

# Mitch Collins – Fort St. John

Presented June 2011 Exclusively to the Members of REIN™

## North East BC: Canada's Best Kept Real Estate Investment Secret

REIN Presentation – June 9<sup>th</sup>, 2011

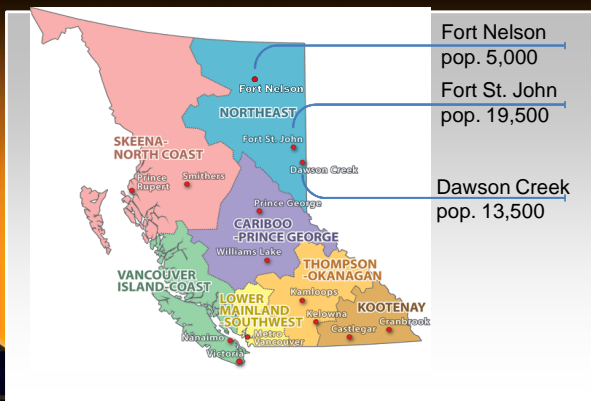
Mitch Collins

Gold REIN member, REALTOR

## Topics Outline

- Area Overview
- Major Projects / Infrastructure
- Industry
- Future of Shale Gas (and NE BC)
- Job / Population Growth
- Investment Opportunities

## Area Overview



## Major Industries



Oil & Gas



Agriculture



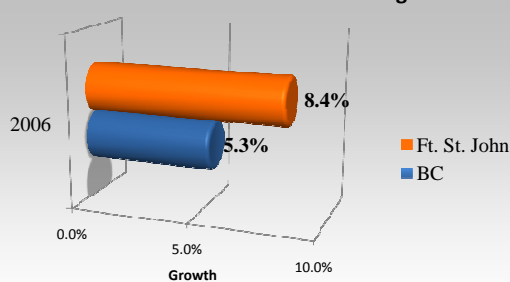
Forestry



Mining

## Population Growth

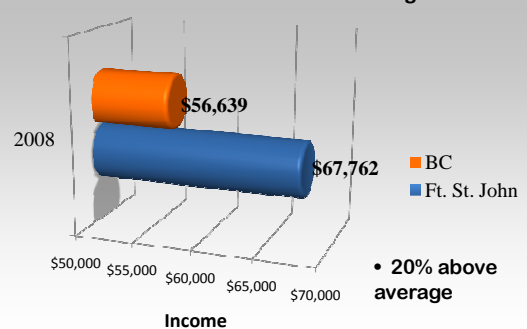
Fort St. John vs. Provincial Average



- 58% higher than provincial average
- Prior to shale gas; expected to grow faster

## Average Income

Fort St. John vs. Provincial Average



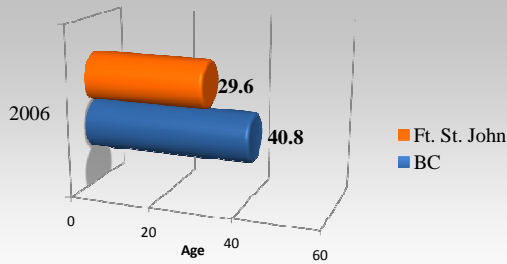
- 20% above average

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## Average Age

Fort St. John vs. Provincial Average



- Young population - high percentage of renters
- Average age is 38% less than provincial Average

## Vacancy Rate

### ❖ Fort St. John

#### ♦ Apartments:

6 – 9% (450 new units in 2007)

#### ♦ Detached: 0 – 2%

### ❖ Dawson Creek

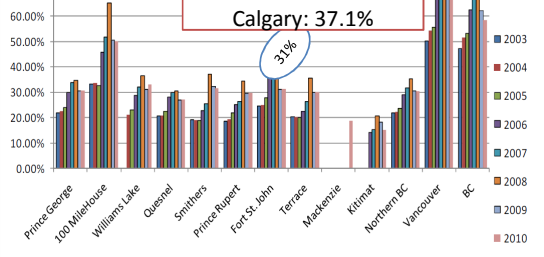
♦ 2 – 3%



## House Affordability

Housing Affordability Indices - Northern British Columbia

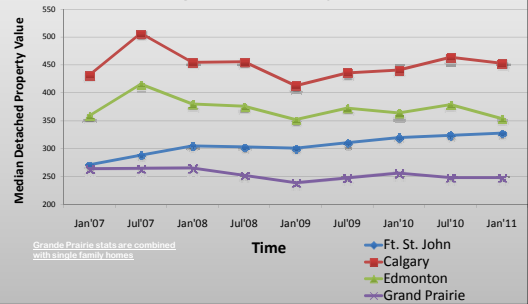
% of household income to finance ownership



## NE BC – comparison to top Alberta towns

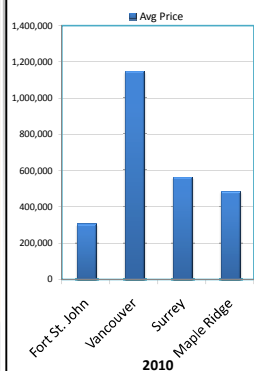
- NE BC has offered stability during the downturn

Average Price Comparison

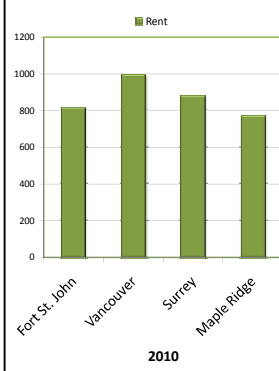


## Average Price vs. Rent

Comparison with BC's top 3 cities



Comparison with BC's top 3 cities



## Major Projects, Infrastructure



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## Transportation Changes

### Highway twinning from Edmonton to BC border

- Dual lane highways
- More capacity
- Increased access



## Transportation Infrastructure

### Paving Sierra Road into Horn River (Fort Nelson)

- BC govt. invested \$178 Million to encourage drilling
- Operational by 2012



## BC Government Investment

### Fort St. John Hospital

- \$300+ Million Project
- 55 Beds / 123 Bed Residential Care Facility
- Estimated completion: 2013



## Public Infrastructure

### Enerplex

- \$45+ Million Project
- 2 speed skating ovals, inside walking/running trail.
- Great community gathering venue.



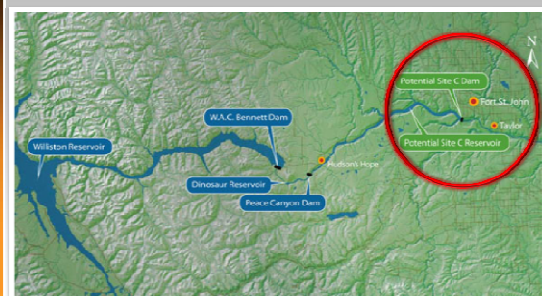
## Public Energy Infrastructure

### Site "C" Dam Clean Energy Project

- Went to Environmental Review on May 19<sup>th</sup>



## Public Energy Infrastructure



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## Public Energy Infrastructure

### Site "C" Dam

- \$8 – 10 Billion Project
- 7 – 10 years to construct
- 7,650 direct construction jobs
- 35,000 direct + indirect jobs in all stages
- Construction slated to begin Spring 2013
- Huge addition to a boom town of 19,500

## Oil & Gas Economy Driver

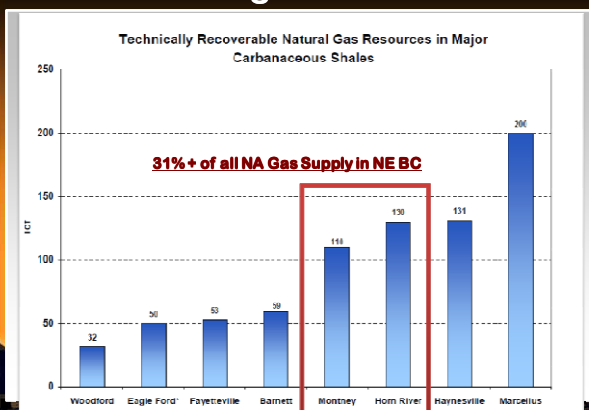
## BC Shale Gas

### What is Shale Gas?

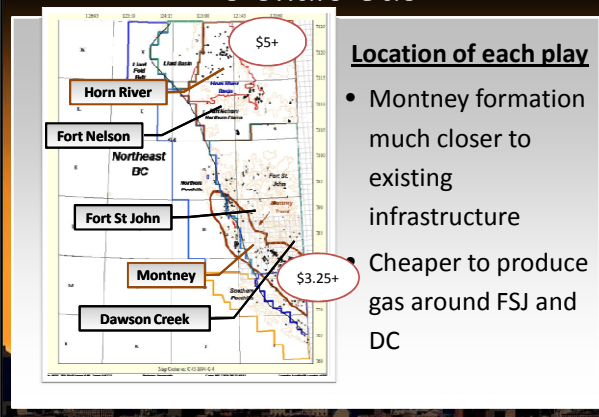
## BC Shale Gas

- Much cheaper to produce than conventional sources – profitable in today's cost structure
- NG prices expected to rise
- All noteworthy Shale Gas in Canada is located in NE BC

## Gas - How Big is this Resource?



## BC Shale Gas

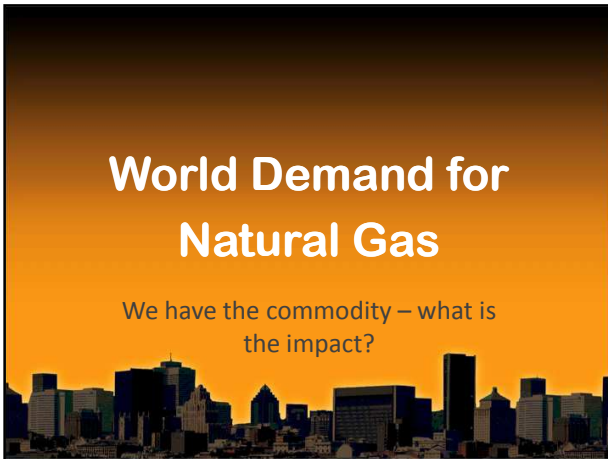


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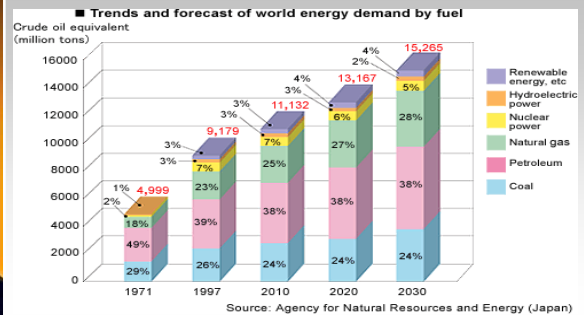
## World Demand for Natural Gas

We have the commodity – what is the impact?



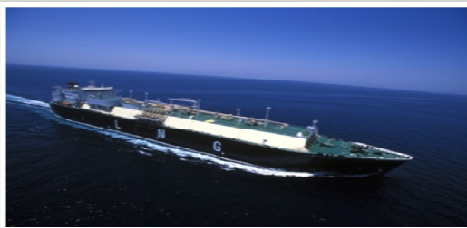
## World Demand

- World population and Energy Demand is increasing



## Exportation of LNG

- Over 25 LNG import terminals being built in Asia today
- Only LNG export terminals planned in NA are in North BC
- NE BC is strategically located to provide gas to Asia
- Foreign countries investing in NE BC Shale Gas for export



## Exportation of LNG

- Producers receive nearly 3x more North American price when sold overseas
- When exports begin, Horn River will become economical and expand quickly

### High LNG prices in the Far East markets

World LNG Estimated May 2011 Landed Prices



## Foreign Investment in NE BC

### FINANCIAL TIMES

PetroChina builds LNG import terminals without the gas

March 17, 2010 3:00 pm by Carola Hoyos

### Encana in \$5.4B deal with PetroChina

Last Updated: Wednesday, February 9, 2011 | 5:53 PM ET CBC News

### South Korea's KOGAS to invest \$1.1 billion in Canada gas fields

Sun Feb 28, 2010 1:33am EST

### Sasol to Pay \$1.03 Billion for Talisman Shale Stake

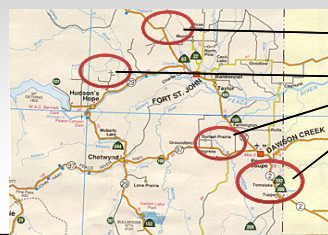
December 22, 2010, 1:47 AM EST

Progress Energy inks \$1.07-billion deal with Petronas  
Malaysian energy giant targeting Montney for liquefied natural gas

BY DIANA O'MEARA, CALGARY HERALD JUNE 3, 2011 COMMENTS (1)

## Foreign investment into NE BC Shale Gas

- Total of \$8.6 Billion invested in past 12 months
- Sasol + Talisman teamed up to create plant that will turn "rich gas" into liquid fuel to be sold at a much higher price
- Foreign nations have begun investing in our region because we are:
  - Politically stable
  - Have a huge resource
  - Advantageous physical proximity – cheaper to ship fuel





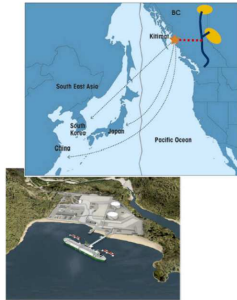
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## Exportation of LNG

### Kitimat Project

- Kitimat LNG is a liquefaction project, owned by Apache Canada (40%), EOG (30%), and Encana (30%) located in British Columbia.
- Natural gas will be delivered from Pacific Trail Pipelines, which will connect to the Spectra Energy Westcoast Pipeline system
- The project will have an export capacity at 5 MTPA and is expected to be in-service in 2015
- The LNG terminal will be supplied by gas from WCSB, namely Horn River and Montney, and will export to LNG markets in Asia-Pacific i.e. South Korea, China and Japan



Source: Kitimat LNG

## Exportation of LNG

### Douglas Channel LNG Project



- Douglas Channel Energy Partnership (DCEP) is indirectly owned by LNG Partners LLC and HCN DC LNG LP of Haisla First Nation
- Plans are to utilize existing natural gas pipeline capacity from Pacific Northern Gas (PNG)
- DCEP plans to install a barge-based Liquefied Natural Gas (LNG) plant, along with a tanker berth and onshore storage and support facilities near Port of Kitimat.
- Initial Capacity at .9 MTPA; anticipated to come online 2013

Source: Douglas Channel Energy Partnership

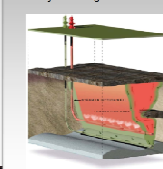
## Impact of Oil Sands Development

## How Oil Sands Use Natural Gas

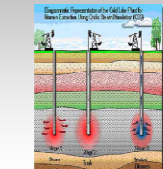
- Low gas prices = higher profits for oil sands
- Nearly 80% of all planned future development will require additional Natural Gas

### In-Situ Methods

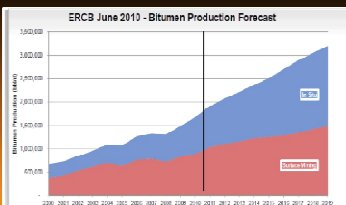
SAGD - Steam Assisted Gravity Drainage



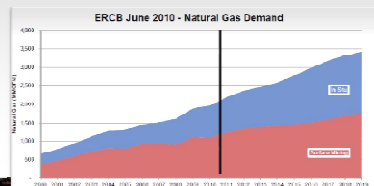
CSS - Cyclic Steam Stimulation



## Oil Sands Bitumen Production Forecast

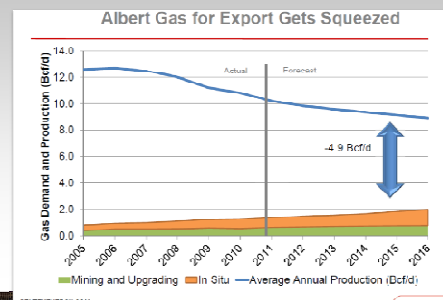


- By 2019 Oil Sands will consume 25%+ of Canadian supply at 2009 level.



## Alberta Gas Gets Squeezed

- Canadian gas production declining sharply as conventional gas remains uneconomical



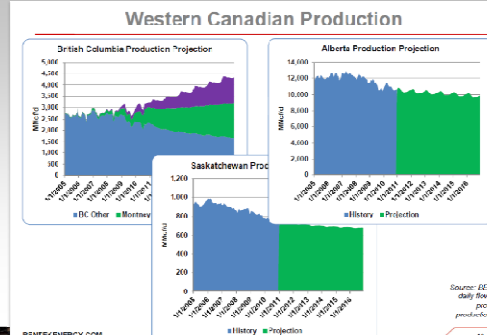
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## Effects on Canadian Gas Production

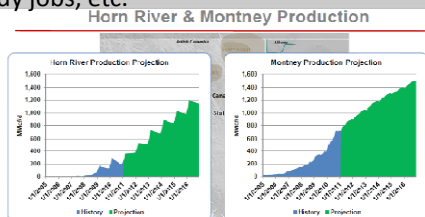
### Western Canadian Production by Province

- Only NE BC is increasing NG Production



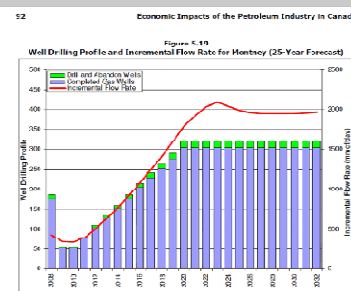
### Horn River & Montney Production

- Horn River chaotic production ramp up
- Montney ramp up is much more linear
- Steady jobs, etc.

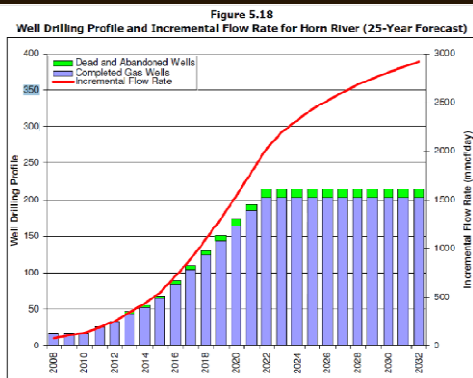


### Montney Production Forecast

- Steady ramp up until 2020
- Sustained high levels of drilling around FSJ and DC



### Horn River Production Forecast



## Job Creation in NE BC

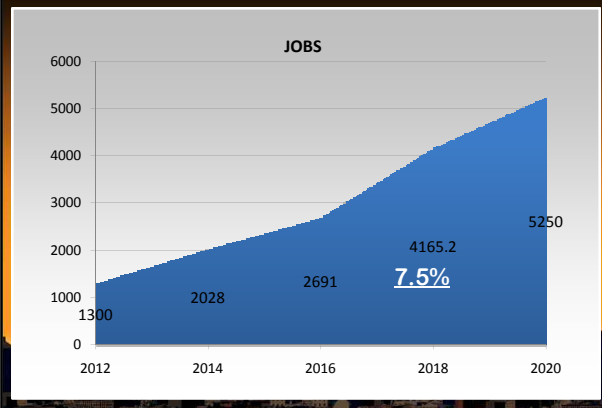
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## Job Creation in NE BC

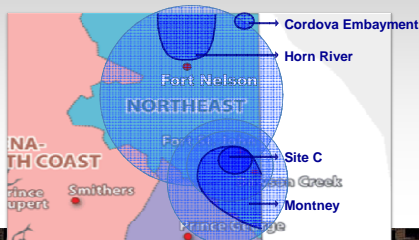
- 67,000 jobs over 25 yrs NOT incl exportation developments
- Fort St John and Dawson Creek to enjoy a long term commodity boom.
- Grande Prairie, Edmonton, Calgary and manufacturing centres will benefit.

## Dawson Creek Job Creation



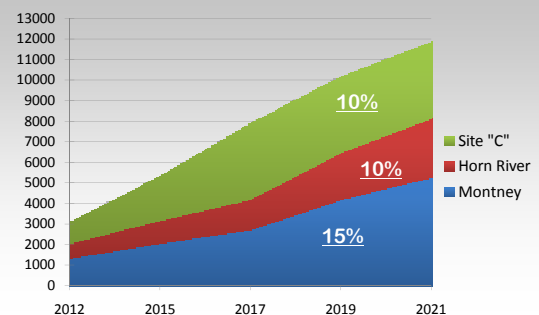
## Fort St. John Job Creation

- Fort St. John is well located directly in the middle of the Horn River and Montney plays, and directly affected by the Site 'C' mega project.
- Many very high paying full time jobs being created long term.



## Fort St. John Job Creation

- Very conservative outlook on job creation – potential to do much better.



## NE BC – What is the impact?

- Low vacancy rates
- Low unemployment
- Increasing rents – strong cash flow
- Strong Market to sell into (Exit Strategy)
- Lots of room for capital appreciation

### Opportunities:

- Furnished rentals
- Rent to own deals

Thank you!