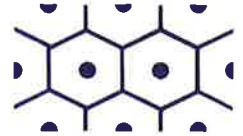


Newsletter



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Update



About 800 of the 3,000 savings and loans associations in the USA are technically bankrupt. Estimates of their unfunded liabilities leap by the month. The latest estimate, by the American Society of Real Estate Counsellors, was a staggering \$180 billion, up by \$30 billion from the amount quoted just two months' earlier in Canadian Business. Unless successfully controlled, the situation will result in the collapse of the U.S. financial system. A headlong rush into real estate resulting from the relaxation of investment controls during the Reagan years, coupled with greed, incompetence and fraud are cited as the reasons for the mess. The

savings and loan industry rushed to loan money on real estate, appraised (fraudulently or incompetently) at values in excess of their market value. Thank goodness the financial community doesn't work that way here... Curious thing though, we spend a lot of time analyzing properties offered for sale for our Property Investors Club (P.I.C.); **most of them appear to be mortgaged well in excess of conventional mortgage loan/value and debt coverage ratios.....**

Newsletter Binders

The cupboard is almost bare. We are down to our last 3,000 binders. Lavishly appointed in genuine vinyl and fluorescent purple they are a wonder to beholdand all for \$15, postage and packing included. We accept cheques, postal orders and cash (Canadian funds preferred but we'll also take U.S. dollars, U.K. pounds, Yap rai.....).

Assessment



In our last Newsletter Vol. 2, No. 33 we mentioned that the Nova Scotia Provincial Attorney General's Department was a little fretful with our practice of cross examining the assessor during the Regional Appeal Court hearing. In fact they were a mite tetchy, possibly due to the Court's annoying practice of reducing the assessments we were appealing. To the less enlightened of us this process is called "democracy" and may even be the raison d'etre for having an Appeal Court.

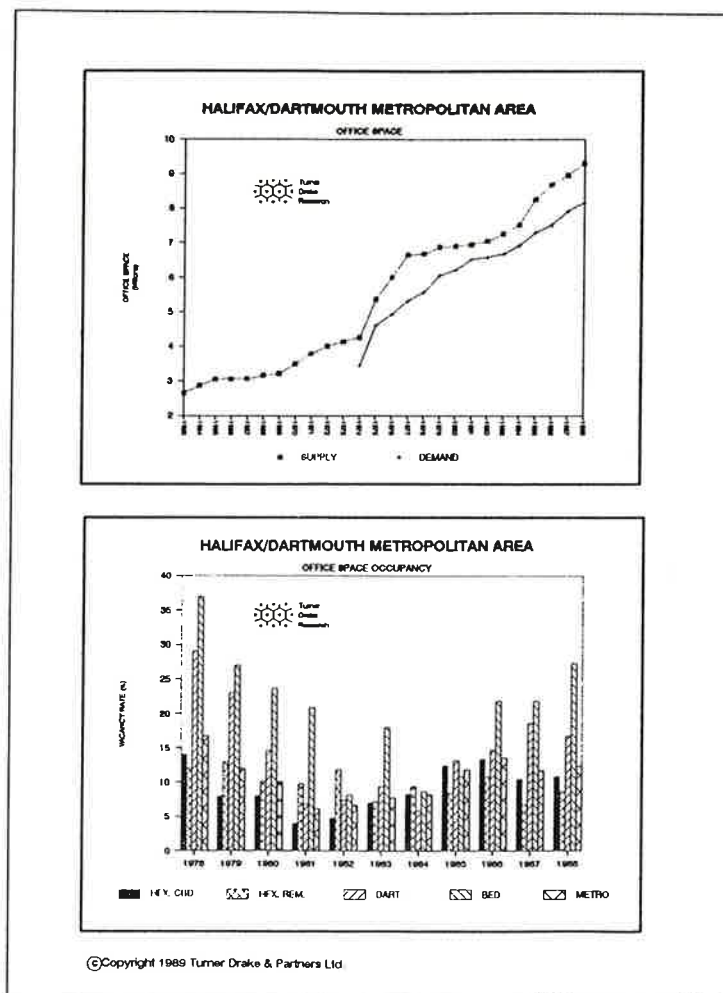
The Attorney General Department's anxiety attack blossomed into a complaint to the N.S. Barrister's Society "that we were engaging in the practice of law". We are duly chastened and have to advise you that **we will not be able to charge a fee for the actual time we act on your behalf cross examining the assessor in the Appeal Court.** Fear not though, we can, and will, still act for you with, we expect, as much success as in the past.

Tom Mills, our Assessment Specialist, is geared up and raring to do battle on your behalf. The Provincial assessment department meanwhile has hired mercenaries from Ontario...oooooh...fun times ahead! Don't forget, New Brunswick, P.E.I. and Newfoundland, we also stand on guard for thee! We have been successful in assessment appeals in your jurisdictions too.

The Halifax Office Markets

Lee Weatherby, our Market Specialist, spends much of his time putting our clients in touch with the future utilizing our computers as his crystal ball to predict supply and demand trends in industrial, commercial, retail and residential real estate. His services are increasingly sought by banks and trust companies anxious about the stability of the particular market sector into which they are

pouring mortgage funds. Developers, that most hardy and optimistic breed of men (we know of no women) are starting to take a hard look at the future supply/demand situation too, before committing themselves to the fray. We have just undertaken a condominium/ rental study for one such far sighted individual. We have also taken our periodic look at the office market in the Halifax/Dartmouth area....



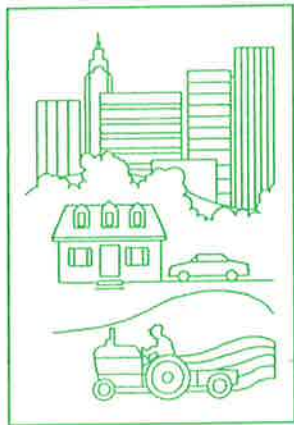
The Halifax Census Metropolitan Area includes the cities of Halifax and Dartmouth, the town of Bedford and the dormitory suburbs of Sackville, Cole Harbour and Eastern Passage. Metro has a total population of 300,000; and an office inventory of 9.3 million ft.². Halifax is the regional centre for Atlantic Canada and therefore has the lion's share of the head offices of regional firms, and the regional offices of national and international

companies. It also has the regional offices of most of the Federal Government departments, as well as the head offices of the Provincial Government. All of this ensures that demand for office space is steady and exhibits continuous growth. The Supply/Demand graph demonstrates this steady growth in demand. Over the past 10 years, market absorption in Metro has averaged 260,000 ft.² per year.

The supply of office space has been cyclical over the past 15 years and has been characterized by overbuilding, followed by a period of little activity and then overbuilding again. From 1974 to 1977 there was major overbuilding, much office space coming on stream after demand had collapsed as a result of Federal Government retrenchment in 1976. Vacancy rates of 6% to 8% from 1981 to 1983 (see Office Space Bar Chart) resulted in large rental increases during those years and precipitated the present building boom which is now coming to an end with the completion of the 367,000 ft.² Purdy's Wharf Phase II. Vacancy rates have remained in the 12% to 13% range during the post 1984 period and this has resulted in stagnant rental rates.

As of March 1989, there was 1,144,344 ft.² of vacant space in Metro. This represents in excess of two years' supply over the base line 6% vacancy rate. In addition the completion of Purdy's Wharf Phase II, and Phase I of Park Lane on Spring Garden Road will bring a further 477,000 ft.² of office space on stream in 1989. This is expected to bring the vacancy rate in Halifax C.B.D. to 16% by the Spring of 1990.

Real Estate Valuations



We still receive telephone calls asking if we value this, or that type of property. The answer is invariably "yes". All of our professional staff are trained valuers. In addition all of our senior personnel specialize in some aspect of real estate counselling. Our job skills enhancement program is designed to give our counselling team considerable depth and breadth. If we are retained to value an apartment building for financing, for example, we obtain the assessment records under the Freedom of Information Act and check to see if an appeal is warranted. We have an Assessment Specialist, Tom Mills, on staff. We also draw on Lee Weatherby's expertise, with respect to market conditions. Bill Chappell, our apartment specialist, has experience negotiating rental increases with the Rent Review

Commission. Mike Turner, our broker and investment specialist, keeps in constant touch with the market through the operation of our Property Investors Club so is available to provide expertise on investment rates.

The tradition of Hodge contentedly supping his humble pottage in a humble cottage begot from wattle, daub and thatch disappeared with Thomas Hardy. We think it high time that the tradition of a poorly trained, inadequately educated, ill equipped "appraisal industry" denuding our forests by turning out reams of nonsense, went the same way.

Just the Facts, the Facts and Nothing but the Facts

PROPERTY INVESTORS CLUB

One of the major hurdles in preventing people from investing in real estate is the cost. Not the cost of the real estate itself, but the cost of acquiring knowledge about the properties for sale and selecting the "right" property. It is usually cost prohibitive for a prospective investor to employ the services of a real estate counsellor to "screen" prospective investments in the \$1.0 million to \$2.0 million range. But many novice investors may feel uncomfortable relying on the advice of a broker, knowing that the broker

is really working for the vendor. Our Property Investors Club (P.I.C.) is designed to address that problem. One solution that P.I.C. provides to those new members who purchase the \$30 P.I.C. Starter Kit, are a set of tools we call PICFACTS. These PICFACTS are information sheets to aid P.I.C. members evaluate potential investments. They are written by Mike Turner, drawing on his own knowledge of real estate which includes 27 years in the consulting field and a Masters degree in the subject. PICFACTS were spawned by the material he assembled for the Principles of Real Estate and Real Estate Finance course which he taught until 1988 at Saint Mary's University, Halifax, to students in the B.Comm. and M.B.A. programs.

PICFACTS are written as far as possible, in non-technical language. They explain the various terms used in real estate analysis and demonstrate how an investor can use the **operating expense ratio** as both a forecasting and a screening tool. They demonstrate how to calculate the **break-even** point for an investment in terms of the number of units rented, income per unit and rental income. They show how to calculate **operating leverage**, i.e. the impact on the bottom line of an increase in rent. They also explain why, and when, it is advantageous to borrow rather than use the investor's own money, even when the investor does not need to mortgage the property. PICFACTS demonstrate how to calculate the effect of **financial leverage** and also how to measure **risk**. They explain when, why and if, an investor should **diversify** his investment portfolio. So far there are 11 PICFACTS. More are to come.

Whether you are a novice, or a seasoned investor, individual or firm, who invest, or wish to invest in real estate with a threshold value of \$0.8 million, P.I.C. will be of benefit. Each week we review the investment real estate that is on the market in Atlantic Canada, screen it and offer our choice as the "PIC of the Week". To date our PIC of the Week has varied from a single property with an asking price of \$895,000 to a diversified portfolio with a price tag of \$56 million. If you would like more information please call Bonnie (902-429-1811) for an application form.

Residential Report



The single family residential market in Halifax/Dartmouth continues to struggle along. We have found that the best index of the market is the average number of days required to sell a property. Our analysis indicates that it takes between 91 and 106 days to sell a property in an average market; 107 to 123 days in a soft market; and over 123 days in a bear (buyers) market. Since the beginning of May we have been solidly in a bear market and expect that situation to worsen as the winter season takes its toll. Sale prices are falling and will continue to do so for at least the next 6 months.