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YES! ISO 9001 REGISTRATION

On 4th January 2000, the Quality Management Institute (QMI), a subsidiary of the Canadian Standards Association completed their audit of our quality system, found it met the ISO 9001 standard, and recommended us for registration with the Standards Council of Canada.

It was a bit of an anti-climax ... a celestial choir would have been nice, even a drum roll ... we settled for a couple of candies instead. Our then secretary, cum bookkeeper, cum office manager, laid the ground work for our present quality system fifteen years ago. Since then it has grown into eleven volumes written by our field staff, and it is continuously improved ... so we have good "buy in" and a corporate culture that enthusiastically embraces quality as everyday practice. However, it lacked an auditing function, clear accountability and a formal management review process: that is what ISO 9001 brought to the table. All told we invested 818 person hours and just over \$100,000 in external and internal costs to train our staff and bring our present quality system up to ISO 9001 ... masochists all, we thought it a neat way to greet the new millennium; and almost as much fun as the Polar Bear swim. More useful too, in a world where business increasingly demands more value for money. And that's what ISO 9001 delivers. Based on our own experience with suppliers, we estimate the cost to us of monitoring **their** quality adds 10% to 50% to the cost of the goods and services we purchase, in terms of our own time checking, returning sub-standard products, discussing the problem, and processing the paperwork. True it's a hidden cost, unless like us you measure employees' time; but it is very real for every business ... and it is a cost that can be virtually eliminated when the supplier has implemented ISO 9000.

The International Organisation for Standardisation (ISO), headquartered in Geneva, Switzerland, is a worldwide federation of national standards bodies from some 130 countries, one from each country. The Standards

Council of Canada (SCC) represents them here. According to the Globus Registry 195 firms in Atlantic Canada are registered to the ISO 9001 and ISO 9002 standards including such industry leaders as IMP Group Limited, Jacques Whitford, Michelin North America (Canada) Inc. We appear to be the first, and only real estate company (celestial choir and drum roll please. Thank you).

PROPERTY TAX DIVISION

Nova Scotia – Tax Trajectory Terminal!

According to Statistics Canada, the average Canadian household disposable income in 1999 was no higher than in 1989. Taxes continue to consume an ever increasing portion of individual and corporate wealth. Last year the incoming Nova Scotia government announced that the outgoing government's "balanced budget" was really a deficit of \$479 million. "Equalisation" of salaries in two amalgamated Regional Municipalities (Halifax and Cape Breton) produced salary increases of up to 25% ... and yielded no overall cost savings. Despite the fact that the Provincial assessments have increased again this year (by up to 37% in some cases) the largest urban area, the Halifax Regional Municipality has already signalled that it is not willing to reduce the tax rate. Regardless of the increasing assessments, many municipal commercial tax rates continue to rise. Some of the more extreme examples of tax rate increases over the 1996 to 1999 period include (but are not limited to) the following:

Dartmouth	+ 7.7%	Bedford	+ 25.4%
Oxford	+ 18.8%	Clarks Harbour	+ 28.2%
Lockport	+ 19.7%	Halifax (County)	+ 28.3%

In many jurisdictions, owner occupiers of commercial premises now donate the entire market value of their property to the municipality every 16.5 years, in real estate and business occupancy taxes.

It pays to be pro-active. Each year our Property Tax Division saves our clients in the four Atlantic Provinces and Ontario, millions of dollars ... capital that is released for productive use in the economy to create profit, wealth and jobs. They have been so effective, two provinces,

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Nova Scotia and New Brunswick, have reduced their appeal periods in an attempt to discourage appeals ...



Main Street, Dartmouth, N.S.
(\$26,000 – 47% in Tax Savings)

In 1998, the Provincial Assessment Department again attempted to discourage property owners from challenging incorrect assessments by persuading the Legislature to restrict the appeal period to 21 days: tacit acknowledgement of the effectiveness of our Property Tax Division. (New Brunswick followed suit the next year: see "Terminal Taxes Terminated" in this issue of Newsletter). This appeal period starts when the assessment notice is mailed ... not when you receive it. The Year 2000 Assessment Notices were dated 10th January 2000 and mailed that same day. The appeal period therefore ended on the 31st January 2000. There are some limited provisions for filing late appeals and a provision to extend the appeal period by 10 days for non-residents. However we have found that some clients did not receive their assessment notices at all this year due, we understand, to a mix up between Canada Post and the Province. If your mailing address has changed within the last two or three years you may find that the Province erroneously sent your assessment notice to your former address. If they did so, they will reschedule your 21 day appeal period.

All properties are re-assessed each year at their market value as of a specified base date. The Year 2000 assessments utilise a 1st January 1998 base date. The Assessment Act also provides that properties must be "uniformly assessed". Assessors often rate properties below their market value and then rely on the "market value" provision in the Act to

block appeals. The uniformity provision is designed to stymie this tactic and court decisions have recognised the significance of the "uniformity" clause.

For some straight talk on how (and if) we can assist you reduce your tax burden call Tom Mills (Vice President Property Tax Division), André Pouliot or Mike Turner, toll free at 1-800-567-3033 (429-1811 in Greater Halifax).

New Brunswick – Terminal Taxes Terminated!



Saint John, N.B.
(\$151,000 – 47% in Tax Savings)

The Year 2000 assessment notices will be mailed on the 1st March. Commencing in 1999, the appeal period was halved to 30 days to discourage property owners from challenging incorrect assessments. There are no provisions for accepting late appeals. All properties are re-assessed each year at their market value as of the 1st January i.e. the Year 2000 base date is the 1st January 2000. The initial appeal (referral) is directed to the assessor who originally rated the property. Whilst this may appear somewhat bizarre, the system works quite well because the Provincial Assessment Department, a.k.a. Service New Brunswick, has a largely competent staff. Most are sufficiently professional to acknowledge that mass appraisal is an imperfect method of appraising property and we have generally been able to negotiate reductions in assessments without resort to the next appeal level (the New Brunswick Assessment Review Board), whenever the property is overassessed. It is necessary however to put forward a well documented and supported case.

Giselle Kakamousias (Manager, Property

Tax Division) will be returning from maternity leave on 1st March to spearhead our tax reduction efforts in the province. She will be assisted by Tom Mills and André Pouliot. All can be reached toll free at 1-800-567-3033.

ATLANTIC CANADA REAL ESTATE MARKETS

On The Cusp of A Boom?

"Atlantic Canada is on the threshold of great prosperity. Never before have we seen this amount of investment in energy projects earmarked for the region, not to mention the opportunities that the wired world offers."

Hector Jacques, CEO & Chairman, Jacques Whitford Group, quoted in Atlantic Progress Magazine, January/February 2000 issue.

The Jacques Whitford Group, headquartered in Dartmouth, Nova Scotia has grown from a single office in 1972 to a workforce of 700 spread over 18 offices in Canada and 5 locations in the United States. The company also has joint venture partners in St. John's, Newfoundland; Moscow, Russia; Port of Spain, Trinidad; Southampton, U.K.; and Buenos Aires, Argentina. In an article entitled "Enemy of the People. The biggest hindrance to a healthy and productive society is excessive government", Mr. Jacques lays out the pre-requisite for a boom in Atlantic Canada: the reduction of government involvement (the region has almost three times as many civil servants as Alberta, a province with only 25% more population and double the Gross Domestic Product). Advocating a proactive programme of privatisation Mr. Jacques argues that "governments should focus on what is intrinsic to them – namely, law and order, health, education and social services. In all other areas they should ask themselves two critical questions: 'Can the private sector do this better?' If the answer to that is 'Yes', then government shouldn't get involved. For the second question in all areas, governments should ask themselves 'Will this action lead to

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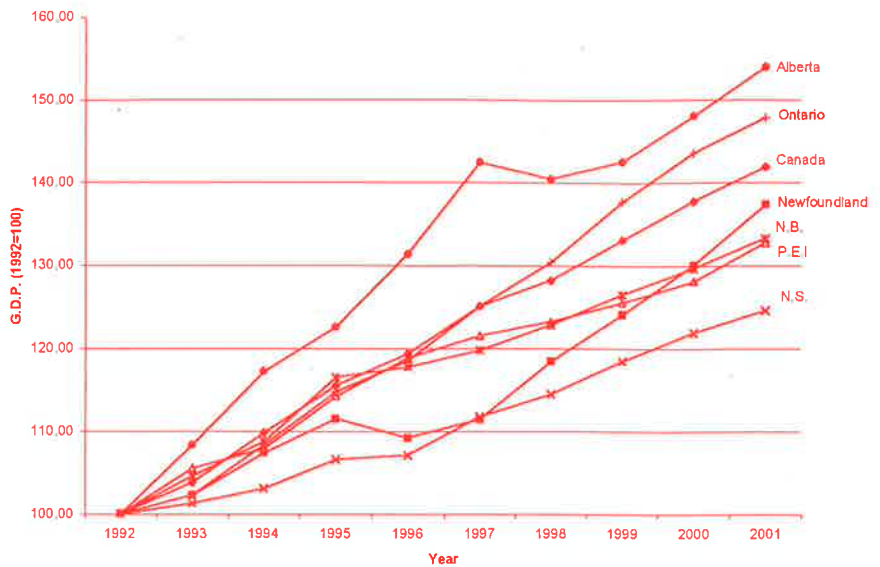
improved competitiveness?' If the answer to that is 'No', then do not do it."

How likely is it that the Atlantic Region will emulate Alberta and liberate the private sector from the yoke of government? The dynamics of economic success are well known: flexible labour markets, the elimination of barriers to competition, strong entrepreneurship and a dynamic, liberal financial sector. In a rapidly changing world, where time is measured in Internet years, the ability to turn on a dime is essential to survive even, let alone prosper. The ponderous perambulations of government bureaucracy are as attuned to this world, as the elephant is to the foxtrot. Yet it is this freedom that has allowed the private sector in countries such as the United States to seize the moment and create enormous wealth. Yet privatization is occurring only slowly in Atlantic Canada: job preservation by politicians and the civil service is paramount. However change is occurring, partly because of the Federal Government's programme of privatisation; partly because the municipalities and provinces have no option, they have run out of cash; and because its benefit as the creator of wealth can no longer be ignored. The speed of change will depend on the tolerance of taxpayers: they are gradually losing patience. However there is no evidence yet of a determined effort to reduce the role of government in the region's economy: rather it proceeds in fits and starts and is almost always a response to some financial crisis. It is re-active, rather than pro-active. The boom, for the moment, remains on 'hold'.

Economic Activity in Atlantic Canada

We have plotted the Gross Domestic Product (GDP) for Canada, Ontario, Alberta and each Atlantic Canada province using 1992 as base 100. Statistics Canada provided the raw data for the years 1992 through 1998. The Atlantic Provinces Economic Council (APEC) supplied the 1999 and 2000 estimates for the four Atlantic Provinces. The other estimates were prepared by the

GROWTH IN GROSS DOMESTIC PRODUCT



Source: Statistics Canada, APEC, TD Bank; January 2000.

Toronto Dominion Bank.

Newfoundland buoyed by offshore oil is expected to be the leader in the Atlantic region with a growth rate which will also exceed Canada, Alberta and Ontario in the post 1998 period. The other three provinces are expected to perform equally, though below that for the country as a whole. Nova Scotia has been the slowest to recover from the recession: it still labours under an enormous government debt load incurred during the 1980s ... and it faces the problem of Sydney Steel, a crown corporation with what is probably the worst environmental problem (the Tar Ponds) on the continent.

Property Markets: Cautiously Optimistic

Like Banquo's ghost at the feast the 1990 recession continues to cast a shadow over the property markets, particularly those in Nova Scotia. Were it not for its lingering presence, all property markets especially those in the region's capital Halifax, would have surged ahead. But liquidity is lacking. The Trust Companies have gone, the Banks have religion and the Life Companies, shareholders. These, the chief financiers of real estate during the 1970s and 1980s, have gone "cold

turkey". Virtually the only commercial mortgages that still find favour are apartment properties, especially the CMHC insured variety. The Royal Bank and the Toronto Dominion Bank (and now its new bride, Canada Trust) are actively reducing their mortgage portfolios; Scotia Bank and Standard Life are no longer interested in commercial mortgages. The Bank of Montreal however still insists that it is in the mortgage business: the Business Development Bank of Canada (BDC) and some Credit Unions will finance loans under \$1 million. The Real Estate Investment Trust (REITS) have brought some much needed liquidity to the market for larger properties but they have their own problems: like the major property companies they lack the sex appeal of IT stocks and trade at a substantial discount to their "break-up value".

We have reviewed the various property markets to determine the degree of their post recession recovery. Some of the key market indicators are shown in the table on the following page.

It has taken ten years but, as the data indicates, most markets have recovered the value they shed in 1990. We anticipate that the laggards, most notably the office buildings in the

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Property Type	Location	Price Fall (% of 1989 Value)	Year Values Started to Recover	Present Value (% of 1989 Value)	Current Value
Hotels/ Motels	New Brunswick	50%	1995	100%	Increasing
	Newfoundland	50%	1995	100%	Increasing
	Nova Scotia	50%	1995	100%	Increasing
	Prince Edward Island	50%	1995	100%	Increasing
Apartments	Nova Scotia:				
	Halifax				
	- Peninsula	5% to 10%	1997	100%	Increasing
	- Fairview	25%	1997	100%	Increasing
	Dartmouth				
	- Highfield Park	50%	1997	90%	Increasing
Industrial	Sackville	30%-50%	1998	90%	Increasing
	Nova Scotia:				
	Dartmouth				
	- Burnside	25% to 75%	1997/1998	55% to 100%	Increasing
Offices	Nova Scotia:				
	Halifax C.B.D.	55%	1998	75%	Increasing

Halifax Central Business District will have recovered all of their lost value within the next 24 to 48 months. (Rental levels should be back to their 1989 peak in 12 to 24 months, but there will be a lag because of unexpired leases at sub-1989 rental levels). Thereafter values should continue to increase, so long as the G.D.P. grows, because little new supply will come on stream. There is substantially less risk today investing in real estate because new supply of most product, other than apartments, is likely to be more severely constrained than in the 1980s. This is a good time to own real estate.

Halifax is a beneficiary of the offshore oil and gas activity and more firms connected with it will move into the C.B.D. this year. Sable gas started to flow via the pipeline to New England, through Nova Scotia and New Brunswick, in December 1999. Sempra Atlantic Gas Inc. has local distribution rights in the province and they hope to start supplying industry and homes in the region's capital city by the end of 2003. They will start construction of their distribution network in the Burnside-Sackville area in July 2000.

LASERCAD™ DEPARTMENT

Egg Head

We are pleased to announce that John Matheson has successfully completed the University of British Columbia's four year programme and has been awarded a Diploma in Urban Land Economics.

We switched to the U.B.C.'s Diploma in Urban Land Economics courses six years ago as part of our mandatory education programme in real estate because



John Matheson, B.B.A., Eg. Hd.
Dip. Urban Land Economics

we wanted something much more challenging and broadly based than the courses offered elsewhere. John is the second person to complete the Diploma programme and we congratulate him on an outstanding effort ... and U.B.C. on an excellent programme.

An Ounce of Prevention ...

Many of you will recognise John as the Manager of our Lasercad™ space measurement service. Most tenants, and some landlords, are still unaware that there are Standard Methods of Measurement applicable to office, retail and industrial space. Lasercad™ provides landlords with an independently verified Space Certificate which they can utilise as part of the lease. It is an excellent way to establish a sound landlord/tenant relationship at the outset and is helpful in preventing disputes in the future. *It is therefore a prudent and cost effective risk management tool. The cost to measure and certify an individual tenant space is approximately \$250 (less if several spaces are measured at the same time). Contrast that with the cost in time, legal fees and ill will that results from a landlord/tenant dispute ... even a minor dispute can waste several thousand dollars.*

How Accurate is Lasercad™

Our ISO 9001 registration requires us to establish procedures for calibrating the measuring and test equipment. The calibration range that John established at our offices, ensures that all of our laser guns are accurate to within ± 1%. We measure each room in each tenant space and work to a closing error of 2%. Since the closing errors cancel each other out, our calculations of rentable and usable area are accurate to within ± 1%.

Since speed, as well as accuracy, is often critical we have been focussing on improving our response times. Currently we are working to a one business day "on site" response time. Most jobs are delivered to clients within two business days. (These response times refer

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to properties located in the Halifax Regional Municipality. It takes two additional business days if your property is located elsewhere in Atlantic Canada). Plans and Space Certificates will be delivered by e-mail, or if you prefer a hard copy, by courier.

Give John a call at 1-800-567-3033 (429-1811 in Halifax Regional Municipality) Extension 321 for more details; or e-mail him at jmatheson@turnerdrake.com. Get the "Full Monty" on Lasercad™ at our website www.turnerdrake.com.

VALUATION DIVISION

The Pre-Millennium Meltdown. Will it Happen Again?



Occasionally, the sheer excitement of watching the Atlantic roll the pebbles on Lawrencetown Beach overwhelms, and we seek solace in less stressful pastimes: thus it was that we recently retired to the Internet, there to contemplate our navels and ponder the meaning of life. And one of life's more intriguing mysteries (to us) is the market meltdown that started in 1990: its cause, effect and longevity. It was after all a defining moment that, coupled with the explosion in telecommunications and the Internet, changed the way the world viewed real estate. We had of course the advantage, if such an opportunity can be termed an advantage, of witnessing the phenomenon first hand. But why was it worldwide? Did those same forces that fashioned it in Atlantic Canada simultaneously impact on markets in locations as diverse as Japan, Sweden, Thailand, Australia, United Kingdom, United States ... and Canada east of the Rockies? Was this a Machiavellian plot: a subterfuge by Gates to bend us to the will of Windows ... or simply the cresting of the anticipated Kondratieff wave? Why did it occur in some cities, and not their neighbours? Will it occur again? If so when? Can it be avoided?

Thanks to the Internet, The Wharton School and our own navels, we have the answer. So, if you are an investor, have ambitions to be one, or are simply tired of seeing Garth Turner being proved right night after night at each stockmarket bell, read on ... But first, a

retrospective: let's look back through time to the dark days of 1990 (shudder).

1990 And All That

The Canadian recession in 1990 hit real estate markets east of the Rockies, hard. In essence the events in Atlantic Canada were a microcosm of similar markets elsewhere. In retrospect it is difficult to fully appreciate the meltdown in commercial property values that did occur. Indeed at the time, our Property Tax Division expended much nervous energy attempting to convince the Provincial Assessment Departments of the reality of the situation. It was particularly difficult because the weak market first manifested itself as a paucity of sales activity ... because of mortgage commitments, vendors could not afford to sell at the price purchasers were willing to pay. Since there were no sales at the low prices, the Provincial Assessors took the position that, ipso facto, values had not fallen. We digress! In Atlantic Canada, the impact of the recession was felt most in Nova Scotia, and least in New Brunswick. However, even in Nova Scotia, the office market in Halifax suffered to a far different degree than that in Sydney. There is a lesson to be drawn from this (we think).

We pinpoint May 1990 as the start of the real estate recession, based on the reduction in sales volume and prices in the residential property market. (We've tracked this activity continuously since 1978). In reality however the commercial property markets started to feel the pinch in 1989 as credit dried up. The latter was key. Sales information is not public knowledge in the three Maritime Provinces, and the Newfoundland registry office is such a mess, effectively there is none there either. Because the markets are imperfect, some uninformed purchasers blissfully unaware of the precipitous fall in property values, continued to buy at 1989 prices through to 1992, **provided that they could get financing**. The commercial market meltdown was therefore a three year event which had its beginnings in 1989 (as evidenced by reduced sales volume, but not lower prices), gathered pace during 1990 and 1991 (few sales, little credit), and produced some evidence of falling values in 1992 (foreclosure sales, but some less knowledgeable purchasers still buying at 1989 prices if financing was available). By 1993 there were sufficient "distress" sales occurring that all but the obdurate, a.k.a. some Provincial assessors, realised that property values had shifted dramatically downwards. This was no minor price adjustment. Hotels/motels throughout the Atlantic Region plunged in value, on average, by 50%. Industrial properties lost between 25% to 75% (average 44%) of their value if they were situated in Burnside, the region's largest park, located in Dartmouth, Nova Scotia. In Nova

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Scotia, the further one moved away from the Halifax/Dartmouth area, the greater the drop in value. Industrial properties located in places such as Amherst lost between 50% and 80% of their value. The office sector in the Halifax Central Business District was devastated, losing about 55% of its value. The apartment market dropped 5% to 10% on Halifax Peninsula, 50% in Dartmouth's Highfield Park, and 30% to 50% elsewhere in Metro. Retail, shuddering under the twin impacts of the recession and the growth in "big box" merchandising, also suffered badly. Some Shopping Centres fell in value by 35% (Neighbourhood) to 55% (Community). All this in a Province where, for at least thirty years, (and probably since the Great Depression) property prices had steadily increased, year after year. The banks ran for cover, investors felt betrayed, we questioned whether there was a God ... and saved property owners millions of dollars in successful tax appeals.

Prices started to recover in 1995 led by hotels/motels, apartments (1997), industrial (1997/1998), offices (1998) and retail (1999). We can modestly claim to have correctly forecast the recovery (and thus attracted the supreme accolade, a mention in Frank magazine ... they called us "cockeyed optimists") but not the market meltdown. In hindsight, with the benefit of the Wharton study, the latter was very predictable ... and will be so in the future.

The Wharton Study: An International Perspective

Professors Richard Herring and Susan Wachter of The Wharton School, University of Pennsylvania produced a research paper in 1998 on the Asian Twin Financial Crises. In it they noted that "one striking feature of the current Asian financial crisis is that the most seriously affected countries *first* experienced a collapse in property prices and a consequent weakening of their banking systems *before* experiencing an exchange rate crisis". Their findings on the reason for the collapse in property prices are very germane to our review of

Atlantic Canada real estate.

The Wharton study looked at real estate booms and bank crises in Sweden, the United States, Australia, Japan and Thailand. The similarities across these countries and the 1990 crisis in Canada are compelling. Mathematical modelling aside, this is a study in human behaviour worthy of anthropologist Desmond Morris, and it resonates perfectly with our own experience. We suggest that it is particularly useful in predicting real estate cycles. The existence of the latter has been established in studies such as those undertaken for the Royal Institution of Chartered Surveyors, the international body of the property profession, in May 1994 by the Investment Property Databank and the University of Aberdeen (Newsletter Vol. 2 No. 51 Spring 1995 issue) and Dr. Jim Clayton (then of St. Mary's University) and Dr. Stan Hamilton (University of British Columbia) for the Canadian Investment Review Summer 1995 issue (Newsletter Vol. 2 No. 52 Summer 1995 issue). In essence the lesson to be drawn from the Wharton study can be summed up in the immortal phrase "*those that forget their history are destined to repeat it*". To which we, cynics all, would add "*and repeat it they will*" ... which is probably the basis for Russian economist Nikolai Kondratieff's long wave theory (Newsletter Vol. 2 No. 52 Summer 1995 issue).

The collapse in property values is due to (1) a sharp fall in demand, or (2) a rapid increase in supply, or (3) both of the foregoing. The Wharton study found that the culprit was a rapid increase in supply fuelled by easy credit from the banking system, which continued long after rising vacancy rates should have signalled an over expansion. The 1990 global recession, which reduced demand, was the final straw and itself was the event which burst the bubble. All of the human factors which had contributed to the irrational expansion of credit to the real estate sector were then applied in reverse as panic set in and the banking sector's worst fears became a self fulfilling prophesy: not only did the banks turn off the credit tap, they

attempted to reduce their exposure by reducing loans on real estate thus forcing its liquidation, increasing the supply of property for sale and further causing prices to fall. The banking system was the author of its own misfortune and taxpayers everywhere picked up the tab as governments desperately struggled to prevent the collapse of their financial systems. It was a re-run of the United State's "Savings and Loans" (and Canada's "Trust Company") crisis on a global scale.

The Pre-Millennium Meltdown. Will it happen again? will be continued in the next issue of Newsletter.

BROKERAGE DIVISION



Russ Allen

We are pleased to announce that Russ Allen has rejoined our Brokerage Division as Senior Commercial Leasing Consultant.

During his time with us as a Leasing

Consultant from 1992 to 1998, Russ developed an encyclopaedic knowledge of the office, industrial and retail space in the Halifax Regional Municipality. He helped Lexx find The Dark Zone ... in a warehouse on the Halifax waterfront ... and relocated IKON Office Solutions in a charming heritage building opposite Province House. Russ also worked with numerous other businesses, patiently assisting them match their space requirements with their budgets. We are pleased to have him back on our team.

So if you are considering expanding, contracting or moving, give Russ a call at 429-1811 Extension 329, or send him details of your space requirements via our web site at www.turnerdrake.com ... or by e-mail: rallen@turnerdrake.com.
