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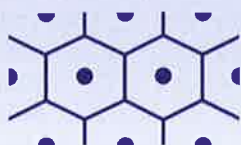
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UPDATE

This issue of Newsletter takes a peak at our new web site, www.turnerdrake.com. We spent three months researching and reviewing other sites, before we went to work. It is apparent that many sites are designed for the greater good of the enterprise ... we wanted to build a site for our clients instead. We hope we succeeded: let us know. "More with less" is the mantra of the 90's and most clients have focussed on cost reduction through such strategies as property and business occupancy tax appeals. Expect a big hit next year, but start preparing now. Our Property Tax Division tells you why and how. Our Valuation Division is good at hiding its light under a bushel ... whilst quietly tackling some world scale projects. We lift the curtain on their activities in this issue. "Can I rely on it?" This is a question we are asked with increasing frequency by property owners presented with appraisals that support "offers to purchase" from government departments. They are no longer alone: those same governments departments are also raising the same question. We have created some preliminary screening rules you can utilise next time you are faced with the problem. Read them in our article on "Forensic Appraising". In this issue, we conclude our article on Real Estate Investment Trusts and identify some trends for Reits in Canada. Negotiation; we start when we are born and continue until we die (and perhaps beyond). Our Brokerage Division has elevated it to an art: we share some of their secrets with you in "The Art of the Deal".

NEWS

World Wide Web; Accurate, Accessible, Helpful, Topical ...



Not the words perhaps that readily spring to mind as you browse the Internet ... "Swimming through molasses" is a more accurate description than "surfing the net". That said, we are heavy users and enthusiastic proponents of the Internet. In fact, given the wide geographic area we serve, it is difficult now to imagine working without it. Call us about a highway widening in Grand Falls and we'll pull up your property records and site plan to assess the situation, whilst we discuss it over the phone with you. Task us with identifying potential uses for a two storey cold war bunker in Debert and we'll zip around the world to view similar facilities and their uses. The Internet contains a motherlode of

information ... but extracting it is akin to mining gold ... you have to move a tonne of muck to get a gramme.

We launched our new web site www.turnerdrake.com on April 1st (the date is not significant). The web site is high on content and low on graphics; it's designed to deliver information ... lots of it ... in a timely manner. You don't have to troll through a morass of brochureware for that nugget of useful information, we've built a site that is easy to navigate. We've even provided a search engine for those impatient souls who prefer to cut to the quick.

If you are a lawyer with clients effected by the Trans-Canada Highway widening or the Sable Gas pipeline, we track the latest expropriation case law for you.

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If you own or occupy property in our service area, i.e. the Atlantic Provinces and Ontario, you may wish to check on your right of appeal and the relevant case law. Since most property tax case law is not reported, our web site provides you with a unique source.

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Check out our News and Research section for articles that have appeared in past issues of Newsletter on Reits, Contaminated Properties, the PEI Fixed Link, Baby Boomers and more.

Our web site also includes all of the properties we have for sale and lease, posted on the day they are listed. It also has links to New America International (NAI) our global partner. NAI now has offices in 28 countries in North, Central and South America, Europe and Asia. NAI is a real estate leader in electronic commerce with impressive Internet and Intranet sites.

We've packed so much information onto our site, we anticipate most visitors will wish to print out the topic of their choice, rather than read it on the screen.

Check us out, we're a good looking bunch, modest too ... www.turnerdrake.com. Get in touch!

VALUATION DIVISION

We Value Canada



We are rather proud of our valuation staff: they are "thinkers", equally at home donning their work boots and hard hats in Saint John or St. John's, Toronto or Trepassy. They understand the difference between job shops and machine paced assembly lines, batch flows and continuous flows ... and they ask questions. Does the present building design facilitate or impede production? Does the site configuration assist or constrain materials handling and truck loading? Is there a pool of skilled labour available locally? If not, who bears the cost of training and education; the Province or the employer? Where are the markets for the products? How do

they get there? How are changes in technology impacting on the production process?

It is this ceaseless quest for information that makes them invaluable expert witnesses in real estate cases. It has also equipped them to tackle some world scale industrial projects: pulp mills, heavy water plants, smelters, aerospace facilities, shipyards, fertiliser plants, container piers, tank farms, marine terminals, grain elevators, carpet mills, molasses processing, steel fabrication ... as well as the apartment building down the street.

Our Valuation Division is staffed with seasoned veterans ... and some less grizzled younger folk. We've now been involved in property valuation on both of Canada's coasts and many places in between. We're fanatical (well some of us, the rest are merely enthusiastic) about education and training. All of our trainees round out their commerce degrees with the University of British Columbia's Urban Land Economics programme and then proceed through to the American Appraisal Institute's MAI designation, the continent's highest appraisal qualification.

Take a look at some of the projects we have appraised on our web site www.turnerdrake.com.

FORENSIC APPRAISING

"It's now reached the point that if you buy a toaster you get a free Savings and Loan."

Lloyd Bentsen, United States Senate Finance Committee Chairman, on the Savings and Loan fiasco.

In most instances, the principal objective for commissioning an appraisal is to persuade one party to agree to a transaction, they would not otherwise contemplate. For example, government departments commission appraisals to persuade property owners to part with their property in exchange for monetary compensation, the quantum of which is calculated by an appraisal. In the case of financing, the mortgage commissions

an appraisal to persuade the bank to advance him a loan. In most cases, the appraisal is commissioned and paid for by the party who stands to "benefit" from the transaction. This poses an obvious conflict of interest and is illegal in countries such as the United States; but is common practice in Canada. This is a zero sum game ... each of the two parties to the transaction have opposing interests, if one party gains, the other loses ... Given that the appraiser is usually appointed by one party and is only paid after that party has read and approved his appraisal, what safeguards exist to ensure that the appraisal is valid and reliable? The short answer is "none" (the long answer is "none" too). The United States and the United Kingdom both have strong professional bodies and membership is prima facie evidence of adequate education and training. Since continued membership has economic advantages from a livelihood standpoint there is also an economic advantage in maintaining the standards promulgated by the professional body. No professional association of similar stature to the American Appraisal Institute or the British Royal Institution of Chartered Surveyors exists yet in Canada, though there are very competent and reliable appraisers who do not belong to either of these two bodies. Since there is no easy way to identify the validity and reliability of an appraisal report by the author's professional designation, you have to exercise your own due diligence. Fortunately there is an objective standard, USPAP against which every appraisal report can be measured.

USPAP

The Uniform Standards of Professional Appraisal Practice (USPAP) originated in the United States in 1989 as a response to their Savings and Loan debacle. It was eventually adopted in Canada in 1994 and is now accepted by every appraisal organisation here. The courts now rely on it ("*S-Marque Inc. and Richard Homburg et al*", S.H. 113589 - Supreme Court of Nova Scotia 1999). Our Valuation Division now receives several requests a month from anxious clients wanting to know whether they can rely upon the appraisal tabled

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by their opposite party. Initially these requests originated with property owners who were presented with appraisals by various government departments, eg. New Brunswick Department of Transportation or private bodies such as the Maritimes and North East Pipeline. Lately however we have received requests from municipalities and private companies who question the validity and reliability of appraisals they themselves commissioned! There are some screening tools you can utilise to determine whether an appraisal is worth serious scrutiny.

Screening Tools

USPAP's greatest contributions are the transparency and accountability it has brought to the appraisal marketplace. USPAP governs both the reporting and process standards, so you can carry out your own check, without engaging professional assistance, to determine if the report clears the first hurdles. Better still, most of these hurdles are contained in just three places: the Letter of Transmittal, the Certification and the Limiting Conditions. *If the report fails to clear any one of the following reporting hurdles (identified by the bolded boxes), you should reject it outright; no further investigation is necessary:*

Does the Certification include the following statements?

"My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice."

Yes No

"The statements of fact contained in this report are true and correct."

Yes No

"My engagement in this assignment was not contingent upon developing or reporting predetermined results."

Yes No

"I have made a personal inspection of the property that is the subject of this report."

Yes No

Is the Certification signed by the individual taking responsibility for the report?

Yes No

Does the Letter of Transmittal (or any other section of the report):

Identify you as one of the intended users of the report?

Yes No

Identify the report as a "Limited" or "Restricted Use" Appraisal Report?

Yes No

Do the Limiting Conditions contain any restriction limiting the use of the report:

Solely to the body or person for whom the report was prepared, i.e. are you excluded?

Yes No

To a particular purpose, eg. negotiation purposes?

Yes No

To exclude possible compensation items such as Injurious Affection, Disturbance, Special Economic Advantage, Severance, etc.

Yes No

To non-judicial, i.e. court, purposes?

Yes No

Do the Limiting Conditions include any of the following (or similar) clauses?

"This Appraisal Report is the opinion of the appraiser only and under no circumstances whatsoever shall the Appraiser personally be held liable for any loss or damage that may occur to any person or persons by reason of their reliance upon this Appraisal Report."

Yes No

"No investigation has been made with the local zoning office, fire department, building inspector, health department or any other government regulatory agency."

Yes No

"This report includes departure from the Uniform Standards of Professional Appraisal Practice."

Yes No

"This appraisal is not to be regarded as a self-contained appraisal report: certain specific aspects might require more thorough analysis and investigation."

Yes No

Does the appraisal report specify its intended use and does that intended use describe the purpose for which you wish to utilise the report? (For example, a report prepared for possible expropriation purposes should include a statement to that effect, rather than "negotiation", "sale" or "market value" purposes).

Yes No

Does the appraisal report include an analysis of any current Agreement of Sale, option or listing of the property and all prior sales that have occurred within the past three years (one year for fourplex or smaller residential properties)?

Yes No

If you checked any bolded box, you should reject the appraisal report. If it cleared these hurdles but you still have questions about the report, we will be glad to undertake an Appraisal Review.

Visit our Valuation Division at www.turnerdrake.com for more information about our valuation and appraisal services.

**PROPERTY TAX DIVISION
Taxing Times Ahead!**



Edinburg Drive, Moncton, N.B.
(\$29,000 – 20% in tax savings)

The appeal periods have just closed in New Brunswick (1st April), Nova Scotia (2nd February), Ontario (31st March), and will do so shortly in Prince Edward Island (14th June). Our tax teams are busy negotiating reductions in assessments in all four provinces. Apart

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from Ontario, which took a big hit last year, we have not witnessed major increases in assessment. That is about to change however.

The Province of Nova Scotia will pre-publish its millennium tax roll in June. We understand that the base date they are using for the year 2000 assessments, is the 1st January 1998. Expect major increases in the assessments of office buildings, shopping centres and other multi-tenant income producing property. Burnside, the Province's largest industrial park will also see substantial increases in assessment. We expect to negotiate assessment reductions with the Provincial Assessment Department commencing with the pre-publishing of the assessment roll next month. We have done so successfully now for the past three years. In the interim we are clearing up outstanding appeals for 1999.

There were no major surprises in New Brunswick this year although we do have some major appeals underway. Mr. L. Garvie, Q.C., the Chairman of the Assessment Review Board retired this year, leaving a vacuum which has yet to be filled. Mr. Garvie was a very fair chairman (occasionally wrong of course, but nobody's perfect) and we wish him well in his retirement.

Prince Edward Island produced no surprises for the 1999 assessment year. We believe that the Assessment Department is keeping its powder dry for next year, when we expect large increases in the assessments of commercial properties.

Ontario is ... well Ontario. 1998 was a case study in how not to introduce a re-assessment. For the moment however, tax increases have been muted by the "cap" introduced by municipalities such as GTA. Expect the excitement to start again when the tax caps are removed in 2001. It is well to be prepared. Many property owners have been lulled into inaction because of the tax increase ceiling ... but all good things come to an end. The Ontario assessors are so inundated with appeals that it is still difficult to get their attention ... but our tax teams are plugging away.

If you would like to discuss your tax situation, please call Tom Mills or Giselle Kakamousias (1-800-567-3033). For background information on property taxes, visit our web site at www.turnerdrake.com.

ANNOUNCEMENT

Tom Mills, Vice President Property Tax Division, Turner Drake & Partners Ltd. is pleased to announce that Ms. Giselle (Wall) Kakamousias has been appointed as Manager.



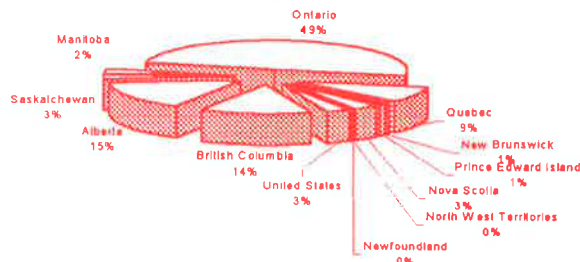
Giselle P. (Wall) Kakamousias
B.Comm., Dip. Urban Land Economics, AACI

Giselle currently holds a Bachelor of Commerce degree with a major in accounting from Dalhousie University, a Diploma in Urban Land Economics (first Class Standing) from the University of British Columbia, and an Accredited Appraiser (AACI) designation from the Appraisal Institute of Canada. She is currently pursuing studies for the prestigious Appraisal Institute (of North America) MAI designation.

RESEARCH

Reits (Continued) ... Overweight in Ontario

DISTRIBUTION OF CANADIAN REIT ASSETS AT DEC. 31, 1997



Source: Turner Drake & Partners Field Survey, September 1998.

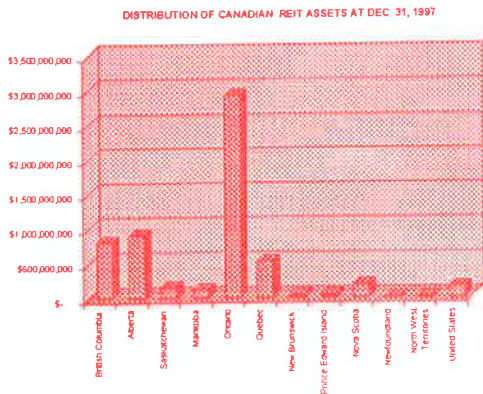
The pie chart shows the distribution of Reit assets at 31st December 1997, but also includes Cominar Reit which officially did not commence operations until 31st March 1998. The investment policy of the Reits, taken as a whole reflects the usual ethnocentric bias of the head offices, most of which are located in Ontario. They are not well poised yet to benefit from the oil and gas activities in Atlantic Canada though many Reits

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notably Avista, H & R, CAP, CPL and Royal Host turned their attention to the region in 1998. (RioCan, CREIT, Summit, Avista, Realfund, Royal Host, CHIP, already had some investments here).

Nonetheless Reit investments in Ontario dwarf those elsewhere: almost \$3 billion had been invested there by 31st December 1997:



Source: Turner Drake & Partners Ltd. Field Survey, September 1998.

It's the Right Reit Time in the Maritimes

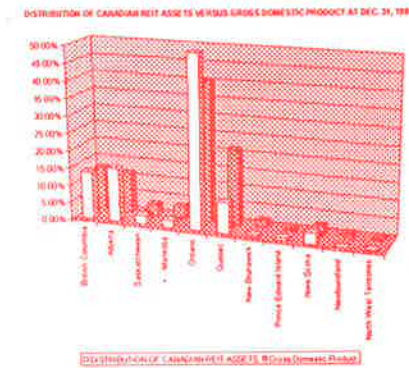
The 1990 property collapse coincided with overbuilt markets and soured many pension funds on the region. The recession took its toll too on the property companies and they too retreated or collapsed under the weight of their debt. The resultant void presents enormous buying opportunities, the like of which we have not witnessed during the past thirty years. The Maritimes are now stitched together with a new highway network which, when it is completed this year, coalesces the three provinces into a single market most of which can be easily reached by automobile in a morning. Moncton, N.B. is now just 2½ hours drive from Halifax; Charlottetown, P.E.I., 3 hours (thanks to the Confederation Bridge opening, last year). Fredericton, N.B. to Halifax, N.S. travel time will be less than 4 hours when the highway twinning is completed this year. Five years ago these centres would have been the best part of a day's driving time apart. For those nurtured on the Internet, distance is measured in terms of accessibility; time not kilometres is the defining medium ... today only old people (those over the age of thirty) place any significance on provincial boundaries. Young Halifax consumers now think nothing of jumping in a car for an afternoon at the Magic Mountain water park in Moncton, or Cavendish Beach, P.E.I. ... and vice versa. Property investment companies and pension funds have been slow to recognise this new reality, most after all are run by ... well, people past the age of thirty ... some by people well past thirty! The Reits however have started to move into this vacuum. CREIT, which has

been here longer than most in its former life as MD Realty, records its 1997 return on book values as follows:

Region	Return on Book Value
Quebec	9.1%
British Columbia	9.4%
Alberta & Prairies	10.1%
Ontario	10.5%
Maritimes	11.7%

Source: CREIT 1997 Annual Report.

Given that the Maritimes should start to reap the benefit of the offshore oil and gas industry over the next two years, including the onshore impact of Sable gas, whilst producing superior returns, one would expect increased interest by property investors here. Certainly the Reits still have some way to go:



Source: Turner Drake & Partners Ltd. Field Survey, September 1998.

Reits versus Real Estate

As the Hamilton Heinkel study discovered, the value of Reit shares are quite highly correlated with stocks (Newsletter Vol. 2 No. 61), rather than changes in the value of the underlying real estate asset base each Reit owns ... a unhappy circumstance amply demonstrated by recent events. Since the stock market rises and falls with U.S. President Clinton's er ... libido, Reits do not afford investors the same opportunity for diversifying away non-systematic risk as real estate in the raw. However for those long term investors who like the thought of participating in the real estate recovery, but place a premium on liquidity, Reits do provide one vehicle for doing so. On the other hand investors, or groups of investors, who prefer to trade off liquidity for higher returns should consider the more direct route. It is again possible to obtain mortgage financing for 65% of the property value without including your first born as collateral. If you are able to raise the remainder, there are opportunities available still in Atlantic Canada, to acquire property at prices which will yield upwards of 12% in the first year, on your equity investment. A tempting prospect in these days

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of increasing economic uncertainty. Most of those opportunities are located in Nova Scotia's capital city ... and so, by happy coincidence, are we. If you would like to explore them, please give Bill Frank or Verna Turner a call at 1-800-567-3033.

This article is available in its entirety on our web site www.turnerdrake.com.

Future Trends

Since researching Reits in September 1998 further developments have occurred which will go a little way towards aligning the industry with its American counterpart (a similarly named but different animal!). The Canadian Reits are too small to survive alone and the industry will consolidate. The necessity to do so was first identified by Professor James McKeller, Director of the Program in Real Property, York University, Toronto in a paper he presented to the Canadian Real Estate Association's National Commercial Council in September 1998. On the 5th May 1999 RioCan, Canada's largest Reit, took over RealFund Reit, the country's fifth largest Reit, to create an entity with more than 125 community shopping centres, \$2 billion in assets and a market capitalisation of more than \$1 billion. In a similar move, Acktion Corp. sold the shopping centre assets held by its subsidiary Devan Properties Ltd. to Morguard Reit in a \$137 million deal. Devan Properties Ltd. owns the South Centre Mall in Halifax, N.S., its only asset in Atlantic Canada. Acktion Corp. thereby increased its equity stake in Morguard Reit from 19.9% to 48%. Morguard Reit's assets nearly doubled to \$800 million and now consist of 78 retail, office and industrial properties.

External management is frowned upon in the United States, but is still prevalent in Canada. It creates a potential conflict of interest because the external manager receives a substantial fee for acquiring and disposing of the Reit's assets, in addition to its management fee. Professor McKellar suggested that Canadian Reits should follow the American example and bring management "in house". This is now

occurring, most recently in May 1999 when CREIT and Morguard Reit acquired their managers.

BROKERAGE DIVISION

The Art of the Deal

"Tough times don't last," Robert Schuller once said, "but tough people do". Trump, Donald, "Trump, The Art of Survival" New York: Warner Books, August 1991 ...

... And that is probably a sentiment echoed by many a landlord since the market meltdown of 1990. However the shoe is now on the other foot. Office vacancy has fallen from 12% to 8% in the Halifax C.B.D., and net absolute rents have risen by 40% over the past twelve months. Industrial vacancy in Burnside Park has fallen to 8% from 14% over the same period, while rents have risen by 31%. Market values have started to climb again. Ipso facto, tenants and purchasers are the parties who most need professional help now.

Purchaser/Tenant representation has taken a long time to reach Atlantic Canada. We first started offering it in 1978, taking our lead from Knowlton Realty (now Avison Young) in Calgary. However it was only after its adoption as standard operating practice by the Halifax-Dartmouth Real Estate Board a couple of years ago, that it entered the mainstream here. Purchaser/Tenant Representation's elevation to legitimacy is long overdue: it has been common practice in Europe for many decades, and in the rest of North America for ten to twenty years, because it facilitates consummation of the transaction. Negotiation between parties who are skilled in the art almost always produces a more satisfactory result. Negotiation is an acquired skill and we use the Harvard Negotiation Project's "Getting to Yes" program to teach our professionals. Most have had the benefit of instruction from Saint Mary's University Dr. Terry Wagar. (If you are interested in negotiation, we recommend Dr. Wagar's Industrial Relations course).

Bill Frank, the Vice President of our

Brokerage Division is a skilled and talented negotiator and has pulled many chestnuts from the fire since joining us. Bill's philosophy is simple, "we help set the stage for meaningful negotiations, we don't assume, we help the client decide and then arrive. We ensure the process is measurable and manageable. Negotiation is based on four golden rules. The first rule, "Separating the People from the Problem", is facilitated by using our services. Because we are a third party in the transaction, we are able to stand aside from the personal enmity that often bedevils reaching an agreement based on the merits of the opposing positions of the two parties. Since we have no vested interest in "saving face" we can concentrate on the second golden rule, "Focus on Interests, Not Positions". We can be detached, knowing when to be soft and when to be hard, because we have no axe to grind. Often our influence is the catalyst necessary to get the two parties to the table to negotiate. Without our influence, it may never happen. Once we have been successful in opening negotiations, tactical flexibility is a must, to overcome barriers. This is the third golden rule, "Invent Options for Mutual Gain" and to employ it to greatest effect we use our process expertise. We understand the elements of negotiation; the interests, alternatives, options, legitimacy, commitments, relationships and communication. And of course we are uniquely placed to employ the fourth gold rule, "Use Objective Criteria" because we have access to so much real estate knowledge through our on-line databases, though we are always very careful to respect client confidentiality ... that is one non-negotiable issue.

It's always tough, particularly in this business climate. But we now have a proven track record of negotiating deals that some said weren't doable. We're ready for more challenges."

If you would like put Bill and his team to work for you, give us a call at 1-800-567-3033. For more information on our brokerage services visit our web site at www.turnerdrake.com.
