

## BUSINESS BC

WEDNESDAY, FEBRUARY 9 | 2011 | EDITOR FIONA ANDERSON 604.605.2520 | SUNBUSINESS@VANCOUVERSUN.COM

WESTJET.COM

S & P/TSX 13,892.52 80.59	Dow Jones 12,233.15 71.52	S & P 500 1,324.57 5.52	Nikkei 10,635.98 43.94	Dollar \$1.0054 US 0.45	Gold 1,363.40 15.80	Oil 86.94 0.54	Natural Gas 4.04 0.06
---------------------------------	---------------------------------	-------------------------------	------------------------------	-------------------------------	---------------------------	----------------------	-----------------------------

## BRIEFINGS

## London, Toronto exchanges seeking to merge

Canada's dominant stock exchange owner, TMX Group, and the London Stock Exchange are in advanced merger discussions, potentially ending 160 years of autonomy for the Toronto Stock Exchange.

The TMX confirmed the talks late Tuesday, characterizing the potential deal as "a possible merger of equals to create an international exchange leader." But the two are not equal in size. The London exchange is bigger than its Canadian partner — \$2.99-billion market capitalization for the TSX and about \$3.87-billion for LSE — meaning the shareholders of Britain's national exchange will own more than the shareholders of Canada's national exchange. The merged group would be co-headquartered in London and Toronto and continue to be overseen by its existing regulatory authorities." Read more at [vancouver-sun.com/business](http://vancouver-sun.com/business)

## NUMBERS

7.9%

The decline in housing starts in B.C. in January. See a full report at [vancouver-sun.com/business](http://vancouver-sun.com/business)

## TOP STOCK

## Uranium One

The most active B.C. company on the TSX Tuesday closed at \$6.54 up 15 cents.

## BLOG WATCH

## China moves on rare earth metals

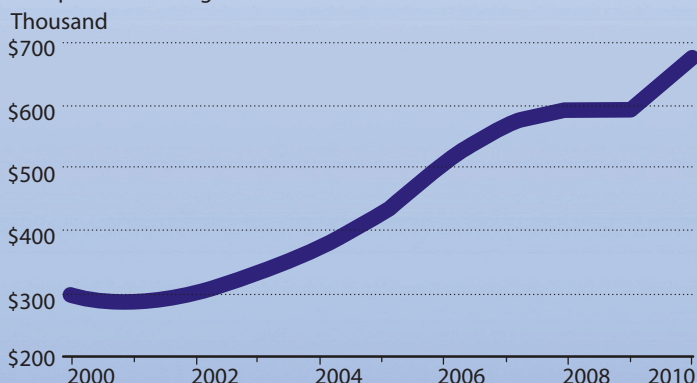
China appears to be making moves to consolidate production of rare earth elements — vital to a wide array of high-tech devices — in a fashion that could drive up the price of these unusual and valuable commodities. The *Wall Street Journal* is reporting that storage facilities have been built in recent months in the northern region of Inner Mongolia with the capacity to hold more than the 39,813 tonnes of the elements China exported last year.

From Scott Simpson's blog. Read more at [vancouver-sun.com/innovation](http://vancouver-sun.com/innovation)

## Returns on investment

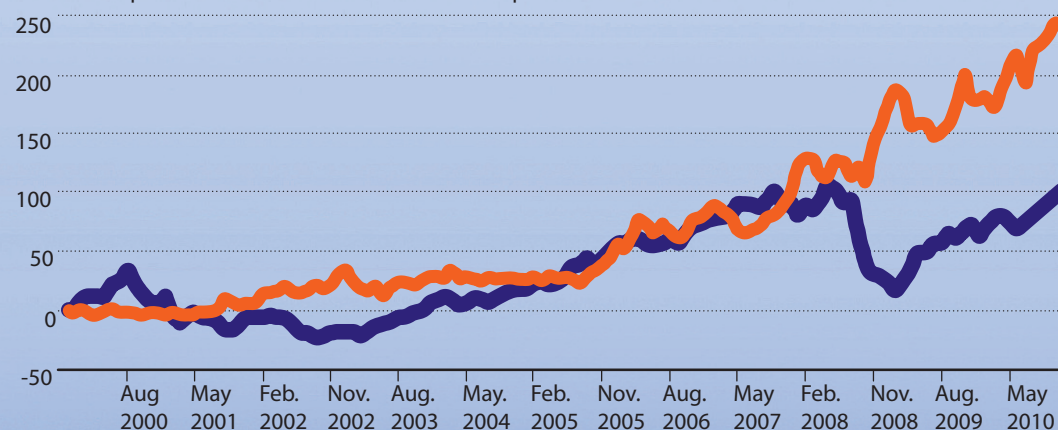
## Year-over-year price changes in the average price of Vancouver Real Estate

Compound annual growth rate: 7.8%



## Comparative Returns

Gold Spot Standard and Poor/TSX Composite Index



Source: Canadian Real Estate Association, Bloomberg

VANCOUVER SUN

## REAL ESTATE | Gains in Metro Vancouver housing will be tough to repeat

Homeowners laughed all the way to the bank with 7.8-per-cent annual returns from 2000 to 2010

BY DERRICK PENNER  
VANCOUVER SUN

Metro Vancouver real estate has proved to be a solid investment over the last decade despite the market's recent ups and downs, according to a new report. However, analysts warned that those returns will be hard to match in the coming 10 years.

A Metro Vancouver home earned its owner a compounded-annual return of 7.8 per cent between the start of 2000, when it was worth \$296,000, and the end of 2010, when it was worth \$676,000, Re/Max reported in its Housing Barometer Report.

That is better performance than an investment in the main Canadian stock index, which would have earned a compounded annual return of 6.64 per cent over the same period, but not quite as good as gold, which returned almost 12 per cent annually, according to data from Bloomberg.

"If you look at the 25-year average, it would really be the same story," Elton Ash, Re/

Max's executive vice-president for Western Canada said in an interview.

"Real estate has been a sound investment, and should always be looked at as a long-term investment."

With today's high home prices, however, it is unlikely that markets will repeat that performance, according to investment analysts.

"I can pretty confidently say that it's going to be tough for returns to be as good over the next 10 years, in Vancouver anyway," Murray Leith, vice-president and director of research at the investment firm Odium Brown Ltd., said in an interview.

"[Real estate] started the period being quite a bit more affordable than [at] the end of the period."

Leith added that for any investment, its value when first purchased will "have a huge bearing on subsequent returns."

Elsewhere in B.C., Kelowna real estate saw an even higher compound annual rate of return at 8.42 per cent with home prices rising to \$410,302

in 2010 from \$168,551 in 2000.

Victoria real estate experienced a compound annual rate of 7.6 per cent as home prices climbed to an average \$504,561 in 2010 from \$225,731 in 2000.

The Re/Max report showed Metro Vancouver's returns over the last decade beat the national average of a compound 6.8 per cent, which BMO Capital Markets economist Robert Kavcic described as unsustainable.

"Over time, house prices tend to follow the rate of income growth, which is a little faster than inflation but certainly not seven per cent a year," Kavcic said.

Income growth in Canada, Kavcic added, has only been about half the national average compound return.

Slower income growth over the past decade, however, has been offset in housing by a long period of extremely low mortgage rates and moves to increase the amortization period for mortgages.

Kavcic said that looking forward, the opposite picture is taking shape with mortgage

rates rising and the federal government taking steps to shorten amortization periods. In that scenario, Kavcic said he expects home-price appreciation to fall behind income growth.

Leith said predicting Metro Vancouver's future real estate returns is made harder by the offshore investments now pouring into the market from Asia, particularly China.

But with housing in Metro Vancouver and other B.C. cities classified as "severely unaffordable" according to another report released by the Frontier Centre for Public Policy, Leith said, "the odds of it being a great investment over the next 10 years, I would imagine, be quite a bit less."

Leith said buyers' choices are limited by the times they are living in.

"You only live once and you need a roof over your head," Leith said. "You have to deal with the market that is presented to you; you don't have the luxury of timing it that much."

[depenner@vancouver-sun.com](mailto:depenner@vancouver-sun.com)  
With files from Postmedia News

*You only live once, and you need a roof over your head. You have to deal with the market that is presented to you. You don't have the luxury of timing it that much.*

MURRAY LEITH  
VICE-PRESIDENT AND  
DIRECTOR OF RESEARCH,  
ODLIUM BROWN LTD.

BREAKING NEWS, AT  
VANCOUVERSUN.COM

## ONLINE

## Digital Life

Read Business BC reporter Gillian Shaw's technology blog at [www.vancouver-sun.com/digitallife](http://www.vancouver-sun.com/digitallife)

## INSIDE | D2

## Small Business

When a sign maker was forced to rethink his career, he came up with a new way to take on his former industry.



## THURSDAY

## Innovation

The Vancouver office of Brookfield Asset Management led a turnaround at a Washington state containerboard company that is now on solid financial footing after years of uncertainty.

