

Home-buying mood recovers

MARIO TONEGUZZI
CALGARY HERALD

Home-buying intentions in Alberta have rebounded and are back to 2007 levels, according to an RBC home ownership survey released Wednesday.

The survey found that 35 per cent of Albertans are likely to purchase a home within the next two years, well above the national average of 27 per cent and up from 29 per cent in 2008.

"Home-purchase intentions in Alberta have not only shown big gains over last year, they also remain higher than any other region in the country," said Don Peard, vice-president for RBC mortgage specialists. "More favourable mortgage rates and home prices may in part explain this increase, and Albertans still believe firmly in the long-term value of a home."

The survey, conducted by Ipsos Reid, found that a large majority (72 per cent) believe it is a buyer's market. Given current housing prices and economic conditions, most Albertans



Albertans still believe firmly in the long-term value of a home

DON PEARD, VICE-PRESIDENT FOR RBC MORTGAGE SPECIALISTS

(57 per cent) believe it makes more sense to wait until next year to buy.

According to the survey, 86 per cent of those polled in Alberta said buying a home is a good or very good investment — the largest percentage in Canada.

Among those who plan to purchase this year or next, 39 per cent said they will do so because housing prices

look attractive. Seventeen per cent cited the need for a larger home, and another 16 per cent said they will purchase because their current home does not meet their needs.

Seventy-one per cent said they plan to purchase resale and most (63 per cent) will opt for a detached house.

This news comes a few days after the Calgary Real Estate Board released its February MLS numbers showing activity in Calgary's resale housing market picked up last month from a dismal January and average house prices stabilized.

There were 825 single-family home sales in February with an average MLS sale price of \$415,568. Sales were up 50 per cent from the previous month, but down 34 per cent from February 2008. The average sale price was up just under one per cent from the previous month, but down nearly 12 per cent from a year ago.

In the condominium market, there were 343 sales for the month of February at an average price of \$268,971. Sales were up 52 per cent

from January, but off by 39 per cent from February 2008. The average sale price decreased by less than one per cent from the previous month and was down nearly 14 per cent from a year ago.

In releasing the data earlier in the week, real estate board president Bonnie Wegerich said, "Undoubtedly, the global economic downturn has battered consumer confidence. But there are promising signs we are moving toward a more balanced and stable market. Sales are making some modest gains this month, prices are stabilizing and our inventory absorption rate is improving."

Dan Sumner, economist with ATB Financial in Calgary, said the market is showing some signs of life.

"MLS home sales jumped to 1,431 units in February from 949 units in January. As a result, the inventory-to-sales ratio is returning toward a more balanced market with a ratio of 6.9, after peaking at 11.0 in December," said Sumner.

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IN BRIEF

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Amazon's Kindle reader can hold more than 1,500 books.

Amazon, Apple team up on e-books

TECHNOLOGY • Amazon opened up its electronic bookstore to the Apple iPhone and iPod on Wednesday, less than a month after unveiling the latest generation of its popular e-book reader, the Kindle.

Amazon said a free software program available from Apple's App Store turns an iPhone or iPod touch into an electronic reader capable of reading books from the vast Kindle library of more than 240,000 titles.

Amazon's move to extend its electronic library to the iPhone and iPod comes less than a month after it released the Kindle 2, a slimmer, faster version of the original Kindle. The Kindle 2, which costs \$359 US, has two gigabytes of memory, allowing it to hold more than 1,500 books.

Women prioritize financial security

HOME OWNERSHIP • A new poll on women and home ownership indicates financial security, a backyard or garden, and a quiet and private space for themselves are the three best things about home ownership.

The TD Canada Trust Women and Home Ownership Poll, released Wednesday, said 43 per cent of women list financial security at the top of the list, followed by 35 per cent saying a backyard or garden and 34 per cent noting private, quiet space.

The poll of Canadian women who have independently purchased a home showed the most important factor affecting the decision to buy is cost (98 per cent), with neighbourhood and location (97 per cent) and security and safety (96 per cent) close behind.

— Mario Toneguzzi, Calgary Herald

Pension plans under microscope

REGULATION • The federal government will kick off two months of cross-country consultations next week on the state of federally regulated pension plans.

Ted Menzies, parliamentary secretary to Finance Minister Jim Flaherty, will lead the panel collecting the views of Canadians on the issue at town hall meetings from Halifax to Vancouver to Whitehorse.

The federal government wants to make sure the laws that govern pension plans in sectors regulated by Ottawa — banking, telecommunications and interprovincial transportation — will ensure that the plans are able to meet their liabilities without putting extra strain on employees and employers now when they can least afford it.

Bow tower clears financing hurdle

MARIO TONEGUZZI
CALGARY HERALD

H&R Real Estate Investment Trust has announced it has signed an "engagement letter" with RBC Capital Markets and TD Securities for the financing of the iconic Bow tower being constructed in the heart of downtown Calgary.

H&R REIT said the financial institutions "will collectively act as co-lead arrangers and co-bookrunners for a \$425-million construction facility" for the development project, which will stand 58 storeys tall upon completion in late 2011 or early 2012.

"RBC and TD have received all necessary internal approvals to commit up to \$250 million of the financing contingent upon securing commitments for the remainder of the financing and certain other conditions," said H&R REIT in a statement. "The marketing process for receiving commitments for the remainder of the financing is currently underway."

H&R REIT said if it is successful in signing definitive agreements for the financing it will have satisfied all of the conditions of the private placement with Fairfax Financial Holdings Ltd. Fairfax has agreed to purchase, at par, \$200 million of debentures.

"In combination with the funds arising from reduced distributions and the Fairfax debentures, and on the assumption that the other strategic initiatives which have been undertaken by H&R REIT will be successful, H&R REIT believes that the financing (if completed) will allow it to successfully complete construction of The Bow," it said.

The Bow will consist of two million square feet of office space.

The REIT spent \$49 million on the \$1.5 billion project during the fourth quarter of 2008, bringing H&R REIT's total investment to \$402 million by year-end. H&R REIT expects to spend about \$375 million on the project over the next 12 months. The project had been an estimated \$1.4 billion.

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Gavin Young, Calgary Herald

While WestJet posted a February load factor of 82.6 per cent, a slight decline from the same month a year ago, domestic rival Air Canada reported a load factor of 79.6 per cent, up 0.4 percentage points.

Cheaper fares hit WestJet

GINA TEEL
CALGARY HERALD

WestJet Airlines Ltd. saw decent traffic in February but warned of a steep decline in unit revenue in the first quarter as tough economic conditions impact pricing.

The Calgary-based carrier said it anticipates a 10 to 12 per cent decline in first-quarter revenue per available seat mile, or RASM, on a year-over-year basis.

In a nutshell, Canada's second biggest carrier has had to trim fares to fill its planes.

"Clearly the biggest factor here is an economic slowdown that's causing people to be more price sensitive," said airlines analyst Cameron Doerksen of Versant Partners Inc.

WestJet president Sean Durfy announced the anticipated decline in first-quarter unit revenue Wednesday as the airline posted a February load factor of 82.6 per cent, a slight decline from last year.

"The pricing environment has not improved," Durfy said in a release.

WestJet's expected decline in unit revenue reflects "current economic challenges, the aggressive competitive pricing we have faced and the shift of Easter to the second quarter

of 2009," Durfy said.

He noted the carrier is seeing cost relief, mostly due to declines in fuel costs, that's helping to partially offset the decline in unit revenue.

The announcement sent WestJet shares lower, to finish the day off 72 cents to \$11.23. The shares have lost 14 per cent this year.

Doerksen said WestJet's unit revenue is perhaps weaker than expected, but suggested it needs to be looked at in context. WestJet had a strong first quarter in 2008 and unit revenue was up around eight per cent, so a 10 to 12 per cent decline "isn't as dire as it sounds," he said.

UBS analysts Fadi Chamoun said the outlook for WestJet remains challenging.

"Capacity redeployment into Canada in the coming months coupled with moderating demand leads us to believe that substantial pressure on RASM will persist," he wrote in a research note.

Airlines analyst Rick Erickson said the warning is "worrisome," and partly WestJet's own doing.

WestJet has continued to add capacity in a bid to boost market share, he said. The same growth in capacity that helped WestJet post decent traffic results for February "has come at a

cost to their RASM," he said.

At the same time, Erickson called the carrier's February load factor commendable in light of what's generally a slow month and a recession.

WestJet's February load factor was off 0.2 percentage points from a year ago, but came on a 5.7 per cent gain in capacity, measured in available seat miles, to 1.35 billion, and a 5.5 per cent increase in revenue passenger miles to 1.11 billion.

Air Canada reported a consolidated February load factor of 79.6 per cent, up 0.4 percentage points from a year ago.

The consolidated results arrived with a 10.5 per cent decline in system traffic to 3.41 billion revenue passenger miles, on a capacity decrease of 11 per cent to 4.28 billion available seat miles.

Air Canada's main line load factor was 80.7 per cent, up 1.2 percentage points from a year earlier, with a 9.8 per cent decline in revenue passenger miles and an 11.1 per cent decrease in capacity. Air Canada A shares gained 10 cents on the TSX to close at 95 cents. The shares have dipped 46 per cent this year.

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