

Calgary Herald

Calgary hitting its stride as a retail powerhouse

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Byline: Mario Toneguzzi

Column: Mario Toneguzzi

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Illustrations: Calgary Herald Archive / Retail specialist Michael Kehoe says the recovering economy, consumer confidence and lower unemployment are fuelling Calgary sales and the diversified local economy boosts the regional economic scene.;

Retail sales in the Calgary region are forecast to balloon by \$7.2 billion to \$28.678 billion a year in 2015, far outpacing the annual rate of growth at the national average.

After seeing a 9.1-per-cent annual decline in 2009, the Conference Board of Canada said retail sales rebounded in the Calgary census metropolitan area in 2010 with a 5.1 per cent hike to \$21.433 billion.

And from 2011 to 2015, the region is expected to see annual growth rates of five per cent, 6.4 per cent, 6.4 per cent, 6.1 per cent and 6.2 per cent.

"The emergence of the greater Calgary region as an economic hub and retail powerhouse is evident in the busy shopping centres and other retail venues across the city," said Michael Kehoe, an Alberta-based retail specialist with Fairfield Commercial Real Estate Inc.

"High levels of consumer confidence and retail spending are driven by the diversified local economy led by the oil and gas industry that continues to provide a boost to the regional economic scene with retail sales ahead of 2010 levels.

"In retail circles we continue to see there are two distinct economies -Alberta's and the rest of North America. Solid economic fundamentals, high levels of consumer confidence and low unemployment continue to fuel Calgary's retail sector."

Paige O'Neill, general manager of the Market Mall shopping centre, said a number of economic indicators are positive for Calgary. Sales in January were \$865 per square foot for the mall, which puts it as one of the top 10 in the country, she said.

"New retailers to the country continue to view Calgary as one of the strongest markets to launch their first or second stores," said O'Neill. "The long-term growth for retail sales looks very positive over the next few years in this city."

In Alberta, the conference board is forecasting retail sales to jump by \$17.3 billion to \$76.681 billion a year in 2015. After an 8.3-per-cent decline in 2009, the board said sales in Alberta rebounded in 2010 with five per cent growth to \$59.315 billion.

And from 2011 to 2015, the province can expect to see annual growth rates of four per cent, 6.2 per cent, 5.7 per cent, 5.4 per cent and 5.1 per cent.

At the national level, retail sales fell by only 2.9 per cent in 2009 but came back in 2010 with an increase

of 4.8 per cent to \$415.413 billion.

The conference board said Calgary will see real GDP growth of 3.7 per cent this year, the second highest in the country, but it will lead the nation with an average annual growth rate of 4.2 per cent between 2012 and 2015. That economic recovery will create more jobs in the region and attract more people to move here from other regions of the country.

mtoneguzzi@calgaryherald.com

Canadian Press

Dundee REIT fourth quarter profits get a boost from recent acquisitions

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TORONTO _ Dundee Real Estate Investment Trust (TSX:D.UN) says its fourth-quarter profit rose to \$5.7 million on revenues that strengthened primarily on acquisitions.

The Toronto-based commercial property owner said that its net income was equivalent to 61 cents per unit, compared with \$6.6 million or 60 cents per unit a year ago.

Revenue lifted to \$81.7 million, an increase from \$50.6 million in the same period a year ago. The results were boosted by acquisitions completed throughout the final months of 2009 and into 2010, the company said late Thursday.

For the year, net income doubled to \$27 million from \$13.4 million in 2009. Revenues moved up to \$280.9 million from \$193.8 million.

``The last 18 months transformed Dundee REIT," said chief executive Michael Cooper in a release.

``We have doubled the size of our portfolio, increased its geographic diversification and more than quadrupled our market cap."

Dundee REIT is a real estate investment trust focused on mid-sized urban and suburban office and industrial properties in British Columbia, Alberta, Saskatchewan and Ontario.

Its units traded Friday afternoon at \$30.97, up 51 cents, on the Toronto Stock Exchange.

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The Globe and Mail

Carney squeezed by domestic needs, foreign forces

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Byline: Jeremy Torobin
Dateline: OTTAWA

OTTAWA -- Fears that Libya could send oil soaring to new heights and spark another global downturn had eased by the end of last week, but the unpredictability of upheaval in the region gives Mark Carney yet another reason to keep rates on hold for longer than most expect.

On Tuesday, the Bank of Canada Governor is expected to leave his benchmark interest rate at 1 per cent, where it has been since last September. The real question is whether he'll drop any hints about when he intends to start tightening again.

Most economists say a strengthening labour market, greater investment by businesses and a resurgent export sector will push the central bank off the sidelines in late May or mid-July, and possibly sooner if the next inflation report from Statistics Canada shows higher energy and food costs seeping into other areas.

But a small group of outliers has been saying for months that Mr. Carney might stay on hold until October or later, a timeline that would mark the second pause of more than a year since the crisis started in 2008. Increasingly, it looks as if they may be right.

True, the accelerating rebound in the U.S. economy points to faster growth on this side of the border, too. A report from Statscan on Monday will probably show that in the fourth quarter, the annual pace of expansion surpassed the 2.3- per-cent rate Mr. Carney estimated in January. Trade figures from December indicated tax cuts and other steps to boost the U.S. helped Canadian exporters clock their best month in three decades. And in January, employers hired four times as many workers as anticipated, a sign that momentum from late last year carried over into 2011.

However, the 7.8-per cent jobless rate is keeping a lid on wages, which is partly why inflation remains well within Mr. Carney's comfort zone. The central banker aims to keep annual inflation around 2 per cent and pays closest attention to a measure of price gains that strips out things like gasoline, electricity and most groceries. In January, that so-called annual core rate was 1.4 per cent, a tick slower than the previous month's pace.

Also, recall that at his last decision on Jan. 18, Mr. Carney held firm even while citing a slightly improved forecast for the economy this year and next. Europe's debt and bank troubles continued to be a "significant" source of uncertainty, he said at the time and could easily still say today. And though things were looking up for the United States, the

"cumulative effects" of a currency at par with the greenback and Canadian companies' tepid progress in improving their productivity would restrain companies' ability to reap the rewards, he warned.

That was before revolutions in Tunisia and Egypt unleashed the torrent of protest across the region which last week sent oil prices past \$100 (U.S.) a barrel for the first time since 2008, when \$150-a-barrel crude exacerbated the burgeoning global financial crisis.

By the end of last week, the general consensus seemed to be that while past oil shocks have led to recessions, all will be fine this time around as long as suppliers bigger than Libya, such as Saudi Arabia and Iran, don't implode, too, and as long as prices don't surge beyond about \$120 for a long stretch.

Nonetheless, higher oil prices will make it harder for China, India and other rapidly-growing emerging markets to contain inflation without aggressive tightening moves that choke off demand, while also squeezing the ability of consumers in the United States and Europe to spend money on anything other than basics like energy and food.

"The Bank of Canada is in a bind, because it's stuck in an environment where the strength in the domestic economy signals rates need to go up, but the external side shows there's still a lot of risks," Craig Alexander, chief economist at Toronto-Dominion Bank, said in an interview. "There's risks around sovereign debt in Europe, there's risks around excessive strength and inflation in emerging markets, there's risks around the U.S. recovery, and now there's risks around geopolitics in the Middle East." Worse, the loonie could climb higher, making it that much harder for manufacturers in central Canada to sell their goods abroad and making their operations more costly, at least for a while.

TD's Mr. Alexander is in the camp that says the global economy will ride out the oil storm and domestic conditions in Canada will force Mr. Carney to start raising rates beginning with his July 19 decision. Still, Mr. Alexander acknowledged that persistent uncertainty around the world could delay the central bank.

At the very least, it could mean Mr. Carney pulls the trigger in July to gain some of the ground he needs to make up to get rates back to a "neutral" level - 3.5 per cent or 4 per cent - and then goes back to the sidelines in case more trouble flares up outside of Canada.

Indeed, Mr. Carney will be wary of pulling too much

stimulus away too quickly while world events, and exporters' medium-term prospects, remain so unsettled.

"The one thing they don't want to do is have to reverse course," Mr. Alexander said.

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Oil spike adds wrinkle to rates scenario

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Byline: Jonathan Ratner
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Mark Carney, the governor of the Bank of Canada, has just been thrown another curveball.

While the central bank is widely expected to hold its key interest rate steady at 1% Tuesday, many economists were forecasting the bank to resume raising rates this spring or summer as the North American recovery picks up steam. The crisis in the Middle East, which has sent oil prices soaring and boosted the loonie, has added a wrinkle to that scenario.

"Oil-price-spiking events occurring in North Africa and the Middle East cast some uncertainty over the future path of monetary policy," said Michael Gregory, senior economist at BMO Capital Markets.

The central bank will likely have to mention the downside risk coming from geopolitical issues in the Middle East and North Africa, which will help temper the tone of its official statement Tuesday and keep markets from getting too far ahead of themselves in pricing in rate hikes, analysts say.

The growing Libyan revolt and fears of supply disruptions sent oil to its highest level since the summer of 2008, as crude spiked above the US\$100-a-barrel mark last week. Gold also caught a safe-haven bid, topping US\$1,400 an ounce and the Canadian dollar climbed by more than a half a U.S. cent to US\$1.02.

The impact from higher oil prices on the Canadian economy can change quickly. As a net exporter, Canada is seen to achieve a net positive from high oil prices, but since Canada's largest trading partner, the United States, is a net importer, oil prices could move high enough to tilt its economy back into recession.

"This would overwhelm commodity prices' direct net positives for the Canadian economy, resulting in an overall net negative," Mr. Gregory said in a report.

The issue for the Bank of Canada is finding the inflection points when high oil prices move from being a net positive (and a case for tighter policy), to neutral (a case for a policy pause), to being a net negative (a case for policy easing). Mr. Gregory thinks US\$100 a barrel is close to an inflection point, particularly since U.S. households are still very vulnerable to shocks of any sort because of the lack of job and credit growth. Still, oil prices would have to keep rising to significantly dent U.S. and global growth.

Most analysts believe a strong fourth-quarter GDP reading for Canada on Monday -the consensus on Bloomberg calls for growth of 3% compared with 1%

in the third quarter -would serve as a healthy handoff for the Canadian economy in the first half of 2011 and could push forward the resumption of rate hikes to this spring.

"With U.S. demand increasingly showing signs of life, we suspect the BoC will want to get ahead of the curve and resume the renormalization process in May, bringing the overnight rate to 2.00% by the end of 2011," Kam Bath, fixed income strategist at RBC Capital Markets, said in a note to clients.

RBC economists believe an inflation "spillover" from the United States into Canada would be a significant possibility if domestic demand is the ultimate cause of U.S. inflation. This would benefit Canadian exports, commodity prices would climb even higher and Canada's terms of trade would improve.

A majority of Bay Street economists polled by Reuters expect the BoC to raise rates to 1.25% on May 31, after staying unchanged during policy announcements on March 1 and April 12.

"The Bank of Canada first and foremost targets inflation, and at the moment it's looking extremely tame, allowing for some leeway before the interest rate trigger needs to be pulled again," said Jacqui Douglas, senior macro and FX strategist at TD Securities.

She expects the BoC to keep rates on hold until July, despite some upside surprises in the economy such as December international trade data. She believes the bank wants to avoid further appreciation in the C\$, which will continue to be driven by the U.S. Federal Reserve's quantitative easing program until the middle of the year.

"With [the Canadian dollar] trading north of parity, the bank is going to be very wary about giving the markets a good reason to push it even higher," she told clients.

The BoC raised its overnight rate target three times for a total of 75 basis points last summer, then halted tightening in the fall it became clear the Canadian economy was slowing more than expected and increasing fiscal stress in Europe was stirring up global financial market turbulence.

jrtnr@nationalpost.com