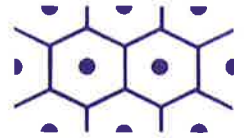


newsletter



Volume 2, No. 17

Summer 1985

Commercial CommentComparing Apples with Apples


•Industrial •Commercial •Residential

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As well as advising landlords on the market rent of their space, we also perform the same service to tenants (not for the same building of course!).

If, as a prospective tenant, you are offered the following equally desirable office space, which building would you choose? (all rents are net absolute):

Building A	\$16.82/ft. ²
Building B	\$15.00/ft. ²
Building C	\$14.89/ft. ²
Building D	\$13.33/ft. ²
Building E	\$12.74/ft. ²

Tut tut! Wrong again. You are being offered space at the same rent in each of these buildings. It is a popular misconception, dear to the hearts of many tenants, that a square foot is well...a square foot. You can take your square metres and hectares but the square foot has been so since time immemorial. Ah well, another illusion to be shattered...You see it all depends how you measure the space.

The Building Owners and Managers Association (B.O.M.A.) have devised two standard methods of measurement (S.M.M.) for office space. These S.M.M. have been adopted by the American Standards Association, the Canadian Real Estate Association, but not our own Federal Government. The latter have a similar standard to B.O.M.A. but, curiously for a body that is primarily a tenant, have reinvented the wheel so that they actually rent more square footage for the same amount of space.

These are the B.O.M.A. standards:

- (1) If you occupy an entire floor - your space is measured from the inside face of the outside wall (or the glass where at least 50% of the wall is glass) less stairs, elevator shafts, flues, pipe shafts, vertical ducts, airconditioning rooms, fan rooms, janitor closets and electrical closets. Toilets exclusively serving your space are included in your rentable area.
- (2) If you share the floor with other tenants - your space is again measured from the inside face of the outside wall (or the glass), to your side of any corridor

partitions and to the centre of partitions separating you from the other tenants.

As compared to a tenant occupying an entire floor, your rentable space does not include the elevator lobby, washrooms or corridors.

Still with us? O.K.....here's the catch....

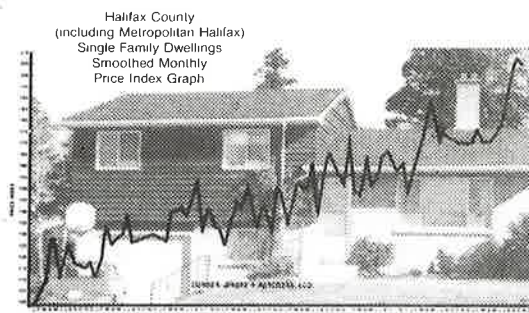
Many building owners do not use the two B.O.M.A. standards. Some use the Federal Government standard which means that the electrical and janitor closets are also included as part of your rentable area. Others use the B.O.M.A. method for entire floors but also apply it to tenants occupying partial floors (the "common areas" i.e. elevator lobby, washrooms, corridors are apportioned between each tenant as part of their rentable area). Yet others don't use the B.O.M.A. standards at all and work on a gross leaseable area basis whereby the measurements are taken to the outside face of the exterior wall, so that the exterior wall, elevator shafts as well as the common areas are apportioned between the tenants. Other variants of the foregoing methods are also in use.

So, if you do not seek professional advice when you are leasing space, and most tenants do not, make sure that you know how your rentable space is measured so that you can make valid comparisons between alternate spaces. Don't forget, your operating expense and real estate tax recoveries will also be based on your "rentable area". If you lease on a net absolute basis, these expenses typically range from \$5.00 to \$6.50/ft.² in addition to your rent. The Provincial Assessor will also base your Business Occupancy Assessment on your rentable area.

P.S. Our "Buildings A--D" is actually a specific building located in Halifax, N.S. but the rentable space has been measured using various methods of measurement currently in use in the Atlantic Provinces.

Residential Report (Halifax/Dartmouth, N.S.)

Big Brother is Watching



Our residential computerized data bank contains approximately 370 000 pieces of information on over 14 000 sales dating back to the beginning of 1978. This sales data is gathered from the Multiple Listing Service, major real estate brokers and our own appraisers.

Each month our computer monitors the residential property price movements throughout Halifax County, including the Halifax/Dartmouth Metropolitan Area. In order to assist our residential appraisers and

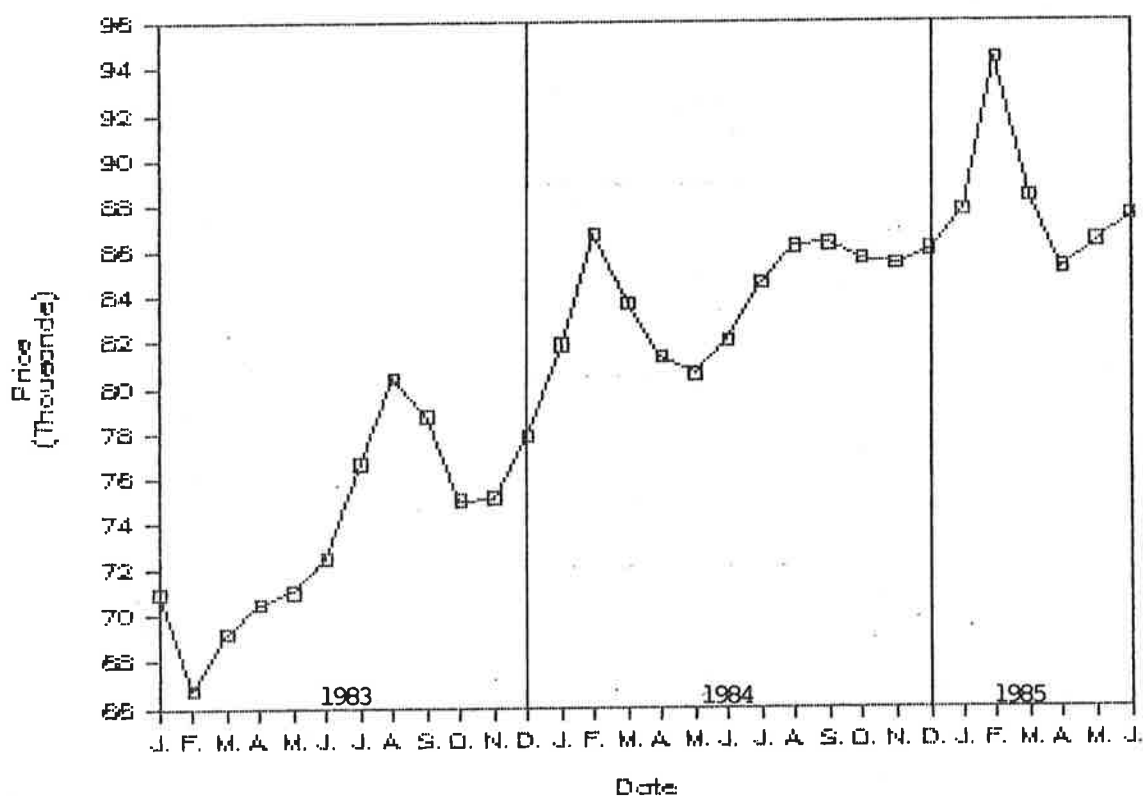
those real estate brokers who subscribe to our Compuval Database publication, we track property prices using a residential price index. This is computed using a time weighted smoothing average and for consistencies' sake is based on the sales of single family homes.

Property prices generally surge during the spring selling season each year then fall back slightly during the summer before recovering again in the fall. They then fall during the winter. The impact of the high mortgage rates and the weak economy has distorted this picture somewhat. As can be seen from the graph, there was a strong gain in property prices during the first half of 1983 before they fell back somewhat during the winter of that year. The price recovery continued

through the first half of 1984 and then levelled off during the remainder of that year. There was a minor surge in property values during the spring of 1985 before they fell back to the levels achieved during the latter half of 1984. At the present time, the market is soft and some areas are selling below their 1984 values. Resale values in the Cole Harbour/Dartmouth area have been hit by the selling prices of new homes developed by Lakeshore Homes in Portland Estates. The latter appear to offer remarkable value for money and have their greatest impact on resale homes in the \$90,000 to \$150,000 range.

Although the market is soft particularly for homes of over \$100,000, we anticipate that it will recover albeit at a lower rate than that experienced during 1983 and 1984. The annual increases of 12% achieved during those years is likely to translate into increases more in line with the current inflation rate. Our residential department points out that there is a minor exodus from the area by persons working in the oil patch. Most appear to be heading west again to Calgary. Whilst this trend is expected to continue, the numbers involved are so small in relation to the entire market, that they are not expected to exert downward pressure on prices.

Halifax County Residential Price Index



Capital Gains Tax

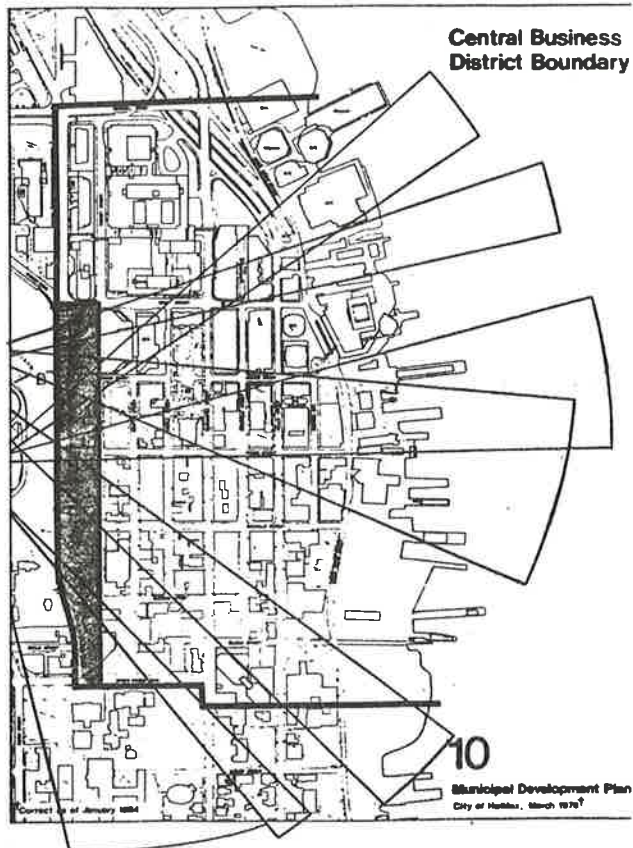
We are frequently requested to appraise income producing property such as duplexes, triplexes, etc. for capital gains tax. The "V-Day" base date is the 31st December 1971. Our residential price index is the most reliable "quick and dirty" indicator for arriving at a base date valuation where there has been a recent sale of the property. Our computer will "backdate" the sale price to the 31st December 1971.

If no major improvements have been undertaken during the intervening period, this is probably as accurate a method of arriving at the base date value as is necessary for individual taxpayers bearing in mind the new Capital Gains Tax exemptions announced in the last budget.

Of course if it is essential that the base date value be entirely accurate then a full appraisal would be necessary using the sales data for the base date period held in our data bank.

Nova Scotia

Halifax Citadel Under Siege



It is ironic that Halifax Citadel, the fort that never fired a shot in anger, should be threatened by the City it strove in ages past to protect.

The Halifax C.B.D. clusters around the skirts of Citadel Hill, the hollow centre of which comprises the Citadel. The ramparts offer exceptional views of the harbour and its approaches; views which are now partly protected by the ten viewplanes enshrined in the Zoning By-Law. However, although the views from the Citadel are sacrosanct, fears have been raised recently by heritage groups and other concerned citizens that attempts are being made to scale the Citadel. It was suggested that proposed high rise office towers might dominate the old fortress. The City Fathers (and Mothers) have decreed height restrictions which will hopefully prevent such a catastrophe. The required amendment to the Zoning By-Law has yet to be approved by the Minister of Munificent Affairs but as presently drafted is designed to restrict building heights as follows:

- (1) All buildings located in Band A (shaded area on Central Business Development Map above) will have to be set back 1.5 ft. from Brunswick Street for every 1 ft. in height above 60 ft. There is a maximum height limitation of 75 ft.
- (2) All buildings located in Schedule A are limited to 90 ft. in height unless they will not be visible from eye level at Parade Square within the Citadel. Schedule A includes all of the Central Business District, the Spring Garden Road and Gottingen Street commercial areas, and the central core high rise apartment area. At the present time, it is unlikely that this will have any significant impact on development within the Schedule A area.
- (3) The present viewplanes, seven of which lance through the C.B.D., remain inviolate.