Landcor Special Report
Transit Oriented Development

November 28, 2013

There's a guy we know, who, as a little boy, played 'garden raid' while growing up in hard-scrabble Prince George in the 1950s.

Target a specific home garden, wait until dark, slip in with your gang of chums, quickly grab a few crunchy veggies , then slide away.

For the littlest kids, getting nabbed is punishment enough, older miscreants usually earned a smack on the ear or a soft boot in the butt and are let go, point taken.

For the little ones who don't know better, garden raiding isn't thievery. They just want a treat; a nice crunchy carrot to snack on. For older kids, garden raiding is unacceptable. They know better; well enough anyway to not take what is not theirs.

Garden raid: Play it right, score a real haul. Play it wrong and wander off empty handed, stinging ear, and everyone laughing at you.

By the way, although our competitive guy was almost always deepest in vegetable patches, he never took more than he could eat.

When a homeowner boils out and rather than bolt like the other pillagers, our guy says he instantly dropped drop down between the leafy rows and patiently waited for the muttering homeowner to go back inside. "Sometimes, I could have reached out and tapped their ankle."

Landcor Data isn't in the veggie protection business; if we harvest or nab anything, it's real-estate data. But along with our predictive models, analytics and other virtual tools, we're fond of budding predictions, sage and thyme-ly advice, earthy analogies: think like a 'raider', anticipate, watch the gardens grow.

Here in Metro Vancouver the most interesting 'gardens' don't produce carrots, sweet peas and gardeners' ire. Also known locally as 'city centers', the concept is rooted in TOD (transit-oriented development) and is meant to nurture and grow condominiums, mixed-use commercial, office space in compact tightly zoned, land- and infrastructure-efficient nodules accessed via and pivoting on high-volume transit, the aim being to reduce or even eliminate the perceived 'need' for street- and air-clogging cars and the bane of suburban sprawl.

The standard TOD radius is a 'walkable' 400 to 800 meters (0.25 to 0.5 miles) with the highest density in the nodule's core, surrounded by lower density but typically not SFD. By discouraging commuter and other car traffic and encouraging pedestrian access, TOD mitigates the 'last mile problem' which in long-distance supply-chain parlance is the last, shortest but typically labour-intensive (translation: expensive) 'delivery' leg.

Getting Cozy with TOD

In the Lower Mainland, the most visible TOD is on the LRT (light-rapid transit) and ancillary transit stations of the Expo, Millennium and upcoming Evergreen lines, the SeaBus/BC Transit nodule in North Vancouver and the West Coast Express (WCE) line from downtown Vancouver to Mission City (akin to Greater Toronto's GO-Train but without the frequency).

The Expo Line (nee SkyTrain) opened in 1985,the Millennium Line in 2002 for what's a 17-year 'head start' for the Expo Line.

Both lines connect at Commercial/Broadway, diverge and then reconnect in New Westminster. Expo heads southeast with a spur into Surrey, Millennium heads almost directly east through Burnaby, touches Coquitlam and then loops south to reconnect.

Where TOD works, it works very well. For examples, the ever-thickening thickets of condo towers of Metrotown, Joyce/Collingwood, Brentwood/Gilmore, Lougheed Centre, New Westminster, Surrey Central stations. Flourishing plots connected by the strands of elevated railbed.

Other nodules, not so much -- or not yet -- and here's where Landcor gets interested.

Our assumptions: as the Metro Vancouver population grows, so will TOD activity on existing and future major transit nodules; the closer to the original economic/entertainment core – downtown Vancouver – the greater the TOD appeal; as 'new cores' such as Metrotown, Surrey Central and their kin bulk up, the TOD circulatory systems strengthen and any current 'underutilized' stations will take on increased value.

Slipping into the Gardens

For developers, long-view city planners and wannabe homeowners who prefer/are resigned to urbane compact, TOD makes sense and the Canadian fixation on the suburban SFD (plus commute), less so. The hidden costs of driving in from 'the burbs' are startling. (See Sidebar: Simmering Exhaust, Suburban Mirage)

TOD makes the best sense when the surrounding land is 'underutilized' and allows for relatively easy/uncontested rezoning. It's not easy nor quick to assemble a land parcel in a SFD-dominated neighbourhood, whereas assembling/rezoning 'clean' light industrial, 'brownfields', vacant land, non-ALR agricultural land, low-density rental and so forth is far less problematic.

So what nodules are currently underutilized and yet have the largest amount of developable land? On the Expo Line, we pulled four stations: Joyce/Collingwood; Patterson; Royal Oak; 22nd Street. Along the relatively young Millennium Line, four stations that vis-à-vis the Expo Line, are roughly comparable distance-wise from the downtown Vancouver core: Holdom; Sperling/Burnaby Lake; Lake City Way; Production Way/University. (The data date: October 10/2013.)

With a nod to the west coast mania for health, we optimistically extended the TOD radius by 200 meters to one kilometer. Within the catchment areas, we separated out all residential property titles (SFD, condo, attached). Ditto for civic, institutional, recreational (e.g parks), supportive housing, transportation, communications, utilities, improvements and other infrastructure which is unlikely to be rezoned and developed into high-density mixed use residential/commercial.

What is left – existing commercial, vacant land, , industrial, multi-family rental and 'other' residential (i.e. parking, storage, outbuildings, properties under section 19 (8), trailer homes etceteras) is, by our assumption, ripe for 'higher and better use' TOD and ancillary development.

Laffing on the Other Sides of their Place(s)?

The painful slump in Metro Vancouver and BC property values doubtlessly excites the schadenfreude of outsiders, renters, anyone who hasn't benefited – or has been beaten up – by the years of eye-popping price increases.

Yet others caution that any deep slide in home values could affect far more than the immediate homeowners. When housing markets slow and homeowners feel that what is, for most, their principal asset has declined in value, homeowners are less likely to spend money in other areas. Retail sales across the board are affected, more disposable income is channeled into savings (not necessarily a bad thing) but the broader economy feels

the ripple effects as open-handed optimism gives way to closed-fisted pessimism. Taken too far, sales dry up, the retail sector lays off staff, orders decline, manufacturers get pinched, workers are laid off and the spiral down becomes self-fulfilling.

Economists call it 'the wealth effect' – when you feel wealthy, you spend; when you feel hard done by, you don't. Or as TD Bank senior economist Jacques Marcil recently told The Globe and Mail: "Consumers are less likely to get new appliances or a new couch. . . . Part of household spending is based on regular income but also how wealthy we feel and our net worth."

In September, TD updated its forecast for the provincial housing market, predicting that average prices for existing or resale homes in BC will slip 8.9 percent in 2012, well above the bank's earlier provincial forecast of a 4.6-percent decline overall. The revision is based on the unexpectedly deepening slowdown in the Metro Vancouver market.

According to TD Bank, British Columbia is the only province experiencing an average decrease in resale values year-over-year. Still, provinces such as Ontario and Quebec shouldn't hide their smiles behind their sleeves. Although both eastern provinces are forecast to post solid average-price resale gains this year, Ontario is predicted to slow to a near standstill in 2013 and drop by more than four percent in 2014. Quebec won't go negative until 2014 but, predicts TD, it will happen, down 5.8 percent.

Canada wide, TD forecasts average resale prices will rise 0.3 percent in 2012, rise another big 0.9 percent in 2013 but then slip 2.8 percent in 2014.

Refocusing on the Lower Mainland, TD's Marcil opined the market was overheated, it needed cooling and, good news, the word 'bubble' is no longer synonymous with 'Vancouver housing market'. In The Globe article Marcil was quoted: "That's a good sign, because the market is adjusting gradually and in a moderate way, and in a way that won't cause major concern in the medium term about the growth prospects for BC."

Quick Take Aways

- There are no condo buildings and only limited commercial within one kilometer of 22nd Street Station, Lake City and Production Way/ University. The 'amenities' gap may relate to the absence of residential, as one tends to build on the other.
- 22nd Street boasts an urban rarity: seven designated farm titles.
- Lake City and 22nd Street are dominated by SFD with little or no multi-family rental or industrial within the one-kilometer circle, thus making future TOD rezoning and land assembly interesting. (But never say never; Joyce Station/Collingwood has seen large, successful SFD-assemblies and rezoning.)
- Production Way Station residential is dominated by attached.
- Lake City, 22nd Street and Production Way have little multi-family rental.
- Most of Holdom Station residential is condominium, mostly huddled up nearer to Brentwood Mall and not centered around the station which enjoys few area amenities, for now.
- Joyce/Collingwood has the most TOD-suitable land (400 hectares). At just north of 80 hectares each, Patterson and 22nd Street have the least. At around 350 hectares, Holdom is second, heavily weighted with multi-family rental and commercial.
- Sperling, Lake City and Production Way stations offer sizable amounts of industrial-zoned land, the natural ally of TOD revitalization.

Joyce/Collingwood Station

TYPE	PERCENT	TITLES
Condo Apartments	39.82%	3,168
Attached	3.05%	243
Detached	46.05%	3,663
Civic/Instit/Rec*	0.45%	32
Trans/Com/Util/Impro**	0.06%	5

** Civic/Institutional/Recreational ** Transportation/Communications/Utilities/Improvements*

Joyce/Collingwood TOD Potential

TYPE	PERCENT	TITLES	HECTARES
Multi-Family Rental	7.11%	566	305.40
Commercial	2.99%	238	91.90
Vacant Land	0.17%	14	0.70
Industrial	0.00%	00	00
Other Residential	0.35%	25	2.0
TOTAL			**399.7**

Patterson Station

TYPE	PERCENT	TITLES
Condo Apartments	69.41%	4,649
Attached	8.39%	562
Detached	11.14%	746
Civic/Instit/Rec*	0.93%	62
Trans/Com/Util/Impro**	0.03%	2
Supportive Housing	0.34%	23

** Civic/Institutional/Recreational ** Transportation/Communications/Utilities/Improvements*

Patterson TOD Potential

TYPE	PERCENT	TITLES	HECTARES
Multi-Family Rental	7.11%	566	305.40
Commercial	2.99%	238	91.90
Vacant Land	0.17%	14	0.7
Industrial	0.00%	00	00
Other Residential	0.35%	25	2.0
TOTAL			**81.3**

Royal Oak Station

TYPE	PERCENT	TITLES
Condo Apartments	40.62%	1,972
Attached	18.62%	904
Detached	27.46%	1,333
Civic/Instit/Rec*	1.69%	82
Trans/Com/Util/Impro**	0.04%	2
Supportive Housing	0.14%	7

** Civic/Institutional/Recreational ** Transportation/Communications/Utilities/Improvements*

Royal Oak TOD Potential			
TYPE	PERCENT	TITLES	HECTARES
Multi-Family Rental	1.61%	78	16.10
Commercial	8.24%	400	92.70
Vacant Land	0.29%	14	0.90
Industrial	0.37%	18	1.80
Other Residential	0.943%	45	3.90
TOTAL			**115.40**

22nd Street Station		
TYPE	PERCENT	TITLES
Condo Apartments	0.0%	0.0
Attached	2.19%	30
Detached	83.0%	1,133
Civic/Instit/Rec*	4.03%	55
Trans/Com/Util/Impro**	3.15%	43

*Civic/Institutional/Recreational ** Transportation/Communications/Utilities/Improvements

22nd Street Station TOD Potential			
TYPE	PERCENT	TITLES	HECTARES
Multi-Family Rental	0.29%	4	0.60
Commercial	1.17%	16	45.70
Vacant Land	3.75%	51	3.50
Industrial	1.10%	15	30.90
Other Residential	0.65%	9	0.70
Farm	0.51%	7	2.50
TOTAL			**84.0**

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Holdom Station		
TYPE	PERCENT	TITLES
Condo Apartments	52.28%	2,317
Attached	6.63%	294
Detached	30.60%	1,356
Civic/Instit/Rec*	0.72%	32
Trans/Com/Util/Impro**	0%	0

*Civic/Institutional/Recreational ** Transportation/Communications/Utilities/Improvements

Holdom Station TOD Potential			
TYPE	PERCENT	TITLES	HECTARES
Multi-Family Rental	4.56%	202	171.20
Commercial	4.87%	216	158.80
Vacant Land	0.26%	12	2.10
Industrial	0.34%	15	13.40
Other Residential	0.35%	16	1.60
TOTAL			**347.10**

Sperling/Burnaby Lake Station		
TYPE	PERCENT	TITLES
Condo Apartments	0%	0
Attached	11.24%	178
Detached	76.50%	1,211
Civic/Instit/Rec*	3.66%	58
Trans/Com/Util/Impro**	0.25%	4

*Civic/Institutional/Recreational ** Transportation/Communications/Utilities/Improvements

Sperling/Burnaby Lake Station TOD Potential			
TYPE	PERCENT	TITLES	HECTARES
Multi-Family Rental	0.13%	2	3.70
Commercial	4.61%	73	70.60
Vacant Land	0.18%	3	0.30
Industrial	3.85%	61	35.0
Other Residential	0.04%	1	0.10
TOTAL			**109.8**

Lake City Station		
TYPE	PERCENT	TITLES
Condo Apartments	0.00%	0
Attached	0.00%	0
Detached	87.53	1,088
Other Residential	0.08%	01
Civic/Instit/Rec*	1.69%	82
Trans/Com/Util/Impro**	0.04%	2

*Civic/Institutional/Recreational ** Transportation/Communications/Utilities/Improvements

Lake City Station TOD Potential			
TYPE	PERCENT	TITLES	HECTARES
Multi-Family Rental	0.00%	0	0
Commercial	6.19%	77	110.6
Vacant Land	0.56%	7	2.3
Industrial	0.48%	6	33.5
Other Residential	0.04%	1	0.5
TOTAL			**146.9**

Royal Oak Station		
TYPE	PERCENT	TITLES
Condo Apartments	40.62%	1,972
Attached	18.62%	904
Detached	27.46%	1,333
Civic/Instit/Rec*	1.69%	82
Trans/Com/Util/Impro**	0.04%	2
Supportive Housing	0.14%	7

*Civic/Institutional/Recreational ** Transportation/Communications/Utilities/Improvements

Production Way/University Station		
TYPE	PERCENT	TITLES
Condo Apartments	0.00%	0
Attached	67.63%	1,118
Detached	21.96%	363
Civic/Instit/Rec*	5.20%	86
Trans/Com/Util/Impro**	0.12%	2
Supportive Housing	0.06%	1

*Civic/Institutional/Recreational **Transportation/Communications/Utilities/Improvements

Production Way/University Station TOD Potential			
TYPE	PERCENT	TITLES	HECTARES
Multi-Family Rental	0.36%	6	14.0
Commercial	3.93%	65	116.4
Vacant Land	0.48%	8	1.2
Industrial	0.24%	4	21.8
TOTAL			**81.3**

Simmering Exhaust, Suburban Mirage

The painful slump in Metro Vancouver and BC property values doubtlessly excites the schadenfreude of outsiders, renters, anyone who hasn't benefited – or has been beaten up – by the years of eye-popping price increases.

More automobiles begets ever more road construction, pollution, increased infrastructure and maintenance costs, ever lengthening commute times, stress and other unpleasantness . . . but that commute does allow a young family to buy a relatively affordable SFD and here in Metro Vancouver, 'affordable' means ever farther up the Fraser Valley, either via the new Port Mann Bridge or other increasingly congested egress points.

Endure the commute; it makes economical sense . . . or maybe not.

In a fascinating study/spreadsheet provided by what The Globe and Mail called "public-spirited" Toronto mortgage broker David Hughes of Mortgage Group Ontario Inc., Hughes ran the numbers on two classes of clients: those who crave suburban SFD living and don't mind the commute; those who prefer the transit-connected inner city but are daunted by the prices a.k.a comparatively larger mortgages.

As in Metro Vancouver, the 'spread' in the Greater Toronto Area (GTA) is up there. Hughes took Toronto Real Estate Board averages and comparables: what's priced at $500,000 in the suburbia will cost $720,000 in the downtown area -- a $220,000 premium. Common down payment: $50,000.

The assumptions: during the 40-year ownership (25-year mortgage, 15 years clear title) the two-income suburban couple will need two vehicles the urban couple will use transit, taxis, car rentals or car share. Mortgage interest: 3.5 percent for 25 years. Home maintenance costs, municipal taxes and so forth were excluded from both scenarios.

After 40 years the suburban homebuyers paid $1,304,995 of which $687,495 went into the cars or car; when the 25-year mortgage was paid off, Hughes frugally removed one vehicle from the equation. The urban 40-year comparable $1,271,130 of which $240,000 went into 'get around' costs (i.e. transit, taxis, occasional car rentals etc.).

Difference: $33,865 more in the downtowner's pocket -- despite the $220K initial buy-in premium.

Factor in the stress, 'lost' commuting hours and other intangibles and the suburban life with cars, is even more costly . . . but ah, the siren call of your own carrot patch and white-picket fence.

But consider a third option and the city planners' ideal: someone who buys in the comparatively more affordable suburbs but opts for transit to commute to work. Remove the cars from Hughes's spreadsheet for the best of both worlds

Metro Vancouver can't (yet) match the GTA population base, reach/depth of transit systems and car-commute niceties (e.g. no Port Mann/Golden Ears-style toll bridges in Hogtown) but the housing markets, demographics and sprawl are similar enough.

For interest's sake we compared average SFD prices in the one-kilometer TOD circle in the 22nd Street Station on the Expo Line in New Westminster, versus the SFD price average in Abbotsford City within one kilometer of the Fraser Highway/Highway IA access to the Trans-Canada/#1 Highway. Both target areas are dominated by SFD.

Abbotsford City is 65 kilometers up the Fraser Valley from downtown Vancouver and on a good day, a 68-minute drive (travelmath.com) via the new $1-billion plus Port Mann Bridge.

Once aboard the Expo Line, 22nd Street Station is a 25-minute commute to the terminus station at Waterfront.

The average age and price (Oct. 23/13) of the 864 SFD properties within our catchment area in Abbotsford: 23 years and $431,398.

In the 22nd Street Station zone there were 1,148 properties. Average age: 58 years. Average price: $698,676.

The buy-in differential: $267,278 As well, most Fraser Valley car-commuters must now contend with extras such as the cumulative toll costs of the Port Mann Bridge now set at $150 per month for each 'small' car permit, $300 for a 'medium' vehicle.

When factored into Hughes's GTA-centric 40-year homeowner equation (two cars for 25 years, one car for 15 years), the hypothetical Fraser Valley commuting couple will fork over an extra $117,000 in toll costs alone ($45,000 X 2 equals $90,000 plus $27,000 X 1) if they go small-car frugal.

Opt for 'his and hers' medium-size vehicles and it's $234,000 extra in homeowner costs for that outlying Metro Vancouver bridge-hopping suburban commute vis-à-vis the GTA equivalent.

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