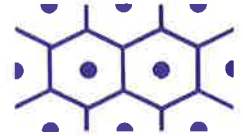


Newsletter



Vol. 2. No. 38

(Late) Fall 1990

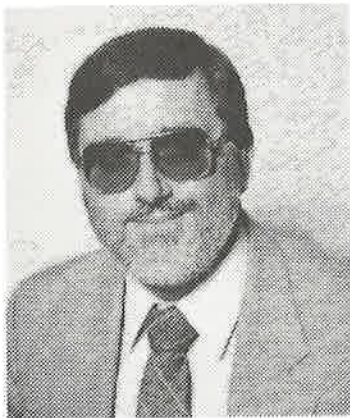
UPDATE



... and then blew his budget again! What a bunch of comedians; we can't wait to see what they come up with next year!

What a year; the inmates have taken over the asylum! The P.M. rolled the dice at Meech Lake, boasted about his winnings and lost the throw! Premier Wells of Newfoundland got in a huff because Quebec politicians thought they were different ... Premier Bourassa got in a huff because he thought he was, and so proved he wasn't. In Nova Scotia, land of the high tech toilet seat, Honest John had us in stitches by protesting that patronage was a figment of Michael Zareski's imagination ... and then accepted a patronage appointment to the Senate. In Ontario, where they actually take politics seriously, they voted in the N.D.P. In Ottawa, Michael Wilson lectured us on being competitive

PROPERTY TAX DIVISION



We are glad to announce the appointment of Tom Mills, AACI, as Manager of our Property Tax Division.

Tom joined us four years ago from the Nova Scotia Provincial Assessment Department. He has had a taxing time (sorry!) since then, successfully appealing property assessments in Nova Scotia, New Brunswick and Newfoundland. He and his merry men (and women) expect to save our clients almost \$1 million in taxes this year.

It's your turn again in January, Newfoundland and Nova Scotia. Tom reminds you that any 1990 assessment appeal which has not been settled prior to December 1990 must be appealed again in 1991 if you wish to obtain a tax reduction for that year too.

Million \$Dollar\$ Man

So successful has Tom been in Nova Scotia, that the Province's lawyer has an anxiety attack (similar to a Mac Attack but not as much fun) every time Tom appears in the Assessment Appeal Court. He has repeatedly requested that Tom not be allowed to cross examine the provincial assessor. We presume that his motive is to make it too expensive for the taxpayer to appeal, by insisting that the latter be represented by a lawyer, as well as Tom. Since we do not charge for the time we cross examine, we are not in contravention of the Barrister and Solicitors Act and the Province's lawyer knows this; he has already complained to the Nova Scotia Barrister's Society to no effect. However, it doesn't stop him "trying it on". Fortunately so far the Court chairmen have shown their usual propensity for common sense and have rejected his request, although Tom was recently forced to drive back from Port Hawkesbury (a three hour trip) while one Chairman pondered the matter. We find it curious that the Provincial Attorney General's Department, which is already the laughing stock of the country after the Marshall Enquiry, should persist with this nonsense.

BROKERAGE DIVISION



Wonder Woman

We are pleased to announce the appointment of Verna J. Turner as Manager of our Brokerage Division.

Verna was a founding member of the firm in 1976 and has been involved in many facets of the company. She is experienced in the use and maintenance of large computerized databases and was instrumental in the expansion of our Compuval™ valuation system database.

Prior to joining our marketing team, Verna spent 8 years in our Consulting Division as a valuation consultant.

Vendors can take advantage of the unique marketing programs offered by our Brokerage Division which include our Property Investors Club™. PIC was formed to bring vendors together with a group of serious purchasers who have the intent and financial ability to acquire substantial property. Pic also addresses the problems facing purchasers by providing them with a single source of reliable information on investment properties.

Leasing



Serious Man

We are glad to announce the appointment of Tom Gerard as a leasing consultant in our Brokerage Division.

Tom was formerly a valuation consultant in our Consulting Division but we decided that he was enjoying himself too much there so we asked him to try his hand at leasing. That was just four months, three weeks, two days, five hours, 6 minutes and 8 seconds ago. It's a tough market out there, eh Tom?

Tom is responsible for our "Mainly for Tenants" service; details of which are about to appear before your very eyes ...

Looking for Space?



If you are thinking of moving your business into a smaller, or larger space, you will benefit from our "Mainly for Tenants" service. "Comparison Shopping" for office, industrial or retail space can be time consuming, expensive, frustrating and confusing. It is not an exercise for the uninitiated! Take for example the most common unit of comparison used by prospective tenants to measure their occupancy costs, the rent per ft.2. There are at least five different methods in use for measuring office space alone. Each method will produce different quoted rental rates per ft.2.

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

And that's if the space is measured accurately!

Even terms such as "triple net rent" mean different things to different people. Unless all of the rents are expressed on the same basis, the quoted rental rate per ft.2 is meaningless as a basis for comparison shopping ... and that's before things become

complicated! Throw in a few things such as leasehold allowances, rent-free periods, discounted rents, relocation costs, and it becomes very difficult to decide, without expert help, which space is the "best buy" for you ...

Shopping for the "Best Buy"

For proper comparison shopping you need data on the alternate premises that are available for rent ... and expert assistance to interpret the various leasing packages on offer. This is where we can help. We have some very serious leasing professionals on staff (well, one actually). He will meet with you to determine your leasing requirements and then conduct a computer search of our databank to identify space that best meets your requirements. Information on available office, industrial and retail space flows into our computer database each working day, thus enabling us to provide you with information on alternate spaces that fall within your leasing parameters. This information is presented in a Master Leasing Prospectus prepared specifically for you. This Master Leasing Prospectus also contains information of a background nature to assist and guide you. We will then take you by the hand (not literally) and review the various alternate leasing proposals with you. If none of the premises are suitable, you may have to review your leasing criteria. We will then further review the market with you and provide the assistance you require to arrive at an informed decision.

Our Services are Free!

Whilst we can act for either the lessor or lessee, it is our normal practice to seek our brokerage fee from the landlord. Whilst we thus represent the landlord in the lease negotiation, we use our best efforts to ensure that you are made aware of the alternate premises that are available and we assist you in interpreting the various leasing packages.

Our "Mainly for Tenants" brochure outlines the above and more. If you are interested please give Tom Gerard a call (seriously), he'll be glad to send you a copy.

Purchasers



Our Property Investors Club™ was created to take the frustration out of acquiring property by providing members with a single source of reliable information on investment properties. We often reject ten properties before finding one that appears worthy of inclusion as our "PIC of the Week". However, over the last six months, the market has been so soft that many vendors are simply hanging onto their properties rather than sell them at what they perceive to be low prices. The result has been that most properties being offered for sale are not of investment

quality. We suspect that this situation will continue for the next twelve months or so (perhaps longer!). On the other hand, there are a number of distress sales, usually resulting from foreclosure, that are definitely worth a hard look. These properties are generally speculative, or suitable for owner occupation, rather than investment quality. Most fall in the \$0.5 million to \$1.0 million range, though some such as the Dartmouth Marina, are only \$0.25 million. In order to take advantage of this situation we have redirected our efforts to seek out this type of real estate. It is generally cheap, but unless you have a use for it, can be risky.

If you are interested in distress properties, or if you would like information about our Property Investors Club™, please call Verna at (902) 429-1811.

CONSULTING DIVISION



Trainee Consultant

We are happy to announce that Leah Hamilton has now officially joined our Consulting Division as a trainee valuer.

Leah has just completed her initial six-month term position with us (still smiling though, you notice ... sure she is!). Leah graduated from Saint Mary's University, Halifax in 1990 with a double major in management and marketing. A "Grade A" student she completed her degree in record time and is now employing that same fierce determination in polishing off her appraisal examinations.

Expropriation



Our Consulting Division undertakes a considerable amount of expropriation work throughout Atlantic Canada. Although we are usually retained by the property owner, or his/her lawyer, we do some work for municipalities, Provincial and Federal Governments. In any event our work brings us in contact with a broad spectrum of bodies. Some, such as the Federal Government, make a real effort to treat the property owner fairly: others, unhappily do not. It is common, indeed mandatory in many instances to attempt to negotiate settlement of compensation prior to expropriation. At this point the

acquiring authority is not legally obliged to offer the property owner the proper compensation to which he/she would be entitled under the Act. Some do, many do not. Instead, some commission "appraisals" which address only the question of the land taken and ignore pertinent heads of claim such as "injurious affection" and the "home for a home" provision. They then approach the property owner and make him an offer of compensation based on their "appraiser's report". The "appraiser's report" is offered as evidence of the loss and, it is our understanding, is presented to the property owner as substantiation that their offer is fair and reasonable. Although the property owner may not have been expropriated at this point he/she is negotiating under the threat of expropriation. This is particularly so with a road widening scheme where the property owner knows he/she will be expropriated if he/she does not agree to the acquiring authority's terms. The property owner is not made aware of the fact that the "appraisal" is misleading. Nor is he/she made aware of his/her rights to proper paid legal, appraisal and professional advice if the matter does proceed to expropriation. Instead expropriation is perceived as a threat which the property owner can avoid by settling with the acquiring authority based on their phoney "appraisal".

It is our opinion that such acquiring authorities misrepresent themselves by offering inadequate compensation substantiated by an "appraisal" they know to be incorrect. In our view the less wealthy, more poorly educated and older property owners are those most likely to fall prey to these tactics since they are least able to afford professional advice and are not aware that it is available to them if they wait until they are expropriated. We find it incomprehensible that public bodies indulge in this sort of behaviour.

If you are approached by any municipality or government department we suggest that you seek legal advice before entering into any negotiations. Refuse to

negotiate unless the acquiring authority agrees in writing to afford you all the protection afforded by the Expropriation Act.

Hospitality Services

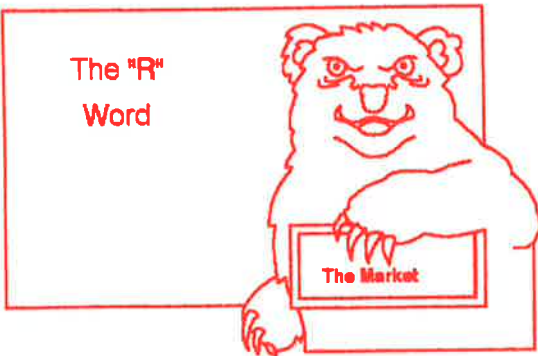


A growing part of our Consulting Division's work is in the hospitality sector.

We have valued five of the major hotels in Halifax, with a total of 1,210 rooms. In addition we have provided valuation advice on hotels, motels, and resort properties throughout the Maritime Provinces.

Our Derek Hull has just returned from a brief sojourn at Cornell University's School of Hotel Administration where he undertook an intensive course on hotel valuation to further expand the expertise we offer.

I.C.I. Property Market - Halifax/Dartmouth



With the exception of Newfoundland, where Hibernia has given a boost to the economy, the I.C.I. property market in the rest of Atlantic Canada is extremely soft. The Halifax/Dartmouth area is probably the firmest area in the three Maritime Provinces and it too is now under considerable pressure. For the first time in 20 years property prices are falling across a broad spectrum of sub-markets. Although falling prices are a natural concomitant of reduced demand brought about by a recession, the Halifax/Dartmouth metropolitan area has been cushioned in the past by the relative stability of its

employment base. As the de facto regional centre for Atlantic Canada, the Halifax/Dartmouth metropolitan area has captured much of the Federal Government's demand for office and industrial space. It also has the lion's share of the Provincial office space. The seven universities, and auxiliary research establishments such as the Bedford Institute of Oceanography and the Nova Scotia Research Foundation, spawn additional demand for office and industrial space. However, this is not now sufficient to protect those sub-markets, as it has been in the past.

Industrials

Price decreases are by no means uniform. Demand for industrial space is weak: so market value is sensitive to vacancy. The market is heavily discounting properties with vacant space. It is not unusual for a landlord to provide a leasing incentive of 6 months' free rent on a 5 year lease. As a broad guide, property values have fallen by 5% over the past six months for warehouse properties with 15% vacancy, in prime areas such as Dartmouth's Burnside Industrial Park. However the rout has not yet started. There is not a great deal of space on the market for sale. We have every confidence that this situation will not last and anticipate something of a massacre as the recession deepens.

Offices

Vendors are withdrawing their property from the market rather than sell at what they see as a "knock down" price based on a historical perspective. In the main, the office buildings that have sold are those that succumbed to foreclosure. As reported in our March issue (Vol. 2 No. 36) the overall average vacancy rate in the Halifax C.B.D. is 16%. The

700,000 ft.2 that is vacant represents a 3 to 4 year supply in an average year. This is not quite as bad as it sounds; the vacancy rate over the last 15 years has ranged from 4% to 17% with an average of 10.5%. Nevertheless most purchases of a modern office building are predicated on an average 5% vacancy over the investment holding period: so things are somewhat on the gloomy side. Landlords are purchasing tenants with leasing incentives that are typically the equivalent of 6 months' to 12 months' free rent on a five year lease.

Since the buildings that have sold after foreclosure have generally been vacant it is difficult to get a fair reading on the market. However we estimate that a building with 10% vacancy would sell for about 3% less than last year. Small, completely vacant buildings in the \$0.5 to \$1.0 million range are selling at a discount of 10% over last year.

Retail

The market is quiet: vendors are not selling unless they have to. There are some small strip malls coming up for foreclosure shortly. Our Brokerage Division reports that there is some demand for retail space but that the market is very soft.

The Spring Garden Road Shopping District, Halifax's prime shopping area, presents an interesting scene. Following the less than spectacular success of Atlantic Shopping Centre's prestigious Park Lane retail (115,000 ft.2 - 27,600 ft.2 vacant) and office complex completed two years' ago, three other developments were started (by other developers!). Heritage Way, a 53 unit condominium apartment complex is now ready for occupancy and the attached retail mall, City Centre Atlantic, will place 67,000 ft.2 on the market in December 1990. The Spring Garden Place expansion will bring 45,000 ft.2 of retail, 39 condominium townhouses and 58 condominium apartments onto the market between March and June 1991. Spring Garden at Queen will place 18,400 ft.2 of retail and 43,826 ft.2 of office space onto the market in March 1991. Not good timing guys!

OFFICE MANAGER



We are pleased to announce the appointment of Bonnie Zinck as Office Manager.

Bonnie joined us 4 year's ago. She is the cheerful voice who unerringly directs your calls to the right person between the snatches of Bach and Beethoven. (She also has a gruff voice which is occasionally employed if you don't pay your bill on time). Say "hi" next time you call.

SEMINAR SCHEDULE

We conducted our first seminar, in June, on "Property Valuations" and presented it to the Halifax/Dartmouth financial community. Our professional staff are available to speak to groups on the following topics:

- Property Valuation
- Real Estate Assessments
- Expropriation (Urban and Rural)

In fact, we can probably address most topics which have a bearing on real estate. If your group is interested please call Mike Turner at 429-1811.