

Regional's Clark Report is being published to provide information and provoke debate on property matters, at a time when issues of assessment and brownfields are appearing on front pages of mainstream newspapers.

Topical issues will be reported, with this issue focusing on the economics and tax treatment of brownfield remediation in Ontario. Many unused sites across the province could be brought back into use, were it not for unsupportive economics. Public policy is critical in changing the landscape and Queen's Park has taken an initiative – property owners, developers and local government need to be shown what tools are newly available and how to take advantage of these.

Next issue of the Report will be on succession planning.

Comments are welcome and can be addressed to:

clarkreport@regionalgroup.com

Contents

Introduction	1
Cheap Gas	
Driving Development	1 – 3
Snapshots	2 – 3
John Clark Biography	3
Equinelle	4
The Regional Group of Companies Inc.	
Directory	4



Obsolete giving way to inner city intensification. Source: Bing Maps

Cheap Gas Driving Development

by John Clark

Canadian city centres have become residential destinations of choice, and remain so for business. Why are people heading back downtown when it's cheaper and easier to build in the suburbs?

Low gas prices have been part of the driving force behind housing values, and may be a motivating factor, both in Canadian city centres and the suburbs. Why have both become residential destinations of choice; and why do city centres continue to be the preferred area for so many businesses? With cheaper land and easier building restrictions away from the centre, suburbs would seem the natural choice – lifestyle, money and time may be the answer.

Gas is still cheap. In the mid 1960s, gas was about \$0.45 a gallon, or about \$0.10 per litre. Forty to fifty years later, it's over \$1.20 per litre. Cars became much more efficient in the 1980s and now go a lot further per litre. Discounting inflation, the cost of driving a car a kilometre isn't much more in 2011 than it would have been in 1965. Low priced gas did, and still does, drive suburban growth. Complaints about the price of gas haven't stopped demand for more cars, bigger cities and more distant suburbs. Gas stations are busy, and roads are full.

Time is not so cheap. Starting in the early 1930s, Canadians abandoned community cores for greenfield suburban sites. These new areas weren't much further away, and traffic really wasn't a problem. Slow at first, the trend accelerated in the 1950s, and strong suburban development demand continues.

Suburban demand has been fuelled by cheap gas. But, starting in the mid 1970s, demand for housing in the older city-cores reversed with a new demographic making lifestyle choices. Roads have a finite capacity, and each lane can only move a maximum and relatively small number of cars per hour. As a result, every new suburban house and suburban car takes up more road capacity and extends the rush hour bit by bit. Creeping congestion lead to a reverse demand, with part of the population opting for centretown living over ever-longer commutes.

Snapshots

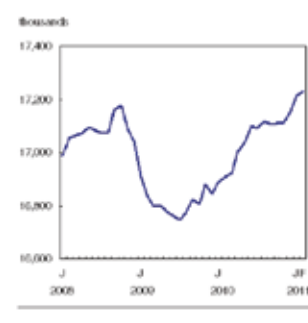
The 12-month change in the CPI and the CPI excluding gasoline



Retail sales decline in January



Employment



SOURCE: STATISTICS CANADA

Regional Consulting/ Valuation

Practice areas include advisory services - development options; lease review – due diligence; valuation; and assessment and property tax administration. Value-added benefits go to the bottom line. The Consulting and Valuation division of Regional, through its due diligence work, has saved clients up to \$900,000 on single assets alone.

Limited road capacity was not a major issue in the 1950s with more households being both single income and fewer having one car. Transit use was higher, and distance to work was shorter. If you look at a city like Ottawa, few commuters would then have travelled more than 5 kilometres to work. Sixty years later, with gas still cheap, two income households dominating, two or more cars in some households, coupled with longer trips to work, road capacity is a problem. If anything goes wrong on the road, the commute can be legendary.

Finite road capacity means that if nothing else changed, if everyone travels twice as far to work, either road capacity would have to double, or commute time doubles. Finding space for new or expanded roads is hard, so the outcome is the long commute. Road capacity, compounded with population growth, two job and multiple car households, lead to high road volumes for most of the day, often with only a short and relative mid-day lull. Capacity is often surpassed, even without some snow or a fender bender – add those in and it's a long drive home. Roads are great providing no-one else is in your way. Add too many cars, like a hockey night in Ottawa, and the commute home takes almost to the next morning!

Downtowns are a great draw for offices, and like retail centres, office users group together. Businesses need to attract employees, and in a city like Ottawa, with a new generation that often rates life style a high priority, being an attractive employer includes having an attractive location. Easy access is one factor, and concentrated business locations are important, particularly for transit-based employees. Meaningful transit is important to attract staff. The problem isn't just that public transportation sometimes is a failure. People like their cars and, if they don't have to travel very far, they're extraordinarily efficient. The problem is that many have to travel quite far to get to work while being able to afford a place to live. Affordable housing is in part being funded by ever increasing commute times, which often get forgotten, along with the cost of running a car, when a house purchase decision is made. Drivers just accept them as something they have to put up with, including the frustration of going nowhere fast.

Driving time also increases because of traffic pinch points. River crossings and other natural features force arterial roads into interchange funnels. Using Ottawa as an example, bridges crossing the Rideau River are limited, with only eleven across the water. Count the lanes on these bridges and look at the finite limit on cars per hour. At best, with everyone driving perfectly, peak efficiency will take a long time to get every suburban resident home. It's the same for all other parts of the city, with pinch points everywhere. One lane of highway might be able to move up to 2,000 cars an hour if everything works right. Actual capacity can be less, and while 2,000 cars per lane per hour may sound like a lot, in a city of 900,000 people with a work force of over half a million, it can be a long drive home.

How is all of this affecting real estate? Urban population growth in Canada continues, and some, not many at first, but now a major market component, have changed where they live. Forty years ago living in a city centre was both cheap and often unattractive. Forty years on and the opposite is often the case with downtown housing demand and prices outstripping suburban prices by a big margin. Lifestyle-driven demand change resulted in repopulating the centres, and where old rooming houses stood valuable housing has taken its place. Early new downtown dwellers may have been latter day hippies, but then, in the 1980s, plenty of other people set their sights on older, walkable neighbourhoods, often ending up closer to where they worked. Their decisions weren't based on high gas costs – gas was and still is cheap - but they made a lifestyle choice allowing them to avoid the time cost of commuting, with the benefit of neighbourhood services. Given a choice, many traded in windshield views for Centretown living. Demand rose, and prices for centretown property went with it.

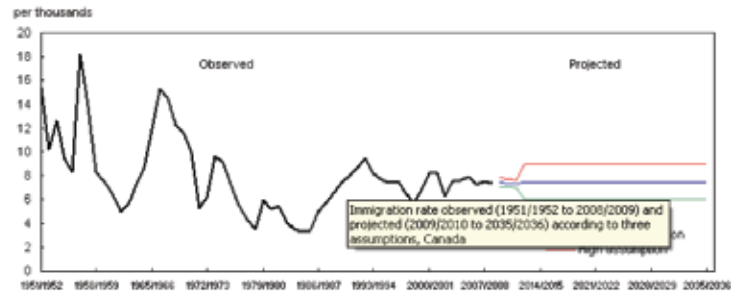
continued ...

Canadian downtowns and their older urban areas have seen a remarkable renaissance, and equally impressive property value increases, and is at levels showing a terrific premium over suburban areas. Intensification has been part of this demand shift, with each new redevelopment bringing more residents into older neighbourhoods. More residents also create greater retail demand with the outcome of increasingly vibrant older retail areas, becoming ever more viable. Centretown retail success has fed on new residents, and more new residents in part attracted by retail success, each feeding on the other. So what happens if gas prices rise? Spring 2011 has seen prices near record highs, but still below those of 2008, and the result remains the same – lots of cars on the road, and busy gas stations. In world terms, gas in Canada remains cheap with European prices about 50% to 75% over what is paid here, so the likely impact of rising prices is that people will pay more at the pump but will continue driving. Inner cities will continue to become more of a destination because of lifestyle choices and new housing outside the core will continue to grow. Without smarter transit options, traffic will increase.

John Clark is Vice President, Consulting/Valuation, of The Regional Group of Companies Inc., Ottawa

Immigration rate observed (1951/1952 to 2008/2009) and projected (2009/2010 to 2035/2036) according to three assumptions, Canada

[Next](#) | [Previous](#)



Note(s): During the first three years of projection, the assumptions are based on the number of immigrants provided by the immigration plan of Citizenship and Immigration Canada. The denominator used to calculate the immigration rate corresponds to the host population, that is the mean Canadian population during a given period, and not the population at risk to immigrate to Canada.

Source(s): Citizenship and Immigration Canada and Statistics Canada, Demography Division.

Gasoline and fuel oil, average retail prices by urban centre (Regular unleaded gasoline at self service filling stations)

	February 2007	February 2008	February 2009	February 2010	February 2011
Regular unleaded gasoline at self service filling stations					
cents per litre					
St. John's	97.5	115.3	92.4	108.8	120.7
Charlottetown and Summerside	92.5	107.0	84.4	99.9	110.8
Halifax	93.9	110.7	86.5	102.8	116.2
Saint John	88.0	105.4	82.2	97.6	109.4
Québec	94.3	115.2	90.1	102.4	118.6
Montréal	93.6	114.4	88.7	104.2	121.2
Ottawa	89.3	104.7	76.8	94.9	114.0
Toronto	89.3	102.8	81.6	97.7	114.8
Thunder Bay	92.8	106.8	89.2	102.7	119.6
Winnipeg	88.0	106.9	86.4	98.9	106.0
Regina	91.5	107.8	89.7	99.0	111.7
Saskatoon	92.3	107.4	91.0	99.0	111.6
Edmonton	84.8	100.5	80.6	86.9	100.8
Calgary	84.8	102.1	83.2	88.5	103.4
Vancouver	99.9	109.9	95.0	109.7	122.9
Victoria	98.0	109.4	96.3	102.5	116.9
Whitehorse	95.0	114.6	90.3	112.2	119.9
Yellowknife	101.6	116.8	101.5	116.9	117.4

Source: Statistics Canada, CANSIM, table (for fee) 226-0002 and Catalogue no. 67-001-X
Last modified: 2011-03-15.



John Clark
jclark@regionalgroup.com

John Clark, AACI, FRICS, Chartered Valuation Surveyor, Vice President - Consulting / Valuation, is responsible for Regional's client advisory services. Mr. Clark is a published author on property matters and professional development, and is a Past President and Fellow of the Appraisal Institute of Canada.

“Success comes from the right to make decisions tempered by the responsibility to respect the rights of others.”

**GRAND
OPENING**

Ottawa Region's Newest Adult Lifestyle Community on the Golf Course

Featuring Bungalows, Bungalow Towns, and Two Storey Homes

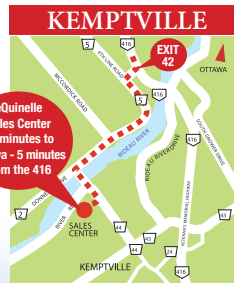
Nestled on the edge of the National Capital region, Kemptville is a vibrant community that combines small town charm with big city amenities. Moving into the eQuinelle community is more than a change of address; it's a change of lifestyle. With the dedicated park space and the tranquility of the adjacent golf course, your home is a quiet, private haven where living comes easy.

Visit us today
eqhomes.ca • 613-258-6488



from **\$267,900**

Sales Office:
Mon. - Thur. 11am - 6pm
Closed Fridays.
Weekends & Holidays 12pm - 5pm



VILLAGE WALK



- Just 24 Contemporary bungalow towns in historic Carp.
- Close to Kanata and Stittsville, all the big box stores, theater, restaurants and Scotia Bank Place.

from **\$284,900**

Visit us today
villagewalk.ca
613-839-4663

Sales Office: Mon. - Wed. 11am - 6pm
Closed Thursdays & Fridays.
Weekends & Holidays 12pm - 5pm

VILLAGE OF CARP



Renderings are Artist concept. *Specifications are subject to change without notice. E. & O. E. See Sales Representative for details.

Model Home Tour This Weekend!



The ENERGY STAR program is administered and promoted in Canada by Natural Resources Canada. Used with permission.



TWO MORE INNOVATIVE DEVELOPMENTS FROM THE REGIONAL GROUP OF COMPANIES



The Regional Group of Companies Inc.
www.regionalgroup.com

1737 Woodward Drive, 2nd Floor
Ottawa, Ontario K2C 0P9

Tel 613.230.2100
Fax 613.230.3454

Land & Development	David Kardish	613.230.2100 ext. 7004 dkardish@regionalgroup.com
Property & Asset Management	Jeffrey Gould	613.230.2100 ext. 7003 jgould@regionalgroup.com
NAI Commercial - Brokerage	Steve Gordon	613.230.2100 ext. 7000 sgordon@regionalgroup.com
Consulting / Valuation	John Clark	613.230.2100 ext. 6200 jclark@regionalgroup.com
Assessment & Property Tax Administration	John Clark	613.230.2100 ext. 6200 jclark@regionalgroup.com