



The Edmonton Transportation Effect

The Impact of Transportation Improvements on
Housing Values in the Greater Edmonton Area



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EXECUTIVE SUMMARY AND REPORT HIGHLIGHTS

- Edmonton transportation improvements will deliver a 10%–20% enhancement of real estate values in the regions most affected. In the future, these areas will outperform the rest. If the market goes up everywhere, these areas will increase by about 10%–20% more. If the Alberta values drop, these will drop by 10%–20% less.
- With the completion of the Ring Road and the extension of the LRT, real estate prices in key neighbourhoods will increase more quickly than other regions of the city due to improved transportation linkages. Improved accessibility drives real estate demand.
- Values in older and more established neighbourhoods are impacted more significantly than in newer developments.
- In studies of the effect of transportation improvements on real estate in other jurisdictions around the world, it was found that real estate value increases occur for properties located within 800 metres of stations on the new transportation and 800 metres from exits on new major highway improvements.
- The areas that will be most significantly impacted by transportation upgrades are divided into the 'Four Tiers of Impact'.

First Tier: areas which will witness the most positive impact of the transportation improvements, most of which are located on the 111th street corridor. This region will enjoy the twin impact of the Ring Road access and LRT expansion: Blue Quill, Ermineskin, Sky Rattler, Twin Brooks, Park Allen, McKernan, Belgravia

Second Tier: areas which will also feel a strong positive impact with one of the major improvements significantly increasing long term demand: South Mill Woods, Pleasant View, Lendrum; West End including, Jamieson, Glastonbury, Aldergrove, Thorncliff & Belmead

Third Tier: areas which will feel the impact in years to come once the Northern Section of the Ring Road is designed and completed: (NW) Castledowns neighbourhoods, Lago Lindo; (NE) Miller, Casselman, Kirkness, Fraser, Rundle Heights, Abbotsfield

Fourth Tier: Regions which will feel the ripple effect outward from the main impact areas. These include St. Albert, Ft. Saskatchewan, Devon, and Sherwood Park

There are negative effects (nuisance, property crime, noise, increased traffic, etc.) on properties located in the immediate vicinity of many stations but this does not have a negative effect on the price increases.

ABOUT THE REAL ESTATE INVESTMENT NETWORK™

Founded in 1992, the Real Estate Investment Network™ (REIN™) has grown over the years to become Canada's leading real estate research, investment and education organization. It serves more than 3,000+ member clients who own more than 25,500 properties (valued at \$2.85 billion) across the country. Members use the unbiased research and proven systems to invest in properties in economically strong regions across the country.

REIN™ does not sell or market real estate to its members or the general public, but instead conducts objective and unbiased research, analysis and investor education

The foundation of REIN™'s work is the research and analysis of current real estate trends and patterns. This information is then disseminated to members through regular private seminars in Toronto, Vancouver, Calgary and Edmonton, and via research reports that detail current and emerging trends.



REIN™'s primary purpose is to provide expert assistance to its members and other Canadians to assist them in making sound decisions about purchasing principal residences and investment/recreational real estate. This Transportation Report is one such educational report, as are Don R. Campbell's bestselling books *Real Estate Investing in Canada (Version 2.0)*, *97 Tips for Canadian Real Estate Investors*, and *51 Success Stories for Canadian Real Estate Investors*. 100% of all of Don Campbell's author Royalties are donated directly to Habitat for Humanity Edmonton and to date has raised over \$411,000 for this worthy cause.

All research can be accessed at www.myreinspace.com.



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OVERVIEW TO THE TRANSPORTATION EFFECT REPORT

As populations grow in areas across Canada, governments and private sectors attempt to meet the infrastructure needs of its residents by providing road improvements and an increase in mass transit options. With these transportation improvements comes much discussion around the environmental, economic and social impacts of these projects. The effects of these changes on real estate however, is often overlooked. The Real Estate Investment Network™ (REIN™) first recognized the need to examine the impact of transportation changes on housing values with the BC Transportation Minister's announcement of new bridges and additional rapid transit lines in the Greater Vancouver Regional District. Realizing the housing value impact for some communities over others, a study of the transportation effects in Greater Edmonton was first undertaken in 2007. With frequent changes in the Edmonton region's transportation, a new edition was needed to update diligent real estate investors. This report focuses on answers to two very important questions that will have a direct financial impact on tens of thousands of Edmonton residents. These questions are as follows:

- 1. How will the expansion of the Ring Road and the LRT projects affect residential property values in the Greater Edmonton area?**
- 2. Which areas will be negatively impacted and which will see a positive effect?**

For many residents, a vast majority of their personal net worth is tied to the value of their homes, so the answers to these questions are very important as a planning tool. As with our previous reports and books, the goal of this research is not just to assist investors and homeowners in gaining knowledge about how a project may affect their personal net worth, but to cut through the emotions and debate that surround a transportation project of this size and provide an objective, research oriented view of what the future holds when the projects are completed. This will enable readers to see clearly how the proposed transportation projects including the LRT expansion and the completion of the Anthony Henday Ring Road will affect their personal real estate portfolio today and in the future, allowing them to plan long in advance of the program's completion.

For the purposes of this report, we will be considering the following component projects (recently completed or proposed and approved) as part of this scope.

1. Edmonton LRT Expansion

Construction has begun on the South LRT Expansion to run 7.5km from the University of Alberta to Century Park on 23rd Avenue. The entire project is scheduled for completion in April 2010.

2. Anthony Henday Ring Road

- a. Effects on real estate values on the completed portions of the Ring Road.
- b. The North phase of the Ring Road from Highway 16 to Manning Drive, scheduled for completion in Fall 2011.

Peer-Reviewed Studies on Transportation and Real Estate Values

Our analysis is a summary of detailed studies conducted on transportation changes implemented in other regions across North America and Europe. These peer-reviewed journal articles provide us with a snapshot of what we can expect in terms of the impact on real estate prices in Edmonton and the surrounding communities as the project continues and is completed.

A synopsis of published works indicate that most studies showed commercial and residential property values generally rise the closer they are to light rail stations and major highway improvements. As accessibility increases, so do values. Other factors influence value such as: station design, quality of service, land market, socio-economic status of neighbourhood residents for example. Table 1 outlines a brief synopsis of some of the findings on the effects of light rail systems across the continent on property values.

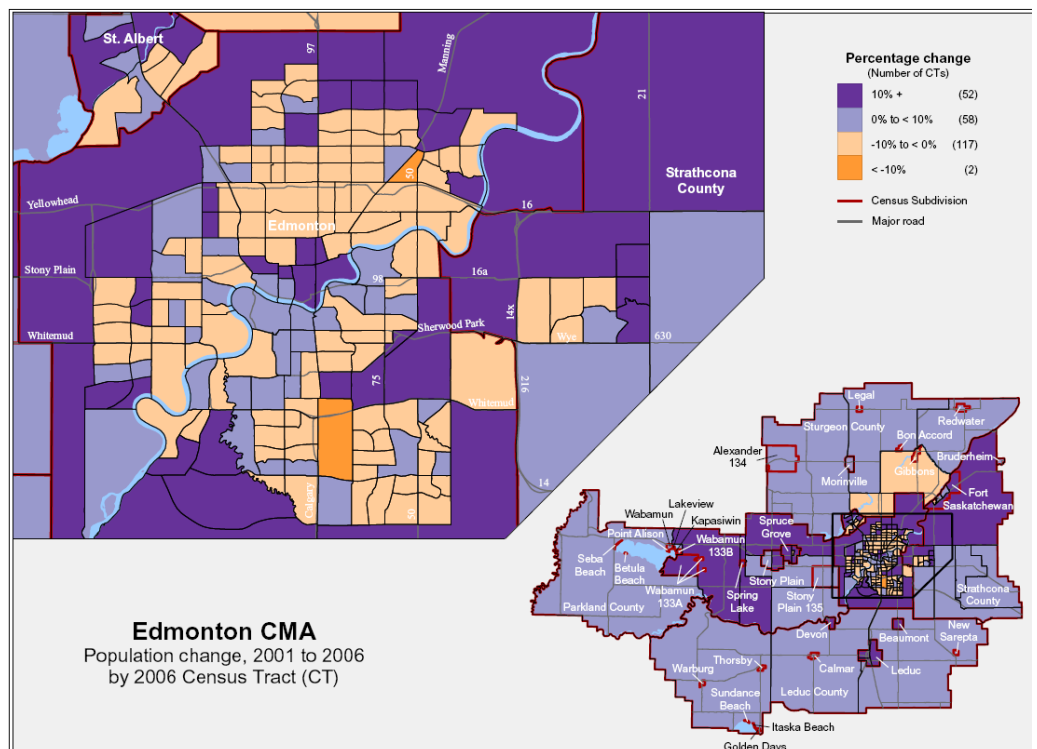
Table 1 - Affects of Light Rail Systems on Property Values	
Light Rail System	Affect on Property Values
Dallas	
2002 Weinstein & Clower	Proximity to DART resulted in a 24.7% increase vs. 11.5% for non-DART properties for office buildings
1999 Weinstein & Clower	The value of offices less than 1.4 miles from a station increased by 10% & retail property increased by 30%
San Diego	
2002 Cevero & Duncan	A 72% premium resulted for parcels near stations in the Mission Valley
1997 Ryan	No significant premium in 3 market areas; a penalty in 2; and a small premium for industrial areas.
1995 Landis & Huang	There were no significant premiums for property 1/4-1/2 mile from stations.
Santa Clara/San Jose	
2000/01 Cevero & Duncan	Properties less than 1/4 mile from a station experienced a 23% premium
2001/2000 Weinberger	Rent for units within a 3/4 mile of a station increased 4-12%
Dallas	
2003 Lyons & Hernandez	Value of properties rose 39% more than the control group not served by rail.
2002 Weinstein & Clower	Median values of residential properties increased 32.1% near DART compared to 19.5% in the control group areas.
1999 Weinstein & Clower	There was a 5% penalty over time for units nearer stations, less than 1/4 mile.
Los Angeles	
2002 Cevero & Duncan	Values rose 103.5% for apartments and homes 1/4-1/2 mile from a station, but decreased 6% for condos.
Portland (Eastside)	
1999 Dueker & Bianco	Median house values rose at increasing rates the closer to the station. The largest change, \$2,300, was for homes up to 200 ft. from a station.
1998 Al-Mosaind et al.	A 10.6% premium for homes 500 meters from a station was observed.
1997 Lewis-Workman et al.	Property values increased by \$75 for every 100 ft. closer to the station (within 2,500 - 5,280 ft. radius).
1996 Knapp et al.	The value of parcels located 1/2 mile of the alignment rose the farther they were from the line; values rose the closer parcels are to stations.
1994/95 Landis et al.	There was no discernable positive or negative impact to property values (not statistically significant). Single family homes rose 0.4% for every 1,000 ft. closer to a station, and 6.2% if very near a station.
San Diego	
2002 Cevero & Duncan	17% and 10% premiums resulted respectfully for multi family homes near East Line and South Line stations.
2001 Cevero & Duncan	The value of condos and apartments from 1/4-1/2 mile from a station increased 2-18%; the value of single family homes decreased 0-4%.
1995 Landis et al.	The typical home sold for \$272 more for every 330 ft. closer it was to a light rail station.
1994 Landis et al.	For every 1,000 ft. closer to a station, prices increased \$337 or 1%, but decreased 4% for units closer than 900 ft. to a station.
Santa Clara/San Jose	
1994 Landis	The price of single family homes increased by 0.1% for every 1,000 ft. closer to a station, but decreased 10.8% if closer than 900 ft.
Toronto	
1983 Bajic	There was a \$2,237 premium for the average home.
Vancouver	
1998 Ferguson	A \$4.90 premium per foot associate with proximity to station was found.



Edmonton, Alberta: Driver's City

As more people flock to Edmonton for the job opportunities, the demand on the city's infrastructure and housing market will continue to escalate. As the costs of housing in the city centre and around the job hotspots increase relative to the fringes, affordability will continue to become a more prominent issue for the new citizens. As a result, people will make decisions to move further outside the current city core to find accommodations to either rent or buy that fit their budget. This urban expansion and a desire for reducing impacts on the environment result in the need for infrastructure and transportation improvements to provide connectivity to the city and its jobs. The opposite of this is also true; rail transit often drives urban development and results in transit oriented development¹. Unprecedented population gains combined with a need to stimulate the economy have resulted in Edmonton infrastructure projects being fast-tracked. City planners are aware of the traffic congestion and two major projects are currently underway to help Edmontonians navigate their city: the extension of the current LRT system and the completion of the Anthony Henday Ring Road.

The expansion of the Edmonton LRT system is designed to offer additional means of traversing the vast city, reducing commute times and helping ease inner city congestion while reducing pollution from idling cars during rush hour. The Ring Road, once complete, will provide a much needed high capacity collector road system around the city with connections to major roadways leading into the heart of Edmonton.



With only the northern sections left to construct, it is only a matter of years before Edmontonians will reap the full benefits of this project.

The adjacent map demonstrates the population change between the two latest federal censuses periods - from 2001 to 2006. Notice that most of the areas that witnessed a 10% or more increase in population within these five years were in the outlying areas of the city as well as surrounding cities

¹ Huang, H. (1996). "Land Use Impacts of Urban Rail Transit Systems" in *Journal of Planning Literature*, vol. 11, iss. 17.
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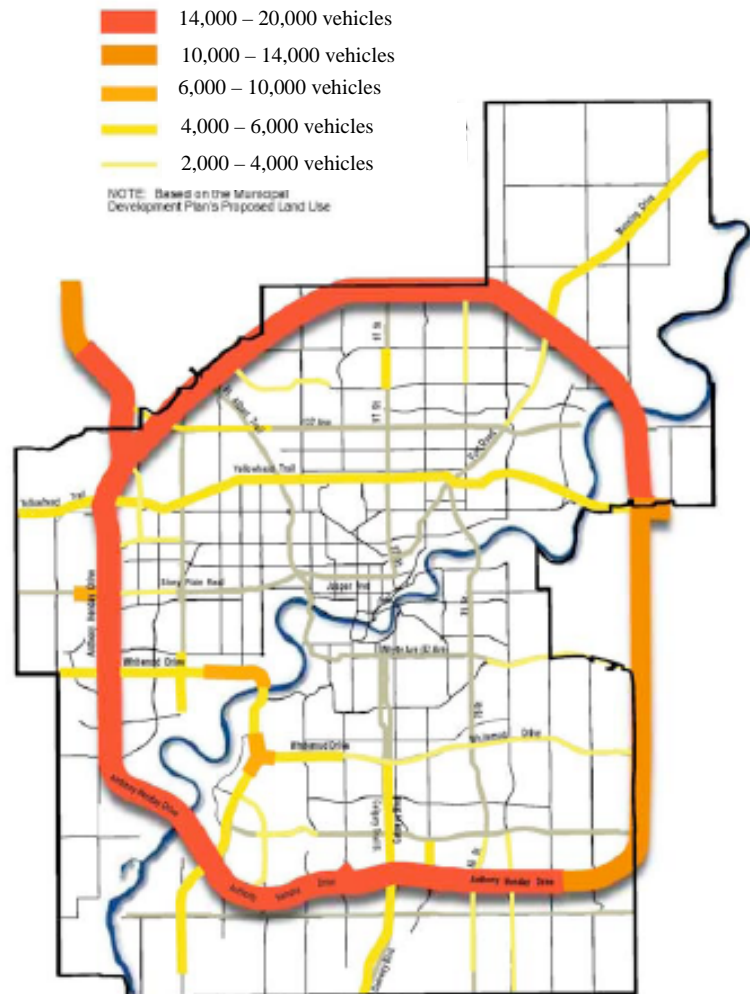
and towns. The current transportation changes are designed to address this growing trend. Both not sentences

Cross city travel is becoming increasingly more difficult at all times of the day in Edmonton. The fast paced residential growth continuing around the city, combined with strong industrial growth, are increasing cross-city travel. The City estimates that 77% of people use cars as their primary mode of transportation.² This increase in traffic will continue as both population and industrial growth hit record paces over the coming decade.

Between 1995 and 2005, the population of Edmonton increased 13%. In the same time period, the average amount of kilometers that an automobile in the City traveled increased by 32%. City studies show that citizens living in suburban developments are more likely to use private vehicles than public transportation. The City believes that reliance on cars and increased suburban development will lead to increased car trip lengths, though the amount of trips themselves will not change³. This increase in drivers and vehicles will cause more congestion in years to come.

Transit has pushed for new initiatives to aid in the movement of the masses. According to Edmonton's Transportation Master Plan, in 2008 there were more registered vehicles in Edmonton than there are residents in the City⁴. Extensive plans for infrastructure improvements are on the table, some with funding, and others without. Of prime interest to the residents and commuters of this great city are the extensions to the current LRT, completion of the Ring Road and the development of an inner Ring Road.

Daily Two-way Vehicle Volume Increases from 2006



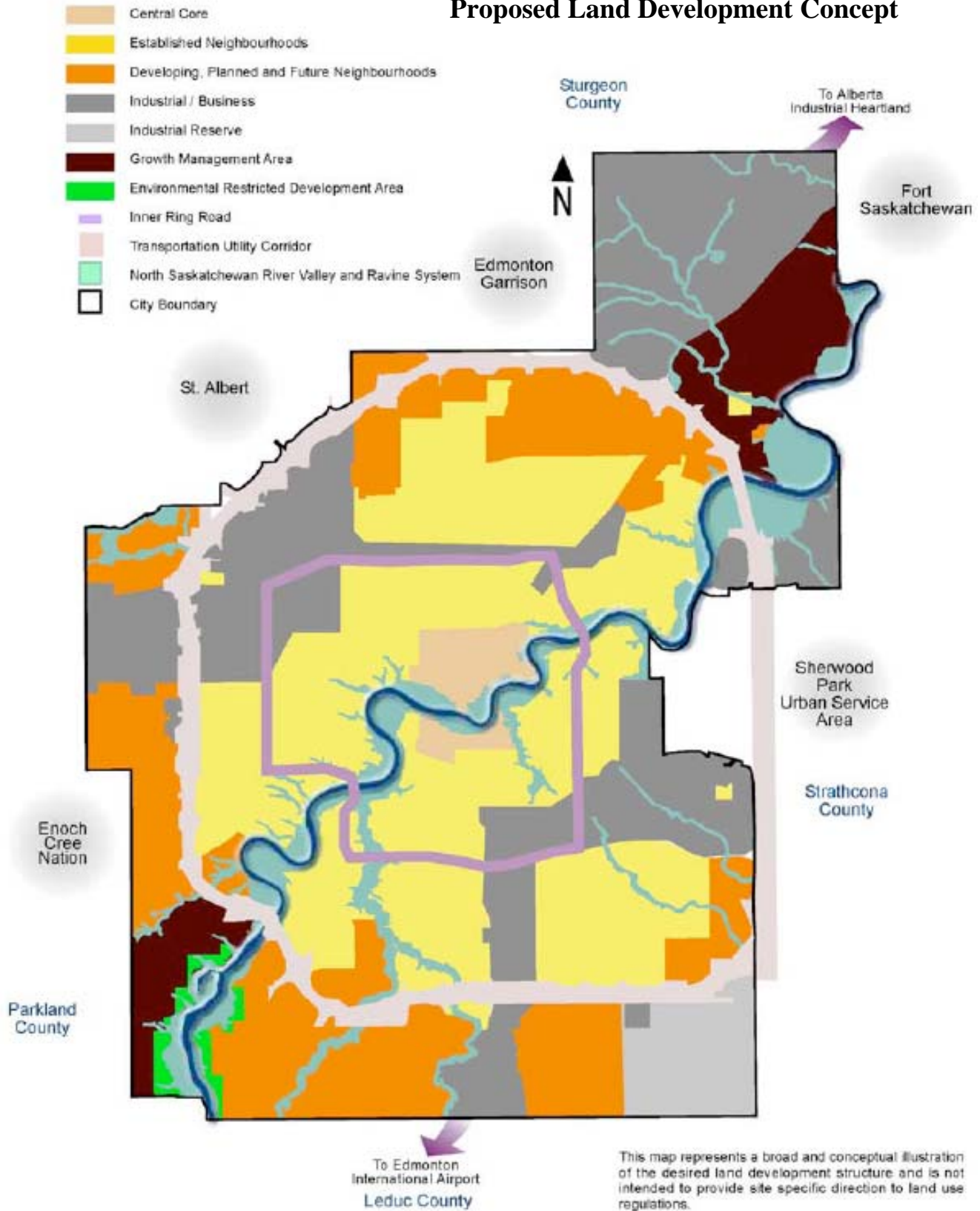
Source: Edmonton Transportation Master Plan

² City of Edmonton. (2008). Edmonton Transportation Master Plan. "The Way We Move" Draft. www.edmonton.ca/city_government/documents/RoadsTraffic/08859COE_TMP-WEB.pdf

³ Ibid.

⁴ Ibid.

Proposed Land Development Concept



Source: Edmonton Transportation Master Plan, 2008



DIRECT EFFECTS OF TRANSPORTATION IMPROVEMENTS ON REAL ESTATE VALUES

Distance is Now Measured in Minutes, Not Kilometres

Over the past seventeen years, our research has revealed that real estate values are driven both up and down by eight clear fundamentals, of which transportation change is one of the most dramatic catalysts⁵. The basic theory in real estate is that the more attractive the location, the higher the value of the home. As the demand for homes in that area expands, the result is higher housing values. This location theory is often misunderstood, as location is not just a subjective desire (e.g., to be close to the beach), but is actually a combination of all eight fundamentals, each of which contribute to desirability. The key fundamental we are studying in this report is **Transportation Accessibility**.

Accessibility Drives Real Estate Prices

Generally, one of the attributes coveted by home buyers is nearness to the Central Business District (CBD). As saturation occurs and homes are no longer affordable, people begin to find locations outside the vicinity. Access to good highway systems, mass transit and commuter rail is sought in order to afford easy access to the CBD. Accessibility is a critical determinant of residential land values, and the improved access between urban centres and residential neighbourhoods greatly improves the value of homes⁶.

As fuel prices continue to rise across the globe, commute times, commute costs and accessibility to job centres become key determinants for potential home buyers and commercial enterprises. Residents now measure their commute distances in minutes, not kilometres, a process that leads to higher demand for properties that are located farther from their jobs in distance, yet closer in terms of commute time.

Walkability

Further proving that minutes are becoming more important than kilometres is the growing popularity of walk scores. Launched in 2007, www.walkscore.com calculates an address's walkability by bestowing points for amenities located within a one mile (or 1.6 kilometre) radius. Such amenities include schools, nearby stores, restaurants, and parks.

Realtors are increasingly using walk scores as part of their MLS listings for homes for sale or as part of the advertising for homes for rent. Using an algorithm, the walk score provides a quantitative alternative to the traditional feature often found in ads of properties for sale or rent of "close to amenities". A high walkability score is a big draw for potential buyers. Current market turbulence means people are looking to save money any way they can. The option of saving gas by using mass transit such as bus and LRT adds allure to a property. Advertising nearness to transit and amenities is a huge draw and smart marketers are taking this free walking measure and running with it. Research indicates that a "walk and rider" living close to transit saves over \$1,200 per year⁷. The research further posits that the group reaping the largest benefits are renters; wherein, the prices of real estate in areas with improved transit have not increased proportionately to the cost savings of using transit over car commuting and hence the premium has historically not been reflected in higher

⁵ Campbell, Don R. (2005) *Real Estate Investing in Canada* ISBN 0-470-83588-5 John Wiley & Sons Publishers: Toronto.

⁶ Smersh, G.T. & M.T. Smith. (2000). "Accessibility Changes and Urban House Price Appreciation: A Constrained Optimization Approach to Determining Distance Effects" in *Journal of Housing Economics*, Vol. 9, No. 3, pp. 187-196.

⁷ Baum-Snow, N. & M.E. Kahn. (2000). "The Effects of New Public Projects to expand Urban Rail Transit" in *Journal of Public Economics*, Vol. 77, pp. 241-263.

rents for these areas. Renters in these areas can save money in commuting and generally do not pay that difference in rent.

As demonstrated throughout this report, this focus on time and accessibility has been confirmed in other studies conducted in major urban regions, whether the access improvements have been new rail transit or new highway expansion. Edmonton as a city is expanding away from the city center. Despite recent declines in some markets, housing affordability continues to be an issue and is forcing people to move further outside the city limits to find accommodations. With urban expansion comes the need for infrastructure improvements in order to provide connectivity to the city and its jobs. With such massive population gains over the past few years, infrastructure projects have been fast tracked to keep up with public demand. City planners are aware that traffic congestion is high and two projects are currently underway to help Edmontonians navigate their city: completion of the Anthony Henday Ring Road and extension of the current LRT system. Once complete, the Ring Road will provide a much needed high capacity road system around the city with connections to major roadways leading into the city. The LRT system on the other hand will offer additional means to traverse this vast city while reducing commute times and helping ease inner city congestion.



#1 LIGHT RAIL TRANSIT EXPANSION IMPACT ON RESIDENTIAL PROPERTY PRICES

According to the census, and evident when driving on its streets, like much of Alberta, Edmonton's population is on the rise and road congestion is getting worse (a 9.6% increase from 2001 to 2006 compared to a 5.3% increase in BC). With more people, longer commutes and Edmonton's expansion in all directions, the city managers knows that the answer lies in an expansion of public transit.

The benefits of light transit expansions go beyond the expected decreased commute times and a reduction in carbon emissions. In studies conducted across North America, the values of homes in neighbourhoods close to mass transit had premiums ranging between 3% and 40%, depending on the different types of housing and socioeconomic positions of the real estate owners⁸.

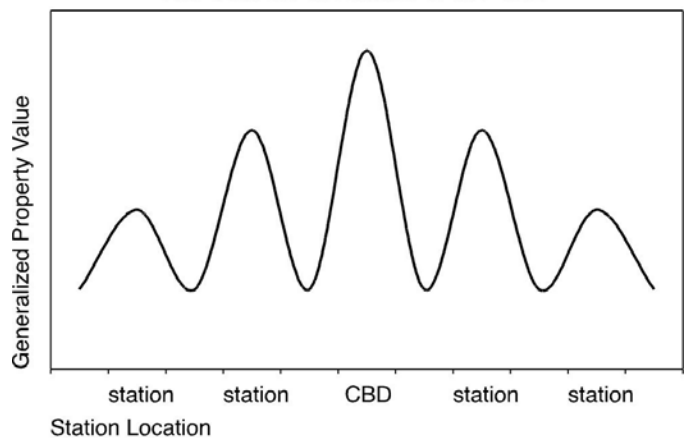
Studies show that there appears to be a higher positive impact on property values located near commuter railway stations over light and heavy railway⁹. The positive effects of proximity to rail transit, however, were limited to homes located within a one-half mile radius of stations. Even announcements of improvements that will shorten and ease commutes have resulted, historically, in high-valued housing developments — in comparison to new developments located a distance from these opportunities. Additionally, development sites near rail stations have tended to draw a higher density of development, resulting in a higher value or rent for these homes.

Areas in which the average income of the residents was at or below the median incomes of the whole region received the largest percentage increase in property values. As the average income of an area increased above the median, rail links did not have as much effect. This is due generally to increased reliance on transit as a means of primary transportation for people with incomes at or below the median.

As detailed in Figure 1¹⁰, the property values nearest to the stations had a dramatic increase in their average value. This effect was maximized in a zone of 500 metres surrounding each station.

One study on the impact of the Los Angeles Metro Rail system revealed that properties located within one-quarter mile of a rail station enjoyed a value premium of \$31 per square foot¹¹.

Figure 1. Peaks and Valleys of Property Values at Rail Stations in relation to the CBD



8 Diaz, R. (n.d.) *Impacts of Rail Transit on Property Values*. Downloaded from www.apta.com/research/info/briefings/documents/diaz.pdf.

9 Debrezion, G., E. Pels, & P. Rietveld. (2003). *The Impact of Railway Stations on Residential and Commercial Property Value*. Tinbergen Institute Discussion Paper. 10 Ibid.

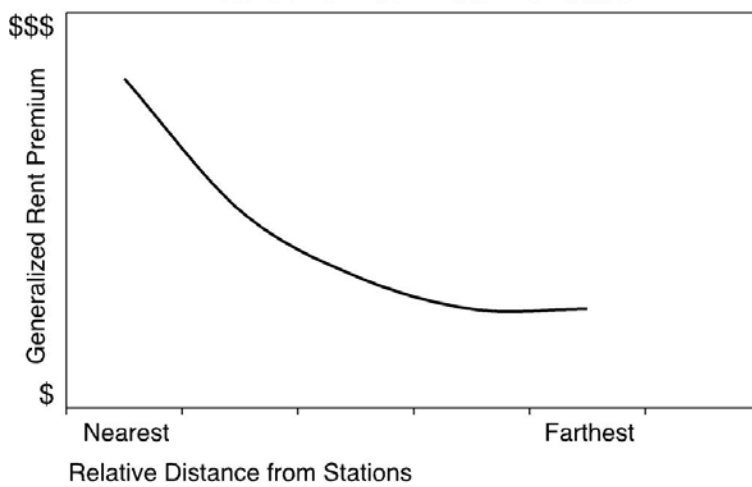
11 Fejarang, R. A. (1994). *Impact on Property Values: A Study of the Los Angeles Metro Rail*, Transportation Research Board, 13th Annual Meeting, Washington, D.C. The Edmonton Transportation Effect ©2009 Real Estate Investment Network

Proximity to Rail Transit and Housing Values and Rents

In areas in which the average incomes were at or below the median, the closer a dwelling was located to transit, the higher its resale value and rent. In San Francisco, for example, one-bedroom apartment units located within one-quarter mile of a suburban Bay Area Rapid Transit System (BART) rented for 10% more per square foot than other one-bedroom units in similar neighbourhoods¹². The demand for two-bedroom units was even stronger, and they were renting for a 16% premium over similar two-bedrooms not directly associated with the BART station.

Overall, studies have found that rent decreased by approximately 2.5% for every one-tenth of a mile distance from the station¹³.

Figure 2. Residential Rental Premium versus Distance from Commuter Rail Station



A study examining the long-term effects of the BART system on housing prices over a twenty-year period indicated that homes closer to the system were valued 38% higher than similar homes not located near any BART services¹⁴. In Alameda County, house prices rose by \$2.29 for every metre a house was located closer to a rapid transit station.

New Jersey experienced similar positive effects. The median prices for homes located in census tracts immediately served by the rail line were 10% higher than those in other census tracts¹⁵. Similar effects were seen in Portland, where homes within 500 metres of light rail sold for 10.6% more than houses located 500 metres or more away.

A study conducted by the University of Buffalo's Architecture and Planning department found that proximity to a rail station in the Buffalo region was the fourth highest ranked property characteristic that potential buyers considered in their housing purchases. Property value was assessed at premium in neighbourhoods close to most stations, even when the study factored in house size, number of bedrooms, nearby parks, and average crime rate in the area¹⁶.

In anticipation of the implementation of Chicago's Midway Line, one study found that the collective increase in the value of homes located near new transit stations was US\$216 million more than properties located farther away¹⁷. A study conducted in the 1980s in Ontario found that, in Metropolitan Toronto, the savings realized from living in an area that afforded a shorter and easier commute using transit translated into a willingness to pay more for homes that delivered these time

12 Cervero, R. (1996). "Transit-Based Housing in the San Francisco Bay Area: market Profiles and Rent Premiums", in *Transportation Quarterly*, Vol. 50, No. 3, pp. 33-47.

13 Benjamin J.D., Sirmans G. S. (1996). "Mass Transportation, Apartment Rent and Property Values" in *The Journal of Real Estate Research*, Vol. 12, Issue 1.

14 Landis, J. & R. Cervero. (1995). "BART at 20: Property Value and Rent Impacts." Transportation Research Board, 74th Annual Meeting, Washington, D.C.

15 Voith, R. (1991). "Transportation, Sorting and House Values" in *AREUEA Journal*, Vol. 117, No. 19.

16 Donovan, Patricia. (2007). "Housing Prices Higher Near Most Buffalo Metro Rail Stations". On University of Buffalo website: <http://www.buffalo.edu/news/8669>

17 McMillen, D. & McDonald, J. (2004). "Reaction of House Prices to a New Rapid Transit Line: Chicago's Midway Line, 1983-1999" in *Real Estate Economics*, Vol. 32, p. 463.

savings¹⁸. This is true even today, with a premium being placed on both rents and market values for properties located with walking distance (500 metres) of the subway and commuter train stations.

In the majority of the studies reviewed, commuter railway stations have had a significantly higher impact on property values than light or heavy railway stations. This allows us to analyze the impact of the C Train's new lines with a significant degree of accuracy.

Negative Effects of Rail Transit on Property Values

There were some impacts from transit that negatively affected housing values as well. Noise, nuisance, associated crime and increased traffic combined to decrease property values in the *immediate* vicinity of stations. In two communities in Atlanta, there were two very different effects of rail on housing prices, based solely on the existing median incomes of the areas.

In a neighbourhood south of the tracks, whose population had a lower median income, residents put more value on access to rail transit. Therefore, home values increased by \$1,045 for every 100 feet closer to a rail station. Conversely, in a neighbourhood north of the tracks with a higher median income, housing prices dropped by nearly the same amount the closer they were to the stations. This is likely explained by this group's reliance on personal vehicles versus mass transit, in addition to increased noise and associated crime. In the southern (lower median income) neighbourhood, these issues were mitigated by the ease of travel using mass transit.

In studies that found transit accessibility had little impact on home values — such as that conducted on the Dallas Area Rapid Transit system — it was determined that these cities had well-maintained, efficient highway networks already available to the residents¹⁹.

Impact of Commuter Rail on Commercial Property

Studies indicate that the proximity to mass transit has even more impact on the values of commercial properties²⁰. The movement of a large number of people is conducive to increased retail activities, expanding the attractiveness of the area to commercial investors and retailers. Whereas the value of homes located immediately adjacent transit stops is often less than areas beyond eyesight, the value of retail property is only higher when directly adjacent rail stations²¹.

Current Edmonton Transit Network and Impacted Neighbourhoods

Edmonton Light Rail Transit (LRT) is in a state of much needed expansion to meet the current and future growth of the city (a population increase of 9.6% between 2001 and 2006)²². The current LRT alignment stretches from the Clareview Station in the northeast and runs southwest to the Health Sciences station just south of 97th Avenue near the University of Alberta. With currently only one alignment, new extensions to the west, southeast and northwest will be needed to help commuters get to their destinations quickly and relatively cheaply. The current LRT line is slated for extension to the south with construction to be finished in late 2009.

South LRT Extensions

Over the past two years, the Edmonton South LRT (SLRT) line has been under construction as an additional 7.5 km of track was laid down to the south of the city. A majority of these neighbourhoods

¹⁸ Bajic, V. (1983). "The Effects of a New Subway line on Housing Prices in Metropolitan Toronto" in *Urban Studies*, Vol. 20, No. 2 May, pp. 147-158.

¹⁹ Weinstein, B. & T. Clower. (1999). *The Initial Economic Impacts of the DART LRT System*. Prepared for Dallas Area Rapid Transit.

²⁰ Debrezion, G., E. Pels, & P. Rietveld. (2003). *The Impact of Railway Stations on Residential and Commercial Property Value*. Tinbergen Institute Discussion Paper.

²¹ Ibid.

²² Stats Can – 2006 Community Profile.

are in zones 15 and 16 of the Edmonton Real Estate Board. In 2006, the most recent station - the Health Sciences station, was completed to the south of the university. Plans quickly unfolded to continue the line south to Century Park. A total of four stations are currently under construction to serve Edmontonians: McKernan/Belgravia, South Campus, Southgate, and Century Park. The entire line is scheduled to open in April of 2010.



McKernan Station

The first station in the SLRT expansion is McKernan/Belgravia, directly south of the Health Sciences station. Part of Phase I in the 2 phase plan, McKernan/Belgravia was set to open on April 25, 2009. Immediately adjacent from McKernan Elementary – Junior High School, the station boasts a pedestrian underpass for increased accessibility. An LRT underpass at 114 St and

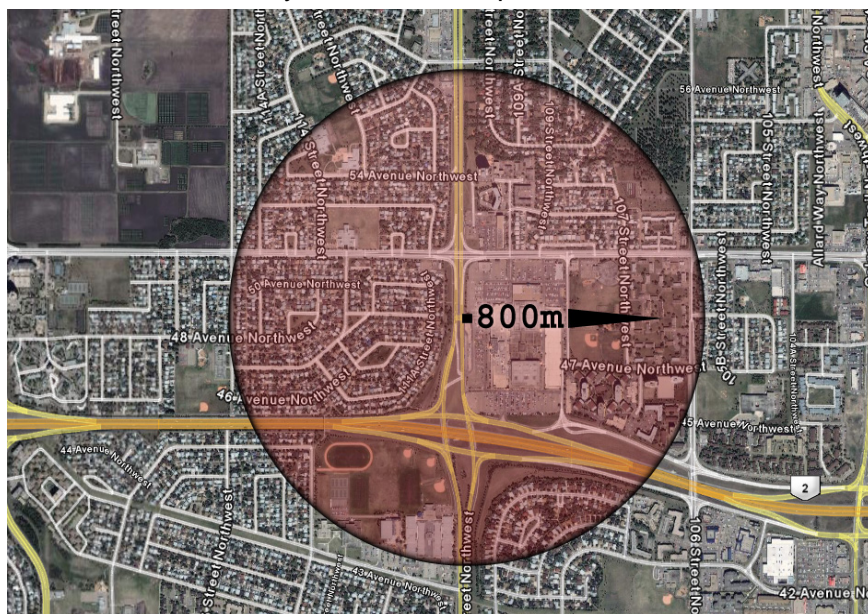


Figure 4. McKernan/Belgravia Station

Figure 3. Edmonton South LRT Line

Belgravia Rd, as well as a multi-use recreational trail for the length of the track (Century Park to the University) will also be part of the final project. Located at 76th Ave and 114 St NW, the station will benefit people living in the immediate vicinity: McKernan, Belgravia, Parkallen, and homes situated between University Avenue and Whyte Avenue. Real estate prices are likely to increase by 10-20% more than homes located in areas not



Figure 5. South Campus Station

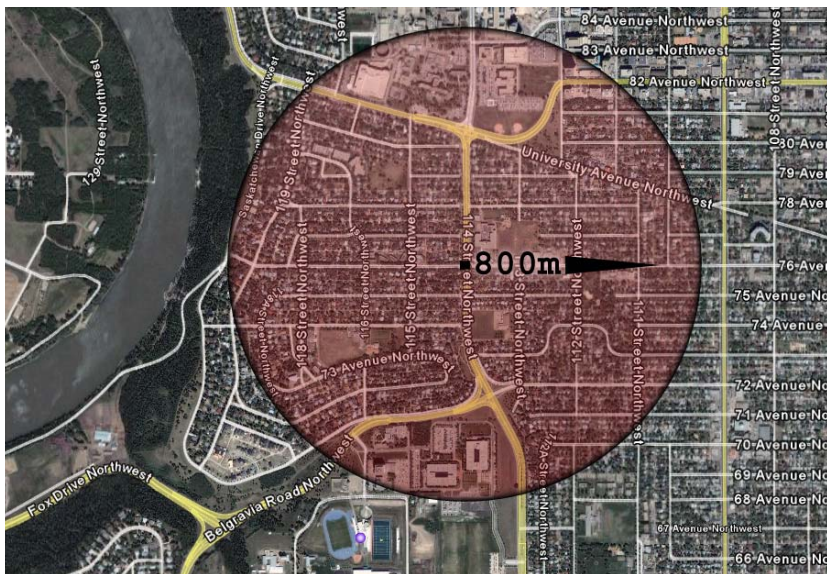
served by this or other stations. Figure 2 shows the location of the station along with those homes located within an 800 meter radius, those most likely to enjoy the largest price premiums.

South Campus Station

Traveling south, the next station along the expanded route is the South Campus station, located east of Foote Field and the Saville Sports Centre, just west of 113 Street. The station will also include a new 14-bay bus terminal, which will serve as a transit transfer for riders coming from West Edmonton as well as students who will be attending the University of Alberta's South Campus in the future. The area will include a bus/local traffic only bridge for westbound traffic at Belgravia Road and Fox Drive, as well as a bus only road on 113 Street for southbound access. There are no plans for a park-and-ride at South Campus Station.

Areas roughly 800 meters from the station which will enjoy increased real estate premiums (as well as access to LRT) include Parkallen, McKernan, Belgravia, some of western Allendale, as well as the northern reaches of Pleasantview and Lendrum. Because these first two station's "800 Metre Radius" intersect, the areas within this intersection will witness the strongest demand increases along this new extension. As part of Phase I of the SLRT expansion, South Campus Station also opened for riders along with McKernan/Belgravia on April 25, 2009.

Figure 6. Southgate LRT Station



Southgate Station

Located just north of Whitemud Drive on 111 Street is the site for the new Southgate LRT Station. Currently under construction, the new LRT track will run along the median of 111 Street with numerous upgrades to the current roadway to minimize its impact, including an LRT underpass between South Campus Station and Southgate Station on 111 Street and an LRT bridge at Whitemud. The station is located next to Southgate Centre shopping mall and the Southgate Transit Centre on 111 Street and 51

Avenue. Initial plans called for a park-and-ride at the Southgate station with 1000 vehicle stalls for commuters. Unfortunately, due to high costs, this is no longer part of the construction project. Even without a park-and-ride, the Southgate station will certainly have a positive effect on LRT ridership. It will provide a connection between southwestern Edmonton neighbourhoods, downtown Edmonton, and the University of Alberta. The areas of Rideau Park, Royal Gardens, Malmo Plains, Empire Park, Lendrum, and Pleasantview will benefit the most from their prime locations (See Figure 6). Construction began in 2007 and is scheduled for completion on April 25, 2010 as part of Phase II.

As the second station in Phase II, Century Park is also scheduled to open April 25, 2010. The final leg of the new LRT extension is situated at 23 Avenue SW and 111 Street NW. The large amount of residential development and close proximity to the Anthony Henday Road will contribute to high ridership. Located only 2 kilometres from the Ring Road via 111 Street, the Anthony Henday will permit residents from other areas not in the immediate vicinity easy access to the new station. However,

Ellerslie Park and Ride

²³ Warnica, Richard. (2009). "\$13M to Put up Parking Lot". Edmonton Journal. http://www.edmontonjournal.com/story_print.html?id=1355486&sponsor=

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Figure 8. Potential LRT Expansion - 2040



Future Plans

Edmonton officials are cognizant of the transportation problems associated with rapid growth. The new LRT extension is a welcome project, especially for those commuting from the south to downtown. While new legs of the LRT are not planned for the immediate future, continued growth in the west, southeast and north may “fast track” construction of additional lines. Studies are currently underway to explore the benefits of expanding the LRT line west, from Downtown Edmonton to Lewis Estates; expanding the line southeast, from Mill Woods to Downtown; expanding the line northeast, from Clareview to Gorman; and expanding the line north from downtown

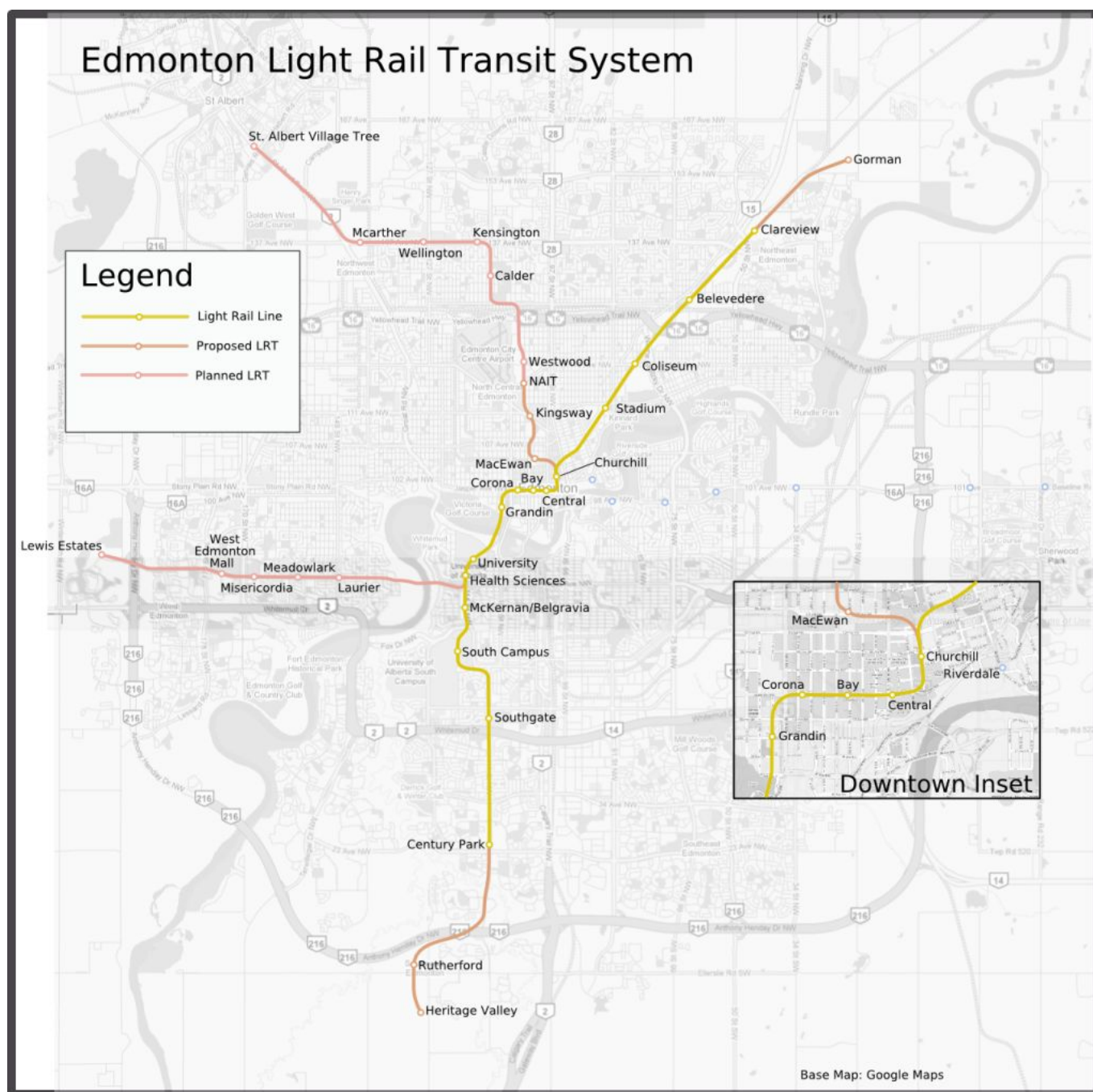
to the Northern Alberta Institute of Technology (NAIT). All proposed stations are in the study phase only.

However, the proposed NAIT line is looking more feasible since projected construction costs are expected to drop nearly \$70 million. This is due to the City needing to purchase less land for the project than originally expected. The \$800 million line would run three kilometers from downtown Edmonton to the Northern Alberta Institute of Technology. The concept plan has the line up and running by 2014, but getting the go ahead for construction all depends on the provincial government providing approximately \$520 million of the cost from its green transit incentives program²⁵.

²⁵ Kent, Gordon. (2009). “NAIT LRT-line costs could drop by \$70 million”. *Edmonton Journal*. (February 5, 2009) <http://www.edmontonjournal.com/news/NAIT+line+costs+could+drop+million/1257940/story.html>

Plans for an Edmonton Bus Rapid Transit (BRT) have been scrapped by the City council²⁶, who instead have now turned their plans entirely to expanding Edmonton's LRT.

Figure 9. Proposed Extensions to the West and North



Source: connect2edmonton.ca

²⁶ Kent, Gordon. (2007). "Edmonton City Hall Axes BRT for LRT". *Edmonton Journal*. (December 13, 2007). <http://www.canada.com/edmontonjournal/story.html?id=2cb06782-bd89-4758-aada-e0d61e607cc1&k=32946>
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#2 HIGHWAY CONSTRUCTION & EXPANSION IMPACT ON RESIDENTIAL AND COMMERCIAL PROPERTY PRICES

As with rapid transit, accessibility to major highways, and highway improvements proved to be major determinants for increased property values in all studies. Studies showed that, as highway networks are created and existing corridors to the central business district (CBD) and major employment centres are improved, the value of real estate in the area increased²⁷.

Under-priced Property in Edmonton

Classical economic theory posits that when a highway is initially built, large parcels of land that previously had poor accessibility — or none at all — are suddenly considered underpriced²⁸. This results in a rapid correction in the market, driving up the value of the land. Development is usually quick and the impact significant. Additionally, improvements to existing highways showed a positive increase to land prices, although to a lesser degree.

However, during the construction phase of the improvements, prices of homes fell²⁹. Noise, emissions, dust, and traffic delays negatively impact the sale price of land in areas immediately adjacent the construction; this price decrease ranges from \$0.05 to \$0.50 per square foot of land³⁰. In fact, one study showed that values did not reach pre-construction levels until *five years* after construction was completed³¹.

When studying four key residential areas being affected by new major highway expansion (using over 18,800 property sales as research data), a direct correlation was determined between the accessibility increases provided by the highway and the value of residential property. The results showed that when a highway increased accessibility to the region by providing new access or shorter commute times, residential property values rose by 12%–15% over similar properties not affected by the new highway³². This is a significant and permanent lift in values. In fact, according to one Texas study, of all types of land use, single-family residences showed one of the largest per-square-foot increases (approximately \$35.00 per square foot)³³.

27 ten Siethoff, B. & K. Kockelman. (2002). Property Values and Highway Expansions: An Investigation of Timing, Size, Locations, and Use Effects. Transportation Research Board, 81st Annual Meeting, Washington, D.C.

28 Giuliano, G. (1989). "New Directions for Understanding Transportation and Land Use" in *Environment and Planning A*21, pp. 145-159.

29 Mikelbank, B. (2001). "Spatial Analysis of the Relationship between Housing Values and Investments in Transportation Infrastructure." Western Regional Science Association, 40th Annual Meeting, Palm Springs, CA.

29 ten Siethoff, *ibid*.

30 *ibid*.

31 Downs, A. (1992). *Stuck in Traffic*. The Brookings Institution: Washington, D.C.

32 Palmquist, R. (1980). *Impact of Highway Improvements on Property Values in Washington*, US Department of Transportation, Federal Highway Administration.

33 Lewis, C.A., J. Buffington, & S. Vadali. (1997). "Land Value and Land Use Effects of Elevated, Depressed, and At-Grade Level Freeways in Texas." Texas Transportation Institute Research Report Number 1327-2. Texas A&M University: College Station, TX.

Difference Between Light-Rail Improvements & Highway Improvements

Surprisingly, the main difference between the rapid transit findings and the highway findings is the impact of the noise factor from operating highways. The increase in value of residential properties located closest to the highways were partially offset by up to a 1.2% reduction for every two-decibel increase in highway noise level³⁴. However, counter-intuitively, houses with highway noise were not found to take any longer to sell than those farther removed.

This same study revealed that properties located in commercial–industrial areas serviced by these highway improvements experienced a 16.7% increase in value after the highway was opened. Research into the impacts of specific projects indicates some very pointed effects:

- Design of the freeway is important:
 - Depressed freeways contributed the most to residential property values, yet had limited impact on commercial property values, except for those located adjacent to exit and entrance ramps.
 - At-grade designs had the most positive impact on commercial property values, while still providing a strong positive impact on residential values.
 - Elevated highways had the least impact on all land values³⁵.

Commercial Property Values

Values of commercial properties located 800 metres or more from a freeway exit were valued at \$50,000 per acre of land and \$3 per square foot of structure less than properties located closer, proving once again that accessibility and visibility is key.

Overall, the completion or expansion of major arterial highways has a significant positive impact on accessibility and, therefore, property values. This ripples across all types of property from single-family and multi-family residential to commercial and industrial.

³⁴ Palmquist, R. (1980). Ibid.

³⁵ Lewis, C.A., J. Buffington, & S. Vadali. (1997), *ibid*.



ANTHONY HENDAY DRIVE AND HIGHWAY CONSTRUCTION EFFECT ON PROPERTY VALUES: PRIMARY AREAS OF IMPACT

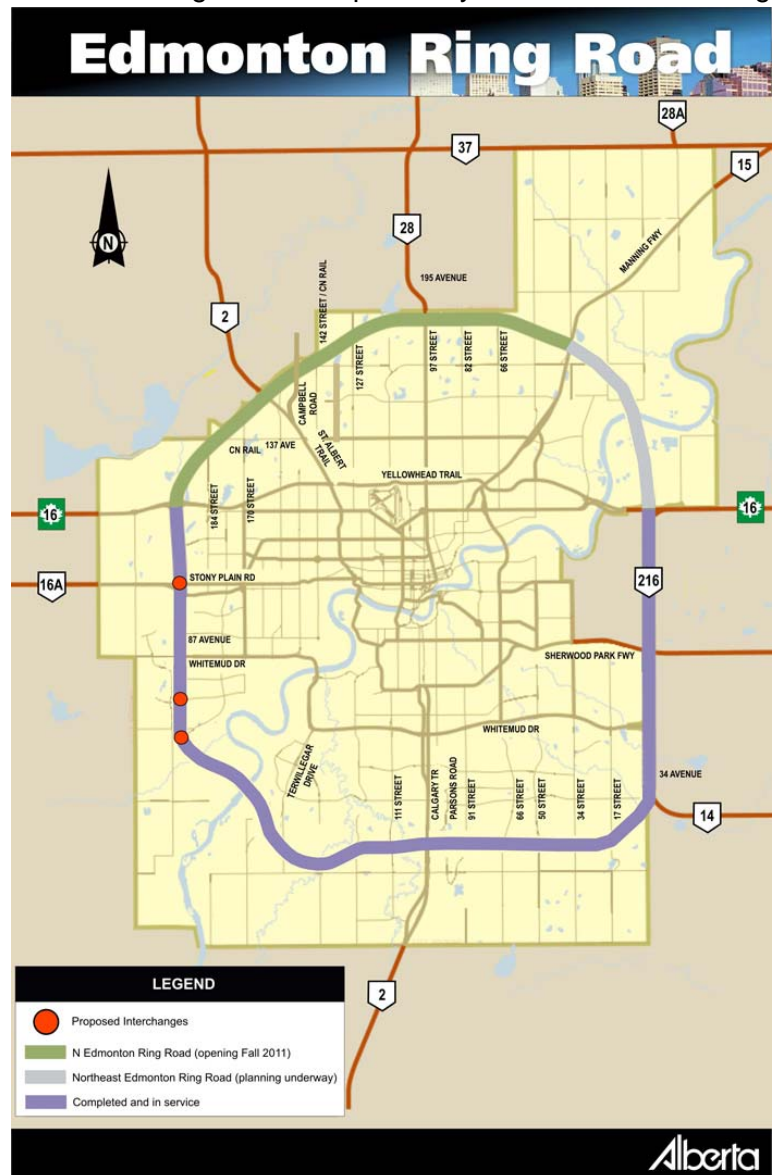
Which Regions Will Experience a Positive Impact?

Started back in 2001 with the Southwest portion, construction of the Anthony Henday Ring Road is rapidly reaching completion. With the southeast portion completed and construction on the northwest section underway, the City plans to have 90% of the Ring Road completed by 2011. The entire Ring Road should be finished by 2015 (with all sections up to freeway standards), if current schedules are adhered to. The southwest portion was finished in 2006 and the southeast leg was completed in 2007, with a strong impact on those areas' growth already being felt. However, the southwest section is not currently "freeway standard" as there are four signalized intersections located at: Stony Plain, Callingwood, Lessard, and Cameron Heights.

Southwest

The completion of the first portion of the Ring Road has brought with it substantial impact on the Southwest region of the city. However, built with signalized intersections, congestion has become an issue on this leg of the Ring Road. City plans are currently underway to upgrade all four intersections (Stony Plain, Callingwood, Lessard, and Cameron Heights) to free flow, which will cost an estimated \$500 million³⁶.

The study on the Stony Plain intersection has been completed, and construction to turn the intersection into a free flow interchange began on April 1, 2009. The project is expected to relieve considerable congestion on the Ring Road and will include seven bridges, with construction stretching from Whitemud Drive to south of Yellowhead Trail. The \$168.6 million interchange is set to open in the fall of 2011³⁷.



³⁶ McLean, Archie. (2008). "\$1.4B deal spurs construction on next leg of Anthony Henday". *Edmonton Journal*. (July 31, 2008)

<http://www2.canada.com/edmontonjournal/news/story.html?id=b727b2b5-5ea2-4fa8-afa3-c6ceb519a0c4>

³⁷ Car and Driver. (2009). "Funding Announced for Edmonton Ring Road". <http://www.canadiandriver.com/2009/03/08/funding-announced-for-edmonton-ring-road.html>

According to Northwest Connect, Alberta Transportation is completing the design of the interchanges at Callingwood Road and Lessard Road, which should be finished in the summer of 2009. Designs for the Cameron Heights interchange are also expected to begin in the coming months.

The completion of the southwest leg of the Anthony Henday Ring Road has made a historically more difficult area to access become one of the fastest growing regions of Edmonton, all due to the increased accessibility that the Ring Road provides. The largest effect on residential real estate prices due to increased accessibility will be felt in the neighbourhoods best served by the new entrance and exit ramps. Areas with older housing stock will feel the largest percentage increase. These include: (off of 111th St Exit): Twin Brooks, SkyRattler, Keheewin; (off Terwilligar Exit): Haddow, Terwilligar Town, Carter Crest, Falconer Heights (off Lessard & Collingwood Whitemud exits): Jamieson, Dechene, Glastonbury, Lymburn, Aldergrove, Thorncliff & Belmead. The majority of these neighbourhoods are mostly located in the Edmonton Real Estate Board's zones of 14 and 20.

Secondary effects will be felt in the Town of Devon, located to the SW of Edmonton as accessibility to Edmonton will become easier.

Southeast

In October 2007, the southeast portion of the Anthony Henday reached completion. The entire 11 kilometre length of the southeast section is free flow with no signalized intersections. The southeast leg has a total of 20 bridge structures and five intersections, which provide on or off highway access at Gateway Blvd/Calgary Trail, 91st Street, 50th Street, 17th Street, and Highway 14/216³⁸. Intersections with 34th Street, 66th Street, 34th Avenue and Parsons Road will all be flyovers, either under or over the current roads, with no signals to speak of.

Figure 10. View of new Calgary Trail Anthony Henday intersection



The Ring Road is six lanes wide between Highway 2 and 50th Street and four lanes from 50th Street to Highway 14 (with the capacity to add two additional lanes in the future, grading complete). With this section included in the loop, drivers in the south will be able to access 22 kilometres of free flow roadway from the Cameron Heights intersection in the southwest to the end of the southeast portion at Highway 14. This doesn't even include the northern stretch of Highway 14 to Yellowhead Trail, which will also be connected to the southern ring road. In

mid-day it may now take only 15 minutes to travel from Highway 14 to the West End, a blessed reduction from the previous 30 – 40 minute commutes.

The largest effect on residential real estate prices due to increased accessibility will be felt in the neighbourhoods best served by the new entrance and exit ramps and in areas with older housing

³⁸ Access Roads Edmonton Ltd. (2007). "Project History". Anthony Henday Drive Southeast Ring Road. <http://www.accessroadsedmonton.ca/ahd.shtml>
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stock. These include: The complete Mill Woods region, especially the southern neighbourhoods of Crawford Plains, Pollard Meadows, Sakaw, Menisa, Satoo, and Ekota. The positive effect of a 10 – 20% premium will be felt throughout Edmonton Real Estate Board's zone 29. South of 23rd Ave should witness the largest demand increase.

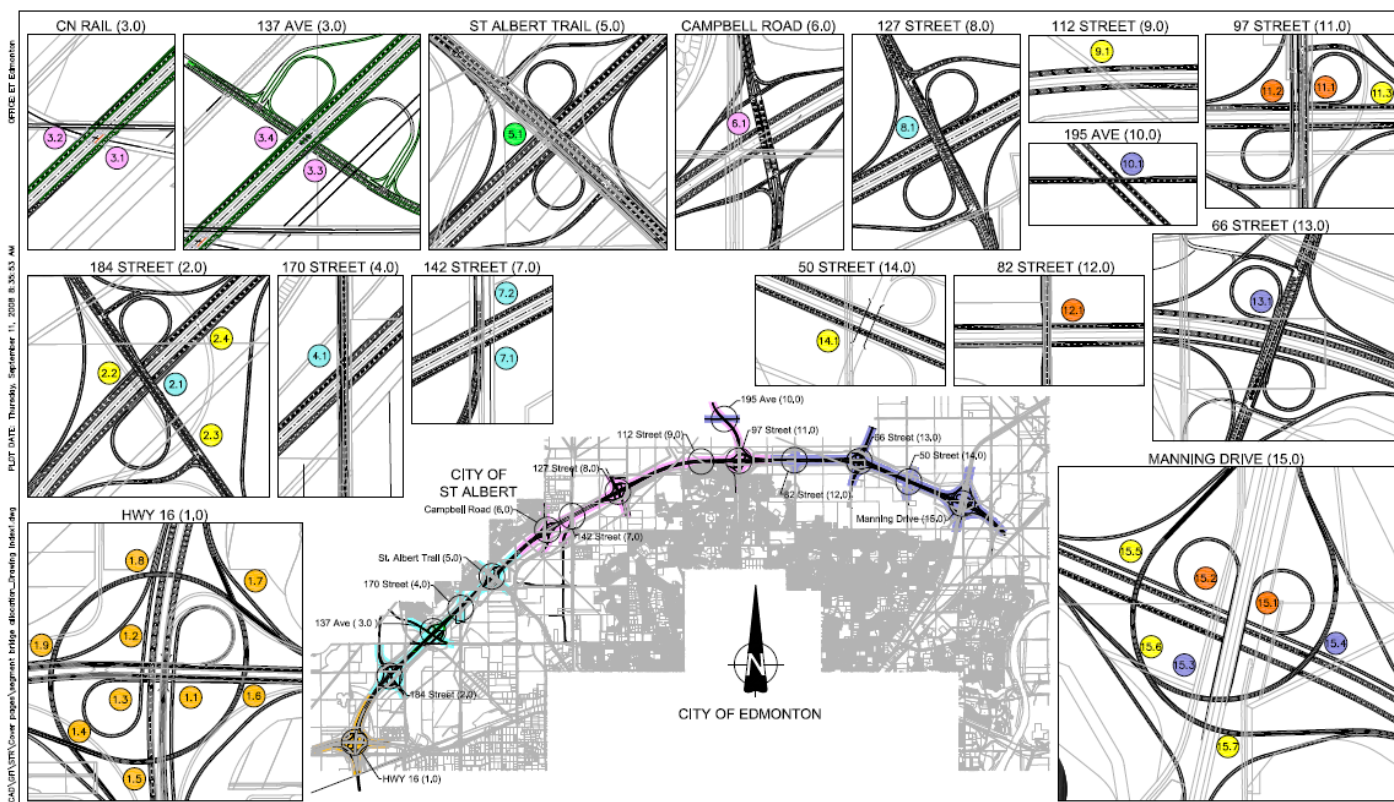
In addition, accessibility to Sherwood Park will also increase demand for residential property in this already popular area.

North Edmonton Ring Road

Construction began in August 2008 on the northwestern portion of the Edmonton Ring Road. A Public-Private Partnership (P3), this section of Ring Road will cover 21 kilometres in two or three lanes from the Yellowhead Trail in the west to Manning Drive Freeway in the north. Completion for this highly anticipated expansion is scheduled for November 2011; and with this, roughly 90% of the Anthony Henday Ring Road will be up and running to freeway standards. Plans for the northwest leg include 29 bridge structures: nine interchanges, four flyovers (above or below current roadways with no on/off), and two crossing over top of railways. The whole stretch will be free-flow, containing no traffic lights. Current maps show intersections/bridges at Hwy 16, 184th Street, 170th Street, 137th Ave, St. Albert Trail, Campbell Road, 142nd Street, 127th Street, 167th Ave, 112 Street, 97th Street, 82nd Street, 66th Street, 50 Street, and Manning Drive.

The expected impact will be felt all along the northern neighbourhoods across Edmonton in Edmonton Real Estate Board's zones of 27, 28, and 3 (the communities of northern Oxford and Dunluce (off the 12th St exit), Canossa (off the 112th St exit), Elsinore and Lago Lindo (off the 97th St exit), northern

Figure 11. Planned Interchanges for the northeast Ring Road



Klarvatten and Mayliwan (off the 82nd St exit), northern Ozerna and Matt Berry (off the 66th St exit), and northern Hollick Kenyon (off the 50th St exit).) as well as the City of St. Albert.

Northwest

Areas in the immediate vicinity of the northwest Ring Road will witness price premiums for their residences. Progress is already being witnessed on the development of the Northwest portion of the Ring Road. The acquisition of Newman Theological College and St. Joseph Seminary has relieved St.

Albert residents while providing a solution to a contentious traffic issue. The previously planned alignment for the Ring Road had residents in St. Albert concerned that a handful of homes would have been only 50 metres away from the northeast section of the Ring Road. However, the purchase by the province will move the Ring Road further away from the homes and provide a 100 to 300 metre



buffer from any of St. Albert backyards. The College will be vacated by June 2009³⁹ once the Ring Road begins construction. Once the construction is complete, residents in St. Albert will certainly enjoy the increased accessibility to the city of Edmonton as well as the International Airport. The ring road will provide St. Albert residents with a number of new access points to Edmonton and surrounds, thus dramatically shortening the commute time now mostly funneled on St. Albert Trail.

The most prominent effect of the completion of this Northwest portion will be seen in: the Castledowns neighbourhoods north of 153rd avenue (zone 27), as well as the City of St. Albert.

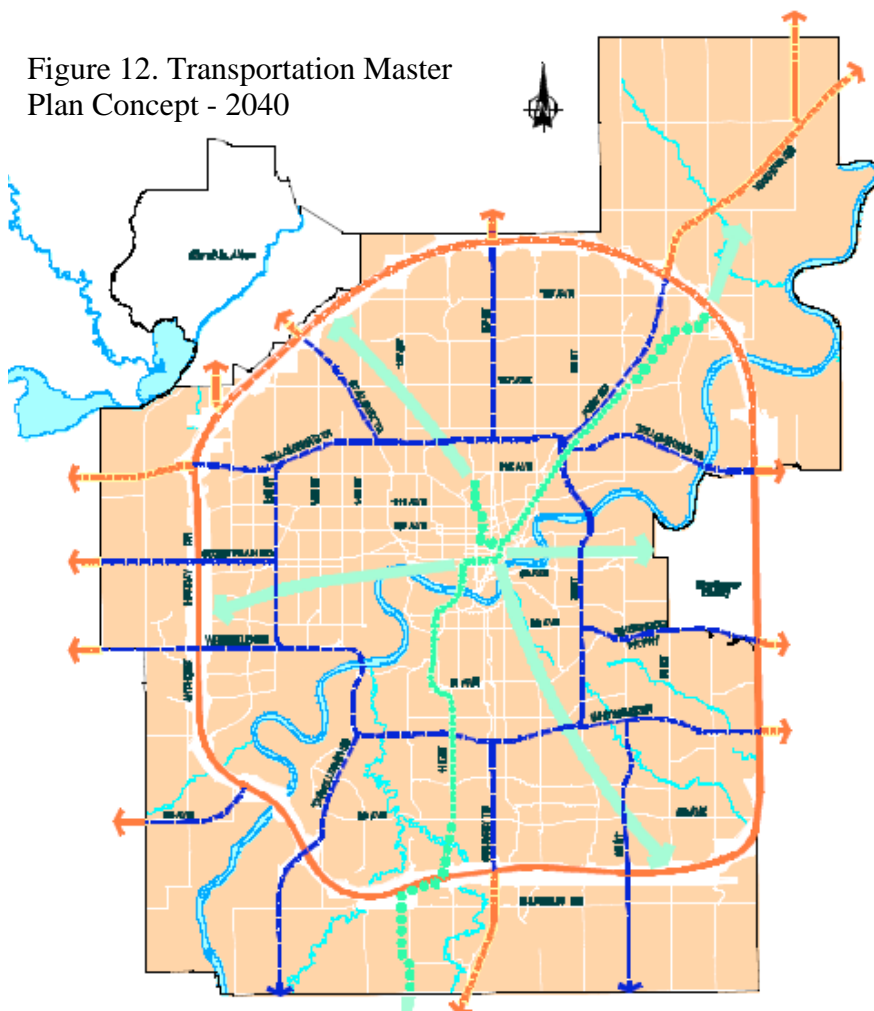
Northeast

Although not slated to open until 2015, this portion of the ring road could prove to be the most important for the growth of the city of Edmonton. It will also provide the city planners with some unique opportunities to develop new residential neighbourhoods within a very near commute of new employment regions. According to the Government of Alberta's website, the northeast leg of the ring road is currently in the planning stages, with preliminary designs yet to be sketched out.

³⁹ Government of Alberta. (2007). "North Edmonton Ring Road alignment finalized at St. Albert Trail". http://www.newman.edu/ClientData/Documents/Move/AB%20Govt%20Aug%2015_07.pdf

The development of the Northeastern Portion of the ring road will not be the only good news for Edmonton's Northeastern neighbourhoods. When you combine this new accessibility, with the construction of large refineries in Ft. Saskatchewan and the development of a major industrial and commercial employment centre in Clover Bar, the whole region will experience the largest demand for residential property over the coming decade.

Figure 12. Transportation Master Plan Concept - 2040



Although they will have to wait a few years before the impact the Ring Road is felt, older neighbourhoods located in zones 2, 3, 23, and 35 will enjoy the largest % premium on property prices. In addition, the impact of the completion of this NE quadrant of the ring road will also increase demand for residential and commercial property in Ft. Saskatchewan.

Whitemud Drive-Quesnell Bridge Expansion

Located along Whitemud Drive, the Quesnell bridge handles the commute of 120,000 vehicles on a daily basis. The structure has not undergone any major changes since it was built in 1967 and, as the busiest bridge in Edmonton, has since reached capacity. To deal with current traffic crunches, the Drive will be

widened to full three lanes in both directions from 149th Street to 53rd Avenue. Entrance and exit lanes are also being added in addition to shoulders for bus use. Construction began in March and is slated for completion in November 2010⁴⁰.

⁴⁰ Kent, Gordon. (2009). "Traffic, bus disruptions begin for Whitemud-Quesnell". *Edmonton Journal*. (March 2, 2009). <http://www.edmontonjournal.com/Traffic+disruptions+begin+Whitemud+Quesnell/1339739/story.html>

Edmonton's Future

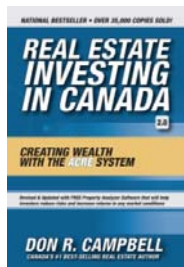
Transportation plans are on the table and action is being taken. The grand opening for the northeast section of the Ring Road is slated for November 2011, construction is ongoing for the South LRT extension, and planning studies are under way for intersection upgrades on the southwest Ring Road.

The Transportation Master Plan also mentions the development of an inner ring road. The road's intended purpose is to cater to cross-town movements at a higher standard than is currently experienced within Edmonton city limits. The inner ring road would be a minimum of six lanes, with a speed limit of at least 70km per hour and would be more free-flowing than current conditions. The roadways mentioned as part of the inner ring road are: Yellowhead Trail, 75 Street/Wayne Gretzky Drive, Whitemud Drive, and 170th Street. The TMP concept looks as far out in the future as 2040, making it unclear as to when the City intends to start the planning process for the inner ring road.

It is easy to see how the Ring Road and LRT extensions will be increasingly important to the city's residents. With industrial and residential growth corridors outlining the city proper, the Ring Road is essential for business, both for companies and their employees. As funding becomes available for more transportation initiatives, Edmonton is set to remain a great place to work, play, live and invest!

Please Note: Not ALL properties in these regions will make for great investments, so make sure you complete your due diligence on all properties before you purchase.

ABOUT THE AUTHORS



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President, Real Estate Investment Network

Don R. Campbell is a Vancouver-based national real estate educator, researcher, author and investor. He is president of the Real Estate Investment Network™, Canada's leading real estate education program, and is an authority on all aspects of Canadian real estate.

Back in 1985, Don made his first investment into residential real estate and hasn't looked back since, amassing a significant portfolio of investment properties.

Don is also author of the best-selling Canadian real estate book *Real Estate Investing in Canada*. Published in May 2005, *Real Estate Investing in Canada* has just been updated to "Version 2.0" and with over 50,000 copies sold, it is the all-time best-selling real estate book in Canadian history. He is also the author of *97 Tips for Canadian Real Estate Investors*, released in April 2006 and *51 Success Stories from Canadian Real Estate Investors*, released in 2007. He is highly sought by national, regional and local media to provide expert opinions on current topics and trends in real estate.

Don shares his analyses and strategies through the Real Estate Investment Network (REIN) and entertaining and informative presentations have been attended by thousands of real estate investors across North America and in Australia and Ireland. Based on his continuing factual research and personal contact with investors in most Canadian markets, Don can speak in detail on any market across Canada and is not afraid to talk frankly about where the market is headed. His company's research and systems have been developed and continuously refined over the last seventeen years and are based solely on proven Canadian strategies that work in today's market environment.

Melanie Reuter

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Melanie joined REIN™ in 2006 as a research analyst and has contributed in many areas including Top Investment Towns; the Impact of Transportation Improvements on the Lower Mainland, Calgary, Edmonton and Greater Toronto and the Hamilton region; grow-ops and methamphetamine labs in rental housing and crime prevention through environmental design. Melanie holds a Master's Degree in Criminal Justice from California State University, San Bernardino and a Bachelor's Degree in Criminology from Simon Fraser University. She has worked with law enforcement agencies in southern California on many projects including a methamphetamine task force and Community Oriented Policing initiatives. In Canada, Melanie consulted with local transit agencies to help reduce crime at rapid transit stations along the Millennium line and has helped develop crime prevention and safety projects with various law enforcement agencies around the Lower Mainland.

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Allyssa is one of the latest additions to the research team and has contributed research to the Top BC Investment Towns report, The Gateway Effect and Calgary Transportation Effect projects with REIN™. She is currently pursuing her Bachelor of Arts Degree at the University of the Fraser Valley.



REAL ESTATE INVESTMENT NETWORK™

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 - Networking opportunities for a wide range of investment experiences
 - Insights into the most common, as well as unique, real estate buying strategies
 - Guest speakers including provincial and national economists, Mayors and representatives of key target cities and towns, banking and financing experts, veteran investors and best-selling authors
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This report provides a summary of detailed studies conducted on transportation changes implemented in other regions across North America and Europe. Edmonton transportation improvements will deliver a 10%–20% enhancement of real estate values in the regions most affected. In studies of the effect of transportation improvements on real estate in other jurisdictions around the world, it was found that real estate value increases occur for properties located within 800 metres of stations on the new transportation line and 800 metres from exits on new major highway improvements.

Highlights

- Shows the areas that will be most significantly impacted by transportation upgrades are divided in to the 'Four Tiers of Impact'.
- Indicates that studies have found that rent decreased by approximately 2.5% for every one-tenth of a mile distance from the station.
- Shows that noise, nuisance, associated crime and increased traffic combined to decrease property values in the *immediate* vicinity of stations.
- Outlines that improvements to existing highways showed a positive increase to land prices.
- Explains that whereas the value of homes located immediately adjacent transit stops is often less than areas beyond eyesight, the value of retail property is only higher when directly adjacent rail stations.

Real Estate Investment Network

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