

Canada News-wire

Huntingdon REIT Completes Sale of Surface Parking Lot

Tue Mar 9 2010, 9:20am ET
Dateline: RICHMOND, BC, March 9

RICHMOND, BC, March 9 /CNW/ - Huntingdon Real Estate Investment Trust ("HREIT") (TSX: HNT.UN) today announced that it has completed the previously announced sale of a surface parking lot in Winnipeg, Manitoba, known as 351 Smith Street. The property was sold for \$2.05 million and resulted in net cash to HREIT of approximately \$900,000 thousand after the repayment of mortgage debt, expenses and closing adjustments.

HREIT is a real estate investment trust which is listed on the Toronto Stock Exchange under the symbols HNT.UN (Trust Units) and HNT.DB.C (Series C Convertible Debentures). HREIT owns, directly or indirectly, 83 income producing office, industrial, retail and standalone parking lot properties, including the aviation-related facilities on ground leased land at five of Canada's leading international airports, that have a total gross leaseable area of 5.7 million square feet; two land parcels held for development and one property held for sale, with other development and expansion opportunities within the portfolio. HREIT also owns Consolidated Real Estate Services Inc., a property management business.

The Toronto Stock Exchange has not reviewed or approved the contents of this press release and does not accept responsibility for the adequacy or accuracy of this press release.

© 2010 CNW Group Ltd.

The New York Times

Public Pensions Are Adding Risk To Raise Returns

Tue Mar 9 2010

Page: 1

Section: Business/Financial

Byline: MARY WILLIAMS WALSH

Illustrations: PHOTOS: Frederick E. Rowe, a Dallas investor and the former chairman of the Texas Pension Review Board, said states were looking at riskier investments in an effort to meet pension obligations. (PHOTOGRAPH BY JERRY W. HOEFER FOR THE NEW YORK TIMES)

Trent May, chief of Wyoming's pension fund, said states were "moving away from the perceived safety and liquidity of the investment-grade market." (B4)

States and companies have started investing very differently when it comes to the billions of dollars they are safeguarding for workers' retirement.

Companies are quietly and gradually moving their pension funds out of stocks. They want to reduce their investment risk and are buying more long-term bonds.

But states and other bodies of government are seeking higher returns for their pension funds, to make up for ground lost in the last couple of years and to pay all the benefits promised to present and future retirees. Higher returns come with more risk.

"In effect, they're going to Las Vegas," said Frederick E. Rowe, a Dallas investor and the former chairman of the Texas Pension Review Board, which oversees public plans in that state. "Double up to catch up."

Though they generally say that their strategies are aimed at diversification and are not riskier, public pension funds are trying a wide range of investments: commodity futures, junk bonds, foreign stocks, deeply discounted mortgage-backed securities and margin investing. And some states that previously shunned hedge funds are trying them now.

The Texas teachers' pension fund recently paid Chicago to receive a stream of payments from the money going into the city's parking meters in the coming years. The deal gave Chicago an upfront payment that it could use to help balance its budget. Alas, Chicago did not have enough money to contribute to its own pension fund, which has been stung by real estate deals that fizzled when the city lost out in the bidding for the 2016 Olympics.

A spokeswoman for the Texas teachers' fund said plan administrators believed that such alternative investments were the likeliest way to earn 8 percent average annual returns over time.

Pension funds rarely trumpet their intentions, partly to keep other big investors from trading against them. But some big corporations are unloading the stocks that have dominated pension portfolios for decades. General Motors, Hewlett-Packard, J. C. Penney, Boeing, Federal Express and Ashland are among those that have been shifting significant amounts of pension money out of stocks.

Other companies say they plan to follow suit, though more slowly. A poll of pension funds conducted by Pyramis Global Advisors last November found that more than half of corporate funds were reducing the

portion they invested in United States equities.

Laggards tend to be companies with big shortfalls in their pension funds. Those moving the fastest are often mature companies with large pension funds, and who fear a big bear market could decimate the funds and the companies' own finances.

"The larger the pension plan, the lower-risk strategy you would like to employ," said Andrew T. Ward, the chief investment officer of Boeing, which shifted a big block of pension money out of stocks in 2007. That helped cushion Boeing's pension fund against the big losses of 2008.

Shedding stocks gave Boeing "material protection right when we needed it most," Mr. Ward said. By the time the markets had bottomed out last March, Boeing's pension fund had lost 14 percent of its value, while those of its equity-laden peers had lost 25 to 30 percent, he said.

"We estimated that the strategy saved our company in the short term right around \$4 or \$5 billion of funded status," he said.

Boeing and other companies seeking to reduce their investment risk are moving into fixed-income instruments, like bonds -- but not just any bonds. They are buying and holding bonds scheduled to pay many years in the future, when their retirees expect their money.

The value of the bonds may fall in the meantime, just like the value of stocks. But declining bond prices are not such a worry, because the companies plan to hold the bonds for the accompanying interest payments that will in turn go to retirees, not sell them in the interim.

Towers Watson, a big benefits consulting firm, surveyed senior financial executives last year and found that two-thirds planned to decrease the stock portion of their companies' pension funds by the end of 2010. They typically said their stock allocations would shrink by 10 percentage points.

"That's 10 times the shift we might see in any given year," said Carl Hess, head of Towers Watson's investment consulting business. Economists have speculated that a truly seismic shift in pension investing away from stocks could be a drag on the market, but they say it would not be long-lasting.

Corporate America's change of heart is notable all on its own, after decades of resistance to anything other

than returns like those of the stock markets. But it's even more startling when compared with governments' continued loyalty to stocks. When governments scale back on the domestic stocks in their pension portfolios these days, it is often just to make way for more foreign stocks or private equities, which are not publicly traded.

Government pension plans cannot beef up their bonds that mature many, many years from now without dashing their business models. They use long-range estimates that presume high investment returns will cover most of the cost of the benefits they must pay. And that, they say, allows them to make smaller contributions along the way.

Most have been assuming their investments will pay 8 percent a year on average, over the long term. This is based on an assumption that stocks will pay 9.5 percent on average, and bonds will pay about 5.75 percent, in roughly a 60-40 mix.

(Corporate plans do their calculations differently, and for them, investment returns are a less important factor.)

The problem now is that bond rates have been low for years, and stocks have been prone to such wild swings that a 60-40 mixture of stocks and bonds is not paying 8 percent. Many public pension funds have been averaging a little more than 3 percent a year for the last decade, so they have fallen behind where their planning models say they should be.

A growing number of experts say that governments need to lower the assumptions they make about rates of return, to reflect today's market conditions.

But plan officials say they cannot.

"Nobody wants to adjust the rate, because liabilities would explode," said Trent May, chief investment officer of Wyoming's state pension fund.

The \$30 billion Colorado state pension fund is one of a tiny number of government plans to disclose how much difference even a slight change in its projected rate of return could make. Colorado has been assuming its investments will earn 8.5 percent annually, on average, and on that basis it reported a \$17.9 billion shortfall in its most recent annual report.

But the state also disclosed what would happen if it lowered its investment assumption just half a percentage point, to 8 percent. Though it might be more likely to achieve that return, Colorado would earn less over time on its investments. So at 8 percent, the plan's shortfall would actually jump to \$21.4 billion. Contributions would need to increase to keep pace.

Colorado cannot afford the contributions it owes, even at the current estimated rate of return. It has fallen behind by several billion dollars on its yearly contributions, and after a bruising battle the legislature recently passed a bill reducing retirees' cost-of-living adjustment, to 2 percent, from 3.5

percent. Public employees' unions are threatening to sue to have the law repealed.

If Colorado could somehow get 9 percent annual returns from its investments, though, its pension shortfall would shrink to a less daunting \$15 billion, according to its annual report.

That explains why plan officials are looking everywhere for high-yielding investments.

Mr. May, in Wyoming, said many governments were "moving away from the perceived safety and liquidity of the investment-grade market" and investing money offshore, but he said he was aware of the risks. "There's a history of emerging markets kind of hitting the wall," he said.

Last year, the North Carolina Legislature enacted a measure to let the state pension fund invest 5 percent of its assets in "credit opportunities," like junk bonds and asset-backed securities from the Federal Reserve's Term Asset-Backed Securities Loan Facility, an emergency program created to thaw the frozen markets for such securities.

The law also lets North Carolina put 5 percent of its pension portfolio into commodities, real estate and other assets that the state sees as hedges against inflation. A summary of the bill issued by the state's treasurer and sole pension trustee, Janet Cowell, said it would provide "flexibility and the tools to increase portfolio return and better manage risk."

But some think they see new risks.

"It doesn't pass the smell test," said Edward Macheski, a retired money manager living in North Carolina. "North Carolina's assumption is 7.25 percent, and they haven't matched it in 10 years." He went to a recent meeting of the state treasurer's advisory board, armed with a list of questions about the investment policy. But the board voted not to permit any public discussion.

Wisconsin, meanwhile, has become one of the first states to adopt an investment strategy called "risk parity," which involves borrowing extra money for the pension portfolio and investing it in a type of Treasury bond that will pay higher interest if inflation rises.

Officials of the State of Wisconsin Investment Board declined to be interviewed but provided written descriptions of risk parity. The records show that Wisconsin wanted to reduce its exposure to the stock market, and shifting money into the inflation-proof Treasury bonds would do that. But Wisconsin also wanted to keep its assumed rate of return at 7.8 percent, and the Treasury bonds would not pay that much.

Wisconsin decided it could lower its equities but preserve its assumption if it also added a significant amount of leverage to its pension fund, by using a variety of derivative instruments, like swaps, futures or repurchase agreements.

It decided to start with a small amount of leverage and gradually increase it over time, but word of even a baby step into derivatives elicited howls of protest from around the state.

The big California pension fund, known as Calpers, was already under fire for losing billions of dollars on private equities and real estate in the last few years. So far it has stayed with those asset classes, while negotiating lower fees and writing off some of the most troubled real estate investments.

It announced in February that it had started looking into whether it should lower its expected rate of investment return, now 7.75 percent a year. It has embarked on a study, but a spokesman said that process would not be done until December, safely after the coming election.

© 2010 by the New York Times Company

Montreal Gazette

Gains seen for metal prices and output this year; But recovery may be slow as demand outside China is shaky, producers say

Tue Mar 9 2010
Page: B4
Section: Business
Byline: CAROLE VAPOREAN
Dateline: NEW YORK
Source: Reuters

As the global economy recovers from the worst recession in 70 years, industrial metals are expected to stay on a recovery path this year, but metal producers warn that the advance may be slow as demand remains shaky.

Among the positives for demand are the impact of lean producer inventories, government stimulus programs and Chinese consumption, analysts said. Global economic growth is starting to pick up as a result.

"We're not expecting particularly strong growth in the world outside China, but we are forecasting global growth will move from a decline of one per cent in 2009 to a gain of 3.7 per cent in 2010. That's a strong inflection point," said Bart Melek, BMO Capital Markets global commodity strategist.

He also sees global industrial production recovering from a 12.5-per-cent decline in 2009 to a 3.2-per-cent increase in 2010.

That all means more demand for everything from copper pipes to aluminum for auto and aircraft production and zinc for galvanized steel.

This demand picture will be analyzed closely at the Reuters Global Mining and Steel Summit in New York, London, Sydney and some other major cities around the world this week.

Top executives of leading mining companies and owners of such downstream operations as smelters will discuss their outlook for the industry in 2010 and beyond.

The heads of gold, silver and palladium miners will also be in attendance after recording a strong performance in the past year.

Analysts said they continue to see investors using gold as a hedge to protect against political risk, sovereign debt issues and inflation.

And, though metal industry executives agree the economy has improved, they also continue to report uncertain order levels from many sectors of the global economy.

"Business is still weak for us in the developed world, in the U.S., Japan and in Europe. But the long-term outlook is good," Richard Adkerson, CEO of Freeport-McMoRan, the second-biggest copper producer, told investors last week.

"When you add in any recovery in the developed world with the opportunity in China and other developing countries, you get a positive outlook for demand in the long run," he added.

John Surma, U.S. Steel Corp. chief executive, said in a recent interview with Reuters: "In my view, the worst is probably behind us. The trajectory we're on is better, but there's some ways to go yet.

"We're moving in the right direction. But end-use demand? We're still very cautious about that."

At last year's summit, numerous chief executives talked about signs that they were skidding at the bottom. This year, the talk is how fast things will pick up.

Metal prices have already climbed above last year's averages. For example, copper is currently trading about \$3.40 per pound, much higher than the 2009 average at \$2.34. Spot aluminum prices are running at 98 cents per pound and averaged 75 cents last year.

And, U.S. Midwest hot-rolled coil steel was last priced at \$625 per ton, well up from \$500 a year ago.

National Post

U.S. equity funds burning through cash; A worrisome sign; 'There's not as much buying power out there'

Tue Mar 9 2010
Page: FP10
Section: Financial Post Investing
Byline: Lynn Thomasson
Source: Bloomberg News

Equity mutual funds in the United States are burning through cash at the fastest rate in 18 years, leaving them with the smallest reserves since 2007, a sign gains for the Standard & Poor's 500 index may slow.

Cash dropped to 3.6% of assets from 5.7% in January 2009, leaving managers with US\$172-billion in the quickest decrease since 1991, Investment Company Institute data show. The last time U.S. mutual fund managers held such a small proportion was September 2007, a month before the S&P 500 began a 57% drop, according to data compiled by Bloomberg.

Still, analysts differ on whether the rally can be sustained from other sources.

For Parnassus Investments and Janney Montgomery Scott LLC, depleted reserves is a sign returns will fall from last year. Bulls say any pullback is a buying opportunity because investors have US\$3.17-trillion in money-market funds and may return to stocks.

"It's not a red light, but it's a flashing yellow light that the strongest part of the rally is probably over," said Jerome Dodson, president of Parnassus. He estimates the S&P 500 will climb 6% to 9% this year. "There's not as much buying power out there."

Fund managers are trying to gauge how much money is left to move shares after the S&P 500 surged 70% in the 10 months starting in March 2009, and then began an 8.1% slide on Jan. 19. The drop, which matches the average size of 117 "moderate corrections" tracked by Birinyi Associates Inc. since 1945, may herald a second phase of the bull market after last year's advance surpassed every rally since the 1930s.

Cash in mutual funds slipped to 3.6% of assets in January, the second-lowest level on record, compared with 5.7% a year earlier, ICI data show. As reserves fell, the S&P 500 rallied 30%.

While declines in equity prices this year won't be as severe as during the credit crisis, stocks may slump should data show the economy is weaker than analysts forecast, says Mark Luschini, chief investment strategist at Janney Montgomery.

The percentage of cash held by funds "suggests that you want to be wary of who's left to do the buying," said Mr. Luschini. "With this recovery still relatively fragile, it would not take much to set the market up for a sizable snapback."

Changes in reserves foreshadowed moves in equities in the past, according to data compiled by Bloomberg and ICI. The S&P 500 lost 16% on average the last three times managers boosted reserves. The index doubled on average when they cut.

The index rose threefold as cash dropped in April 1993 from 9.5% to 4% in March 2000. It sank 12% in the next eight months as the levels jumped to 6.5%. The S&P 500 gained 14% while balances shrank from 6.5% in November 2000 to 3.5% in June 2007.

Stocks will rally this year as the prospect of higher interest rates lures cash from fixed-income securities to equity accounts, says Mark Bronzo at Security Global Investors.

Data from ICI, the Washington-based lobbying group for professional money managers, show investors have pumped US\$369-billion into bond funds since March 2009 versus US\$23.4-billion for equities.

"There's so much money in the fixed-income market and there's so much money in money-market instruments paying almost nothing," said Mr. Bronzo. "If that money shifts to stock funds, it's going to be very bullish."

The Washington Post

Unemployment benefits: In it for the long term? As payments are extended, some critics fear program may no longer be temporary

Tue Mar 9 2010
Page: A01
Section: Asection
Byline: Michael A. Fletcher and Dana Hedgpeth

Millions of Americans have been forced to rely on unemployment payments for extended periods as the nation struggles through its longest period of high joblessness in a generation, and critics are taking aim, saying that the Depression-era program created as a temporary bridge for laid-off workers is turning into an expensive entitlement.

About 11.4 million out-of-work people now collect unemployment compensation, at a cost of \$10 billion a month. Half of them have been receiving payments for more than six months, the usual insurance limit. But under multiple extensions enacted by the federal government in response to the downturn, workers can collect the payments for as long as 99 weeks in states with the highest unemployment rates -- the longest period since the program's inception.

The unemployed say extensions help to tide them over in unusually difficult times when jobs are hard to come by. Although unemployment held steady at 9.7 percent in February, millions of jobs have been lost in the downturn, particularly in the hardest-hit sectors including real estate, construction, manufacturing and financial services. Those jobs are unlikely to return even when the economy recovers, many experts say.

But complaints that extending unemployment payments discourages job-seeking have begun to bubble into the political debate. Sen. Jim Bunning (R-Ky.) recently single-handedly held up the latest extension, a bill to keep unemployment benefits in place for 30 more days, saying Congress should find other cuts to cover its \$10 billion price tag.

Sen. Jon Kyl (R-Ariz.) did not join Bunning's effort, but he defended his colleague's point of view. Kyl told the Senate he questioned why anyone would see unemployment benefits as helpful to the economy, or to the job market.

"If anything, continuing to pay people unemployment compensation is a disincentive for them to seek new work," Kyl said. "I am sure most of them would like work and probably have tried to seek it, but you can't argue it is a job enhancer."

Andrew Stettner, deputy director of the National Employment Law Center, says there's a good reason people are out of work for so long. There are six unemployed Americans for every available job, he said.

"The primary reason people are out of work so long is a lack of jobs," Stettner said.

The 14.9 million jobless Americans have been out of work an average of 29.7 weeks, just below January's 30.2-week average. Those levels are the highest since the government began keeping those records in the 1950s, according to Stettner.

The ranks of the unemployed include Jerome Boyd, 48, a father of four who lives in Arlington. He was laid off in August from his job as a sous chef at Gaylord National Hotel at National Harbor.

He receives \$1,200 a month in unemployment benefits, less than half the \$3,000 a month he brought home from his job. Now he is often behind paying about \$1,500 in rent, a car payment and other expenses. "I'm stealing from Peter to pay Paul," he said, adding: "There's the cable, the phone bill. I owe the bank overdraft fees and the insurance is lapsing a little bit. I can't take my kids shopping for school clothes because I don't have enough to do that."

The checks may be meager, but Boyd does not know what he would do without them. "I depend on this money," he said. "I'm wondering every other week if it is going to keep coming in or not. It's stressful, and especially when you're trying to look for a job, too."

States determine the amount of the benefits, but they average 36 percent of the average weekly wage, according to the National Employment Law Center. Recipients must look for work. Boyd said he has applied for 20 jobs in the past four months but has gotten only a few calls back. He has, however, looked only for jobs that pay above the minimum wage.

"I can't take something that's minimum wage because I just won't be able to pay my bills," he said. "I'd have to work three jobs to pay the bills, and that doesn't make sense."

Unemployment benefits were created as part of the Social Security Act of 1935, intended to provide the unemployed some portion of their income while helping the economy weather down times. Nearly two-thirds of the jobless collect unemployment benefits, which go only to those who have earned a certain amount of money in the previous year, and who lost their jobs through no fault of their own.

Unemployment compensation is funded largely through employer taxes (a few states require worker contributions). They have been extended in previous periods of unusually high unemployment, then rolled back when the rate declined.

Although the availability of long-term unemployment benefits "could dampen people's efforts to look for work," the Congressional Budget Office said in a February report, that concern "is less of a factor when employment opportunities are expected to be limited for some time."

Staff researcher Magda Jean-Louis and staff writer V. Dion Haynes contributed to this report.

© 2010 The Washington Post Company

The report went on to say that people receiving unemployment benefits tend to plow the money right back into the economy, making them "both timely and cost-effective in spurring economic activity and employment."

Today, the unemployed confront a changing workplace. The Obama administration has tried to address that by investing heavily in education, clean energy and scientific research, which officials say will create the jobs of the future. But that takes time, and jobs are being lost faster than new kinds can be created. That places unprecedented pressure on a program created to provide short-term relief while people waited for jobs to return.

"It is appropriate and natural for Congress to extend the time limit of unemployment insurance with the job market as bad as it is," said James Sherk, a labor economist at the Heritage Foundation. "But by quadrupling it, it is no longer an unemployment insurance program but a welfare program."

Phillip L. Swagel, a former Treasury Department official who is now a business professor at Georgetown University, said that some people might take longer to find a new job as a result of unemployment insurance extensions, but that right now it's a needed benefit.

"The reality is that it's hard to find a job even for people who really want one," he said.

But as the job market improves, Swagel said, unemployment insurance extensions must be pared back quickly, as they have been in previous downturns. "It's important to let the extensions lapse as the job market recovers -- to avoid having disincentives to work once the job market is better," Swagel said.

Jeffrey Carlson of Grand Rapids, Mich., a former insurance salesman and father of six, says he is motivated to find work, despite the \$1,650 a month he collects in unemployment benefits. That money does not go far given his rent, child support, utilities and credit card bills. Carlson, 44, said he has applied for numerous jobs with no luck and has spent \$40,000 in savings.

Carlson, who made \$50,000 a year before he was laid off, said watching Bunning and other senators debate whether to extend unemployment benefits was painful and infuriating.

"I paid into the system for 25 years and now I need it," he said. "People are being put through the emotional heartache and anxiety of not knowing if it's going to keep coming. There are too many people who need it and are depending on it."

The Globe And Mail

Job seekers faced with wary employers; Jobless recovery becoming reality as estimates say it will take at least another year to restore employment lost in the recession

Tue Mar 9 2010
Page: B4
Section: Report On Business: Canadian
Byline: Tavia Grant

It's shaping up to be a jobless recovery, as Canada's public sector starts to reduce employment while companies remain hesitant to hire.

The economy may have revved back to life at the end of last year, but cautious employers are more likely to boost the hours of existing workers, or hire people on a temporary basis, before they take on new full-time staff.

In the meantime, belt-tightening in the public sector - the key source of job creation last year - is now triggering hiring freezes and layoffs. Treasury Board President Stockwell Day said yesterday he is eliminating 245 federal positions from government boards and agencies. B.C. said last week it plans to eliminate 3,500 full-time equivalent positions in the coming years. Cities such as Toronto are in a hiring freeze.

That suggests little job growth this year even if the economic recovery solidifies, economists said. It will take at least another year, and maybe two, to recover all of the 280,000 lost jobs in the recession, said Sébastien Lavoie, assistant chief economist at Laurentian Bank Securities.

"It looks like we'll have to wait until 2011 to see as many Canadians working as before the recession," he said, adding that he expects job creation of just 125,000 positions this year.

Indeed, three-quarters of businesses don't plan to change their head count in the coming months, Manpower Canada said in a survey to be released today showing the employment outlook actually deteriorated for the second quarter from the first. Seventeen per cent of employers plan to hire in the coming quarter, 6 per cent see layoffs and 75 per cent anticipate no change.

Hiring intentions in public administration have declined from both the previous quarter and last year, the Manpower survey shows. The results "reinforce the sense that this is a jobless recovery," said Byrne Luft, the firm's vice-president of marketing. "We're moving out of this quite slowly."

Employment tends to lag economic recoveries by six months, so he doesn't see much job growth until the third quarter of this year. His own staffing firm is seeing demand grow for temporary workers in areas such as information technology.

The cities with the country's brightest hiring outlook

are Regina, Niagara Falls and Fredericton, N.B. The bleakest is in Red Deer, Alta., along with Northumberland county and Hamilton in Ontario.

With so much uncertainty about the sustainability of the recovery - given that governments will be withdrawing stimulus spending and shifting into deficit-cutting mode, interest rates will start to climb and global demand is still uneven "there's a lot to think about before you commit yourself to a new hire," said Benjamin Tal, senior economist at CIBC World Markets. "I really don't see a V-shaped recovery for the labour market."

For now, companies such as Cargojet Income Fund, Canada's largest cargo airline, remain in a hiring freeze amid an uncertain outlook. Company president Ajay Virmani said he doesn't expect a recovery for another two or three years.

A quarterly small-business survey to be released today, meanwhile, shows 38 per cent of firms plan to hire in the next year - indicating 62 per cent don't expect to add to payrolls.

The small-business survey, by American Express, showed that, of those who do plan to add staff, about half are looking for full-time, permanent employees.

SHIFTING LANDSCAPE FOR LABOUR MARKET

In coming years, Canada's labour market will see one of the biggest shifts in its history as baby boomers retire and temporary work increases - both of which have ramifications for employees and employers alike.

"Very significant" challenges will need to be addressed if the country is to maintain its standard of living, Toronto-Dominion Bank economists Don Drummond and Francis Fong said in a paper published yesterday about Canada's changing workplace. They highlight five key issues:

More than a third of the work force plans to retire in the next two decades. That, coupled with low fertility rates, will cause the labour market to slow and may force employers to increase wages to attract workers.

Under-represented segments of the population, such as immigrants, aboriginals, women and older workers, must be utilized more efficiently. Better

inclusion of each group poses its own set of challenges: Women still face a big gender wage gap; immigrants are at a higher risk of falling into low-income status; and only half of aboriginal people on reserves have a high-school diploma.

Higher education is becoming ever more important.

In the next five years, about two-thirds of new jobs will need postsecondary education. Yet only about half of Canadians have such education. Access will need to be improved, particularly among low-income students.

Well-paid, full-time jobs with good benefits and pensions have been replaced by temporary or contract jobs without benefits. As well, private employer-sponsored pensions are disappearing, suggesting more Canadians will have to finance their own retirements.

Literacy remains inadequate. Almost four in 10 young Canadians lack reading skills and more than two in 10 university grads don't have appropriate English or French literacy skills. The problem is particularly dire among new immigrants. "For the most part, the consequences of these trends are negative: slowing labour force and productivity growth pose significant downside risk to overall economic growth and the standards of living of Canadians," the report said. "Overcoming these challenges merits the immediate attention of employers as the solutions must come from a complete overhaul of how we consider the labour force."

Tavia Grant

© 2010 CTVglobemedia Publishing Inc. All Rights Reserved.

The Toronto Star

Refit for a King of hotels; As deal for iconic King Eddie closes, reno plans include three floors of luxury condos

Tue Mar 9 2010

Page: B01

Section: Business

Byline: Tony Wong

Source: Toronto Star

Illustrations: Keith Beaty toronto star Developer Gil Blutrigh, right, called Canada's Trump by some and partner Michael Copper, CEO of Dundee Realty, in the Crystal ballroom of the iconic King Edward Hotel in downtown Toronto

Gil Blutrigh is in the famed Crystal ballroom of Toronto's King Edward hotel giving a guest a tour of his latest acquisition.

There's a forlorn chandelier in one corner, surrounded by exposed wiring and dust. But Blutrigh sees beyond the faded glory.

"There is so much history here. This is where Toronto society celebrated their biggest events," the Toronto developer said in an exclusive interview with the Star. "We are going to restore this hotel to what it used to be."

On Monday, Blutrigh's Skyline International Development Inc. closed the deal on the iconic hotel - where the Beatles once stayed and where Richard Burton proposed to Elizabeth Taylor - for \$48 million.

The Star has learned his partners include billionaire developer Alex Shnader, the man behind the Trump hotel in Toronto, the Serruya family, founders of the frozen desert chain Yogen Fruz and powerhouse developers Dundee Realty Corp.

The hotel will remain under the management of Starwood Hotels & Resorts under the Le Meridien brand, but Blutrigh says he and his partners plan to extensively renovate the property.

Details are still being worked out, but three floors, which are unoccupied and formerly used for commercial space, will be turned into as many as 140 luxury condominiums with a starting price of \$700 per square foot.

"When I came here from Israel 12 years ago, I did not imagine myself ever owning this place," Blutrigh said with infectious enthusiasm. "This is really fantastic to be able to own a piece of history."

The hotel was built in 1903 by Toronto's then-richest man, George Gooderham and named after King Edward VII.

At one time it was the city's finest hotel. John Lennon and Yoko Ono had a "bed-in" for peace in one of the rooms. Elvis Presley stayed in the Royal Suite and Ernest Hemingway lived at the hotel while a reporter at the Toronto Star.

"The place is an absolute landmark, we're really excited about being a part of it," said Dundee Realty CEO Michael Cooper, standing in the Cafe Victoria

Ballroom where he used to have meetings.

"This used to be where just about all of Bay St. used to come for lunch. I was about the only person in the room you wouldn't recognize."

Blutrigh, through his Israel-based Mishorim Development Ltd., placed a \$500,000, non-refundable deposit on the hotel last year before closing the deal Monday.

The property was originally being sold for \$52 million, but the final price was \$48 million after negotiations.

With the economic crunch, it seems like a deal.

The 298-room hotel on the corner of King and Victoria streets was owned by New York investment bank Lehman Bros., costing \$62.5 million in 2006. Renovations were estimated at \$17 million. Lehman Bros. went under in spectacular fashion during the 2008 global financing crisis, spiking a distress sale.

That means the partners are acquiring the hotel for more than \$30 million less than Lehman Bros. paid.

But they will also have to put tens of millions into refurbishing the hotel. Blutrigh figures the Crystal ballroom alone will cost \$8 million to restore.

One large appeal of the property, said Blutrigh, was that 30 per cent of it was unoccupied. The third, fourth and fifth floors are empty, while the cavernous Crystal ballroom on the penthouse level was at one time being used by fly fishermen to practise their casts.

On the ground floor there is empty retail space facing King St. that was formerly occupied by Scotiabank. Blutrigh said executives from various international hospitality companies, including Venice's Cipriani restaurants, have already flown in to take a look at the possibility of opening a restaurant.

"We are hoping to have a very high-end bar here," he said.

And no tour is complete without a peek at the 2,500-square-foot Royal suite.

"Margaret Thatcher stayed here," said Blutrigh, pointing out a separate entrance and room where her bodyguards could stay out of sight.

"At one time this was where all the VIPs stayed."

© 2010 Torstar Corporation

Since arriving in Canada from Israel, Blutrigh has been collecting trophy Canadian real estate with the zeal of a schoolboy building a prized marble collection.

He owns two downtown boutique hotels, the Pantages and the Cosmopolitan, and several commercial buildings and apartment buildings in Ontario and Quebec.

Five years ago Blutrigh purchased land in Port McNicoll, near Midland, with 11 kilometres of Georgian Bay waterfront with the idea of transforming it into a tourism gateway.

In 2008, he bought the Horseshoe Valley ski complex some 20 kilometres away with the intention of linking the two, creating a \$1.7 billion mega "Georgian Valley" complex.

But his critics have said the irrepressible developer has bitten off more than he can chew with the addition of the King Eddie.

His blue-chip partners in the King Edward venture seem to think otherwise.

Blutrigh is following a well-known game plan: In 2004, Israeli real estate development company El-Ad Group purchased the Plaza Hotel in New York and turned part of the building into the city's most expensive condominiums.

But analysts say the Toronto market is much smaller than New York, and moreover, the condominium-hotel market is getting awfully crowded.

An estimated 35,000 condominiums are expected to be completed this year. And in the next 12 months, a new Ritz Carlton, Shangri-La Four Seasons and Trump hotel are all expected to be in various stages of completion, an unprecedented spate of luxury hotels.

Hotel room rates in the Toronto market also took a 10 per cent hit in 2009 because of the global economic crisis, according to hotels.ca.

"Hotels had a very tough year," said John O'Bryan, vice-chairman of real estate consultancy CB Richard Ellis. "Discretionary spending was down, business travel was reduced and a high Canadian dollar gave little respite to owners and operators."

But Blutrigh is undeterred.

"The Ritz and the Four Seasons are all very beautiful buildings, but they are new buildings. This building is historic. It's like comparing a 1950's Jaguar to a new Jaguar.

"There is a market for the old and the beautiful because this is absolutely one of a kind," said Blutrigh.