

CHARLOTTETOWN: FERTILE GROUND ...



TOURISM CHARLOTTETOWN - JAMES INGRAM

Photograph Courtesy of Tourism Charlottetown.

Princess Charlotte of Mecklenburg-Strelitz, the happily married wife of King George III, bore him fifteen children: Charlottetown, the city that bears her name, gave birth to a nation.

A State of Serenity

Confederation Bridge, the umbilical cord tethering Prince Edward Island to the mainland, snakes across the Gulf of St. Lawrence. As visitors leave the New Brunswick shore behind and embark on their thirteen kilometre crossing, they are treated to the spectacle of the Island rising like Aphrodite from the sea ... a feast of love, beauty, pleasure and procreation (recommended but optional). The spirits of even the most jaded traveller cannot help but soar as the Island's red cliffs emerge, shimmering in the summer haze. Somehow, it always feels like coming home, wherever you live. Little wonder then that this oasis was coveted by the French, Americans and British ... or that Charlottetown, its capital, sailed serenely through it all.

In the Beginning

The Mi'kmaq credited the Great Spirit for placing this crescent shaped smudge of red clay on the blue waters of the Gulf. They named the island "Epekwit" ... "resting on the waves" ... later corrupted by the French to "Abegweit". In 1534 a passing Jacques Cartier casually renamed it "Ile Saint Jean", thus sewing the seeds for a tug of war that would later last for thirty years. French colonisation initially proceeded at a leisurely pace. Port La Joye, situated across the harbour from what is now Charlottetown, was not founded until 1720, when Michel Haché-Gallant ferried Acadian settlers from Louisbourg, Nova Scotia. After that, the pace quickened. In 1745 New Englanders captured the great Fortress of Louisbourg and an English detachment landed at Port La Joye. The French garrison

fled, the settlement was raised, tempers flared, the French returned and chased the New Englanders away. A year later the latter returned, booted out the French and stationed themselves at Port La Joye. The French hurried down from Quebec and showed the New Englanders the door. In 1748 the British, favouring curry over charlottes, traded the Fortress of Louisbourg for Madras ... much to the chagrin of the New Englanders. In 1755, many Acadians expelled by the British from Nova Scotia, decamped to the Island. In 1758 the British had a change of heart, recaptured the Fortress of Louisbourg and used it as a staging post for their siege of Quebec the following year. In 1763 the French ceded Prince Edward Island né St. John's Island to the British. The following year Captain Samuel Holland was appointed Surveyor General for the area. He chose the site of Charlottetown and named it Charlotte Town in honour of King George's wife, the aforesaid procreating Princess of Mecklenburg-Strelitz. Unfortunately, in 1775, the Americans decided they wanted it instead and sent two armed schooners from Massachusetts to capture the attorney-general in Charlottetown. This storm in a teacup fizzled even as south of the border, it boiled; and from 1776 to 1783, during and after the American Revolutionary War, the Island welcomed Loyalist refugees. In 1798 St. John's Island was renamed Prince Edward Island, thus avoiding the type of confusion that has bedevilled the Cities of St. John's and Saint John for four centuries. Thankful that they would not have to change their letterhead yet again, and thinking the excitement over, Islanders setted down to grow potatoes.

Charlottetown: Giving Birth



Charlotte Town was blessed with visionary planners. The settlement was named the capital of the fledgeling province in 1765 and Captain Samuel Holland set to work surveying the first five hundred lots fronting the harbour, encompassing the present downtown. In 1768 Charles Morris started to lay out the streets. His work was continued by another surveyor, Thomas Wright, whose 1771 plan detailed the 500 lots adjacent to the harbour, complete with a central square for public buildings and four large green squares. Wright thus bequeathed the city core a garden ambience; its signature feature today. He also decided that streets stretching to the water should be 100 feet wide, presumably to endow future generations with vistas of their harbour. This area is now designated as a heritage preservation area. This grand vision of Charlotte Town as being more than just a small capital city of a tiny province, continued to echo through the centuries that followed. In 1793 Governor Fanning set aside land for the administration of government fronting the harbour on the western extremity of the small settlement, and in 1835 a grand mansion, Government House, was constructed on part of the land. Today this gracious building, in its spectacular setting, is the official residence of the Lieutenant Governor. The surrounding farm, Fanning Bank, was subsequently designated a municipal park and renamed Victoria Park in honour of Queen Victoria. In 1847, another gracious edifice, Province House, was completed and is still used to house the provincial legislature. Charlottetown it appears, always had a sense of its own destiny. Its place in history was secured in September 1864 when representatives of Nova Scotia, New Brunswick and what is now Ontario and Quebec, sailed into the harbour to discuss the creation of a country. Unfortunately there was a circus performing in the City so attention was focused there instead. Since there was nobody available on the public wharf to receive the late arrivals, Ontario and Quebec, the Prince Edward Island representative William Henry Pope, gamely rowed out to meet them himself. Charlottetown cast its spell and seven days later Canada was created. The delegations returned home to their respective provinces, never to agree on anything together again.

A City Reborn

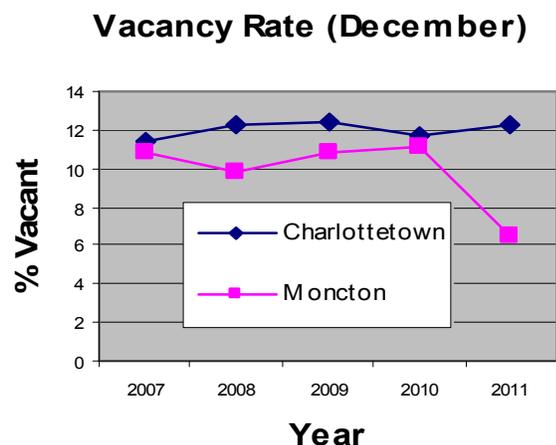
In 1976, when our company first started providing real estate consulting services in Charlottetown, the city core was decidedly down at heel. The waterfront was a wasteland of decaying wharves, abandoned industrial sites and a tank farm. The adjacent retail centre still boasted two department stores, Eatons and Holmans, but was wilting under competition from suburban retail development. The Confederation Centre for the Performing Arts had been opened in 1964 funded by a thirty cent per capita contribution from Canadians coast to coast, but the Central Business District looked set to sleep its way into genteel decline. In 1974 however the Charlottetown Area Development Corporation (CADC), a crown corporation, was created to kick start development. They started to assemble land on the waterfront with the objective of creating a land base large enough to support a major multi-use complex comprising 91 rental apartments and 104,000 ft.² of commercial space built over a parking garage and incorporating, around its periphery, restored heritage buildings. The development also incorporated a marina, the province's Supreme and Provincial Courts. We provided valuation advice on the completed project. CADC's mandate was to go boldly where no developer, private or government, had gone before. This, their initial project "Harbourside",

was completed in the late 1970s and early 1980s: it triggered the revival of the surrounding area. CADC continued with their efforts along the waterfront, acquiring property and encouraging its development. In 1989 they completed Peake's Wharf, a tourist waterfront orientated project incorporating seasonal retail, restaurants, a bar, marine slip and a 150 berth full service marina. Peake's Wharf is adjacent to Confederation Landing Park (also developed by CADC), the site of the former Texaco tank farm (we valued the property when it was being acquired in 1992). During the summer the Park is a profusion of rose blossom and hosts outdoor concerts for acts such as Nickelback. In 2001, CADC in partnership with two private sector businesses, and the Capital Commission, completed the restoration of the former Canadian National Car Shop, situated close to the waterfront, and converted it into Founders Hall, the site of an exhibit celebrating confederation. They are currently working to extend the public use of the waterfront with the Eastern Gateway project and early in 2011 acquired the former Imperial Oil tank farm site. It is being remediated and will be developed as a large concert and events site. Eastern Gateway, when completed, will anchor the downtown area between two parks, Victoria Park to the west and the Eastern Gateway in the east.

With the help of financing from CADC, the private sector started to respond in the 1970s with the development of Confederation Court Mall, a shopping centre located in the Central Business District, carved out of the interior of a city block and anchored by, and accessible from, the surrounding retail properties, including the Holmans Department store. However this, and CADC's other efforts, have not been successful in stemming the flow of retail business draining away to suburban malls. The Holmans Department Store went through several retail iterations, before being restored and converted by the Homburg Group into a boutique hotel, The Holman Grand Hotel. It opened last year and CADC are currently struggling to expand parking nearby to fulfill their parking commitment to the development.

Over the past four decades, Charlottetown has cleverly managed the transformation of its downtown area into a vital and funky environment by capitalising on its wealth of heritage buildings, located in a park like setting, the latter a bequest from its original planners two centuries earlier. An important element in that transformation, has been judicious development by CADC, which has triggered the revitalisation of the area by the private sector in a manner that has retained the charm of the old City. It is an impressive accomplishment. Early development in the heart of the CBD by the private sector was bland and boring: the type of office development that owes nothing to its geographic and historic context. How did, what is essentially a government body, successfully fulfil its role as an instrument of change? We asked them. This is their explanation. *They have few employees so bureaucracy cannot take root ... and they are willing and anxious to partner with the private sector. Because they have a government patina they can access public funds, effectively acting as a conduit for monies that would otherwise be denied a private developer, however worthy the objective.*

Financial Fundamentals



Our Economic Intelligence Unit surveys every office building ($\geq 5,000$ ft.²) available for rent in each of the six major urban areas in Atlantic Canada. We have undertaken this project for the Federal Government since 2006. We now survey 394 office buildings with an aggregate floor area of 21.6 million square feet. It continues to be the most comprehensive survey conducted in the region. Each survey engages five of our professional staff over a six week period. We could not complete it without the assistance of many who are reading this Newsletter. Many thanks! We last surveyed Charlottetown in December 2011 ... so how is the city faring? We have compared it with Moncton, its nearest rival.

The office market in Charlottetown continues to struggle even as Moncton continues to improve. The vacancy rates tell the tale: Charlottetown with 12.28% of its office space vacant is well above the 5% vacancy indicative of a market in equilibrium. Whilst the current vacancy is not yet into “critical” territory, the office market is soft. Moncton by comparison has reduced its office vacancy from 10.86% in December 2007 to 6.52% in December 2011. (It stood at 7.84% in June 2012).

Year	Household Income/Unemployment			
	Charlottetown (CMA)		Moncton (CMA)	
	Average Hse. Income	Unempl. Rate (%)	Average Hse. Income	Unempl. Rate (%)
2012	\$72,355	8.83%	\$75,717	5.26%
2011	\$74,014	9.24%	\$72,093	4.96%
2010	\$68,025	8.16%	\$68,819	4.75%
2009	\$65,679	7.69%	\$67,494	3.85%
2008	\$64,742	8.46%	\$63,925	4.89%
2007	\$61,569	8.40%	\$62,762	5.77%
2006	\$56,751	8.88%	\$58,729	5.80%
2005	\$54,779	8.67%	\$57,374	6.59%
2004	\$53,803	7.79%	\$57,413	6.80%
2003	\$48,836	10.20%	\$53,691	6.81%
2002	\$47,463	10.21%	\$52,613	7.03%

Source: Financial Post Survey of Markets

Charlottetown, indeed Prince Edward Island as a whole, is wealthier and it shows. Properties are better maintained on the Island than the mainland. A major impetus was the opening of the Confederation Bridge on May 31st 1997 which finally ended visitors’ reliance on the ferry system. The growth in household income has continued since then. Over the past ten years Average Household Income in Charlottetown has grown by 52% in current dollars, versus 44% in Moncton. Unemployment at 8.83% still leads Moncton’s 5.26%.

Year	Investment (Building Permits)		
	Six Cities Total (CMA)	Charlottetown (CMA)	Moncton (CMA)
2010	\$ 2,437,066,000	\$200,508,000	\$ 269,451,000
2009	\$ 2,087,622,000	\$141,371,000	\$ 320,271,000
2008	\$ 2,150,969,000	\$177,304,000	\$ 276,281,000
2007	\$ 1,822,796,000	\$138,734,000	\$ 275,109,000
2006	\$ 2,006,553,000	\$168,473,000	\$ 264,358,000
Total	\$10,505,006,000	\$826,390,000	\$1,405,470,000

Source: Financial Post Survey of Markets

Over the past five years Charlottetown’s CMA has captured 8% of the total investment in the CMAs of the six major urban areas in Atlantic Canada. The total average annual investment per capita over the past five years in Charlottetown is \$2,694 versus \$2,112 in Moncton. Little wonder then that Charlottetown looks so good: its population has hardly grown, so the investment is largely directed to improving or replacing the existing building inventory. (Charlottetown’s 2010 population was 61,941: Moncton stood at 137,314).