

Turner Drake & Partners Ltd.

6182 North Street,

Halifax, N.S.

B3K 1P5

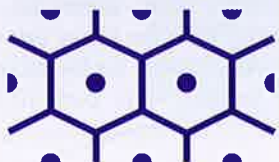
Tel: (902) 429-1811

Toll Free: (800) 567-3033

Fax.: (902) 429-1891

E-Mail: tdp@turnerdrake.com

Internet: www.turnerdrake.com



OUR EYES ... ARE EVERYWHERE!



Government of Canada



Keyhole.com



Province of Nova Scotia



Province of New Brunswick

From Trespassey to Toronto; Ecum Secum to Quispamsis; we have you covered. Oh, sorry! Geography a little rusty? It's located south of Montreal ... had a mayor who thought the Hells Angels were a celestial choir ... declared a state of emergency when it snowed ... You've got it! On the shores of Lake Ontario. Fine people though: if they did not live there, whose leg would we pull?

We labour long and hard to give clients the edge when it comes to real estate advice. In April 1978, we launched our own system of database and analytical software Compuval™, thus claiming the dubious honour of being at the bleeding edge in North America in the use of computers for real estate analysis. It proved to be

the start of a very bumpy ride during which our aspirations frequently outpaced the availability of sufficiently powerful hardware and often necessitated us commissioning our own software ... a series of satisfying leaps followed by lengthy frustrating plateaus, and the occasional wrong turn. Our location and primary area of operations, Atlantic Canada, have been a real stimulus to those endeavours. It is a real challenge conducting real estate consultancy in a region where four small provinces actively compete rather than co-operate; each with their own information systems managed by Luddite like bureaucracies grimly protecting their own empires. On the upside this has propelled us to build an information system capable of functioning in an arid environment. Compuval™ largely negates the frictional effect of working in this relatively small area with its many barriers to transparency. The rest of the world is a snap!

Compuval™ gives clients a commanding lead in asset management, and *you can leverage that*

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advantage by enrolling your property in our PAMSTTM (Property Asset Management System) program. Currently over 100 firms have enrolled property with an aggregate market value of \$1.0 billion in the program. In order to catapult CompuvalTM into the new century we launched our own millennium project on 1st January 2001. The latest version went live on 31st March 2005. Each of the thirty thousand records in our commercial Transactional Database can now "talk" to sixteen related databases and:

(1) Peer down on skulking civil servants as they assess your property, using aerial and satellite imagery ... anywhere in the world. Within Canada, CompuvalTM will calculate your property's co-ordinates, feed this data to our satellite provider, and zoom in on your property. This facility allows us to view your property and its neighbourhood ... instantly.

(2) Locate your property, and other parcels of real estate in the same cohort, in our Street and Topographic mapping databases. Atlantic Canada has an excess of geography so we have trained CompuvalTM to recognise settlements, lakes and rivers yet to be discovered by the outside world.

(3) Access your property's assessment history for the past five years and compare it with your real estate's peer group in the municipality so that we can carry out longitudinal and cross sectional analysis in minutes ... and rapidly and unerringly identify opportunities to reduce your real estate taxes. CompuvalTM can also move seamlessly across the Internet, access the appropriate government database and drill down to the current assessment record.

(4) Display text, metrical and photographic data for each of our thirty thousand records. If you utilise our LasercadTM space measurement service, property layout plans are also available ... instantly. We can compare your property with other comparable properties in the municipality, or across the region, to improve the effectiveness of the services we provide you through our Property Tax, Valuation, LasercadTM, Counselling and Brokerage Divisions.

(5) Update financial information on your property by retrieving and re-running past analyses, using Excel or Argus software accessible from within the property record.

(6) Minimise your costs and maximise our productivity by pulling up reports, schedules, background papers and other documentation for each record without diving through paper files ... Aah! No more dusty filing room.

(7) Update Fire Insurance Valuations by accessing the cost data and re-running our costing programs. You can now reduce your risk exposure by cost effectively updating your Fire Insurance Valuation annually.

(8) Make intelligent use of the Internet's vast resources: each of our property records targets sites that contain additional information about, or which is relevant to, your property. We do not pretend to have tamed the Internet, but we have taught CompuvalTM to toss the dross and home in only on sites that contain information that is germane to your property record.

Building intelligence into our CompuvalTM databases and empowering them with analytical processes, means that our consulting staff can focus on the creative and strategic issues of each assignment ... it frees up "thinking time". In our September 2004 survey, the most recent of the semi-annual polls required by our ISO 9001:2000 registered quality management system, 94% of clients rated us as "excellent" or "good" in terms of how well we fulfilled our mandate. Still, only half of our clients think we are "excellent" so we are very aware that there is room for improvement. We believe that the enhanced tools we now have at our disposal will assist us achieve that objective. We need you to tell us ... so if you do not yet use our services, do so ... and if you do, use us more ...

PROPERTY TAX DIVISION

New Brunswick

The thirty day assessment appeal period



Jupiterimages

H.S.T. Hell

ended in the province on 31st March. If your property is enrolled in our PAMSTTM Property Tax Manager program we have filed an appeal wherever the opportunity exists to reduce your realty tax burden. The provincial assessment department Service New Brunswick, included the 15% H.S.T. (a "pass through" tax similar to the G.S.T.) in the assessed value of some properties. Since the Courts have twice ruled that they were incorrect, we have filed protective appeals on properties that are over-assessed as a result of the inclusion of the H.S.T. The matter is currently before the provincial Court of Appeal. It is to be hoped that if Service New Brunswick lose again, they will accept the decision with good grace and amend their assessments. Service New Brunswick's Manager of Valuation, Mr. G. Carroll, was a major participant in that case. He raised the Assessment and Planning Appeal Board's eyebrows with his evidence that he was unaware his Boeckh costings included H.S.T. (The Boeckh system has been used by Service New Brunswick for many years). Mr. G. Carroll also featured prominently in another case (*Irving Oil Company and Executive Director of Assessment*) also heard in 2004 by the Court of Queens Bench of New Brunswick.

In that case too, the Court ruled that Service New Brunswick was wrong. Irving Oil Limited were successful in obtaining a ruling from the Court that oil tanks at their refinery used for the mixing of petroleum product were part of the

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manufacturing process and hence were not assessable. SNB's Mr. Carroll had decided that the tanks were assessable because the mixing and blending of oil that took place therein was not their sole purpose: as storage tanks they were assessable under the Act. The learned judge demurred noting that *"The tanks in question are far more than storage tanks. They are part of the manufacturing process first, and of necessity while this occurs, they store product until it is shipped out"*. The Province did not appeal that decision ... they simply changed the law. On the 23rd December 2004 they passed Regulation 2004-12 which redefined *"mixing and blending tanks located at an oil refinery and used in whole or part for the containment or storage of materials, regardless of whether agitation, mixing, blending, application of heat, finishing of product or other activities occur in those tanks"* as *"real property"* and therefore assessable.

Regulation 2004-12 also takes aim at other structures that serve a dual role as shelter and part of the manufacturing process. It broadens the scope of *"real property"* and corrals the following equipment into that definition, and hence renders it taxable:

(a) *any elevator, escalator, man lift or pit, regardless of whether it also provides a service to any manufacturing or processing carried out within the building or structure;*

(b) *any service platform or catwalk fully or partially attached to or supported by a building or structure, regardless of whether it also provides a service to any manufacturing or processing carried out within the building or structure;*

(c) *any system for providing heating, plumbing, lighting, ventilation, air-conditioning, communications, security or fire protection, regardless of whether it also provides a service to any manufacturing or processing carried out within the building or structure;*

(d) *service piping located within a building or structure and for the distribution of oxygen, acetylene, carbon dioxide, compressed air or other*

consumable gases, regardless of whether it also provides a service to any manufacturing or processing carried out within the building or structure;

Piping for humidity control as part of a manufacturing process is not yet included in the definition of *"real property"*.

(e) *any building or structure, excluding any dry kiln, that provides shelter for people, plant or moveable property regardless of whether such building or structure was designed to accommodate a specific activity, use or function;*

(f) *any boiler room, penthouse or work area that has been incorporated or integrated into a structure that is not subject to assessment under the Act;*

(g) *any piling providing support for or forming part of any structure that is subject to assessment under the Act;*

By implication, footings, pilings or additional floor slab thickness necessary to support machinery and equipment is not assessable.

(h) *any control room or control booth, including those located within a building or structure;*

(i) *any prefabricated or portable building or structure used for purposes for which real property is ordinarily used, including those located within a building or structure;*

(j) *any lighting standard and any lighting fixture attached to it;*

(k) *any of the following improvements or alterations to land:*

(i) *clearing, grubbing, excavation, infilling, levelling or grading,*

(ii) *any roadway, paving, concrete slab, walkway, curbing, fencing or retaining wall,*

(iii) *any privately-owned water supply system, fire protection system, storm drainage system or sanitary sewage system that is located on the land and provides service to the land,*

(iv) *any improvement designed to provide for the drainage or collection of water or other fluids, including water and other fluids that are generated from manufacturing or processing activities that occur on the land,*

(v) *any privately-owned water supply pipe line;*

(l) *any service tunnel, bunker or underground structure that provides shelter for people, plant or moveable property;*

(m) *any conveyor housing, gallery or transfer house, including associated structural support systems;*

(n) *mixing and blending tanks located at an oil refinery and used in whole or in part for the containment or storage of materials, regardless of whether agitation, mixing, blending, application of heat, finishing of product or other activities occur in those tanks;*

This reverses the Court of Queens Bench 2nd April 2004 decision in *Irving Oil Limited v. SNB*.

(o) *storage tanks located at a pulp mill, paper mill or pulp and paper mill and used in whole or in part for the containment or storage of pulp or stock slurries and other liquids and materials, regardless of whether agitation, mixing, blending, application of heat or other activities occur in those tanks;*

(p) *any water filtration tank, chest or cell incorporated or integrated into or forming part of a building;*

(q) *any containment structure associated with the storage of materials or by-products, including those that provide protection against spillage of material or by-products;*

(r) *any boiler contained within a central heating plant that provides service to other buildings;*

(s) *any back-up generator that is affixed to land or buildings and that provides service to buildings; and*

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(t) any fish holding tank used in the aquaculture industry.

Regulation 2004-12 come into effect on 1st January 2005. Industry located in the province will probably escape the full impact until 2006.

Nova Scotia



MegaPack

The twenty one day assessment appeal period ended in the province on 31st January. If your property is enrolled in our PAMS™ Property Tax Manager program we filed an appeal where the opportunity exists to reduce your realty and/or business occupancy tax load. Service Nova Scotia, like their compatriots in New Brunswick, have included the 15% H.S.T. in some but not all assessments (H.S.T. is a pass

through tax that has replaced G.S.T. in Nova Scotia, New Brunswick and Newfoundland). The matter is before the Courts and we have therefore filed protective appeals on properties that are over-assessed by virtue of the inclusion of H.S.T. In New Brunswick two levels of judiciary have ruled that the inclusion of H.S.T. in the assessed value is "an affront to common sense". Last year the Government of Nova Scotia tabled Bill #93 which mandates a formula for assessing gas distribution systems, and specifies that the revenues and costs utilised therein have to *exclude* G.S.T. It appears that the politicians are attempting to do one thing whilst Service Nova Scotia pursues a contrary policy ... commonsense is notable by its absence.

On 25th February Service Nova Scotia launched a province wide initiative which makes a mockery of the well meaning efforts of the government's task force to reduce red tape. Firms located outside HRM are the hardest hit. Under the thin pretext of recovering costs (it will do just the reverse) it postulates a cumbersome procedure to make the assessment appeal process less accessible, more opaque, less democratic and much more costly. Presumably it is meant to stifle assessment appeals by binding business with red tape.

In a letter authored by Assessment Services Division's legal counsel Randall Duplak, commercial taxpayers were advised that the regional assessment offices would no longer provide copies of the assessor's

calculations by mail unless the taxpayer (or their professional advisor) first **personally** attended the office housing the file to "identify" the record. Then, before they could release the copy, the assessment office was instructed to invoice the taxpayer for the ± 6 page document, and wait until they were notified by the Minister of Finance that the ± \$6 fee had been paid (only cheques or money orders were to be accepted!). This was patently absurd: it would cost the Province at least a \$100 to process the invoice. But it did not stop there! Mr. Duplak's letter stipulated that any documentation provided by the taxpayer to the assessor would not be copied but had to be obtained instead from the property owner. Presumably this was a reference to the Income and Expense Questionnaires which property owners are now *required* to complete every year, at their own cost, and submit to Service Nova Scotia (to reduce the latter's cost of assessing the property). There is no requirement that property owners keep a copy of these records, and many do not do so, yet Mr. Duplak's letter insisted that the property owner had "to establish that they have been accidentally destroyed" before the assessor would provide a copy ... even though they may have been utilised to arrive at the assessed value. In our opinion the procedure was an abuse of the appeal process. We believe that its motive was to make the appeal process so costly and time consuming that commercial property owners, especially those whose property was located outside HRM, would be discouraged from appealing their assessment.

Upon receipt of Duplak's letter, we mounted a public awareness campaign to warn commercial taxpayers and politicians of its adverse consequences, and to negate its impact. Daily News' financial reporter Stephen Bornais quickly spotted the implications for the business community, as did Andrew MacDonald of AllNovaScotia.com, an online paper servicing the business sector. Halifax Chamber of Commerce President Valerie Payne voiced the Chamber's concern to the Minister for Service Nova Scotia, Barry Barnett, that Mr. Duplak's letter violated the Check List procedure developed by the government sponsored Red Tape Task Force. During an interview with Stephen Bornais, Ms. Kathy Gillis the Acting Director of Assessment, offered to provide copies of the assessment records electronically free of charge. She later confirmed in writing to us that electronic copies of the assessment calculations would be made available to all commercial taxpayers and their agents. We have since met with Service Nova Scotia to clarify how the information is to be accessed. We will continue to obtain the assessment calculations on your behalf as we have in the past. However if you are not a client you can get them yourself, by emailing your request to the following offices: Central (Bryan Friars-FRIARSBR.gov.ns.ca), East (Lloyd MacLeod-MACLEODL@gov.ns.ca), North (Lisa Pettis-

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PETTISLL@gov.ns.ca), South (Lynn Wamboldt-WAMBOLLE@gov.ns.ca), West (Jeff Caddell-CADDELLJA@gov.ns.ca). The information is available without charge and will be emailed back to you as a pdf file. Your request must be accompanied by a signed letter of authorisation. The assessor will also provide copies of your Income and Expense Questionnaire if you did not keep a copy. However at present they are still stubbornly insisting that they will levy a charge (\$1.00 per page), though it would obviously not be cost effective to do so.

Newfoundland



Hemera Technologies

The City of St. John's issued its 2006 Assessment Notices in March again this year. Prior to last year, the Assessment Notices were issued in September ... or in December just before Christmas, perhaps in the hope that we are too full of pudding and plonk to notice. The twenty one day appeal period ended on 31st March but since this is the last year of the tri-annual (2004, 2005, 2006) re-assessment cycle your assessment should not have changed unless your property has been altered physically.

On 1st April the City of St. John's sent out Information Requests to selected property owners. Avoid being taken for an April Fool, complete the Information Request with caution. The Assessment Department will utilise the information thus gathered, to set your 2007 assessment, the first year of the next tri-annual cycle. The Municipal Assessment Agency Inc., who deal with assessments in the remainder of the province, have also mailed out Information Requests, for the same purpose. The polite wording accompanying the Request may not make clear that the consequence of failing to respond will be fatal to your right of appeal. There are also additional, albeit minor penalties, such as fines and jail time. In our experience Information Request data is frequently mis-interpreted to the detriment of the taxpayer. For example, Assessors will often ignore expenses which appear to be high when compared to their benchmark "average", but readily accept the rents as being "factual" ... happily ignoring the fact that high rents beget high expenses. As a consequence the Assessor may over-assess the

property. If you manage the property yourself, ensure that you enter a management fee that is reflective of your marketplace. If your property is enrolled in our PAMSTTM Property Tax Manager program we can review your Information Request before it is submitted to the assessment authority to ensure that it correctly captures all, but not more, of the information that the Assessor requires for his/her assessment computation. That way you may be able to head off an unnecessary appeal in 2007.

For more information on property tax visit our web site www.turnerdrake.com and follow the links (products → property tax → appeals). If you are a client you can access Action Alert! bulletins through your personal Client Area.

LASERCADTM DIVISION

Millionaires Now!



Hemera Technologies

Last year the lads of our LasercadTM Division measured just over 1.0 million square feet of space using Laser measuring equipment accurate to 3 mm. We work to a closing error of no more than 2% ... per office, not per space, per floor or per building! We now have five fine

fellows trained in LasercadTM. All are graduates of Saint Mary's or Dalhousie University's commerce program, are currently completing the University of British Columbia's Bachelor of Business in Real Estate degree and are enrolled in, or have completed our in-house training program. They are familiar with and understand leases and real estate; a big advantage when it comes to interpreting the BOMA, ULI, SIOR and CREA Standard Methods of Measurement.

We provide clients with plans and Space Certificates in hard copy and electronic format (PDF and Autocad/Turbocad). Copies of the plans and Space Certificates are posted to your personal Client Area on our web site so you can access them 24/7.

LasercadTM is governed by our ISO 9001:2000 quality management system so we have procedures in place to ensure the work is undertaken in a consistent manner, that there is accountability at every stage, and that the entire process is checked and monitored for quality control purposes. The laser equipment is checked for

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accuracy against a measuring range in our offices and we are audited three times per year to verify compliance with ISO 9001:2000. QMI, a subsidiary of the Canadian Standards Association, conducts a surveillance audit every year. This is our sixth year in the program and we have passed with flying colours each time. The International Organisation for Standardisation (ISO), headquartered in Geneva, Switzerland, is a worldwide federation of national standards bodies for 148 countries, one from each country. A number of leading companies in Atlantic Canada are registered to the ISO 9001:2000 standard. We were the first company undertaking space measurement to gain registration ... and are proud of the fact that we are able to offer a world class service to this region.

 For more information on our Lasercad™ Space Measurement Service visit our web site www.turnerdrake.com and follow the links (corporate site → products → Lasercad) or call Mark Turner, the Manager of our Lasercad™ Division at 1-800-567-3033 (429-1811 in HRM) Ext. 325 and ask for our Lasercad™ brochure.

BROKERAGE DIVISION

Still Going Up?



Turner Drake

Our Brokerage Division assists property owners sell and lease their property. We

also represent firms who wish to acquire real estate or relocate to new premises. Our primary area of operations is HRM and its environs within a radius of 100 kilometres. Real estate continues to excite investors attracted by low interest rates and disillusioned by the performance of the stock market. Although there is little or no rental growth, yields continue to fall, propelling prices ever higher.

Apartments - demand is strong even though there is little rental growth and most landlords have found their cash flow under siege during the past three years as they battle rising insurance, fuel and maintenance costs, and increasing realty taxes. The trend for aging empty nesters to move back towards the city core continues and many have given up their houses in favour of rental or condominium apartments. Yields have continued to fall during the past twelve months. Purchasers are acquiring apartment buildings for capital growth. In the past, rents have been positively correlated with inflation. Unless there is a significant increase in the inflation rate, rents will not increase to any marked degree. Purchasers will only accept low yields so long as the interest rates continue at their present level and the stock market denies them better investment opportunities. As soon as either of these circumstances change, apartment prices will fall or rents will have to increase substantially. Either way owning apartment properties is becoming more risky. Yields should be rising, not falling. If you are thinking of selling, now is the time to do so.

Offices - there is still a strong demand for small office buildings ($\leq 6,000$ ft.²) particularly on Halifax Peninsula. Prices continue to rise. Rents however have softened somewhat in Halifax C.B.D. and are generally stable in the business parks and suburban locations. Halifax C.B.D. has lost most of its competitive advantage and gross rents are similar, for equivalent quality space, to the business parks. The latter however have a cost advantage because of their availability of free parking.


Industrials - there is good demand for small industrial buildings (5,000 ft.² to

10,000 ft.²) suitable for owner occupation with some additional space for expansion, and supplementary interim income. There is a fair demand for buildings in the 10,000 ft.² to 20,000 ft.² size range. Demand is soft above 20,000 ft.² for owner occupied buildings. Multi-tenant investment quality buildings are in good demand. Rents have been generally stable for the past twelve months.

Retail - there is a strong demand for small strip malls (3 to 6 tenants) from local investors. Neighbourhood shopping centres in developed areas that are thus protected from new competition, and regional shopping centres, enjoy good demand. Community shopping centres have proved to be the most vulnerable to competition from Power Centres. The latter continue to capture more of the retail market. Walmart continues its relentless march across the retail landscape.

Purchaser/Tenant Representation

It is quite usual now for the tenant or purchaser to retain a real estate broker to act on their behalf and safeguard their interests in the transaction. The practice has been commonplace for decades in Europe but has only gained widespread acceptance in Atlantic Canada within the past ten years, having spread across the country from west to east. The brokerage fees are paid by the landlord or vendor and this does pose something of a conflict of interest, albeit possibly more perceived than real. To avoid the problem, we structure our tenant/purchaser representation contractual relationship so that the brokerage fees are paid instead to the tenant or purchaser ... and they in turn pay us out of those proceeds. This also has the happy result that the tenant/purchaser retains part of what would normally be the brokerage commission.

 For more information on our Brokerage Division visit our web site www.turnerdrake.com and follow the links (corporate site → products → brokerage). If you are a nascent investor join our Property Investors Club by calling Verna Turner 1-800-567-3033 (429-1811 in HRM) Ext. 331.
