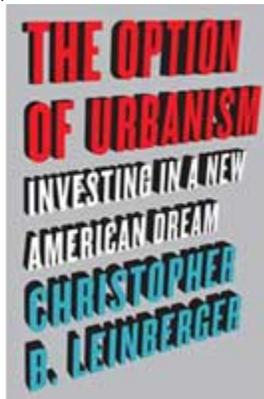


# Re:Place magazine

## Vancouver, BC

### The Option of Urbanism

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Author: Christopher B. Leinberger (Island Press, 2007)

North Americans have increasingly organized their lives around the automobile over the past few decades. The ease of driving to and from work, shopping, and recreation has been a major determinant of where we have chosen to live. But now it may be walkability rather than drivability that determines where we live, at least according to Christopher Leinberger.

In *the Option of Urbanism*, Leinberger manages the remarkable feat of writing a book that is accessible to the layman, yet still fascinating for the academic. This is because his expertise is in a topic that tends to short shrift in urban planning programs: real estate. While real estate is often talked about, it is generally not from the insider's perspective, with all the nuances and insights that go along with it. Leinberger, a partner in a real estate development firm as well as director of the Graduate Real Estate Program at the University of Michigan, gives us the insights from the field as well as the historical background to pull it off.

Leinberger's central argument that Americans (the book focuses only on the United States) are increasingly choosing to live in walkable communities carries weight because of his extensive knowledge of the real estate industry. His chapter about how Americans are rediscovering 'walkable urbanism' is compelling. Giving numerous examples, he shows that both that there is pent-up demand for both residential *and* commercial walkable urbanism. In the walkable suburb of Birmingham, Michigan, located close to Detroit, the average selling price per square foot of a condominium was \$127 higher than a drivable suburban house a few minutes away. In Washington, D.C., walkable urban office space leased for 27% more than drivable suburban office space, and vacancy rates in the former were also lower.

So if walkable urbanism is selling for a premium, why aren't more developers building it? This question is answered in a remarkable chapter on the 'standard real estate product types.' The collapse of the Savings and Loan (S&L) industry in the U.S. in the 1980s and 1990s was "almost exclusively the result of bad real estate loans", according to Leinberger (this point is particularly relevant in light of the current turmoil in the U.S. financial markets). When the Federal Reserve shut off most bank and S&L funding of real estate development in the early 1990s, it was the Wall Street investment banks that took over the job of overseeing the real estate industry. They did this by creating real estate investment trusts (REITs); bundles of real estate assets that shareholders could buy and sell through the stock exchange. For the first time, real estate became a liquid asset class, where before it had been very difficult to buy and sell

in large quantities. The investment banks also began trading commercial mortgage-backed securities (CMBS) bonds for real estate debt. In this way, real estate became another major asset class along with cash, stocks, and bonds.

However, because investment banks have to trade identical items, the industry created "nineteen standard real estate product types" that Wall Street could understand and trade in large amounts. If you intended to build something that didn't conform to these types, you either didn't get the financing or got it at a higher rate. And these types, of course, were mainly "drivable suburban products." Leinberger asks and answers a question I've often thought myself: Why are so many retail centres so similar? Because if the product conforms to the "neighbourhood centre" or "lifestyle centre" type, the buyer never needs to go to see the place. It looks *exactly* the same as any other.

Leinberger also gives a short and insightful history of drivable suburban growth and then outlines its consequences, both negative and positive. A strong point of the book is that Leinberger uses an even-handed approach, using facts to back up his points. And there are lots of interesting - and scary - tidbits of information, like the fact that wood frames of most new houses are not self supporting; they get their structural integrity from the sheetrock interior walls!

The Option of Urbanism is a great read. I'm sure the next edition will have an addendum dealing with the fallout from the latest mortgage crisis. Hopefully one positive result will be a more diverse urban landscape in the future.

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