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LNG dreams power Kitimat housing boom

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Forget Vancouver and Toronto. Canada’s hot real estate market is the hard-luck community of Kitimat in northwestern British Columbia.

Housing prices are surging in Kitimat as the economy gathers steam with preliminary work on liquefied natural gas projects and the construction of an aluminum smelter.

The real estate revival is emerging even though no final investment decisions have been made yet to proceed with building LNG export terminals. Still, hundreds of millions of dollars are being spent on advance work, notably site preparation in the case of the Kitimat LNG project co-owned by the Canadian units of Chevron Corp. and Apache Corp.

In Kitimat, average prices for properties in the first three months of this year soared to $289,533, up 71 per cent from $169,255 in the same quarter in 2013, according to data on the Multiple Listing Service for residential, commercial and industrial transactions. Prices for Kitimat’s single-family detached homes that sold in the first quarter averaged $321,786, up 70 per cent from the first three months of 2013. Median year-over-year prices for detached houses in March jumped 53 per cent.

The economy in northwestern British Columbia has been on the upswing since 2012, when construction began for Rio Tinto Alcan's massive modernization project at its aluminum smelter site in Kitimat. Rio Tinto Alcan aims to transition to the new smelter and replace the old one in 2015. Nearly 1,200 people work in operations at the 60-year-old smelter.

Gaby Poirier, general manager of B.C. operations for Rio Tinto Alcan, said Kitimat is enjoying a streak of good fortune. Over the past decade, the local economy suffered hundreds of job losses amid declines in the methanol, fisheries and forestry sectors. "Kitimat is going from doom town to boom town," Mr. Poirier said. "If any LNG projects become true and get built, it will be great news."

At least four energy projects are planned for Kitimat in the race to export LNG to Asia. So far, 14 proponents have emerged with plans to send B.C. LNG by tankers to customers overseas, although industry experts caution that only three or four export terminals at most will get built in the province. A dozen of the 14 proposals are focused on the northwestern part of the province while two are planned in the southwest.

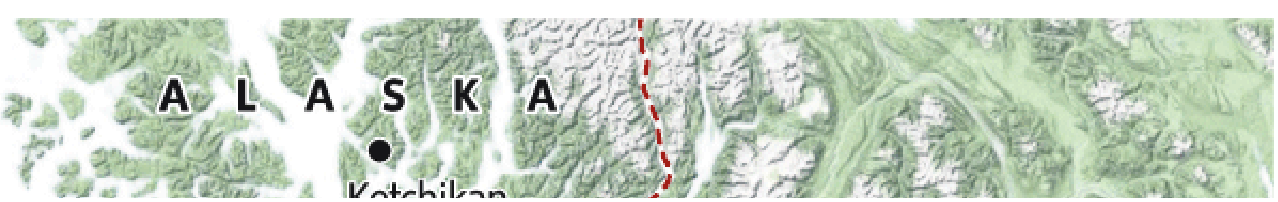
In Terrace, the retail and services hub in northwestern British Columbia, resale prices for detached homes averaged $294,067 in the first quarter, up 30 per cent from the first three months of 2013. In the port city of Prince Rupert, which has also suffered its share of setbacks over the years, average quarterly prices for detached houses edged up 2.4 per cent to $190,461.

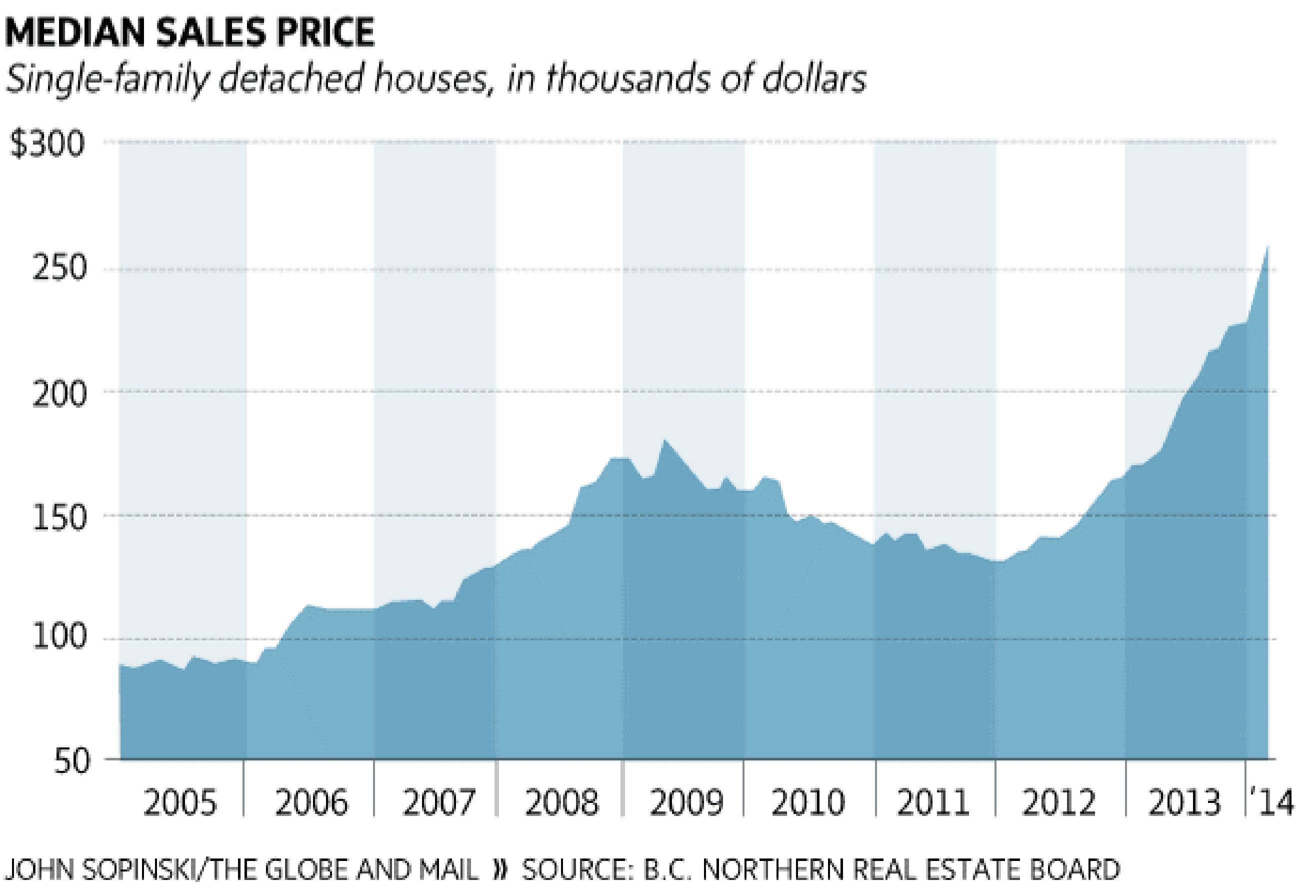
Re/Max real estate agent John Evans said it's about time that some prosperity graced Terrace, Kitimat, Prince Rupert and other small municipalities in the resource-dependent area. "This region has been in the hole for a long time. The majority of my 28-year career has been spent in a depressed economy," he said from Terrace. "In the early 2000s, most of my work was on foreclosures."

Rio Tinto Alcan, which decided in late 2011 to spend $3.3-billion (U.S.) on the new Kitimat aluminum smelter, is two-thirds of the way through construction. In the final push, 3,000 construction workers will be on site during the peak of building activity. About 450 Kitimat construction workers and 100 crew and guests will be housed for the next nine months on a leased cruise ship that arrived last month.

Kitimat's population dwindled from 10,285 in 2001 to 8,335 in the 2011 census. Government officials estimate that the year-round population easily surpassed 9,000 people last year, and even if only a couple of LNG projects get the go ahead, the community will need to prepare for a wave of thousands of new residents over the next several years.

Rental vacancy rates in Kitimat exceeded 44 per cent in 2005, but rates tumbled last year to near zero for availability. Some Kitimat landlords who once charged monthly rent of $600 (Canadian) for an apartment have renovated their units and recently started to collect $1,500 a month.





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