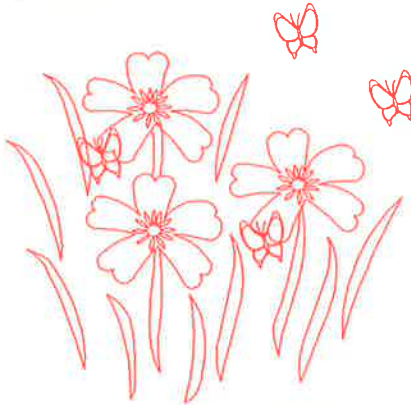


Newsletter

Vol. 2. No. 39

Spring 1991

UPDATE



Get a grip Atlantic Canada, you've been through recessions before and we're going to help you through this one too ... so pour yourself a coffee, close your office door, hit the DND on the phone and r e l a x ... Feeling better? Good! Now, Spring is on the way and so are we, so shut out the world for the next fifteen minutes or so and read on ...

First things first ... your telephone doesn't ring (so why did you hit the DND!) and your bottom line is bleeding all over the boardroom floor, right? Right! You will have to deal with the telephone yourself, but if you own or rent property we can help stop the haemorrhage to your bottom line. So let's do it ...

PROPERTY TAX DIVISION



Property taxes are the easiest way to burn money. Over the past two years we have saved clients in Atlantic Canada well over \$1 million in real estate and business occupancy taxes. Property owners in Nova Scotia have been the principal beneficiaries, so last year our Property Tax Division, headed by Tom Mills (our Million \$ Dollar \$ Man) turned its attention towards New Brunswick too. This year we have included Newfoundland (wake up P.E.I. you can get into the act too!).

Property tax appeals have to be tackled by experts. Provincial and municipal assessors are not evil or misguided (well ... sometimes they're misguided) but generally speaking they face an impossible task. Assessment is mass appraisal, and when it comes to investment, commercial, industrial or institutional property, the assessor does not have the time and resources to arrive at an accurate opinion of value. If he/she did, there would be no need to negotiate property sales, vendors and purchasers could save themselves the agony and expense by simply agreeing to transact at the assessed value. In fact, depending on the assessing authority, the basis of assessment may well be divorced from current market value. The most common mistake committed by taxpayers is to fail to appeal because their property is worth more than its assessed value. The second most common mistake is to undertake the appeal themselves "to save money", or to appoint somebody with a tertiary knowledge of real estate assessment such as an appraiser, lawyer, accountant or property manager. Sometimes the assessment is reduced as

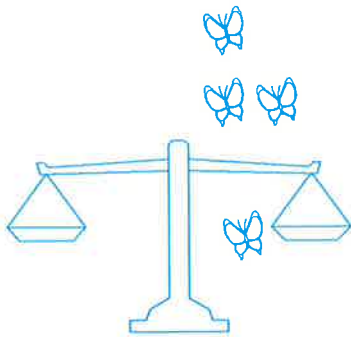
a result, but in our experience the unfortunate taxpayer usually leaves money on the table in this situation. Assessors, like any other professional, prefer dealing with people who speak their language. Tom Mills has sixteen years' experience in the assessment field, eleven of them with municipal and provincial assessment authorities before we snatched him away in 1986. Over 80% of the cases dealt with by Tom and his team are settled by negotiation, without the necessity of proceeding to court. In our experience assessors are (usually) reasonable people, often faced with unreasonable demands. If they are true professionals, as fortunately many are, they will alter an assessment which is demonstrably incorrect. Quite naturally they don't take kindly to frivolous appeals. Whilst it is thus often necessary, because of appeal deadlines, to file a protective appeal, we will not proceed with any appeal unless we feel that it is warranted. To do so is simply a waste of time (ours) and money (yours).



Tom Mills

There is some danger in filing a protective appeal if the property is underassessed since the assessor has the option of revising the assessment upwards! We have only known it to happen once and protective appeals are usually unavoidable because of the short time period available in which to appeal. A proactive, rather than reactive strategy, in which we undertake an Assessment Audit prior to the commencement of the appeal period, removes this risk. We undertake a complete review of the assessor's methodology and calculations. We then report back to you by letter detailing the errors, potential tax savings, recommended course of action, probability of success and associated cost. If an appeal is warranted, and you instruct us to proceed, we will carry the matter through the various stages i.e. (1) negotiation with the assessor, (2) Regional Assessment Appeal Court, (3) Municipal Board or equivalent, as required to reach a satisfactory resolution of the problem. As indicated earlier most appeals are settled by negotiation but if any additional stages are warranted the decision to proceed rests with you and we provide an estimate of the cost involved, the potential tax savings and the probability of achieving them so that you can make a balanced judgement whether or not to proceed. To avoid running afoul of the Barristers Act in Nova Scotia we do not charge for the time we spend in the Assessment Appeal Court actually cross examining the assessor ... however in the other provinces ... sorry guys but we have to eat.

But is it Justice?



We have made mention in previous Newsletters that some of the lawyers, seconded from the Nova Scotia Attorney General's Department to "assist" the assessor, panic whenever Tom or a member of his team appear in Assessment Appeal Court. In our opinion their motives are transparent. By attempting to insist that our clients appear personally, or retain a lawyer in addition to ourselves, they hope to escalate the cost of the appeal process to the point where it is uneconomic. We suppose that this is one way to "win" an appeal but we doubt that it is what was intended when the assessment appeal process was designed. The other Atlantic Provinces don't appear to think so ...

And is it catching?



The curious habits of Nova Scotia Attorney General Department lawyers at Assessment Appeal Court hearings cause us great concern. A panic attack, characterised by rapid eye and lip movement, and a propensity to squeak hysterically appears to be precipitated by the presence of professional tax consultants. We are naturally concerned that these curious mannerisms are symptomatic of a deeper ill. Is it contagious? Will Tom and his team develop similar tantrums? Will we be faced one morning with the sight of our property tax consultants cavorting in congo eel fashion through the office chanting the mantra "Turner Drake must be gagged, Turner Drake must be gagged". A chilling thought indeed ... the risks we take for money ... perhaps we'd be safer with Boots and Coots in the Gulf ...

CONSULTING DIVISION

Property Asset Management System (PAMS)



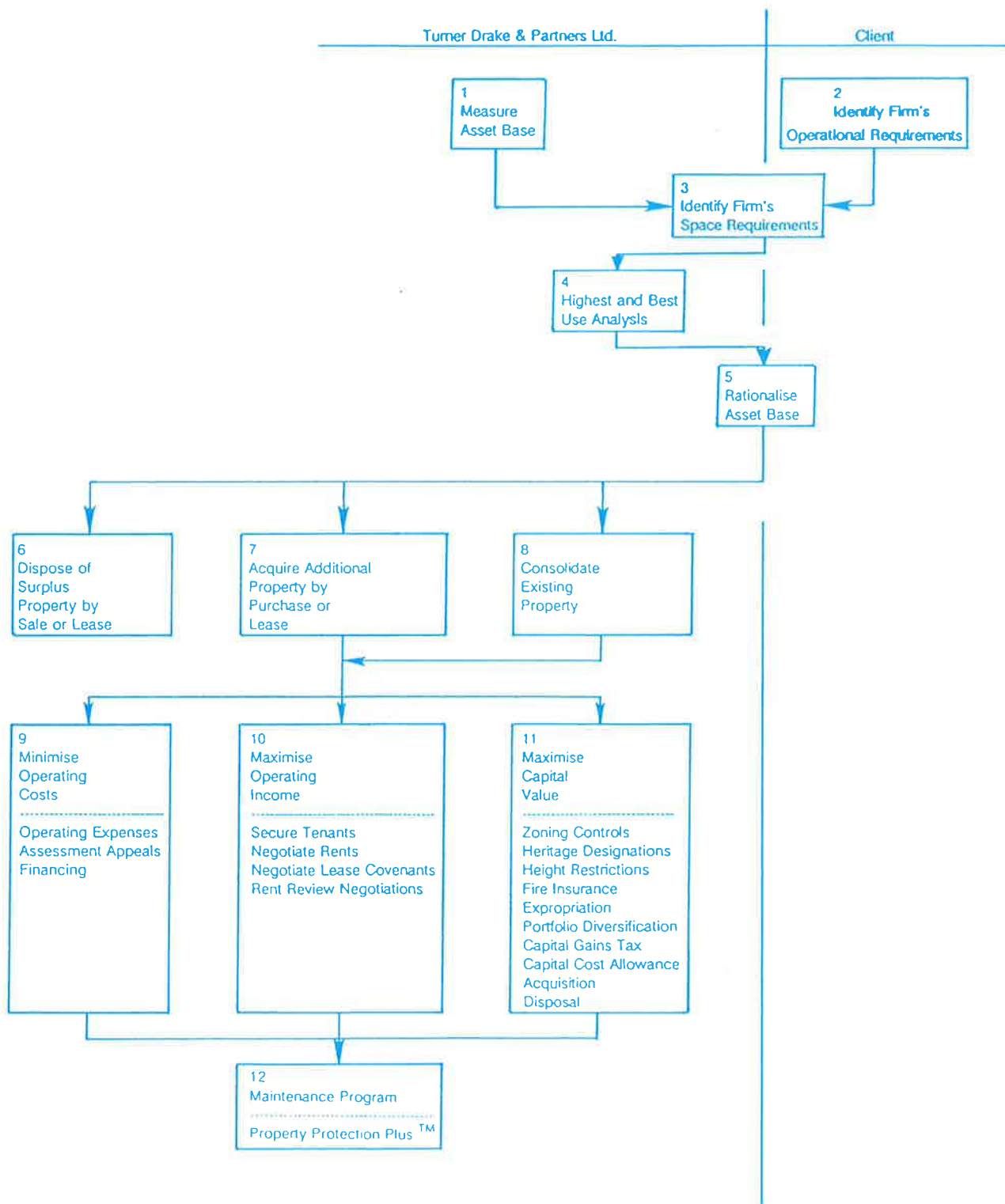
Obtaining a reduction in your property assessment may be the most obvious way to save money but often it just scratches the surface. Real estate is usually a firm's most valuable asset, yet it rarely receives the attention it deserves. Even if a firm only owns a single property, it can probably increase its "bottom line" by managing its asset more effectively.

Think about this for a moment! Property is very vulnerable. It burns easily; it can fall dramatically in value as a result of downzoning or other external influences; it gobbles up money if it is overassessed; and it can lock up capital that could be more profitably employed elsewhere. In fact, unless it is

managed with the same attention and skill as your other fiscal assets, it will not perform at maximum profitability: worse still it will surreptitiously drain your firm's "bottom line".

ESTABLISHING A PROPERTY ASSET MANAGEMENT SYSTEM (PAMS)

The flow chart illustrates the procedure to implement a Property Asset Management System:





Mike Turner has 28 years' experience as a real estate counsellor, broker and valuer. Our Investment Specialist, he utilizes state of the art computer models to manipulate and project cash flows and rates of return on shopping centres, hotels, office, apartment and industrial buildings. He holds a Master of Science degree in real estate from the University of Reading in the United Kingdom. He is currently enrolled in the Executive MBA program at Saint Mary's University in Halifax (this photograph pre-dates the course. He now has white hair, a nervous tick, no teeth, only one ear and in moments of mental aberration wears his glasses on the back of his head. Otherwise he still looks pretty well the same as his photograph. Did we mention his nervous stutter? No? Well why should we ... it's only a photograph dammit!).

Mike is a Fellow of the Royal Institution of Chartered Surveyors, the international body of the landed profession. In 1989 he was invited by his peers to join the ranks of the prestigious American Institute of Real Estate Counselors, becoming part of a select group of less than fifty Canadians to have received that honour. Generally speaking he is a pretty boring sort of guy but he does know a lot about real estate.



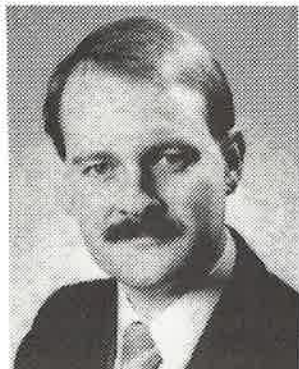
Lee Weatherby, has 15 years' experience as a real estate consultant and valuer. Lee is our Market Specialist. Since joining us 10 years' ago he has conducted numerous supply and demand studies for private corporations and the Federal Government.

Lee is a Professional Associate of the Royal Institution of Chartered Surveyors. A qualified valuer, he has advised corporate and government clients throughout the region on their portfolios of hotels, shopping centres, office buildings, industrial properties and resorts. Lee has been called as an expert witness before the Nova Scotia Regional Assessment Appeal Court, Expropriations Compensation Board, Municipal Board, County and Supreme Courts.



Rick Escott joined us 10 years' ago as a real estate consultant and valuer. Rick is our Specialist on Food Processing and Agricultural Properties. He has provided valuation and consulting advice to clients in the four Atlantic Provinces on juice processing, meat packing, fish and fertilizer plants, feed mills, poultry and hog operations, quarries, farms, woodlots and all manner of smelly agricultural and livestock operations.

Rick is a qualified valuer and holds a Bachelor of Environmental Studies degree from the University of Waterloo. He has appeared as a expert witness before the Nova Scotia Regional Assessment Appeal Court, Municipal Board, Expropriations Compensation Board and the New Brunswick Regional Assessment Review Board.



Bill Chappell joined us 6 years' ago as a real estate consultant and valuer. Bill is our Apartment Specialist. In this position he is able to advise clients on the impact of rent review legislation on the value of their property, to prepare cases for presentation to the Rent Review Commission, and to negotiate rental increases with the rent review officer.

Bill obtained his Bachelor of Business Administration and Bachelor of Education degrees (and his wife) from Mount St. Vincent University in Halifax. (He's also a doting dad of an almost brand new daughter).

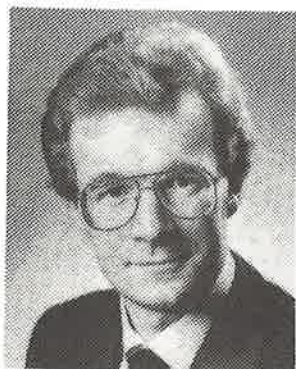
BROKERAGE DIVISION

Our sales and leasing personnel concentrate exclusively on investment, industrial and commercial property in the Halifax/Dartmouth Metropolitan Area and are available to assist firms who want to rationalize their asset base either by way of leasing, selling or acquisition. (In other areas of Atlantic Canada we can recommend suitable brokers and can, if you wish, work with them to ensure that your asset base is marketed to best advantage.)



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The following review pertains to the Halifax/Dartmouth area.

Leasing - A Tenant's Market

MAINLY FOR TENANTS

Leasing continues to be a buyer's market and has continued to soften over the past six months.

Office Space - In Halifax C.B.D. base rents are under considerable pressure and have fallen by \$1.00/ft.² in many buildings during the past 6 months. Space is available at asking rents of \$12.00/ft.² net absolute in Class A buildings > 10 years' old. Landlords continue to offer 6 months' free rent on 5 year leases and are willing to include free service rent for that period too in some of the new buildings that are still in the initial lease up stage.

Office Space - City of Lakes Industrial Park, Dartmouth promises to be the place to be in the 1990's. We believe that it will syphon off demand from the Halifax and Dartmouth C.B.D.s at an escalating rate during this decade. The prospect of free parking and easier access to the dormitory suburbs of Cole Harbour and Eastern Passage, as well as Dartmouth, will exacerbate this trend. The City of Dartmouth has recognized the inevitability of the trend and has relaxed the former height restriction on office buildings in the Park from three to five storeys. Asking rents in the new office buildings are in the \$16 to \$17.50/ft.² net absolute range.

Industrial Space - demand continues to soften and there has been some erosion in base rents over the past six months (by up to \$1.00/ft.² net absolute in some buildings in the Burnside Industrial Park).

If you are considering downsizing or expanding, our leasing specialists are available to assist you. 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 of course we assist you interpret the complexities of the leasing packages. Phone Tom Gerard (429-1811) for our explanatory brochure (in shocking pink to match this Spring's fashion colours).

Sales - A Buyer's Market

PROPERTY INVESTORS CLUB

Most sub-markets are very soft.

Industrials, in Burnside Industrial Park, Dartmouth, continue to generate interest but there are many tire kickers and few serious buyers. It is usual to show the same property to 30 potential purchasers over a six month period without generating a serious offer even though the property would have sold at close to its listing price had it been offered for sale 12 months' ago.

Commercial land on Halifax Peninsula with good traffic exposure enjoys fairly strong demand. We listed and sold one such property within a week recently and still have a number of serious purchasers seeking this type of property..

Distress properties are coming onto the market at an increasing rate. However, in our opinion the full impact of the recession is yet to be felt and many foreclosed properties have not been placed on the open market. In some cases mortgagees are attempting to sell them quietly or are holding them until they are "leased up", a euphemism we suspect for deferring the day of reckoning.

Institutional buyers, the prime source of demand in the \geq \$3.0 million range evince little interest in the Maritime Provinces at present, presumably because better opportunities are available in Ontario and in major urban centres in the West.

In summary, there are an increasing number of opportunities available for those with the courage to grasp them or, as we are wont to remark "there is a tide in the affairs of man, which if taken at the flood leads on to greater fortune". Verna Turner, our Wonder Woman (429-1811) can help those purchasers who are interested in riding this particular flood. Fortunes are made in real estate by people who are prescient enough to buy when the rest of the world is selling. The Reichmanns did it, so did Donald Trump...