



Brookfield Residential Properties Inc.

2013 First Quarter Results Conference Call & Webcast Transcript

Date: Friday, May 3, 2013

Time: 11:00 AM ET

Speakers: **Alan Norris**
President and Chief Executive Officer

Craig Laurie
Executive Vice-President and Chief Financial Officer

Thomas Lui
Corporate Controller

OPERATOR:

At this time, I would like to turn the conference over to Mr. Alan Norris, President and Chief Executive Officer. Please go ahead, sir.

ALAN NORRIS:

Thank you very much. Good morning, ladies and gentlemen, and thank you for joining us today for Brookfield Residential's First Quarter conference call. On the call today, I'll provide some comments about the current market conditions and will highlight some of our accomplishments during this quarter and provide our outlook going forward. With me today is Craig Laurie, our Chief Financial Officer, and Thomas Lui, our Corporate Controller, who will also discuss some of our financial and operational results. I'll apologize in advance; Craig's suffering a little bit from laryngitis, but Thomas will go through the financials and we will all answer questions at the end.

I would, at this time, remind you that in responding to questions and in talking about new initiatives and our financial and operating performance, we will be making forward-looking statements. These statements are subject to known and unknown risks, and future results may differ materially. For further information, I would encourage investors to review the corporate profile on our website.

Our results for the first quarter of 2013 improved over the same period last year, and with the recovering U.S. housing market, we expect performance to continue to improve throughout the balance of the year. 2013 operational guidance was provided in yesterday's press release. As most of you are aware, the nature and operating cycle of our business generally lends itself to the highest proportion of the year's net income arising towards the end of the fiscal year. For the three months ended March 31, 2013, net income attributable to Brookfield Residential was \$4 million compared to \$1 million for the same quarter of the prior year. Year-over-year comparisons for the quarter show that total revenue and gross margin increased \$39 million and \$12 million, respectively. These increases are primarily the result of greater activity in both our land and housing operations.

Our Canadian markets of Alberta and Ontario continued to perform at levels consistent with previous years. While there is a degree of concern about the differential in oil and gas pricing due to pipeline and transportation constraints, Alberta still leads the way with the lowest unemployment rates in Canada.

In the U.S., the housing recovery appears to be in full swing. Pent-up demand seeking finished lots and homes that are in short supply are seen in house price increases. We continue to see builders, both national and regional, working to source their future lot supply to meet this increased demand. As house prices increase, there is significant lift in the underlying finished lot value, which is extremely positive for our Company. In many of our markets, a 10% increase in house prices may translate into 20 to 30% increase in the underlying value of finished lots.

We continued to add to our land inventory during the first quarter, with \$117 million of acquisitions, approximately 54% of it in Canada, 46% in the United States. Subsequent to the quarter end, we made a strategic investment in Phoenix, Arizona via a 50/50 joint venture with an affiliate of DMB Associates for the community of Eastmark, a large mixed-use project and top growth area of the Phoenix Metro area which has over 2,200 acres remaining to be developed. We believe that the combination of our experience in large mixed-use developments throughout North America, combined with DMB's talented management team, will add significant value to this asset going forward.

Moving forward, we anticipate a much improved U.S. housing market in the year ahead and a generally stable Canadian market. This coming year, we anticipate that our Canadian operations will benefit from our strong market share within the energy-focused Alberta market and will continue to be a strong contributor to our results. We will also see a meaningful improvement in the U.S. as that market continues to recover. As momentum in the U.S. accelerates and house prices increase, we expect our land assets will continue to appreciate in value.

Based on our current landholdings and recent price increases, we are optimistic about our increase in profitability continuing in 2014 and beyond. By 2015, we hope to see results in the U.S. approach profitability levels currently seen in Canada, assuming the ongoing market recovery.

I'll now pass it over to Thomas, who's actually going to run through the financial component, and then we'll do some Q&A at the end.

THOMAS LUI:

Thank you, Alan, and good morning everyone. Our results in the first quarter improved over the same period last year. Alan stated net income attributable to Brookfield Residential for the three months ended March 31st, 2013, was \$4 million, or \$0.04 per share, compared to \$1 million, or \$0.01 per

share, for the three months ended March 31st, 2012. The increase of \$3 million is primarily a result of increased gross margin from increased operations in both our land and housing operations. This was partially offset by a higher sales, marketing, general and administrative cost.

Total land revenue was \$52 million for the three months ended March 31st, 2013. This is an increase of \$8 million and is due to 80 more lot closings compared to the same period in 2012. Land gross margin was \$28 million for the three months ended March 31st, 2013. This is a \$4 million increase compared to the three months ended March 31st, 2012.

Our Canadian segment showed strong land activity for the three months ended March 31st, 2013, with an increase of 59 lots compared to the same period in the prior year. Revenue for the three months ended March 31st, 2013, was \$48 million and gross margin was \$29 million, an increase of \$7 million and \$4 million, respectively, when compared to the same period in the prior year. The increase in revenue was a result of higher lot closings, while the 7% decrease in the average selling price resulted in a lesser increase in gross margin. The decrease in average selling price was due to a higher number of lots -- lot sales in our Edmonton market, where lot prices and gross margins are typically lower.

The Central and Eastern U.S. segment continues to show signs of recovery, with an increase of 21 lot closings for the three months ended March 31st, 2013, when compared to the same period in 2012. Revenue increased by \$1 million, while the gross margin remained stable. This is due to the increase in Denver and Austin lot sales, partially offset by the decrease in average lot selling price related to the mix of lots sold.

In terms of our housing operations, active housing communities increased to 35, up from 31 in the first quarter of 2012. Housing revenue was \$119 million for the three months ended March 31st, 2013, compared to \$88 million for the three months ended March 31st, 2012. Gross margin was 19% in the first quarter compared to 17% in the first quarter of 2012, an increase of \$8 million. The average home selling price for Brookfield Residential also increased from \$351,000 in the first quarter of 2012 to \$406,000 in the first quarter of 2013.

Our California segment had strong sales activity, with \$42 million of housing revenue for the three-month period ended March 31st, 2013, an increase of \$29 million when compared to the same period

in 2012. The increase in revenue was due to an increase of 41 home closings for the three-month period ended March 31st, 2013, compared to the same period in 2012. Gross margin increased \$7 million, also as a result of the increase in the home closings and a 44% increase in the average home selling price. This was primarily driven by the 29 home closings from the Bay Area compared to the no home closings in the same period in 2012, as the homes we sell in the Bay Area have a higher average selling price when compared to other areas within California.

Our Central and Eastern U.S. segment continued to show increased activity, particularly in the Washington D.C. market, which we had an increase in home closings, revenue and gross margin for the three-month period ended March 31st, 2013.

New home orders totaled 675 during the first quarter of 2013 compared to 492 home orders for the same period in 2012, with much of the increase occurring with our U.S. operations. At the quarter ended March 31st, 2013, the Company's backlog of homes sold but not delivered, including our share of unconsolidated entities, was 1,213 with a sales value of \$535 million compared to 890 homes with a value of \$374 million at the quarter ended March 31st, 2012.

Moving to our balance sheet, as at March 31st, 2013, our assets totaled \$2.9 billion, which was an increase about \$70 million compared to December 31st, 2012. Our land and housing inventory and investments in unconsolidated entities are our most significant assets, with a combined book value of \$2.5 billion or approximately 87% of our total assets. The land and housing assets increased \$102 million from December 31st, 2012, due to acquisitions of \$117 million, development activity and stronger backlog, partially offset by sales activity during the period. Our project specific and other financings debt increased to \$603 million as at March 31st, 2013, from \$459 million at December 31st, 2012, with the acquisitions described and development spending. Excluding any material acquisitions that may occur, this debt balance tends to reduce as the year progresses and closings increase.

Thank you for joining us in our quarter end conference call. I will now turn the call back to the Operator, who will moderate questions.

OPERATOR:

Thank you. We will now begin the question and answer session. Anyone who wishes to ask a question may press star, and one, on their touchtone telephone. If you wish to remove yourself from

the question queue, you may press star, and two. Anyone who has a question may press star, and one, at this time. The first question is from Will Randow of Citigroup. Please go ahead.

WILL RANDOW:

Good morning and thanks for taking my question.

ALAN NORRIS:

Hi, Will.

WILL RANDOW:

I guess my first question is in regards to your supplementary financial data, particularly, you disclosed that basically, the undiscounted cash flow in your land held for development is at \$5 billion. Have you recently marked that to market, or how should we think about that?

ALAN NORRIS:

We haven't recently marked it to market. The number is fairly consistent from what we had disclosed before. Well, I mean the market's moving fairly quickly at this point but we have not gone back and reevaluated future cash flows for all of the long-term lands at this point.

WILL RANDOW:

Thanks for that, and just a follow-up question in regards to some of the guidance you provided. I guess, first and foremost, can you give us a sense for average selling prices for the lots and homes? And also, how should we think about, call it the financial results of this new joint venture in Phoenix?

ALAN NORRIS:

Craig, did you want to touch on the average selling prices? I mean, they're probably in the supplemental. I don't have them at my fingertips.

CRAIG LAURIE:

Sure.

WILL RANDOW:

I meant in regards to the guidance you provided for the full year, for average selling prices.

CRAIG LAURIE:

Will, this is Craig. I apologize for my voice. You know, we haven't given actual guidance in terms of what the average expected selling price would be. As you mentioned, we do disclose what we've achieved to date on page 10 and 11 of the interim, and it's also in the corporate profile. Obviously, our expectation would be, within Canada it's probably roughly the same as we've been experiencing in the U.S.. We had two variables to it. Obviously, as we talked about, the more homes we sell in the Bay Area raises the average, and then, as Alan mentioned, you know, given the strong market conditions we have been experiencing, increasing prices as we move forward.

WILL RANDOW:

Thanks for that -- how should we think about this new JV in Phoenix hits results? What's kind of the timeline on that, and how should we frame that?

ALAN NORRIS:

I'll touch on that just now, Will. We just brought into the project. It's an active project that is underway. Before becoming a joint venture partner, they had sold just over 700 single-family lots last year, so many of those lots are now just about to start development, and those builders that bought the lots will be selling. So, it's unlikely there would be any more coming this year, albeit it's possible depending on the rate of absorption. We would not be selling anymore immediately, but we'll be working with them. The key thing is in this one, there's a minimum of 5,500 future single-family lots and anywhere up to six to nine million square feet of other non-residential uses in this large mixed-use project, so it is a long-term play and we'll be working with DMB, our partner, to try and maximize and really take advantage of what we think is a superior location in the Phoenix Metro area. We're very positive on it. I mean, the market has moved significantly. We've been working on this transaction with DMB for a number of months, and we think we're still in an entry point that allows us good upside from this point on.

WILL RANDOW:

Okay, thanks for that and some great progress.

ALAN NORRIS:

Yes.

OPERATOR:

The next question is from Adam Rudiger of Wells Fargo Securities. Please go ahead.

ADAM RUDIGER:

Hi, thank you. I might be a bit of broken record here, asking Will's question, but I'm going to ask it a little bit differently. In terms of the guidance for the lot sales this year, it's pretty flat on a volume basis and Alan, going back to your comments which you made, I think several times, about a 10% increase in home prices translating into a 20 to 30% increase in land prices. I mean certainly, it wouldn't be unreasonable, based upon what we've heard this week from other builders that, you know, for a 10% price increases in many of your markets. So, you know, would it be safe to assume that we could think about a 20 to 30% higher sales price from those lot sales, and then a higher gross margin as well?

ALAN NORRIS:

Yes, I would say, in some markets. If we were selling lots up in Northern California, without question but we're probably not selling any up there, at this point, Adam. In Southern California, we've definitely seen some of those price increases. Some examples just anecdotally, would be that as we touched on in prior conference calls, we were looking at lot pricings, say in Southwest Riverside, et cetera, somewhere in that mid-\$75,000 to \$80,000. We sold some last year at \$85, and I would say those same lots today are probably \$120 to \$125. So, there is no question that what we said in the past is now translating into reality.

The market is moving very quickly. I'm not saying we're going to necessarily not sell them but we will only sell some because the market's moving so quickly that we think we have some significant more upside on many of those lots and we're not going to be blowing them out, let's put it that way. We will be matching lot sales with what we think underlying absorption is and not loading up builders so that they can take that upside. So we will be matching up with where we think the underlying absorption is to the consumer.

ADAM RUDIGER:

Okay, thank you. And then just on your comments on 2015, hoping that the U.S. can match the profitability levels of Canada. Are talking about margins or, you know, maybe net income dollars, or what does that mean 'matching profitability'?

ALAN NORRIS:

I would say on a net income dollars, but each market's a little bit different with respect to percentage margin, as you well know. Calgary has very strong margins there but I would say that, overall, we were looking to approach close to current levels of profitability in Canada with, you know, on a segmented basis, if you look on the segmented information; that's where we would like to try and get our U.S. operation to within a couple of years. That's the goal.

ADAM RUDIGER:

Okay. And then the similar question that Will asked about Arizona. What about the California deal you did in Oakley; when should that start impacting you?

ALAN NORRIS:

We hope to be in there grading later this year. There's an outside chance that lot sales are building later this year, more likely Q1, 2014.

ADAM RUDIGER:

Great. Thank you.

ALAN NORRIS:

Yes.

OPERATOR:

The next question is from Alex Avery of CIBC. Please go ahead.

ALEX AVERY:

Thanks. Alan, with the, I guess, with your operational guidance that you provided for lots and home sales, I was just hoping you could frame that for us in terms of, you know, how that fits into what you can, as an organization, deliver to the market. I mean, is that sort of peak output, or is there, you

know, a lot more that you can push in terms of how much volume you could do if you wanted to? I mean, are you guys, I guess, sort of in flat-out harvest mode in terms of producing and selling, or are you holding back?

And then I guess, secondly, how does that compare to what the market demand would be? I mean, if you wanted to, could you do 6,000 combined lots and homes next year -- or this year?

ALAN NORRIS:

Yes, we've got more room in the gas tank -- or there's more room to go, without question. I mean, we're going to be up about 300 homes in the U.S. We've got way more capacity than that as we go forward. We're definitely trying to match production and sales and not get too far ahead because of the, you know, the significant volatility in the marketplace, so we are trying to match it up so we don't get too much ahead of ourselves.

We are seeing some cost pressures on the cost side as well as, obviously, pickup on the revenue side, but I mean, the U.S. operation's got capacity to do a lot more, but it's not going to happen overnight. It will happen gradually and we just need to gear up appropriately to do that. We'll be up 300 home sales this year, for instance. We could be up, I mean, for instance, another 300 easily next year, within the capacity and the communities we have. We will be opening close to 13 or 14 new communities this year, and so we will see a significant pickup just from a closings perspective. Most of the financial impact of those new communities will not be felt in 2013; most of them, the closings from that, will result in '14 and beyond. So, we've got room to go. We're not concerned about that.

ALEX AVERY:

And so, you know, in the scenario that the market is there for significantly more, is your thinking that you just continue to, I guess, keep pace with the market or are you in sort of a, you know, hold back and let prices rise, or conversely, try and get as much done as possible?

ALAN NORRIS:

Yes, it depends on each market, to be quite honest. I mean, if we think prices are continuing to increase, we're obviously going to be very selective. We're not just going to just not sell into it. We have to still create momentum in the various communities, but we're not going to get ahead of the underlying demand from the consumer. In areas where we think it might be a little bit more mature,

then we would look to be doing something different, you know, or maybe repositioning some stuff. I mean, in the Toronto market, we think things have flattened out a little bit there, so we're obviously in a different mode there than we would, say, in Southwest Riverside or Northern California.

Each one's a little bit different, depending on the metric. So I mean, we look at everything from the point of view of trying to make sure we feed the communities at the right time. We try and match up with underlying demand. If somebody has a different view of the future that we think is more attractive from their point of view than what we see, then we would obviously, we would move to reposition and sell that asset.

ALEX AVERY:

Okay. And then if you can just provide, I guess, a little bit of background how the deal came together in Phoenix. Is that a market that you've been looking at for, you know, some time as an attractive market or was it more deal-specific? How did you end up in that deal?

ALAN NORRIS:

I think we've looked at Phoenix and we'd spent a lot of time looking at that market. I would say that DMB, our partner down there, is probably one of the most respected development companies in that market area, and we had entertained some discussions with them some time ago on a number of different fronts, and we ended up realizing that we shared a lot of common vision and culture with respect to how to do a master plan development and a mixed-use aspect, which we think we can bring significant experience to that side of things and we ended up in a venture together. It's a very good structure and I think we're very, very well aligned between our two organizations, so we're looking forward to that. We will continue to look at opportunities in the Phoenix area, not just on a 50/50 basis but on a wholly-owned basis as well.

ALEX AVERY:

And as far as the profile of that project, is there, you know, a good chunk of it that you think is just going to be a continuation of the activity that you said they'd already achieved there, or is there a portion of that that might be 15 or 20 years out?

ALAN NORRIS:

There's about 600 acres of the 2,200 acres remaining, Alex, that are non-residential. This project is the old GM proving grounds down in the Mesa, right across the highway from the Mesa Gateway Airport, which is the feeder airport for Sky Harbor in Phoenix, and there are more airlines going there. We believe that the future for this area is quite significant for non-residential uses, whether they be office, retail and other uses, so we really want to make sure that we take advantage, and I'm not saying we're not going to just sell lots. We will sell lots into the marketplace, but the entitlements on this land have significant upside, more so than what we underwrote it at, to be quite blunt. We think there is some good upside on this if we can find the right mix of product, both in intensification side as well as the non-residential uses, so we're very excited about it.

ALEX AVERY:

Okay, that's great. Thank you.

OPERATOR:

The next question is from Stefan Mykytiuk of Pike Place Capital. Please go ahead.

STEFAN MYKYTIUK:

Hi, good morning. A couple of questions. First off, in terms of the lot sale guidance in the U.S., you're saying about 900 lots, right? And last year, I think you did around 750 in the U.S.? Does that sound right?

ALAN NORRIS:

Yes.

STEFAN MYKYTIUK:

The 750 though, didn't -- that included those lot sales in Playa Vista in the fourth quarter, correct?

Craig Laurie:

Yes.

STEFAN MYKYTIUK:

So, last year's 752 included 195 that were essentially at no margin, right?

ALAN NORRIS:

Yes.

STEFAN MYKYTIUK:

Okay. All right, I just want to make sure. So -- because the 900 doesn't look like a big increase over 750, but it really is over, you know, call it 550 or 555, since those Playa Vista didn't -- I'm sorry?

ALAN NORRIS:

That is correct. That is correct.

STEFAN MYKYTIUK:

I wanted to make sure I have that right in my head. And that, you know, we can play with our assumptions in terms of what happens with lot pricing this year, but it's, I would think the impact on the gross profit's probably going to be much more dramatic than we'd think, again, comparing 750 to 900.

ALAN NORRIS:

Yes, I think that's fair, albeit the mix, depending on the region, I mean, the recovery is coming fairly significantly across the country, but each one, each region still has, I would say, its hot spots. I mean, the Bay Area's been going very hot for a while, as we all know. Southern Cal is now picking up and getting closer to those sort of levels in different spots. It's happening in Denver but in a much more relaxed fashion, if you want to put it that way, so you won't see as much of a price increase there as we are seeing in some of the other areas. And D.C., in some of the areas it's happening, but again, depending on the rings and the assets. But we're confident that the price pressure is still coming in those other areas and will translate through the balance of the year, through increased prices and continue to increase as supply is constrained and demand continues.

STEFAN MYKYTIUK:

Okay. All right, got it. Back to the comment you made about by 2015; you think the U.S. will be as profitable as Canada. If I'm looking at the supplemental right, the U.S. was basically breakeven in Q1, correct?

ALAN NORRIS:

Yes.

STEFAN MYKYTIUK:

Right. And when you're trying to say is that since Canada is not improving at that dramatic of a rate, you're probably saying in 2015, the U.S. can be as profitable in dollars as perhaps Canada was for all of 2012? Is that it?

ALAN NORRIS:

Yes. We're saying that we think that as the U.S. picks up momentum and prices continue to increase and assuming an ongoing market recovery, we're just trying to give some indication to, on the call to our various stakeholders, that we think with the various communities we are opening and with price increases that we can get, approach the profitability levels that are currently experienced in Canada on an overall segmented basis, that's correct, so I mean, through volume and price and margin.

STEFAN MYKYTIUK:

Okay.

ALAN NORRIS:

On an overall basis. When you look at the segmented information for Canada, for 2012, we would hope to be approaching those levels by 2015 in the U.S. We're just trying to give some slightly longer-term guidance for people that, you know, as we see the market unfolding. Whether we're right or wrong will remain to be seen, but we're feeling confident at this point.

STEFAN MYKYTIUK:

Right, right. But that -- I mean, and that essentially implies a doubling of the profitability, is...

ALAN NORRIS:

That's what it would imply.

STEFAN MYKYTIUK:

Yes, okay. Okay, and just in terms of the SG&A, I know it was up quite a bit. You know, looking at the supplemental it seems like, you know, some of that was non-cash stock comp but the bulk of it

was really just relating to higher profitability levels. Is it just, you know, kind of linear to sales at this point, and is it -- I mean, I would think a lot of that's changed in the U.S. then?

CRAIG LAURIE:

Stefan, this is Craig. As you mentioned, on page 16, we do break out SG&A. As you mentioned, you know, the stock comp is going to depend on stock price so maybe exclude that for now. Sales and marketing is going to be tied to our revenue and then as you said, G&A does have a component of activity. You know, I think our current expectations would be, for the next couple of quarters, for the actual G&A piece to be relatively consistent within first quarter but then, obviously, in the fourth quarter, we would expect an increase as we did have in 2012, as well.

STEFAN MYKYTIUK:

Right. Okay, fair enough. That's all I got. Thank you.

ALAN NORRIS:

Thanks, Stefan.

OPERATOR:

As a reminder, anyone who has a question may press star, and one, at this time. The next question is from Andrew Berg of Post Advisory Group. Please go ahead.

ANDREW BERG:

Just to follow up with the last question, when you say consistent SG&A, you're talking on the dollar amount, correct?

CRAIG LAURIE:

Andrew, yes, that's correct.

ANDREW BERG:

Given the improvement you're seeing in the U.S. market, does that in any way alter the timing for when you would become more active with Playa Vista?

ALAN NORRIS:

The lots that we sold last year, the builders will be under construction this year and really depending on the rate of absorption that they experience would determine when we'd bring on the other 500-plus lots that we have left over in Playa. We also have, you know, some retail assets there as well and some other ancillary assets, but a lot depends on the other 500 lots. It just depends on the pace of absorption for the existing ones so that we don't go in and cannibalize that particular thing. But we have seen good price appreciation since we did that acquisition back in the fall of last year, without question, so we're very, very comfortable and very optimistic about that asset also.

ANDREW BERG:

Okay. And then, housekeeping question. Interest capitalized and cost of goods sold; how much was that?

THOMAS LUI:

It's broken out in Note 2 in the financial statements, on page 41.

ANDREW BERG:

Okay, I'll look it up then. Thank you. I hadn't seen those yet.

OPERATOR:

The next question is from Rick Murray of Midwest Advisors. Please go ahead.

RICK MURRAY:

Good morning. Thanks for taking my question. I just wanted to ask about the cancellations which look like they ticked up a bit in the first quarter and I was wondering if there was anything extraordinary you saw in the quarter? And as just a follow-up, if you could provide some colour in terms of land prices and trends you're seeing in Canada? Thank you.

CRAIG LAURIE:

In terms of the cancellation, as you did mention, we do break it out within the interim report and we can give you the page. It is on page 15. As you point out, it was really -- they were consistent. They were actually down in California. The increase was in Central and Eastern, really related to D.C., and it just happened to be -- it was kind of situations-dependent there on a product mix. But as you say, I

wouldn't say that we would expect it to particularly increase. I think it was just kind of a particular situation.

RICK MURRAY:

Well, I guess I was inquiring more specifically into the cancellations in Canada, which looked like they were, in the quarter, almost as many as you had all of last year. I was just curious if there was something extraordinary that was going on.

ALAN NORRIS:

No. Not aware of anything there at all. I don't think that there's anything to be alarmed about, so no. Did you want to ask questions, sorry, secondly on the pricing in Canada?

RICK MURRAY:

Yes, just in terms of turns you're seeing there and in terms of home prices and land prices.

ALAN NORRIS:

Taking Ontario first, I would say that it's been a fairly soft landing with the slowdown in the high-rise business in Ontario. I would think that we've had reasonable price increases in the Ontario market up until probably the end of Q3 last year. I would say that low-rise product is now flattening out somewhat from a house price perspective in Toronto. In the Alberta market, we probably pushed, in the last six months, house prices have gone up, depending on the product, anywhere between \$2,000 and \$12,000 a door in the Alberta market. It's a fairly tight marketplace so still some constraints on supply in there, and we have seen good, good in-migration into the province. So, it's not off the scale, by any stretch, but we have seen modest improvements in pricing in that marketplace.

On the land side, small increases when we are selling finished lots, and we will start to see a little bit of cost pressure up in Alberta as well, just on the trade side. But we're all obviously impacted by things like lumber, you know, across the board; obviously across all of North America.

OPERATOR:

Once again, anyone who has a question may press star, and one, at this time. There are no more questions at this time. I'll turn the call back over to Alan Norris for any closing comments.

ALAN NORRIS:

Thank you. So, thanks once again for joining us today and I shall look forward to meeting with many of you over the next - between now and the next earnings call in August - as Craig and I will both be speaking at a number of industry conferences over the next several months. So, please reach out at any point in time if we're in town. We will try and reach out to you, as well, if we're coming your way or you're going to be attending those conferences, and we'll try and do some more detailed conversations. Thanks once again for joining us today.

OPERATOR:

Ladies and gentlemen, this concludes today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.