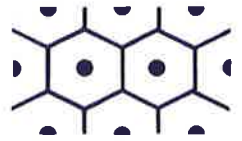


---

# newsletter



---

Vol. 1, No. 7

Fall 1979

## THE EFFLUENT SOCIETY

The decision of the Prince Edward Island legislature this year to freeze shopping centre development in that Province brings into sharp focus a problem that we have preferred to ignore as a society, presumably hoping that it will go away. Our past sins are now catching us up. The affluent society is becoming the effluent society. Water and air pollution problems have multiplied in the past decade as we became aware that the physical environment is a fragile creature, to be nurtured with care rather than treated with crass disregard. Whilst we in the Maritimes may not be able to do much, other than protest, about the acid rain that assails us from the U.S.A., the first tottering steps are being taken to rectify some of the problems near at hand. Most towns are taking some steps to control waste disposal, yet it does seem incredible that Halifax, the regional capital of Atlantic Canada, with a population of one quarter of a million, still continues to dispose of its raw sewage by the simple expedient of dumping it into the harbour. An effluent society indeed!

The rising public consciousness has not been restricted to environmental pollution alone. Visual pollution, and the realisation that newer is not necessarily better, has resulted in a concern for our townscapes. The best of the old, and the best of the new still may not be attainable. However throughout the land citizens' groups have been successful in saving groups of old buildings from the demolition ball. Fisherman's Market in San Francisco, Bastion Square in Victoria, Gas Town in Vancouver, Historic Properties in Halifax, Harbourside in Charlottetown, The Murray Premises in St. John's, all are signs of a renaissance that started over a decade ago and promises to blossom into a revival of the older downtown areas. They can have dramatic effects on property values elsewhere in the Central Business District. Charlottetown is an excellent example. Like an elderly dowager who looks into the mirror one morning to discover she's not as old as she thought, the City has picked up its skirts and started to run. The efforts of the Charlottetown Area Development Corporation in purchasing old wood frame and brick buildings on the City's moribund waterfront, and converting them to offices, apartments and retail outlets, has spurred private entrepreneurs to emulate them. C.A.D.C.'s new "old" Harbourside development is now starting to come on stream too and there is a suggestion that the Federal Government has again changed the site of the Dept. of Veteran's Affairs building back to a waterfront location. The shopping area has also added fuel to the flames and resulted in a surge of confidence in the C.B.D. A municipal parking garage has been built in an effort to alleviate the chronic parking problem.

The confidence in the future of the City centre has been translated into a rapid increase in property values. A study, completed by us last year, in conjunction with Bob Wilson, F.R.I., Wilson Real Estate, Charlottetown, indicated that land has increased at an annual compound rate of 8.5% over the past five years or so. Frontage land in the 100% zone of the C.B.D. now retails at \$300/m<sup>2</sup>.

All of this appeared to herald a new pride in the City downtown area. A pride which no doubt is being translated into monetary terms as more tourists are attracted to the area. However the announcement that yet another shopping mall was to be built on the outskirts of the City cast a cloud over this rosy picture and resulted in the Provincial Government's moratorium on further shopping centre development. There is no doubt that suburban shopping centre development does result in decay in the downtown areas; witness Dartmouth, St. John's and to a lesser degree, Halifax. Yet in many ways it is a chicken and egg situation. The town centres were not built to accommodate the motorized shopper. As they became clogged with traffic the consumer exercised her democratic right to shop where she chose and moved elsewhere. In North America, with virtually unrestricted development, this meant away from the downtown area. In Europe it was a different story. Many downtown areas were architectural treasurehouses to be protected at all cost and stiff planning controls prevented the development of shopping centres on green field sites. However as the use of public transit declined in favour of the motor car, towns and cities were forced to respond by gutting the slum residential areas peripheral to the C.B.D. to provide parking lots. In towns with populations in the 20,000 to 40,000 range the result was often a shopping area, usually two streets crossing at right angles, surrounded by large parking lots, girded by a ring road. Hardly an attractive spectacle!

There must surely be some room for compromise. Decaying downtown areas, especially if they incorporate pleasing buildings and streetscapes, are a link to our past and are worthy of preservation. Urban renewal schemes employing public money are wasted if unrestrained growth is allowed outside the C.B.D. Yet the consumer too must be able to exercise some democratic rights in shopping where she/he may wish. It's a paradox that most people, if questioned, would individually opt for preserving the downtown of cities such as Charlottetown, St. John's or Halifax, yet collectively vote to destroy it by shopping elsewhere. Perhaps the answer lies in a plebiscite to be conducted whenever a major suburban centre threatening the downtown is to be built so that the individuals can vote collectively on the question.

#### UP, UP, UP THEY GO!

Last December we gazed into our crystal ball and predicted the performance of mortgage rates during 1979. Fools rush in where angels fear to tread! Our crystal ball was cloudy and the mortgage rates have stubbornly refused to follow our forecasted decline. The recent increase in rates, the ninth in eighteen months, means that closed conventional mortgages on residential properties in the Halifax/Dartmouth metropolitan area, are now 12.75%, the highest ever. A closed N.H.A. mortgage is now 12.5% and the lenders are now expected to promote this type of mortgage more aggressively.

Although residential home owner borrowers are becoming used to double digit rates during periods of inflation (currently 8.4% per annum) the new rate will dampen demand. It remains to be seen how the Federal Government's new mortgage deductability scheme will act as a counter stimulant.

Commercial property financing is a different matter. Demand for financing the smaller (\$50,000 to \$150,000) owner occupied commercial properties is a function of business confidence in the economy, though the question of rate (now 13.25% and up) does obviously have a bearing. The high rate coupled with the present slowdown in the economy will reduce demand.

Financing demand for the higher priced investment properties is elastic and sensitive to rate increases. Mortgage rates for these type of properties run from 12.0% to 12.25% for minimum loans of \$0.5 million. The majority of investments are unable to support long term financing rates above 12%. However the traditional long term lenders are now introducing flexibility into their financing with floating rates. These are based on a formula and allow a developer a period of up to two years to commit himself to a fixed long term financing rate.