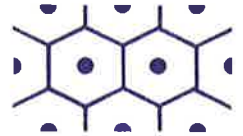


newsletter



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Update

The Great Metrification Muddle




Since it is becoming increasingly apparent that the political will is lacking to press home metric conversion in the real estate industry, we have converted our non-residential operation back to the old imperial system of measurement. Traditionalists can now bask in the knowledge that our reports will contain familiar friends such as "rods, poles and perches" and even the occasional 'peck' as well as your old favourites "yards, feet and inches". Guest appearances in the form of miles (remember them?) and gallons (imperial only: none of that U.S. nonsense) will also

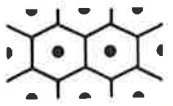
be featured. Boy oh boy; bet you can hardly wait!

Readers of our residential appraisals will have to wait a little longer: perhaps for ever. Our computer burps and complains loudly of indigestion at the very mention of converting its databases back to imperial measurement.

The Atlantic Provinces...What Oil Boom?



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Interest in the Atlantic Provinces as a region in which to invest in real estate has been heightened over recent years. The publicity nationally about the oil and gas boom has focused attention on the area in general, and Halifax in particular. The scarcity of suitable investment opportunities elsewhere in the county has also forced investors, pension funds, life insurance companies, etc. to cast their net farther afield to garner good product. Whilst the oil/gas 'boom' is still more promise than substance, it is still gathering momentum witness the increasing number of Alberta license plates on the streets of Halifax this year.

What opportunities does the Atlantic Region offer property investors? Who is investing here and to what degree? This issue of Newsletter focuses on the regional capital. If you thought that

you were confused before...just wait until you have finished reading this!

"Halifax... a gem of a City"

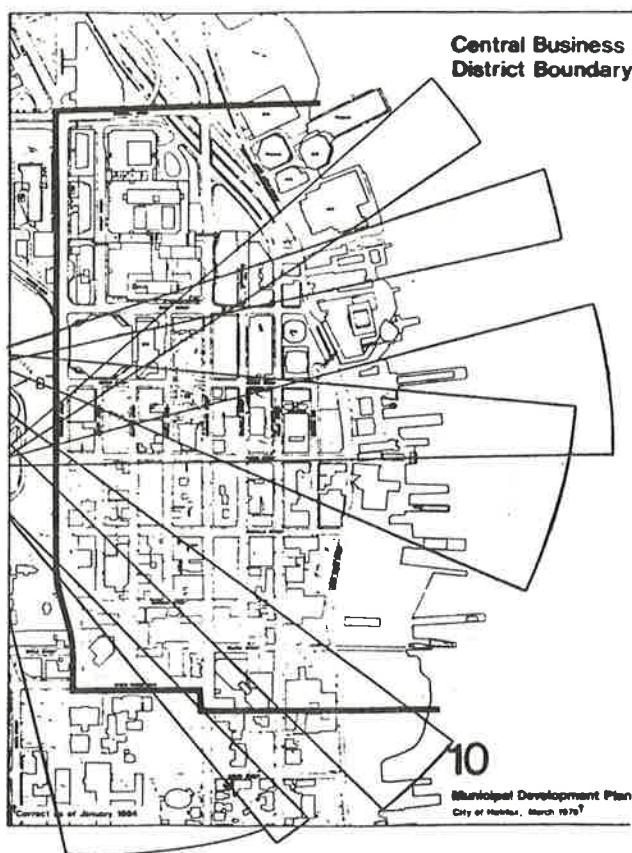
...the Globe and Mail's prose not ours, though we tend to agree.

The Halifax Census Metropolitan Area, which includes the City of Dartmouth, Town of Bedford, and dormitory suburbs of Sackville and Cole Harbour has the following vital statistics:

City	Population (June 1, 1983)			Personal Disposable Income (1983)	
	10 Year Rate of Growth %	Total 1000's	% Change '81-'83	Total \$ Millions	Per Capita
Halifax	8.2%	283.1	2.0	3 092.6	10 923
Toronto	15.1%	3 093.5	3.2	39 267.0	12 693
Montreal	1.9%	2 840.2	0.4	31 844.3	11 212
Vancouver	16.0%	1 293.9	2.0	16 552.4	12 793
Edmonton	34.1%	683.1	4.0	9 336.9	13 668
Calgary	50.7%	628.1	6.0	8 996.8	14 324

Source: The Financial Post Canadian Markets 1984

Points of View



Halifax C.B.D. is subject to building height restrictions designed to safeguard the views from Citadel Hill, the *raison d'être* of Halifax in ages past, and the national historic site around the foot of which the old town clusters. Ten viewplanes cut a swath through the area surrounding the Citadel to the harbour. Seven of these viewplanes lance through the C.B.D. The viewplanes themselves are rigorously enforced by the City of Halifax (rightly in our view...sorry !) and at least one building, Trizec's Maritime Centre, had to be built at an oblique angle to miss a viewplane. The North American Life Centre building even had to remove an errant balcony handrail that had somehow sneaked into a viewplane.

In addition to the viewplanes, some of the properties in the C.B.D. are designated "heritage buildings". The Provincial Heritage Property Act provides that they cannot be demolished, or substantially altered externally without the approval of Halifax City Council. If the latter do not give their approval, the owner has to wait for a year before carrying out the work. Presumably this gives the heritage groups and other

concerned citizens time to give voice and persuade the misguided developer of the error of his ways. For all intents and purposes, heritage buildings are sacrosanct ...unless they are owned by a fool or somebody who lives far far away (preferably both).

As well as the foregoing, all of the C.B.D. is covered by Zoning By-Law Schedule restrictions, the effect of which is to force developers to seek "contract developments" with the City if their buildings will exceed 25 ft. in height (40 ft. in part of the C.B.D.).

Office Development in the C.B.D.

We carried out a survey for a client some time ago to identify parcels of land over 5 000 ft.² in area which were ripe for development but were not affected by a viewplane or a heritage building. There is no doubt that both factors seriously effect supply, as does the omnipresence of Citadel Hill. Since a "public hearing" is part of the contract development process, any building which threatens the aesthetics of Citadel Hill meets strong public opposition. Since effectively all major development in the C.B.D. has now to go this route, there are substantial time delays and modifications required before, and if, any development can proceed.

The effects of the Zoning By-law and heritage building restrictions have been to re-distribute land values in the C.B.D., the higher values having been transferred to land lying outside the viewplanes. Since supply is inelastic, land values are volatile and the increase in demand, evident since 1980, has produced sharp increases in values in certain instances. Overall, we estimate that the average compound increase has been in the order of 15%/annum since the beginning of 1980 and this will escalate, at present demand levels, given the dwindling supply. This contrasts with a tepid 6%/annum average compound increase during the 1976 to 1979 period.

Despite the restrictions imposed by the City of Halifax, a recent survey undertaken by their planning department indicates that there is a 18 to 36 year supply of land available within the C.B.D. and its fringe area. This estimate is based on the high growth scenario anticipated to result from the oil 'boom'. It postulates a market absorption rate of 160 000 ft.² per annum until 1986, and 200 000 ft.²/year thereafter.

New office construction, including major renovation/conversion projects, over the past decade for the C.B.D. and fringe area have been as follows:

Year	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Additional Office Space (ft. ²)	-	630,822	264,000	617,800	28,125	-	3,500	28,986	-	215,500

Source: N.S. Dept. of Development (Statistics & Research Services)

These figures do not indicate the net addition to the office inventory since some office buildings were demolished during this period to allow the new construction to proceed. Unfortunately, figures are not available for office demolitions. However, using a "ballpark" ratio of 5:1, i.e. five times as much new office space as contained in the previous building on the site, we estimate the market absorption of office space over the past 10 years to be 140 000 ft.² per annum. The market absorption for *new* office space during that same period is estimated to be 170 000 ft.² per annum. The total office inventory in the C.B.D. and its fringe areas is now estimated to be approximately 4 100 000 ft.².

Current Development in the C.B.D.

The following commercial developments were completed this year or are currently under construction, in the C.B.D. and its fringe areas:

#	Expected Completion Date	Building Address	Developer	Leaseable Area (ft. ²)		
				Office	Retail/ Service	Other
1	Mar.'84	Spring Garden Place 5640 Spring Garden Rd.	Hardman Group Ltd.	-	33 820	-
2	Jul.'84	Maritime Centre 1505 Barrington St.	Trizec Equities Ltd.	175 000	-	-
3	Sept.'84	World Trade Centre Argyle Street	Trade Centre Ltd. (Province of N.S.)	100 000	-	100 000 (convention space)
4	Jan.'85	Purdy's Wharf (Phase I) Water Street	Purdy's Wharf Dev. Ltd. (J. W. Lindsay & group of 14 Pension Funds)	316 900	9 100	600 parking spaces
5	Feb.'85	Central Trust Tower 1801 Hollis Street	Manufacturer's Life	203 700	6 300	57 parking spaces
6	Feb.'85	One Government Place Granville Street	Canterbury Group Ltd. + North American Life	42 000	19 000	-
7	Jul.'85	Sheraton Hotel Lower Water Street	Lundrigans Ltd. & Sheraton IT&T	-	-	365 hotel rooms + 255 parking spaces
8	Nov.'85	St. Paul's Annex 1718 Argyle Street	Canada Trust Co. & Sonoo Property Dev. Services Ltd.	57 000	-	40 parking spaces
9	Jan.'86	Corner Morris/Hollis/ Barrington Streets	1550353 Holdings Ltd. (Metcalf Realities Ltd.)	24 000	6 000	37 apartments + 75 parking spaces
10	Mid'86	Founders Square Prince & Hollis Sts.	Amour Group Ltd.	160 000	30 000	37 parking spaces
Total				1 078 600	104 220	

Sources: City of Halifax Planning Department and Turner Drake & Partners Ltd. Sept.'84 Field Survey

Unless Halifax benefits from more rapid growth than that experienced over the past decade, it will be 5 to 7 years before the market absorbs the new space currently being built.

In the Pipeline

In addition to the over one million square feet of space already under construction, there are 6 projects comprising 1 329 300 ft.² of space (office 1 244 600 ft.², retail 84 700 ft.²) for which a contract development has been signed with the City of Halifax. Another project comprising 183 000 ft.² (office 169 000 ft.²; retail 14 000 ft.²) has been approved, though no contract development has yet been signed. A further project comprising 160 000 ft.² (office 137 000 ft.²; retail 23 000 ft.²) has been refused by Halifax City Council but is expected to resurface in changed form before long.