

LNG fuels housing price boom in northwestern B.C.

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Call it the LNG effect.

The prospect of exporting liquefied natural gas has fuelled excitement in three resource-dependent communities in northwestern British Columbia, sending prices for single-family detached homes soaring.

Assessed values for detached houses have more than doubled in Kitimat over a three-year period amid expansion of Rio Tinto Alcan's aluminum smelter and speculation about LNG projects.

While Rio Tinto Alcan's \$4.8-billion (U.S.) modernization project accounts for a large portion of the real estate buzz in Kitimat, LNG is the common denominator for Kitimat, Terrace and Prince Rupert. Assessed values for detached houses have surged more than 50 per cent in Terrace and one-third in Prince Rupert over a three-year period.

Even though there hasn't been any final investment decision for LNG proposals, the long-slumping real estate markets in northwestern B.C. perked up from mid-2011 to mid-2014, according to data from BC Assessment.

Re/Max real estate agent John Evans said prices began edging up in the fall of 2011 as LNG proponents conducted preliminary studies on their expensive multiyear ventures.

Since then, projects in Kitimat and Prince Rupert have invested heavily in engineering work, and in the case of Chevron Corp.-led Kitimat LNG, hundreds of millions of dollars on site preparation.

Terrace is the site of Northwest Regional Airport, which serves both Terrace and Kitimat, located about 60 kilometres south of the air terminal.

"We need to see something more concrete from LNG players to see continued growth in the housing markets," Mr. Evans said from his office in Terrace.

Average prices for existing detached properties jumped to \$316,000 (Canadian) in Kitimat, based on assessed values on July 1, 2014. That's up 124 per cent from the valuation of \$141,000 on July 1, 2011. In the regional service centre of Terrace, average detached values climbed 52 per cent to \$317,000 over a three-year stretch while they advanced 34 per cent to \$229,000 in coastal Prince Rupert.

From mid-2013 to mid-2014, average assessed values for detached homes rose 39 per cent in Kitimat, increased 30 per cent in Terrace and gained 17 per cent in Prince Rupert, BC Assessment statistics show.

Mr. Evans crunched his own numbers to reveal that, in the first 10 months of 2014, detached properties sold for an average of \$320,475 in Kitimat, \$308,815 in Terrace and \$218,042 in Prince Rupert. By contrast, his data show average detached prices in mid-2011 hovered around \$145,000 in Kitimat, \$205,000 in Terrace and \$170,000 in Prince Rupert.

There is skepticism in some quarters about whether B.C.'s fledgling LNG industry will start production this decade because new supplies from foreign rivals will be shipped to energy-thirsty customers in Asia over the next five years.

"It is highly improbable that Canada will contribute to the growth of global export capacity by 2020," energy expert Leonardo Maugeri wrote in a study for the Harvard Kennedy School. He describes British Columbia as "a politically and environmentally sensitive region, where any energy scheme appears difficult to materialize."

One Canadian LNG proposal that Mr. Maugeri believes could become reality, Pieridae Energy Ltd.'s Goldboro venture in Nova Scotia, faces skeptics in Canada who point out the pipeline constraints in securing natural gas supplies on the East Coast.

Pacific NorthWest LNG, led by Malaysia's state-owned Petronas, is widely seen by Canadian energy experts as being positioned to be the first to make a final investment decision among 18 LNG proposals in British Columbia. But uncertainty lingers for Pacific NorthWest's planned export terminal on Lelu Island, located near Prince Rupert. The consortium opted last month to delay granting any go-ahead until it is able to cut costs and hammer out details related to environmental approvals and consultations with First Nations.

In Kitimat, the leading contenders are the Chevron-led Kitimat LNG project and the Royal Dutch Shell PLC-led LNG Canada joint venture.

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