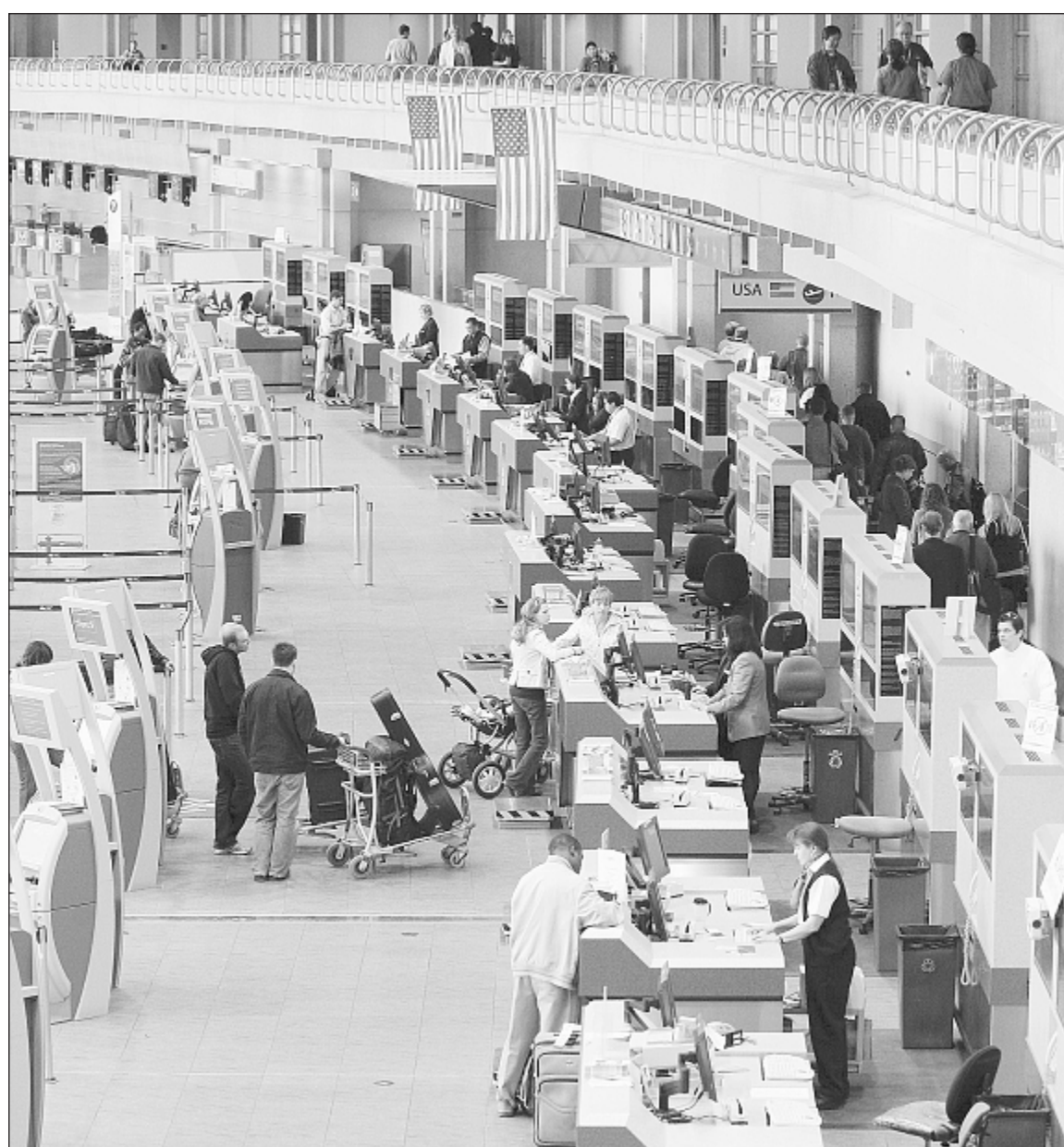
The writedown, which before taxes is expected to come in at \$237 million, includes a charge of \$78 million after taxes related to asset-backed commercial paper, a restructuring charge of \$44 million after tax related to its transformation plan announced in September and \$36 million after-tax for a writedown of tangible assets.

As well, the company said in a statement that it ex-

pected to report earnings of \$70 million, or 37 cents a share. On an adjusted basis excluding charges, earnings should be \$1.36 per share, or \$228 million, up five per cent from the fourth quarter of 2007.

For the fiscal year 2008, reported earnings are expected at \$776 million, or \$4.67 a share, a 45 per cent increase from 2007. Adjusted earnings for the fiscal year 2008 are estimated at \$947 million, or \$5.75 a share, up \$14 million, or 10 cents a share, from the same period last year.

National Bank will release its fourth-quarter and fiscal 2008 results on Dec. 4.



Calgary Herald Archive

The Calgary Airport Authority's flexible growth plans put it in a good position amid economic strife.

# Airport can ride out economic storm

## Authority in development 'sweet spot'

GINA TEEL  
CALGARY HERALD

The Calgary Airport Authority is well-positioned to ride out the current economic storm, having just come off a building blitz that's left the Calgary International Airport in good condition and with enough capacity to allow opportunities for new carriers to come on board.

As such, no major facility expansion decisions for the Calgary International will be required over the next two to three years, the Authority said in its Strategic Operating Plan released Wednesday.

Two major projects on the books, the \$500-million fourth runway and the \$1.3 billion international facilities terminal and apron, can be shelved if the necessary traffic doesn't materialize, said Bob Schmitt, the authority's senior vice-president of planning and engineering.

"We're in a sweet spot in that we're in a concept development design phase," said Schmitt.

"We've got no major commitments on major projects, and we're able to make those decisions depending on what happens with the economy over the next couple of years."

The 4,257-metre fourth runway

is due to be in service in 2014 and the concourse with its 20 aircraft gates in 2015.

Typical planning growth is a two to four per cent per year increase in traffic, Schmitt said.

The airport has experienced 60 per cent growth in traffic the last six years, hence the need for the new infrastructure projects.

"We've pretty much used up the capacity that we had, we still have some capacity, but we also know its going to take five to seven years to bring on those two projects, so we have to plan for the next wave of development," Schmitt said.

In 2007, the Calgary International saw 12.2 million passengers, making it Canada's fourth-busiest airport behind Toronto, Vancouver and Montreal.

The Calgary International contributed \$6 billion value-added gross domestic product to the city in 2007, but Bruce Graham, president of Calgary Economic Development, said the value likely goes beyond that due to how the facility's service levels and destinations impact business and investment decisions.

Next to Vancouver, Calgary International is the best-served airport in the West, he said.

"That service level and the continents that it is flying to with direct daily services, which I think is growing, and that creates opportunities and creates economic benefits that are probably most appreciated by the companies that depend on those markets," Graham said.

**Mexicana Airlines and Lufthansa Airlines** this year began service from Calgary and UPS announced it is building a \$26-million distribution facility at one of the airport's cargo and logistics centres.

As for the runway and the international concourse projects, Schmitt said both are in the concept stage and will be taken into design.

Once the design process is completed, the authority can decide to put the projects on the shelf and wait for the necessary traffic growth, or if it appears that growth is continuing, it can pull the pin on construction.

The lag is also good from a construction inflation standpoint, he added, as construction costs could rationalize in the coming years, leaving the potential for projects to come in under budget.

The authority also unveiled its new logo, YYC. Derived from the airport's call letters, the bold font and red colour signify the airport's connection to the city and community.

In 2007, YYC had 196,000 commercial aircraft movements, while cargo tonnage was 134,000 tonnes.

There were 316 hectares of commercial land under lease.

For the year ended Dec. 31, 2007, YYC reported revenues of \$223 million. Expenses were \$165 million, while capital investment hit \$80 million.

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Reuters

China is cutting interest rates the most it has in 11 years.

# China cuts rates to battle slowdown

REUTERS  
NEW YORK

China slashed interest rates by the biggest margin in 11 years Wednesday and the European Union plotted a 200-billion-euro stimulus plan as central banks and governments acted to jolt the world out of its deepening slowdown.

New U.S. government data underscored the severity of the downturn. U.S. consumer spending plunged at the steepest rate in more than seven years in October and U.S. durable goods orders tumbled at twice the rate economists expected.

U.S. president-elect Barack Obama promised new approaches to deal with the economic maelstrom.

"It has become increasingly clear in recent months that we are facing an economic crisis of historic proportions," Obama said. "We are called to seek fresh thinking and bold new ideas from the leading minds across America."

China's cut in banks' benchmark lending and deposit rates by 108 basis points came a day after the World Bank said Chinese growth next year would be around 7.5 per cent, its slowest rate since 1990.

The People's Bank of China also reduced reserve requirements by one percentage point for big banks and by two percentage points for smaller banks.

"It's certainly a lot more aggressive than anything they've done recently. I think it speaks volumes about just how much China has slowed down," said Anthony Muh of AT Asset Management in Hong Kong.

The European Commission approved a package it hopes will be taken up by EU member states aimed at giving the sagging European economy a sharp, temporary boost with a 200-billion-euro spending plan across the 27-nation bloc, an EU source said.

The Chinese and EU moves come a day after U.S. officials announced \$800 billion in programs to boost consumer and small business lending, adding to trillions of dollars committed to easing turmoil in the global financial system.

In the U.S., consumer confidence hit a 28-year low, new-home sales and prices both dropped, and an index of regional business activity contracted more than expected.

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