

Alberta boom spreads as far as East Coast

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Adrian Shellard for Calgary Herald Closer to Alberta, the resources boom has not only spilled over into Saskatchewan, which has replaced Alberta as the country's real estate hot spot, but has boosted exploration activity there and in ...

OTTAWA -- No one is predicting an end to the regional divide between the West and the rest of Canada, but some of the resource-boom activity in Alberta is spilling over into other parts of the country.

While the greatest evidence of that spillover is, not surprisingly, in neighbouring provinces, a real estate firm said Monday that it's occurring at the other end of the country as well - specifically in Atlantic Canada.

Alberta's red-hot economy is fuelling demand for residential real estate in Nova Scotia, Prince Edward Island, New Brunswick, and Newfoundland and Labrador this year, according to a report from the Ontario-Atlantic division of real estate giant Re/Max.

"Strong economic performance in Western Canada continues to spill over into other parts of the country," says Michael Polzler, executive vice-president for Re/Max Ontario-Atlantic Canada. "A serious influx of Western Canadian purchasers has bolstered housing sales in every Atlantic province."

"Tremendous job opportunities available in Alberta that allow commuting to and from the East Coast have served to further strengthen home-buying activity in the region," he said. "Last, but certainly not least, after living in Western Canada for many years, more and more Maritimers are returning home."

In-migration from Western Canada has played a major role in stimulating home-buying activity in key regional centres, it said. While most purchases were made with retirement in mind, investment in residential real estate was also driving sales.

"The wealth effect has also contributed to a bounce back in sales after one of the worst winters on record," it said, noting that the vast majority of housing markets surveyed in Atlantic Canada saw a rebound in sales in April, led by a 27% surge in Newfoundland and Labrador, followed by an 18% increase in Saint John, N.B.

Home-buying activity has been especially brisk among first-time buyers for residential properties priced at the \$100,000-plus level and at the top-end of the market in the \$250,000-\$300,000 range.

"The upswing in average price has been a boon to existing homeowners across the region," said Polzler. "Most major markets in Atlantic Canada reported an increase in housing values year-over-year."

Closer to Alberta, the resources boom has not only spilled over into Saskatchewan, which has replaced Alberta as the country's real estate hot spot, but has boosted exploration activity there and in British Columbia.

"The East-West regional economic disparity remains intact in Canada, but there's a noteworthy shift occurring in the Western provinces themselves," said BMO Capital Markets economist Robert Kavcic.

British Columbia announced last week that its latest monthly Crown land auction for oil and gas fetched a record \$441 million, he said, noting that so far this year that province's land sales have totalled \$824 million, or twice the amount generated by Alberta, and easily on pace to set an annual record.

Ditto for Saskatchewan, where land sales through May have already surpassed the government's estimate for the year, Kavcic also said.

"While soaring prices are now making some unconventional plays economical, the Alberta royalty hike and surging costs in the province have also improved the relative attractiveness of British Columbia and Saskatchewan, which should continue to see a positive spillover effect this year," he said. "This highlights a shift taking place in the West, where Alberta is passing at least part of the baton to its neighbours."

The shift in activity is also reflected in more moderate wage growth in Alberta and accelerating wages in Saskatchewan and British Columbia, which in turn is translating into stronger consumer spending and more robust housing markets in those two provinces than in Alberta, he said.

"This shift does not mark a coming bust in Alberta - the province will remain among the strongest in the country this year - but rather suggests that the Western Canada commodity boom is no longer just an Alberta story," Kavcic said.

Nor does it mark a narrowing in the divide between Western and Central Canada.

In fact, Douglas Porter, another BMO Capital Markets economist, has noted that a deeper U.S. downturn and a resurgent loonie would further pound Central Canada's manufacturing sector, driving an even bigger wedge in the economic split between those two regions.

And CIBC World Markets Monday predicted that the loonie will go higher, forecasting that by year end it will hit US\$1.05, and will remain above parity over this year and next, lifted by even higher commodity prices and an end to interest-rate cuts here as inflation here rises.