TURNER DRAKE + PARTNERS

newsletter

Vol. 1 No. 5 March 1979

Update

Charlottetown, P.E.I.

We have recently completed a large appraisal assignment in Prince Edward Island, the first since Bob Wilson, F.R.I., Wilson Real Estate, Charlottetown, became associated with us. It was the first chance to test the merits and strengths of our associating with a local company. We are glad to say that it worked well. Bob was able to provide grass-roots support and a data base. These proved to be invaluable feedstock for the appraisal.

With Bob's assistance we have now completed what we believe is the most comprehensive real estate study of land and building sales in the Charlottetown Central Business District undertaken by any private firm. Our modus operandi blended orthodox appraisal methods with the more esoteric techniques developed by our firm which use amongst other things linear regression analysis. It places us in a very competitive position to appraise other property in Charlottetown.....so if anybody there requires an appraisal.....

Halifax, N.S. - Life Under the View Planes

Whilst most of us in the office reach for our calculators when we run out of fingers, John Morehouse, B.Sc., the mathematician amongst us is known to be able to count well beyond 10, unaided by electronic means. It comes as no surprise, therefore, that John, posed with the problem of appraising air rights in Halifax's Central Business District merely grinned behind his beard and disgorged:

$$\left(\sum_{n=1}^{n} \frac{Xn}{n} = G \;\middle|\; X_n = X_{n+1} + K + S + E\right)$$

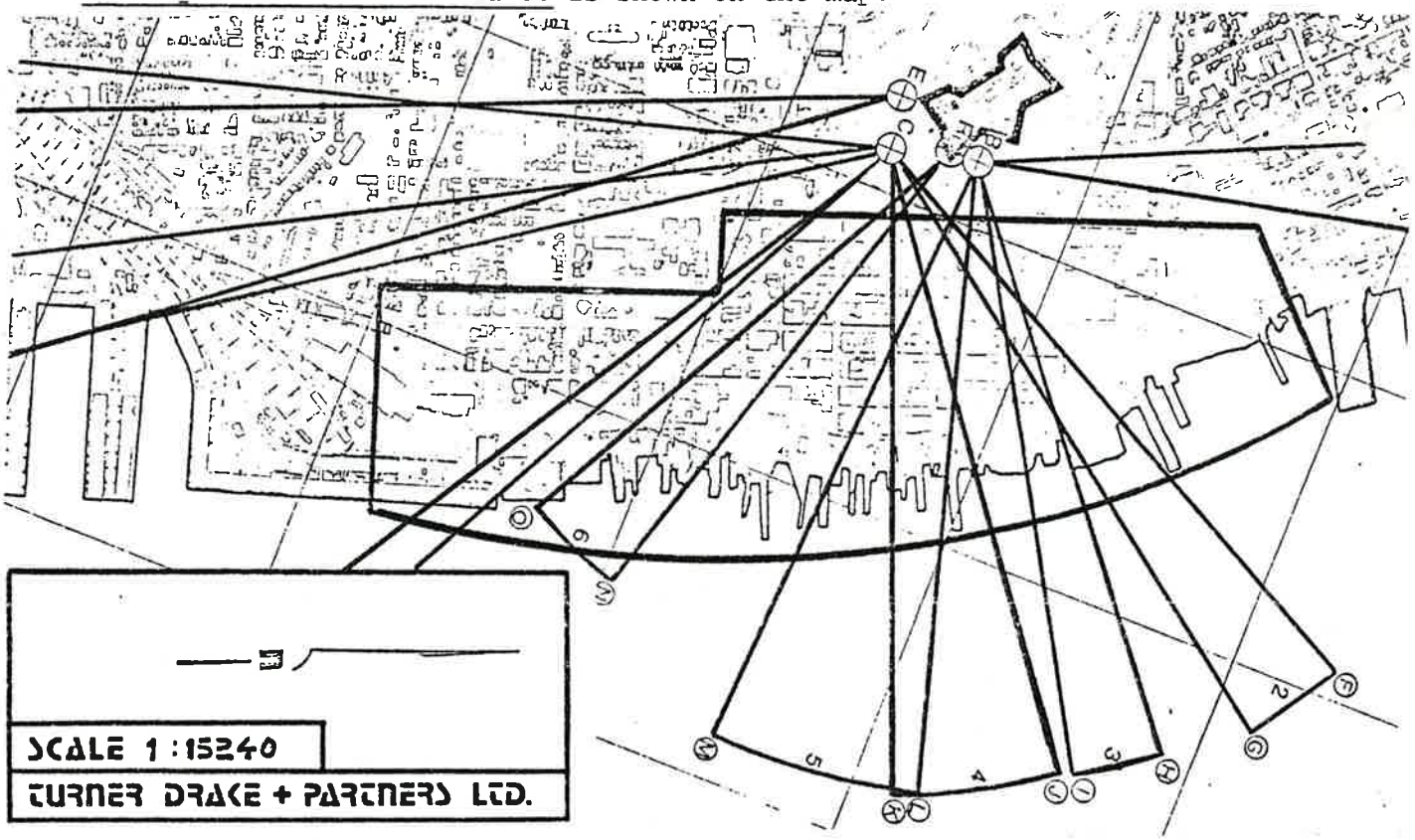
But.....let's start at the beginning.

Since the advent of the View Planes By-Law on January 31st 1974, life has never been the same in Halifax C.B.D. The purpose of the view planes, of course, is to protect specific views of Halifax Harbour, and its islands, from four points on Citadel Hill. The town, once a handmaiden clutching at the skirts of the hill, has grown instead into lusty manhood. As bank tower after bank tower competes to be a few storeys higher than its neighbour (? the difference between men and boys - the size of their toys) the dominance of the hill is threatened and incomparable views of the water are lost forever.

The intention of the By-Law (as amended August 15th 1974) is to restrict the height, and therefore the density of development, on land lying below any of the ten view planes. *The effect has been to redistribute property values within the Halifax C.B.D.* Prior to the View Planes By-Law it was permissible to build to any height on land within the C.B.D. There were set-back requirements above the 80 ft. height, but since these applied to all land, it was possible to value vacant land on an m^2 basis making due allowance for location and topography. The view planes legislation has rendered such a simplistic approach obsolete.

newsletter is published by turner drake & partners ltd real estate consultants & appraisers
suite 703 1888 brunswick street halifax n.s. b3j 3j8 tel (902) 429-1811

The impact of the View Planes is shown on the map:-



We have carried out a comprehensive analysis of site values for office development in the Halifax Census Metropolitan Area. This analysis disclosed that there is a remarkably stable relationship between sale prices expressed as a figure per square mete of gross floor area of the office space subsequently erected on the site. Sites as dive in location as the Joseph Howe Building (Halifax C.B.D.), the Maritime Life Building (Armdale Rotary) and the Bedford Office Tower (Sunnyside) have sold at prices per m^2/G.F.A. within 11% of their arithmetic mean.

This indicates that vacant land in the C.B.D. can be most accurately valued having regard to the Gross Floor Area which can be accommodated on site without violating the View Plane. However, each additional m^2 of G.F.A. does not contribute an equal incremental amount to the land value. One reason is the economic law of diminishing returns. Indeed, provided with a site unrestricted by a View Plane, a developer will only build to the height at which the cost of the additional floor will equal its incremental value. As the height of the building increases, so the building costs do, too. Thus, the cost of the second floor will exceed that of the first floor, and so on. This increase in building cost is descrete rather than continuous at certain points in the building height. For example, there is a quantum leap in structural cost for a four storey building over a three storey office building. A four storey office building requires an elevator, something which is not essential in a three storey structure, as well as a heavier frame.

To aid us in the valuation process for vacant land in the Halifax C.B.D., we have developed the following model:-

$$\left(\sum_{n=1}^{n} X_n = G \;\middle|\; X_n = X_{n+1} + K + S + E\right)$$

where

- n = Height of building in storeys permissible under the View Plane (or marginal floor if there is no View Plane)
- X_n = Unitized cash throw off to land attributable to nth floor
- K = Constant additional costs/m^2 per floor
- S = Additional structural m^2 cost per floor over 3 storeys
- E = Additional elevator cost for floors over 3 storeys amortized over the three floors
- G = Sale Price (land unaffected by View Planes) ÷ G.F.A. of building subsequently erected on site.

.....ça va?