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OIL PRICES WILL IMPACT REAL ESTATE IN 2015: ROYAL LEPAGE

Royal LePage says the price of a Canadian home is expected to rise by a relatively modest 2.9 per cent on average in 2015 as price appreciation slows across the country.

Toronto is expected to lead the pack when it comes to price increases this year, with the realtor saying the average home price in Canada's largest city is forecast to rise by 4.5 per cent, although that would be well behind last year's pace.

Vancouver is expected to see the second-biggest average jump in prices, up 2.8 per cent, followed by a 2.4 per cent gain in Calgary, 0.6 per cent in Montreal and 0.5 per cent in Halifax among several of the major centres surveyed across the country.

The realtor says economic factors, including the plummeting price of oil, are likely to cause home prices to grow at a slower pace, particularly in Western Canada.

In 2014, prices for detached bungalows rose the most, up 6.7 on average across the country in the fourth quarter compared with a year earlier, followed by an average six per cent gain for two-storey homes and 4.5 per cent for condos.

Edmonton's condo market saw the biggest increase, shooting up 12.2 per cent to an average of $250,953 per unit. Prices in Calgary also ballooned, with standard condos shooting up 9.1 per cent year-over-year to an average of $311,644 in the latest quarter.

In Toronto, prices of detached bungalows increased by 11.6 per cent from a year ago to an average of $647,535, while prices of two-storey homes advanced 8.6 per cent to an average of $745,062.

In Vancouver, the average price of a detached bungalow and of a two-storey home each grew by more than seven per cent, to an average of $1,124,642 and $1,233.182 respectively.

Home prices remained relatively flat in Winnipeg and softened in Regina, where the average price of two-storey homes dropped 6.8 per cent year-over-year to $345,000.

Royal LePage predicts that prices will continue to accelerate rapidly in Toronto in 2015 for a variety of reasons, among them a surge in demand for Ontario's exports thanks to the lower loonie and the robust economy south of the border.

Labour market trends and unsatisfied demand from prospective homebuyers who were outbid in 2014 will also fuel higher home prices in the Toronto area.

Meanwhile, the sharp decline in the price of oil will slow the growth in home prices in Western Canada, according to the report.

Royal LePage says a potential interest rate hike and possible changes to mortgage rules by the federal government could also pose risks to the country's real estate sector if they materialize.

"Ultimately the biggest threat to the Canadian housing market is a decline in consumer confidence, which could result from worsened employment prospects or decreased purchasing power, be it real or perceived," president and chief executive Phil Soper said in a statement.

"In this light, we will be watching market developments closely in the regions most negatively impacted by oil price declines, such as Alberta, Saskatchewan and Newfoundland."

Buyers in western Canadian cities could benefit from lower prices in the short term, but Soper says the trend is unlikely to last.

"Over the longer term, we foresee a return to regional home price appreciation that is above both the historical average and national trends in general, when energy markets recover," he said.

"In the interim, slowed growth in the price of homes will be a welcome sign for many people in the West, especially in pricey markets like Vancouver where first-time buyers have been frustrated by a hyper-competitive market and home prices that have escalated at a feverish pace."

OIL PRICE SLIDE: ALBERTA SHOULD LOOK AT CARBON TAX, ECONOMIST SAYS

Jeff Rubin says province should decrease economic dependence on oilsands to deal with low oil prices

A prominent economist who once predicted the price of oil would exceed $200 a barrel says the current low price is a chance for Alberta to take a fresh look at how it gets its revenue.

In 2008, Jeff Rubin, then chief economist at CIBC World Markets, predicted the price of oil would hit $225 a barrel by 2012.

But since then there has been a flood of new supply from Texas and the Dakotas that has been flattening prices, Rubin said.

Alberta Premier Jim Prentice says the plummeting price of oil means the province is facing a $500-million deficit this year instead of a budget surplus.

The sooner Alberta decreases its economic dependence on the oilsands, the better off the province will be, Rubin said.

"Maybe it's a time instead of relying on bitumen royalties to start taxing carbon for a change," he said.

"I mean, you know, B.C. has a lower personal income tax rate than Alberta. Now true, you pay a lot more at the pump, but the whole idea of a carbon tax is to discourage you from using as much at the pump."

Alberta already has one emissions-reduction levy — the Specified Gas Emitters Regulation (SGER) — which was introduced in 2007.

It requires facilities that emit more than 100,000 tonnes of greenhouse gases per year to cap their emissions intensity at 12 per cent below the average for 2003-05, or pay a penalty for exceeding their targets of $15 for every tonne over the limit.

Bank of Montreal chief economist Douglas Porter predicts Alberta's growth rate will be chopped in half in 2015 because of low oil prices, knocking the province off the podium as

Canada's fastest growing economy.

"Alberta has by far and away led the country in growth rates in the last 10 years," he said.

"But we see its growth rate going from about 3½ to maybe 1½ per cent in the year ahead, depending on where oil prices settle out."

If oil prices stay low, he can see Alberta's growth basically disappearing, he said, which could create a large fiscal shortfall for the province in 2016.

B.C. and Ontario will benefit because of the lower costs for the manufacturing sectors, Porter said.

However, ATB Financial chief economist Todd Hirsch predicted in his 2015 Alberta economic outlook released on Wednesday that the price of oil will bounce back to about $75 a barrel by the end of the year.

He said a recession is unlikely and this downturn is probably just a blip.

"Nonetheless, we are going to be in for a few months here, maybe the first half of the year, where it is going to feel a little bit rocky. I do think we are in for some layoffs in the province, already we've been seeing signs of that."

Hirsch said smaller oil and gas producers will bear the brunt of the low prices. If the price of oil is still below $50 in six months, there would be more reason for concern, he said.

In the meantime, Hirsch said, low prices will help other industries, including forestry, tourism and agriculture.

He added he does not expect any major changes in house prices, which differs from the predictions of other analysts.

Many companies in the Alberta oilsands are bracing for the worst.

Seven years ago when oil was booming and workers were hard to come by, Plainsman Manufacturing in Edmonton built a robot to make parts for oil wells.

But now the company is scaling back.

"It's not an exciting time for anybody," said Mike Kittlitz, the company's business development manager.

Plainsman Manufacturing has not laid off anyone yet, but it has reduced purchases from some distributors by as much as 30 per cent.

Prime Minister Stephen Harper said Alberta's oil industry will come through the latest dip in oil prices.

"As rapid and negative change as this is for the industry, the industry in my lifetime has lived through changes this extreme and more on many occasions," Harper said.

CNOOC PICKS DIGBY ISLAND FOR AURORA LNG PROJECT IN B.C.

China's CNOOC Ltd. has selected a B.C. island location near the community of Prince Rupert for its liquefied natural gas project.

The goal is to locate an LNG terminal on up to 400 hectares of provincial Crown land on Digby Island, only 3.5 kilometres away from Prince Rupert Airport, according to a new filing this week by CNOOC-led Aurora LNG to the B.C. Environmental Assessment Office.

"The proponent is proposing to construct and operate the project, an LNG facility and marine terminal on the southeast corner of Digby Island," CNOOC-led Aurora LNG said in a 101-page report this week. The airport, located on the island's northwest corner, is serviced by Air Canada and Hawkair.

Beijing-based CNOOC, through its Canadian unit Nexen Energy ULC, had been examining Digby Island and Grassy Point, located north of Prince Rupert, on its shortlist of two sites, but dropped Grassy Point last week.

Aurora LNG has now pinpointed the Digby Island property as the site for an export project costing up to $20-billion. Nearly 5,000 construction workers would be required at the peak.

In an internal newsletter, Aurora LNG said field work on Digby Island will start in January to "map locations of important habitat, which may support plant and wildlife species at risk." The consortium added that its employees have been "working with First Nations, local communities and other stakeholders to understand concerns and views regarding the project."

A public comment period is slated for March, when an open house will be held in the Prince Rupert region to listen to the public, including Dodge Cove residents on Digby Island who are worried that the project will ruin their laid-back lifestyle.

The National Energy Board approved an export licence for Aurora LNG last May. Company officials then filed an initial "project description" report in June with the B.C. Environmental Assessment Office, saying they would choose either Digby Island or Grassy Point for the LNG site.

In this week's revised report, Aurora LNG sets its sights on provincial land on Digby Island and waters under the jurisdiction of the Prince Rupert Port Authority.

Aurora LNG updated its strategy just days after Exxon Mobil Corp. said in a new study that it plans to spend up to $25-billion to develop a nearby LNG site at Tuck Inlet. The moves by CNOOC and U.S. energy giant Exxon come as Malaysia's state-owned Petronas wavers on whether to forge ahead with its $11.4-billion Pacific NorthWest LNG joint venture at Lelu Island, also located near Prince Rupert.

In December, Pacific NorthWest LNG announced an indefinite delay to its final investment decision. Britain-based BG Group PLC said in October that it deferred its decision on whether to give the go-ahead to its Prince Rupert LNG project on Ridley Island, a move that could lead to a verdict in 2017, or a one-year delay.

Aurora LNG and Exxon also have 2017 in mind for their final investment decisions.

There are 18 projects being pitched in British Columbia to develop the province's fledgling LNG industry. While proponents have invested millions of dollars in preliminary studies and some have even done detailed engineering work and expensive site preparation, no project has made a final investment decision yet. A small-scale venture, Woodfibre LNG near Squamish, submitted its application Tuesday to the provincial environmental regulator.

Should Aurora LNG get the green light, the export terminal with 200 to 400 employees would open for exports to Asia in 2023. The plant's capacity would be 10 million to 12 million tonnes a year of LNG in the first phase. A second phase would double capacity to at least 20 million tonnes annually by 2028. The total cost estimate ranges from $17-billion to $20-billion.

The Aurora LNG partners argue that they have an inside track with their experience in Asia. Through Nexen, CNOOC owns 60 per cent of Aurora LNG, while the remaining 40 per cent is held by Inpex Corp. and JGC Corp., both of Japan.

Industry experts caution that British Columbia lags foreign rivals in the race to export LNG, including proposals to ship to Asia from Oregon and Alaska.

15-Jan-15				
	Active	Down	Total	% Active
Western Canada				
AB	305	258	563	54%
SK	70	71	141	50%
BC	59	14	73	81%
MB	12	8	20	60%
WC Total	446	351	797	56%
Eastern Canada				
QC	-	1	1	0%
Canada	446	352	798	56%

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