The Land Economist

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PHOTO COURTESY OF TD SECURITIES REALTY GROUP

The office market in downtown Ottawa is hopping, unlike its suburban counterpart. For John O'Bryan's take on real estate markets across the country, see page 4.

Professional Journal of the

ASSOCIATION of ONTARIO LAND ECONOMISTS

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Want Smart Growth? Protect Farms

Between 1986 and 2001, the Greater Vancouver Area doubled its population – a growth rate rivalling megacities such as Rio do Janeiro, Jakarta and Cairo.

Despite the enormous pressures, it has done a much better job of containing sprawl than neighbouring and slower growing Seattle-Tacoma, says a new report from Northwest Environment Watch of Seattle and Smart Growth BC of Vancouver. Greater Vancouver channeled growth inward into compact neighborhoods, whereas Greater Seattle has grown outward, at the expense of both farmland and transportation choices. The researchers used census data and Landsat satellite imagery to help rank municipalities' and districts' records on smart growth and pavement spread.

Percent of population living in compact neighbourhoods

Compact neighbourhood type	Vancouver 1986	Vancouver 2001	Seattle 1990	Seattle 2000
Transit oriented - 12-40 residents/acre	40	51	21	25
Pedestrian oriented - 40+ residents/acre *"the gold standard for compact growth"*	6	11		

They found that the percentage of Vancouver's residents living in compact neighborhoods is two and a half times as high as Seattle's. One factor is BC's province-wide farmland protection policies, which have "almost inadvertently, helped promote compact communities", the report says. Seattle's system for establishing land-use policies "has long been more localized and, as a result, more susceptible to development pressures". Recent changes to BC's Agricultural Land Commission Act may allow for more local control over farmland protection. "Sprawl and Smart Growth in Greater Vancouver", released in September, can be obtained online at http://www.northwestwatch.org/press/vancouvergrowth.html.

Insurance, insurance anywhere ...?

So far, the line up of insurers vying to introduce Ontario's soon-to-be-required new building insurance coverages has been disturbingly short.

Passed in June, the Act to Improve Public Safety and Increase Efficiency in Building Code Enforcement intends by mid 2004 to require Major Structural Defects (MSD) coverage on newly-constructed buildings.

This is not a big change for "for sale" home builders. Coverage under the Ontario New Home Warranty Program will meet the requirements of the Act. For other contractors, however, the required seven-year insurance would be a brand new product – there is nothing yet on the market in Ontario. For both architects and engineers, it means an extension to existing coverages, and for engineers it will remove the option of self-insuring.

The Ministry of Municipal Affairs and Housing is currently drafting regulations. The new insurances will become mandatory 18 months after those regulations are completed. This isn't a great time to be looking for new insurance. A series of large losses, especially the 9/11 catastrophe at the World Trade Towers, has made reinsurers extremely leery of taking on new risks.

When it all comes into force in 2004, the Building Code Enforcement Act will also:

- require designers and building inspectors to meet training/ qualifications in building code knowledge
- allow municipalities to accept plan review and construction inspection by Registered Code Agencies (RCAs). One option would allow for building owners to hire private RCAs.
- establish new service level standards for enforcement bodies
- establish deadlines for building approvals and remove red tape, and
- limit building permit fees to the reasonable cost of enforcement.

Behind the new Sheppard Line

There are dozens of stories behind Toronto's nine-minute long Sheppard Subway line, scheduled to open November 24. Did you know these ones?

There wasn't enough clearance between the street and the existing station at Sheppard and Yonge to allow for the new line – so they sliced off the roof.

The bottom of the new station now forms the roof of the old one. But that new structure would have been far too heavy for the existing walls and foundations, so the whole new structure rests on new columns straddling the existing one. To span that huge space, and support all the earth, road and vehicles above it, the roof is a slab of reinforced poured concrete, two metres thick.

The Leslie Street station faces a different problem – water. Located in the East Don River valley, that station incorporates more concrete in the roof and floor slabs than required for structural support – it's there as weight to keep the station from floating.

Enjoy the ride!

Welcome New Members!

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Molson Park: Act II

By Herb Ware

After 25 years as the venue for huge summertime concerts, Molson Park is being redeveloped as a 191-acre power center with a lifestyle mall as its centerpiece.

This is a desirable piece of property on the east side of Highway 400 south of Barrie, on the Trans-Canada highway and the primary route to cottage country. "All the other corners at Molson Park Drive are developed out," says Terry Coughlin, executive vice president of North American Developments. "This is the best corner from a retail perspective although it's always been precluded from the mix because it was being used as a park."

But not any more. Over the years, housing has migrated southward right to Molson Park Drive. People moving into the houses have been complaining about the noise from the concerts. As well, says Coughlin, the previous owner and the city are both "far more cautious about liability than they were before … With 20,000 kids at a concert, there's a huge potential liability."

Coughlin worked with Petroff Partnership Architects "to flesh out a concept that would be right for the area and its climate". The result was Park Place, a mix of big box and lifestyle retail concepts.

"In most power centres there's no pedestrian synergy and no sense of central place," Coughlin says. "We devised a double-sided boulevard with (limited) parking in the middle and all of the units facing inward into the streetscape."

With several focal points over its nearly a kilometer length, the boulevard allows visitors to cruise the stores before deciding where to stop. Half a dozen side exits run between the stores, so shoppers can reach parking fields a short walk from the stores they want.

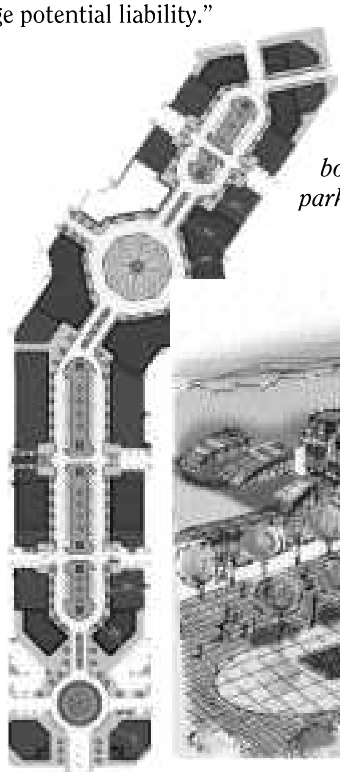
The mall will consist of up to 100 stores for a total of 300,000 square feet. Unit sizes will run from 1,000 to 8,000 square feet. With many Canadian retailers already on the west side of the highway, businesses coming into the new mall could tend to be US operations not previously positioned in the area. "We also have Canadian retailers coming in as well."

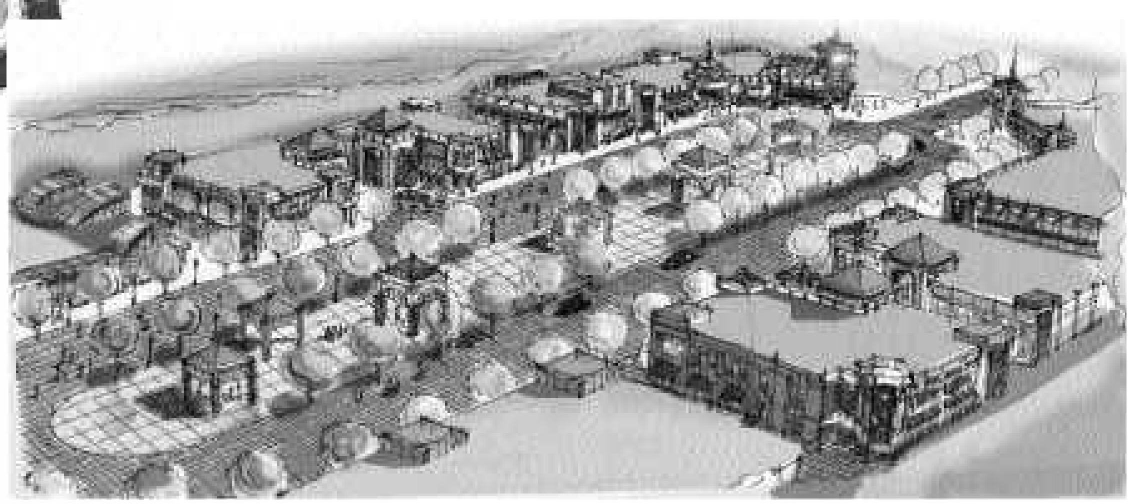
Coughlin wants to keep the entertainment factor in the mix. "I have suggested to the House of Blues who run the concerts that, as a part of the entertainment component of Park Place, we make some type of theatre or club that would be indoors. Even if was only open on weekends there would be something going on. They're considering that idea."

The venue would be contained in the lifestyle area. "If we could get some sort of an entertainment, a comedy club, a night club, or some sort of Playdium, it would be an appropriate use. We'll have something for everybody, from breakfast to the bars at night."

North American has applied for a rezoning from industrial to commercial use. Coughlin says the public meeting was favourable. The staff report to council is due in late November or early December.

Herb Ware is a freelance writer and communications consultant in the Mississauga area.





Park Place aims to recreate a village streetscape with retail stores fronting along a wide boulevard with fountains and some 200 parking spaces. Around that core would be more parking, traditional big box stores and hotels.

Courtesy of North American Developments

Real estate is back

By Rowena

It's great being a real estate investor in a pension fund today, John O'Bryan told members attending the Association's Annual General Meeting in September.

During the early and mid 90's, "you used to be a pariah," he joked. But now that real estate investments have reclaimed their former prominence, "you can hold your head up high and colleagues actually want to break bread with you."

The vice president and director of TD Securities Realty Group discussed who has been buying real estate and what they're buying.

Real Estate Investment Trusts (REITs) have been "filling their boots refinancing at very attractive rates and in general transforming themselves." With the sharp drop in the stock market, a lot of Pension Funds "have found themselves offside in their ratios (of real estate to equities) … and the majority are really glad of it." They are doing some selective pruning, O'Bryan said, but not that quickly.

There are a large number of Israeli investors, who are concentrating on mid-sized buildings in the major markets. German investors have also returned, bidding for mid- and larger sized offerings. U.S. investors are very passive and there is no significant Asian presence, except in the Vancouver market.

If more multi-unit residential properties were available, they would top the list of what investors are buying, O'Bryan said, but they are hard to accumulate. First on the list is multi-tenant industrial, third is single tenant industrial, and fifth is industrial land – so industrial is "by far and away the most attractive investment". In fact, of his "Top Ten" location-specific investments across the country (see chart below), five are in industrial categories.

Most markets across Canada have been experiencing their lowest vacancy rates ever for industrial, he said, although rental rates in some sub markets have recently softened. With strong industry fundamentals, a six month development cycle, and most of the land owned by a small number of players, as soon as there is a slowdown in demand the supply side shuts down. That gives the market a chance to recover. And with investor interest focussed on yields rather than capital appreciation, this will continue to be a strong market.

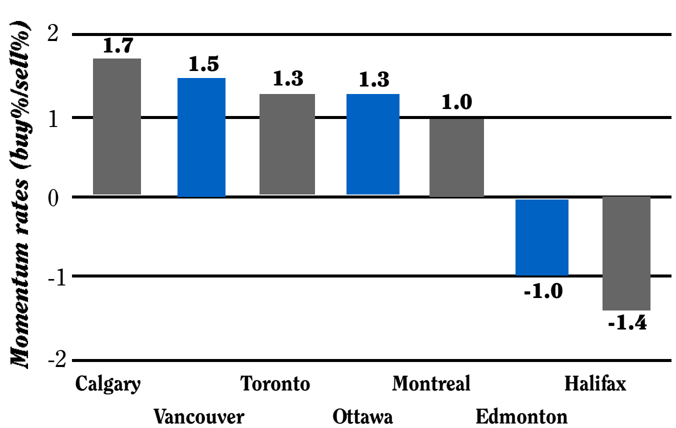
The number two spot for what investors are buying goes to food anchored strip malls. Although the food store giants often own the main anchor, there is room for investors to own the CRU adjacent to it.

While two years ago there was relatively little interest in retail, that is undergoing a bit of a renaissance, O'Bryan said. Retail malls are not a market for the smaller or the under-capitalised investor. "You can't be in

Industrial vacancy rates

	1990	1995	2000	2001
Halifax	13.2	17.5	7.1	5.4
Montreal	9.0	9.8	4.3	4.3
Ottawa	11.0	6.5	3.4	3.6
Toronto	10.1	7.3	4.0	4.3
Edmonton	5.3	8.2	3.0	3.7
Calgary	4.0	3.8	2.5	3.1
Vancouver	4.9	3.9	1.9	3.4

Where are the buyers buying?
Location barometer Q2 — 2002



Source: InSite-Altus

Top 10 by product/market

1. Vancouver multi residential
2. Calgary suburban 'A' office
3. Vancouver multi tenant industrial
4. Vancouver regional mall
5. Vancouver industrial land
6. Calgary multi tenant industrial
7. Ottawa multi tenant industrial
8. Calgary regional mall
9. Vancouver retail strip
10. Halifax multi tenant industrial

Sp
as

Bosto
Atlan
Phila
Avera

Vac

Bosto
Atlan
Phila
Montr
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k! (comparatively)

a Moyes

retail as a one-off," he explained. "To be a real player, you need 5 to10 million square feet. If you don't have that leverage, then you have little chance to retain or attract strong tenants."

The West is very strong. The list of top ten investments includes only two in central or eastern Canada. Toronto has slipped because many larger investors believe it is close to the top of the market," he explained.

pace under construction
s a % of inventory Dec. 2001

ston	**5.10%**	Montreal	4.00%
anta	**3.80%**	Toronto	2.65%
ladelphia	**4.70%**	Ottawa	1.20%
rage	**4.53%**	Average	2.82%

cancy Rate Comparison
Dec. 2000-Dec. 2001

Suburbs	**2000**	**2001**	**% Change**
ton	**3.4**	**20.1**	**(491)**
anta	**10.6**	**16.0**	**(51)**
ladelphia	**9.4**	**13.8**	**(47)**
treal	9.0	7.0	14
onto	8.6	11.3	(31)
wa	2.2	13.4	(509)

Downtown	**2000**	**2001**	**% Change**
ton	**1.5**	**9.8**	**(553)**
nta	**7.3**	**13.6**	**(86)**
adelphia	**5.8**	**12.5**	**(115)**
treal	9.15	10.39	(14)
nto	6.1	8.27	(36)
wa	4.6	3.79	17

Source: Colliers & InSite-Altus

Ottawa currently has a deep split in its office markets, he said. "It has the highest vacancy rate of any *suburban* node, and the lowest vacancy rate of any *downtown* node." In fact, the Ottawa suburban market is the only one in this country similar to some of the distressed U.S. office markets.

In the U.S., office absorption is still negative, although it may be bottoming out. The astonishing thing there has been the speed at which things went negative. Cities with the highest vacancy rates are those like Dallas and Austin, which were dominated by the high tech industry. The lowest are found in places like Washington, New York and suburban Maryland where government and/or a more diversified economy has helped to maintain stability.

Canada is actually in a much better position than the U.S., because this country didn't experience the run up in high tech and telcos. Supply side discipline is continuing, and it looks a lot more like the 1960s and 1970s than like the early 1990s.

Ownership is very concentrated, which improves stability: The top five owners in the country hold 28% of all office buildings, including 45% of the Class A space, and 64% of the Class A downtown space. By city, that's 65% of downtown Class A space in Vancouver, 72% in Calgary, 71% in Toronto and 77% in Montreal.

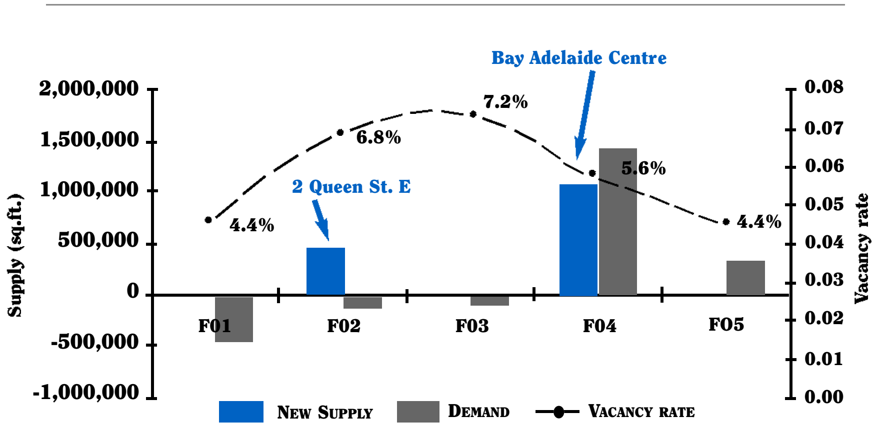
Office employment is still lagging. The stock market performance is a "severe drag on confidence and on the economy," O'Bryan said.

On the other hand, he pointed out that investments in REITs are more resilient than history would suggest, and "more money will stick in than you might expect".

Finally, condominium developers here are more confident. "Six months ago, a lot of developers were getting nervous. Now, they're buying sites again. They're still conservative, but not as nervous."

Rowena Moyes is a Toronto writer and communications consultant, and editor of this journal.

Feels like the early 90s
Toronto financial core — Class 'A' forecast



Source: InSite-Altus

President's message

When I became Internet Chair of the Land Economists in 1998 I wondered what I was getting myself into.

Translating the tradition of a Professional Association founded in 1962 into a high tech presentation was a daunting task, especially since 'surfing', 'e-mails' and 'downloads' were all intimidating terms to a membership mostly in middle age, unfamiliar with the new jargon and in many cases, at the peak of their professional careers.

Going through all the past Journals and Association Literature was a unique opportunity to appreciate our origins and aspirations. Somehow it all came together on our website.

Today our centerpiece is the links page, which boasts 142 links that provide gateways and sources of research to Professional Land Economists, and visitors from 39 countries.

There are 20 issues of our Journal 'The Land Economist' available online, dating back to 1995. Complete background and contact information for all our members and their practice areas is available 24 hours a day, seven days a week on the Members page.

I do believe that with the foresight, guidance and direction of past Councils we have indeed managed to remain relevant.

Our Association is 40 years old. I think Sophie Tucker said "life begins at 40".

Our membership continues to grow, due in no small part to an influx of professionals from the tax assessment and appeal sectors. Thank you Mike Real and David Gibson for your initiatives and strong support in growing our membership.

For the 2002/3 session of Council I take pleasure in welcoming John Morrison as Membership Chair and Vice President, and Andy Manahan as Legislative Chair. I acknowledge with gratitude the continued support of Mike Real, Ed Bruce, Elgin Douglas, Dave Sanna, Bonnie Bowerman, Keith Hobcraft, Catherine Huestis, Eileen Ostrowski and Ed Sajecki, who have generously agreed to remain on Council.

As your new President and with the support of a strong Council I intend to commence a dialogue with other respected International Professional Organizations to develop partnerships; encourage the e-mail delivery of our Journal to those Members who are interested; revive our past program of modest University bursaries; consider the advocacy and lobbying role of our Association to Governments; and continue to arrange for the maintenance of our website.

It is an honour to serve you as President in the upcoming term. I invite any Member to call me personally at 416-460-4072 on matters they consider to be important to the Association of Ontario Land Economists. Please continue to visit our website at www.aole.org and send e-mails.

Konrad Koenig

Real estate reflections

In the 1970s, there were a whole host of public real estate companies in Canada developing land and taking advantage of leverage. But today, the big public companies in real estate are REITs and investment/pension corporations – which are among the most conservative and boring companies in the world, Ira Gluskin told an OLE dinner meeting earlier this year.

The president and chief investment officer of Gluskin Sheff + Associates, Gluskin spoke on "Thirty Years of Public Real Estate – Some Reflections".

In the early to mid 1970s, there were about 100 public real estate companies in Canada, but none to speak of in the United States. "Everybody in the US said it was unnatural for real estate companies to be public." Now, however, "there are only a handful of Canadian public real estate companies, but there is a tremendous mass of American public real estate companies." Public companies build about 20% of the houses in the US, he said. Many are big land developers, and they have prospered. That's working south of the border. But in Canada, "we haven't got a single public company developing housing.

"Everybody in residential land up here talks the way they used to 40 years ago…" Gluskin said. "If you were to say to them 'Do you want to own some land?' they'd think you were crazy. But sooner or later, they're going to discover that there's money to be made in land.

"None of the REITs is in development, he said. Cautious investors "want companies to own property and pay out some of the profits as dividends."

Asked whether pension plans will have accumulated enough assets to pay out as boomers get older, he answered: "You don't want to know."

The basic assumption is growth at seven to eight percent, which has seemed pretty optimistic recently.

Honorary lifetime member

This summer, the Association of Ontario Land Economists honoured Janina Milisiewicz with a lifetime membership.

Janina Milisiewicz

BA, AACI, PLE

Born in England,Janina Milisiewicz served as a translator and interpreter in the Polish Naval Headquarters in London during World War II.

After she and her husband emigrated to Canada in 1950, she learned the ins and outs of appraisal at North York's newly created real estate department. Although she completed all the requirements for an AACI in 1963, she had to outwait several objectors before becoming, in 1965, Canada's first female accredited appraiser.

While at A.E. LePage's real estate appraisal department, Milisiewicz completed a degree in urban studies from York University. In 1975, she joined Ontario's Ministry of Government Services (MGS), and the following year became the first female president of the OLE.

Since retiring from MGS in 1987, Milisiewicz has continued trailblazing. One highlight was a United Nations program to post-communist Poland, where she taught appraisal techniques. Today, she's helping catalogue the Canadian Opera Company archives and run the Copernicus Lodge library, while planning to travel Turkey next March.

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The Legislative Beat

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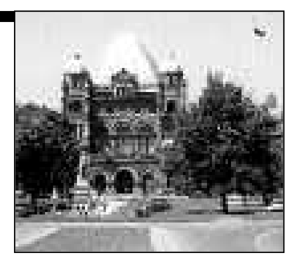


Peel Region. With all the other pressing matters that the province must deal with leading up to next year's elections, it is unlikely this is an item that Municipal Affairs Minister Chris Hodgson will relish.

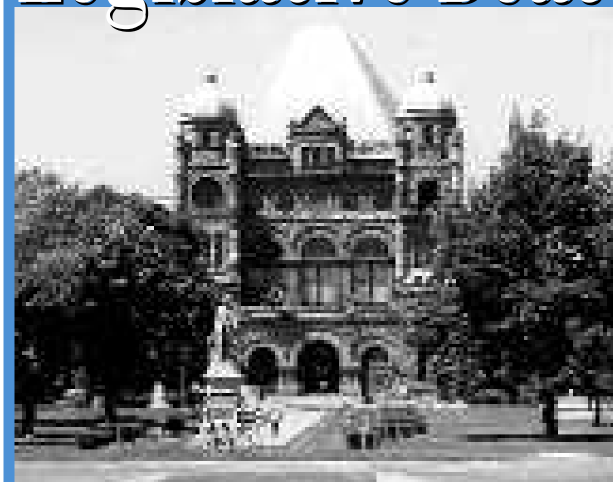
Other

The agenda is obviously much fuller than listed above. Important provincial issues to be dealt with include school funding and health care reform.

Premier Eves has also committed to implementing Justice O'Connor's recommendations stemming out of the Walkerton tragedy – this will encompass a clean water strategy, nutrient management legislation, full cost accounting for water and sewage systems and a host of other environmental regulations.

Andy Manahan is Development Promotion Representative, Universal Workers Union, Local 183.

The Legislative Beat



by Andy Manahan PLE

Smart Growth Events
August 14 The Central Ontario Panel provides 'interim advice on unlocking gridlock and promoting liveable communities' to the Minister of Municipal Affairs and Housing. Shorter-term actions prevail in this document, such as expanding the number of high occupancy vehicle lanes and expanding commuter/car pool lots, although longer-term recommendations such as increasing development density in the vicinity of transit stations are also put forward.

August 15 Golden Horseshoe Transit Investment Partnerships (GTIP) funds are announced for short-term transit improvement projects in Toronto, York Region and Waterloo Region, e.g., station improvements to encourage inter-regional transit use; expanded "park-and-ride" lots.

August 16 Both the eastern and western zone Smart Growth Panels are launched, bringing the total Panels to five. Priority issues for these panels are economic readiness and quality of life (east) and economic diversification within the agri-food industry (west).

Current discussions: The link between more compact development and the provision of efficient public transit is a key plank in the vision for the Central Zone.

(1) For transit projects to move expeditiously from the planning stages to actual construction, more harmonized Environmental Assessment procedures between the federal and provincial governments will have to be put in place. If not, the process will be delayed by years, with detrimental consequences to the efficient movement of people and goods.

(2) Currently, Provincial Policy Statements require that municipalities, the Ontario Municipal Board and other planning bodies have regard to provincial policies when dealing with land use matters. PPS could be strengthened to ensure that smart growth strategies are implemented, particularly in regional context.

(3) Municipalities need expanded financial tools and support (see below).

Bonds and Zones
Premier Ernie Eves announced on August 19 the creation of a new Ontario Municipal Economic Infrastructure Financing Authority (OMEIFA) with a $1 billion initial capital infusion to help kickstart a tax-exempt bond program. Municipalities will be able to raise funds through this capital pool at preferred interest rates for public infrastructure projects such as water and sewer systems, transit, roads and bridges. Sports venues and theme parks that could compete with the private sector will be ineligible for the tax-exempt bond program.

The Ontario Clean Water Agency will work with OMEIFA by providing an additional $120 million to finance municipal sewer and water infrastructure projects.

The Province is currently consulting on both Opportunity Bonds and Tax Incentive Zones. The Zone initiative will offer tax breaks in certain communities to assist with economic development opportunities. Six pilot projects will be launched in areas where communities have had difficulty in attracting business investment and jobs, where value-added industries could be supported and where abandoned lands could be redeveloped.

An advisory team will be set up to ensure that OMEIFA is ready for the 2003 municipal budget year. It is hoped that the federal government will join Ontario by exempting those who invest in Opportunity Bonds from tax on the interest earned.

Environmental Commissioner
The Environmental Commissioner of Ontario, Gord Miller, released his annual report at the end of September. "Developing Sustainability" provides a valuable summary of provincial initiatives and a healthy doling out of praise and criticism, where warranted, to various ministries. For example, we are informed that in last year's report, ECO suggested that consideration be given to ecosystem fragmentation in land use planning decisions.

The Ministry of Natural Resources is praised for developing models for use in selected areas to evaluate natural features using satellite imagery, GIS applications and data transfer techniques. Elsewhere in the report, however, both MAH and MNR are chastised for not coming up with performance indicators for natural heritage protection.

In terms of the Smart Growth initiative, ECO believes that the involvement of nine ministries is a positive move that may signal a significant change in how decisions affecting the environment are made.

Amalgamation/fragmentation
The province has been a proponent of municipal amalgamation during the Harris regime (in July of 1996 there were 815 municipalities in Ontario; today there are only 447).

Now, the Eves government is being asked to consider the dissolution of

See Legislative Beat page 7