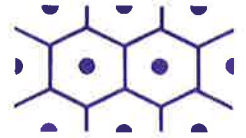
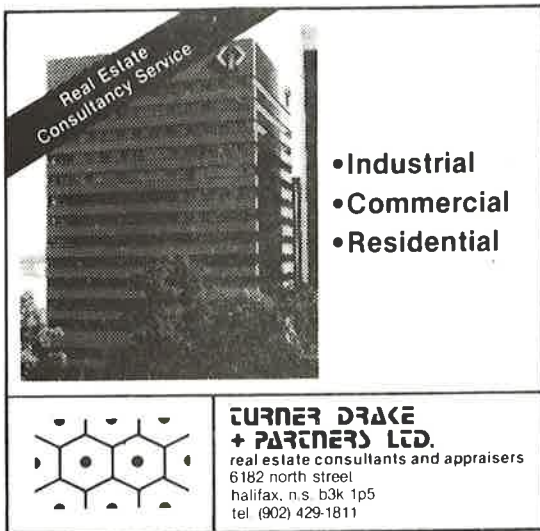


newsletter



Volume 2, No. 16

Spring 1985

Commercial CommentOffices


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Demand for the purchase of investment properties continues to be strong in Atlantic Canada, particularly in the Halifax/Dartmouth Area. Despite the prospect of an oversupply of office space in the Halifax C.B.D., good product finds a ready market. However, rental rates are softening as the over 1 million ft.² of office space comes on stream. During the period 1984-1986, 1 078 600 ft.² of new space will be offered on the market, a 5 to 7 year supply (Newsletter Vol. 2, No. 14). Prime space is being offered nominally at \$19.50/ft.² but turnkey deals and other tenant inducements are driving this cost down. The Purdy's Wharf (Phase I) comprising 316 900 ft.² has been aggressively marketed and is now reported to be 75% leased. Much of the space has been taken by major tenants.

Two of Halifax's largest legal firms have taken 65 000 ft.² between them and we understand that at least three national accounting firms are to join them. Meanwhile, rental rates in other Grade A office space in existing buildings have fallen by about \$ 1.00/ft.² over the past 12 months. Tenant inducements of about \$5.00/ft.² are now common for this type of space. The Federal Government has "consolidated" the Public Works Department (90 000 ft.²) in the Maritime Centre from 6 other office buildings in the C.B.D., four of which are privately owned. Public Works were once destined for the peripatetic Federal Building, last seen heading down Gottingen Street towards Bedford Basin. We understand that Public Works are now safely ensconced with a 10 year lease with two 5 year options to renew...

Meanwhile, Dartmouth's success story, Burnside Industrial Park (the largest east of Montreal, etc.), continues to roar ahead. There is strong demand for office space in both single and multi-storey buildings. "Parking" is the key word as firms within the Park continue to expand and others migrate from Halifax's cluttered shores. Grade A office space commands rents of \$9/\$10 ft.² net absolute for the older (10/15 year) buildings and \$12/ft.² net for new buildings. This compares with \$12/\$13 ft.² net absolute for 10 year old buildings in the Halifax C.B.D.

Incidentally, Tom Rath (tel. 902-421-2175), the City of Dartmouth's energetic industrial promotions officer is pushing video cassettes these days. The film, a glossy and informative look at the Burnside Industrial Park, is part of an organized ongoing program to market the Park.

Apartment Buildings

The trend away from rental projects continues in the Halifax/Dartmouth Metropolitan Area as the Province's rent control legislation continues to cast its shadow. The failure of the Legislature to implement Judge Coffin's recommendation (Newsletter Vol. 2, No. 10) to phase out rent review has apparently convinced the development community to steer away from rental projects. The stresses, strains and inequities caused by rent controls do little to inspire investor confidence in new projects despite the fact that they are theoretically free from control for the first three years. Developers might be wise to pause for reflection however. A rather strange phenomena is taking place. Rents in suburban Dartmouth, where the buildings are newer and have therefore been subject to rent control for a shorter time, have climbed to suburban Halifax levels, where the buildings being older, have been subject to rent control for a longer time. In essence, rent control has distorted demand. Renters in suburban Halifax who would normally pay more than in suburban Dartmouth, have had their rents "capped" for a longer period. Normal supply and demand forces are at play with condominium apartments and townhouses built for sale. Proximity to the Halifax C.B.D., superior road communications, and the absence of bridge tolls result in higher demand and prices for condominiums in Halifax suburbs such as Clayton Park, compared with Dartmouth. In addition, there is a proliferation of new condominium apartments/townhouses for sale on the Dartmouth side of the harbour...

Residential Report

There's Something in the Air



Urea Formaldehyde Foam Insulation (U.F.F.I.), words that have sent a cold chill down many a homeowner's spine! If you own, or are thinking of purchasing a home with U.F.F.I., or from which U.F.F.I. has been removed, you may be interested in knowing how it affects your health; physical, mental and fiscal! Don't turn that dial, we'll be right back. But first a word from our sponsor....

....what is U.F.F.I.?

It is a low density foam prepared on site from a mixture of urea formaldehyde resin, an acidic foaming agent and a propellant, usually compressed air, to force it into the wall.

Formaldehyde is a highly toxic, colourless liquid which has a pungent odour. However at low concentrations, .05 ppm (parts per million) the odour is not detectable. Formaldehyde has been around for 100 years or so and is used extensively as a bonding agent in plywood, particleboard, carpet backing, etc. Formaldehyde is unstable and gives off fumes, particularly during the early stages as the U.F.F.I. cures and sets, but also as it ages and degrades. The degree of this offgassing varies with the original composition of the foam, temperature and humidity. High temperature and humidity encourage degradation of the foam and an increase in the fumes. U.F.F.I. was never approved for installation in attics, between floors, in masonry walls and in foundation walls. The acid in the foaming agent attacks and corrodes wall ties in masonry walls, and electrical boxes in wood cavity walls.

How Will It Affect My Physical Health?

The jury is still out on the long term effects of exposure to U.F.F.I. It has only been used as an insulating material in Canada since 1960 and was only accepted by Canada Mortgage and Housing Corporation (CMHC) in 1969. Formaldehyde, the main villain of the piece, is omnipresent; in fact the human body produces it as do car exhausts, burning tobacco and a myriad other things. In an urban area, its level reaches 0.12 ppm and higher. Health and Welfare Canada's maximum acceptable formaldehyde level in dwellings is 0.1 ppm. Some people are more sensitive to formaldehyde fumes than others, and prolonged exposure may increase sensitivity. Exposure to the fumes can result in irritation to the eyes, nose and throat, coughing and asthma-like symptoms, headaches and, in extreme cases, dizziness, nausea, vomiting, nose-bleeds and skin irritations. So if you have flu-like symptoms, it may be U.F.F.I..... or it may not.....

I have flu again....is it the weather...or U.F.F.I.?

Between 55,000 and 60,000 homes in Canada were insulated with U.F.F.I., about 15,000 of them in Atlantic Canada. Since the foam had to be pumped into the wall cavity, physical evidence of the entry points may still be visible. The outline of the plugs may be visible in the siding or shingles (however installers often removed and then replaced the shingle so the plug will not be visible unless the shingle has subsequently slipped). In some cases, for example built in garages, the interior walls may have been insulated with U.F.F.I. The plaster or gyproc will have been drilled and then patched. A line of patches the same height above the floor are evidence of poured/pumped insulation. A wall plug per sé is not indicative of U.F.F.I. Insulation such as chopped fibreglass, cellulose, etc. is also pumped into the wall through holes. Check in the attic above the wall plate, or in the basement below the wall cill, for evidence of U.F.F.I. The pressure, when the foam was pumped into the wall, may have forced the foam through holes drilled in the plate/cill for the electric wiring. When U.F.F.I. is exposed to air it turns brown on the exposed surface and is firm but can be compressed easily. If you cannot find any in the attic or basement, remove a wall plug. The U.F.F.I. in the wall will be snow white, or blue, and will be spongy. (If you find fibreglass, cellulose, or nothing, please don't phone and complain about the hole in your wall.) Contrary to popular (with the banks anyway) belief, U.F.F.I. will in all probability not be visible in the electrical boxes though you can try removing the wall outlet faceplate. Don't assume that there is no U.F.F.I. just because your home is less than 20 years old. We have seen it in homes built only 15 years ago.

How Will It Affect My Financial Health?

If your home has U.F.F.I. you will get a reduction in your property assessment. In Nova Scotia this will equate to 25% of the reproduction cost new (before depreciation). You will also suffer a loss in the capital value of your home equal to the aggregate of the following:

- (1) **The Cost to Cure**, i.e. the cost of removing the U.F.F.I. and reinsulating using a government approved contractor, less the government grant. As long as the home was registered before the 30th September 1983 a grant (maximum \$5,000) is available. You can check if your property is registered by sending a copy of your deed (as proof of ownership) to U.F.F.I. Centre, Hull, Quebec, K1A 0C9 (tel. 1-800-567-6870). Over 49,000 homes are registered with them. A \$500 CHIP reinsulation grant may also be available.

The cost to remove U.F.F.I., reinsulate and replace the siding typically ranges from \$5,000 to \$15,000 depending on the number of walls, size and age of the dwelling.

- (2) **Compensation for inconvenience.** This is the reduction in price demanded by the purchaser to compensate him/her for the inconvenience during the removal work. Our analysis indicated a range of \$4,600 to \$11,800 for homes fully insulated with U.F.F.I.
- (3) **Stigma depreciation.** This is the residual drop in the value of the property resulting from it having once been contaminated with U.F.F.I.

Our research indicated that the "stigma depreciation" was 0% where there were no substitute properties available for purchase. Properties from which U.F.F.I. had been removed, for example, did not sell at a discount when they were located on the Halifax Peninsula. The availability of substitute properties in those cases was very limited. Purchasers tended to accept the fact of the previous U.F.F.I. insulation as just one other factor to be considered when purchasing the property. The only sale which was not on the Halifax Peninsula which was included in our study, was a 24 year old bungalow. The U.F.F.I. had been removed and it was being purchased for commercial use. The stigma depreciation was 0%.

We think that purchasers would demand a discount of 8% to 10% of the property value, where substitute homes that had never been contaminated with U.F.F.I. were readily available. We do not yet have the sales data to support this hypothesis.

Demosthenes' Doodlings

Beware of Strangers Bearing Gifts

The revelation in the Globe and Mail that Revenue Canada assessors were instructed to ignore errors on tax returns that resulted in the taxpayer overpaying his/her income tax is a sad indictment of our government departments and the depths to which some of them have sunk. On at least two occasions the Federal Government have insisted on paying our firm twice for the same job. Labouring under the impression that it would be dishonest to accept their money (it amounted to several thousand dollars) we sent it back. Lucky the shoe wasn't on the other foot...!

We have made ourselves unpopular from time to time with some Federal and Provincial government departments by suggesting that their method of acquiring property was open to abuse. We still hold that view. The Nova Scotia government used to provide public access to sales information on properties that they had purchased; a policy we applauded. Now, apparently as a result of a cabinet decision, details of all property purchases by the Department of Lands and Forests are being withheld from public scrutiny...we wonder why?

We strongly advise every property owner to seek professional advice before negotiating with any government department.