Investigating realtor perspectives on the impact of the ION LRT on the real estate market in the Region of Waterloo

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Executive summary

Researchers at the University of Waterloo School of Planning (Justin Cook, a master’s student, supervised by Professor Jennifer Dean, overseen by Professor Dawn Parker) undertook an investigation into the perceptions of realtors regarding the impacts of the ION Light Rail Transit (LRT) on the real estate market in the Region of Waterloo. This qualitative research aimed to develop a deeper understanding of how the implementation of the LRT and changes in the central transit corridor (CTC) were affecting the real estate market in the Region of Waterloo. Real estate agents were identified and invited to participate in focus groups and interviews as key informants using a purposeful sampling technique, which sought to include the insights of Realtors from a diversity of client base, location, and brokerage affiliation. The qualitative methods employed in this study are intended to complement several of the quantitative research projects being conducted by the Urban Growth & Change Research Group. The findings of this research will ultimately benefit the Region and the research community by providing an understanding of the nature of the relationship between changes in built form, demographics and land value in the Region.

A total of 25 agents participated in focus groups, and 5 agents participated in interviews to date; with data collection on going. There was a broad range of experience among the participant real estate agents, which included agents with 2 years of experience to agents with 33 years of experience. All the real estate agents who participated in the study were active as agents or brokers in the Region of Waterloo. While several agents mentioned also working in nearby municipalities, most focused on the City of Kitchener and the City of Waterloo, and the surrounding townships. Agents were recruited as key informants to share the perspectives of their clients but in a few cases where appropriate, they shared their own perspectives as buyers, sellers and investors.

The data derived from the Realtor’s perceptions indicated that the implementation of the LRT and the development of the CTC were influencing change within the Region's real estate market in several ways. The real estate agents generally viewed the LRT as positive for existing residents, while also helping Kitchener-Waterloo gain status as a “world class” city. Of note, the development of the CTC was seen as attracting a wide range of investors, who saw the LRT as a key piece of infrastructure that would further develop on the success of the “tech hubs” and intensify desirable lifestyle amenities. The LRT was also discussed as shifting the perceptions of the Region as it was described as acting as a symbol of a “world class city”. Lastly, while the Realtors described long term residents as becoming more favourable of the LRT, they raised concerns that suitable housing was not available for aging populations, who were seeking opportunities to downsize and would benefit from the CTC developments.
Findings

Encouraging Real Estate Investment

The LRT was perceived by participants as reshaping real estate investment decisions within the Region. Residents from the Region and individuals from outside of the Region were described as interested in the LRT as it represented an investment opportunity in a growing but relatively affordable housing market (in comparison to Toronto or Vancouver). The land value uplift that has occurred in many cities throughout the world as a result of rapid transit infrastructure implementation was referenced by Realtors as a primary driver of investors’ purchasing decisions. Access to the LRT was seen as a central concern for investors, as proximity to the LRT was understood as being a key predictor of future property value. The LRT development was seen as a driving international investment in the Region; however, this represented a small subset of investors. Instead, local residents and Toronto residents were discussed as being the major drivers of investment in the CTC. Local investors were described as seeing the potential value of property in the CTC, but not wanting to live there themselves, leading them to often purchase second homes within the CTC as investments. Toronto investors were, on the other hand, described as being interested in residing in the CTC, but often not until a later time when they would be able to transition their life there from Toronto, or when regional transit connections between the Region and Toronto were more consistently available.

“We’re seeing investment, local people that are buying in uptown, or downtown just for investment purposes. I think the families, the 30 plus demographic, that are now looking for more investment opportunities, they realize [the CTC] is something they can grasp and they realize that’s an up and coming area.”

Influence on Development

The LRT was described as “transformational” by participants, who saw it as a key piece of infrastructure contributing towards the larger process of revitalization occurring throughout the Region. The growth of the Region as a “Tech Hub” was seen as a long-term project, with the universities and innovation districts serving as central features to attract corporate offices and high-tech employers. Realtors felt that developing the tech hubs in the CTC was more advantageous than previous efforts, such as RIM Park, because of the centralization and rapid commercial growth in the CTC that drew in prospective residents who would be moving into the Region for job opportunities. The LRT implementation was seen as enhancing the success of the Cities and Region in creating a desirable place for businesses to operate and people to reside. Several participants described how the clients who were interested in living near the LRT were often employed in the innovation districts.

“The LRT line is just unbelievable. There is great demand, near the hub there at Victoria and King, where you have the school of medicine, school of pharmacy, Google, Communitech, D2L, and new office of Deloitte. That is really a hot area.”

Regional Image

Realtors perceived the transformations occurring within the Region as positively enhancing the area’s image as “world class”. The LRT was a key symbol of the Region’s progressiveness, likened by agents to other global cities such as Toronto, London, Calcutta and Hong Kong.
Agents shared a common perception that the Region’s focus on developing a strong technology hub served to enhance its status as “the Silicon Valley of the north”, and helped attract young professionals and foreign professionals. The development of the “world class city” identity was discussed as differing from long term residents’ urban identities, who were seen as more car centric and focused on single family home life. While these differing perspectives were raised as concern towards acknowledging existing communities throughout the development processes, the opportunities afforded to residents by the development of the CTC were understood overall as positive for the Region.

“Waterloo is a bubble… a city unto its own; as was Toronto in 1976 when Quebecois went into power, as was Vancouver when Hong Kong was going back to Chinese rule, as was Calgary and Edmonton in the 70s and 80s when oil and gas exploration became an option. And I think Waterloo is next. I believe that we’re the next power center.”

Lifestyle Choice

People who relocated into the CTC were attracted to the lifestyle opportunities that were made possible by the centralization of services and amenities. Agents stated that young professionals in the technology and education sectors were most commonly driven by the appeal of an urban lifestyle. Specifically, the walkability of the CTC played a significant role, as amenities and services were available in close proximity to employment and housing. Further, the increasing development in the CTC was considered to provide access to many of the services and cultural amenities that these professionals were used to having in other cities, such as Toronto or Vancouver, resulting in the Region increasing its competitiveness in attracting these professionals.

“[The younger generation] are looking at lifestyle first, and they're looking at living quarters as just that; where they go home and sleep at night… With the LRT you can expand on that, because that’s going to have a huge play in this overall weight of their thinking… With each station there will be a lot of condos starting to pop up; just like Toronto, just like the Young and Shephard line.”

“The people coming from Toronto, or other big cities are a lot more open to, or interested in the idea of proximity to public transit.”

“People are becoming eco-sensitive. If you go back ten years ago the idea was more garage the better… not such a priority anymore. Some condos in the CTC are offering one parking spot for their larger units instead of two or three, and that seems acceptable. More electric vehicles, LRT goes along with that. People are really buying into that lifestyle.”

Aging Population Needs/Wants

Aging populations were discussed by Realtors as a population who were expressing interest in and could benefit from the intensification in the CTC. Like young professionals, the increased access to services within walking distance coupled with the lifestyle and amenities offered in condominiums, was discussed as desirable for older adults looking to downsize. However, realtors shared that the existing housing stock in the CTC were largely unappealing to older adults because they were seen as too small (e.g., single-bedroom condos) or two costly (e.g., in some cases equivalent to the price of a single-detached home). This provided little incentive for older adults to downsize, which according to some realtors, contributes to a reduced stock of
desirable single-detached homes outside the CTC, which was perceived as a contributing to an upward pressure on home prices and unaffordability in the Region.

“Maybe if condos were larger, but to move from a 2,500 square foot [home] to an 800 square foot condo is a big culture shock. [Aging populations] want that evolution of going to a 1,500 square foot bungalow, and then maybe a condo.”

“Even some of the older demographics, I think they are really looking forward to [LRT]. They are definitely buying to be close to it, not right on it but somewhat close to it, within a block or two. So it will be really good. I think it will impact [the Region] in a positive way.”

Local Perceptions of the LRT

According to realtors, long-term residents’ perceptions of the LRT were shifting from negative to positive. Construction was a central concern for local residents but was diminishing as major portions of the construction were completed. Long-term residents living outside the CTC were reported as unlikely to use the LRT as a means of transportation with the exception of students (both high school and university).

“What I’m getting from my clients, not all of my clients, but... the people who were born and grew up here are just not getting [the LRT] because they’re North American; the car rules, they have families, and they’re never going to use it.”

Many participants compared the negative reactions to the LRT as being similar to those expressed in reaction to the development of the expressway (Conestoga Parkway), which is now viewed as an essential piece of infrastructure for the Region. These comparisons showed how Realtors perceived the LRT as a long-term investment in the Region, the success of which would become more apparent over time as residents became more reliant upon it.

“The expressway system was the forbearer to what we have now and [the LRT] is just another inclination that the Cities will survive because of the intuitiveness to get this project moving.”

“Well when they started building the expressway in 1965, it wasn’t being built for the drivers of 1965 it was for the drivers of 1975 and 1980. And the LRT isn’t being provided for anyone in this room.”

Connecting the Region

The LRT was described by many participants as a piece of infrastructure that would help to connect the Region of Waterloo with the larger southern Ontario region. Specifically, the LRT was appealing to a new market of residents who could now easily access GO train services that would connected them to Toronto. Combined with the relatively lower housing prices in the Region, the ability of the LRT to connect residents in KW to their employment in Toronto was discussed as a major factor influencing the influx of newcomers to the Region.

“In a real estate perspective, all the condos, the Google building... the Zehr group building; those are only there because of the LRT. They’re looking at it as it’s not just a north and south train, it’s connection to Barrie, Hamilton, Niagara. All these places are going to have LRT that lead to these fast trains that all spine into Toronto. That’s what [people are] investing on.”
Within the Region, the LRT was seen as helping to bring together Kitchener and Waterloo as a more seamless urban environment and diminish the perceived socio-economic differences that exist(ed) between the cities. The implementation of the second phase of the ION into Cambridge was described as an important next step to tie the Region together as a unified whole.

“These cities are so close together; [the LRT] will unite the cities. The tri-cities will become one, it will be great.”

Conclusion

The findings of this research show how the implementation of the LRT is resulting in dramatic changes throughout the Region’s real estate market. The intensification of the “Tech Hubs” associated with the development of the CTC is helping to attract employers, real estate investors, and newcomer residents. By ensuring that the development of the CTC is guided by planning policy that is responsive to the needs of long term residents, most notably the aging population of the Region, there is strong reason to believe that the LRT will be celebrated long into the future.

The continuation of this research project will seek to further uncover how the development of the CTC is affecting residents’ relationship with housing, and how LRT access and investment considerations are affecting home choice decisions. The data will also be used to build upon and/or substantiate the findings of several of the other studies being conducted in the Urban Growth and Change Research Group, including the recent renters’ survey, the forthcoming buyers/sellers survey, and previous work done on developer perceptions and hedonic modeling.

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