TURNER DRAKE & PARTNERS
Real Estate Counsellors, Brokers & Valuers
Registration to ISO 9001:2000

Newsletter

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GOING GREEN.

Nova Scotia Community College, Dartmouth Turner Drake

Marital conflict looms! Concerns about Iran have caused February Brent crude futures for April delivery to hit $61.48 USD per barrel: perhaps it wasn't such a great idea to buy that SUV! Oil prices used to be a pretty tame affair, jogging along between $12 and $17 per barrel in the post war period until 1973, when the Yom Kippur War and the resultant Arab Oil Embargo triggered oils' wild ride. (All prices are quoted in 2004 USD). During the following twelve months they surged to $39/barrel. By 1978 oil prices had dropped back to $31/barrel before those fractious fellows propelled it to $63/barrel in 1981 with the Iranian Revolution and then the Iran/Iraq war. During the 1970s and 1980s Atlantic Canadians shivered, insulated their homes, turned down their thermostats, adopted solar systems and wind power, shied away from electric heat, purchased smaller cars … and became decidedly grumpy. Then oil prices plummeted; by 1986 they were down to $19/barrel, and after a couple of hiccups caused by the Gulf War and the economic crisis in Asia, fell again to $12/barrel in 1998. Consumers meanwhile happily abandoning their parsimonious past, purchased large cars and even larger houses. Oh tut! Those who forget their past are doomed to re-live it. OPEC cut production, terrorists crashed the New York World Trade Centre, the West (well some if it) took on the Taliban in Afghanistan, and Saddam Hussein in Iraq. Oil prices have been increasing ever since. No end is in sight. Concerns about Iran's nuclear ambitions and the Israeli response, rebel attacks on oil installations in Nigeria, the rise of left wing governments in Latin America propagating anti-U.S. sentiment, Russia's attempt to flex its natural gas supply muscle against emerging democracies such as the Ukraine, the economic expansion in China … all propel prices higher as supply is threatened and demand increases. Atlantic Canadians will again shiver, insulate their homes, turn down their thermostats, adopt solar systems, heat pumps and wind power, shy away from electric heat, copulate, kick the cat, purchase smaller cars … and become decidedly grumpy. It's time to go green!

IN THIS ISSUE

Going Green

In April 2005 the Federal Government launched "Project Green", an ambitious program to cut their energy consumption by 50% in any new office building or space held on a long term lease. Henceforth this type of office space has to meet the Leadership in Energy and Environmental Design (LEED) Gold Standard.

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Wow! Quite a commitment. What does it mean? We thought you would like to know, and since we have experience of "green buildings", solar power, heat pumps, wind farms, things woody and environmental; prepare to be led to LEED.

LEED is a set of standards developed by the U.S. Green Building Council, a national non-profit agency (www.usgbc.org). Its Canadian counterpart, the Canada Green Building Council (www.cagbc.org) publishes standards which are very similar in content and application. The two organisations' raison d'etre is to encourage the design and construction of buildings which are environmentally economical, in their respective countries. These Green Building Councils act as certification agencies and award "Certified", "Silver", "Gold" and "Platinum" status based on a points system which rates the environmental efficiency of the project. The program is relatively new in Canada, and was launched nationally on December 1st 2004. It has a seven year history in the United States: 300 buildings have been certified there, 3,000 more are in the pipeline. Commercial building certification is available for existing buildings and interiors as well as for new construction. The program was launched nationally in Canada on December 1st 2004: 19 buildings have been certified, another 155 are in the pipeline. No buildings have yet received LEED certification in Atlantic Canada but there are 12 in the pipeline: 6 in New Brunswick (located at Bathurst, St. Andrews, Waterville, Havelock, Florenceville, Oromocto); 5 in Nova Scotia (located at Iona, Dartmouth, Tantallon, Halifax); 1 in Prince Edward Island (Charlottetown). They include such high visibility projects as the Upper River Valley Hospital now being constructed in Waterville, N.B.; the Nova Scotia Community College now well advanced on a prominent Dartmouth site overlooking Halifax Harbour; the proposed QEH/St. Pats High School shortly to be erected near the Halifax commons, and the proposed Government of Canada Building at University Avenue/ Euston/Fitroy Streets, Charlottetown, PEI. All projects currently registered in Atlantic Canada are being built by government agencies. However we are aware of privately initiated "green" projects in the region which have not registered for LEED certification, and which may not do so because of the cost and paperwork involved. U.S. experience puts the cost of registration between $33,000 and $153,000 USD for the administration and paperwork. There are real economic benefits, some obvious, others subtle but significant, to Green Buildings, and LEED certification; so resist the temptation to stop reading now. Although most of the projects have been government initiatives which focus on operating expenses, there is anecdotal data from private projects showing improvements in occupier work productivity which transcend the more obvious savings in building operating expenses. Furthermore as Green Buildings establish a track record, these improvements are being translated by the marketplace into higher rents and shorter lease up periods.

(To be continued in the next issue of Newsletter …)

*For information on the Green Councils visit their web sites: US Green Building Council **www.usgbc.org**; Canada Green Building Council **www.cagbc.org**.*

COUNSELLING DIVISION

Taking The Pulse

© K.J. Pargeter BigStockPhoto

Public Works & Government Services Canada has contracted with us to take the pulse of the real estate markets throughout Atlantic Canada. This is an expansion of a program formerly undertaken by Cushman and Wakefield LePage and includes the office and warehouse markets in the following urban areas:

Province	Urban Area
N.L.	Greater St. John's - Mount Pearl
N.S.	Halifax Regional Municipality
PEI	Greater Charlottetown
N.B.	Greater Moncton - Dieppe Greater Saint John Greater Fredericton

This is a multi-year contract and involves surveying every office and warehouse building to capture space availability, rental, operating expense, vacancy and other data to assist PWGS Canada's leasing program. Our surveys will be undertaken semi-annually for most office locations, and annually for the remainder, commencing June 30th 2006. The work will be undertaken by our Economic Intelligence Unit. The Unit specialises in market surveys and was created to centralise our firm's research. It focuses on Geographic Information Systems and data mining and provides property owners in Atlantic Canada with real estate research tools and a skill set previously unavailable in the region.

As an outcome of the 18 surveys we will be conducting each year, we will also be preparing a detailed market analysis of each geographic area, by property type (office and warehouse).

Our contract with PWGS Canada contemplates that we control distribution of the survey results and it is our intention to make them available to the survey participants in a manner consistent with confidentiality concerns. We are approaching our 30 year anniversary this year. We commenced publication of this Newsletter 28 years ago with the intention of making information freely available which could benefit property owners in the region. It now costs us about $50,000/annum to research, compile and distribute our Newsletter so we are enthusiastic at the prospect of incorporating some of the conclusions from the surveys in it and would like to throw PWGS Canada a bouquet too for their generous terms of reference.

Our research is now underway, so expect a call from the very pleasant young people in our Economic Intelligence Unit. They are local university graduates

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who have opted to stay in the region and commit themselves to our rather gruelling real estate training and education program. Be nice, they too have Mums, Dads, Brothers, Sisters, Girl/Boy friends and/or spouses.

*For more information on our Counselling Division visit our web site **www.turnerdrake.com** and follow the links (products →* counselling).

PROPERTY TAX DIVISION

New Brunswick: SNB's WMD

Belldune, New Brunswick
($703,430.21 in tax savings)

Service New Brunswick (SNB) mailed out its 2006 Assessment Notices on March 1st. By happy coincidence our Property Tax Team mailed out a set of decision rules on that day too, so property owners could determine whether their properties were over-assessed. You only have 30 days now in which to appeal … sorry, file a "referral" … so pay attention. The purported basis of your property's assessed value is its Market Value as of January 1st 2006. There is no "uniformity" provision in the provincial Assessment Act so technically you have no right of appeal if your property is assessed at less than its Market Value … even though your assessment may be higher than that of other, similar properties. This is manifestly unfair since it means that you shoulder an inequitable share of the tax burden. Fortunately most, though not all, assessors are open to reasoned argument and will adjust assessments that are patently inequitable. You need to marshall your facts carefully; alas the Assessment Act places the burden of proof on the hapless taxpayer. Fortunately our New Brunswick Tax Team is on hand. Rapidly changing into their Superman tights and top (a fetching shade of purple) in the nearest telephone booth, they will sally forth to do battle on your behalf. Computers having replaced Kryptonite as the weapon of choice, our Men of Steel (women too) have cunningly built Compuval™, a powerful IT platform designed to fight the forces of evil by delivering an awesome array of real estate intelligence on target, every time. Compuval™ allows us to compare your property's assessment with its peer group, run cross sectional and longitudinal analyses, slice and dice cost and financial data, conjure up plans, photographs, aerial and satellite images. George Bush, eat your heart out: we have located SNB's weapons of mass destruction.

SNB's WMD

In 2003 Service New Brunswick, the provincial assessment authority, embarked on a project to re-assess all "heavy industrial" property in the province. Typically this type of property does not sell on the open market unless it becomes redundant, in which event it transacts at a nominal price, or is sold for redevelopment. A similar situation pertains with other types of special use property. If the purpose for which they are built is no longer economically viable, the property has little if any value. Indeed it will have a negative value if the cost of demolishing the buildings, or environmental cleanup, exceeds the value of the site for redevelopment.

Even when it is economically viable, special purpose property, e.g. pulp mills, oil refineries, restaurants, dairies, etc. is almost always sold as part of the assets of a going concern. It is difficult, if not impossible, to disaggregate the value of the property from the other assets without a sound knowledge of the industry it serves. Service New Brunswick (SNB) however are mandated by the provincial Assessment Act, to calculate the property's Market Value. They employ the Cost Approach, i.e. they calculate the reproduction cost of the building, deduct obsolescence and add the result to their estimate of the land value. It is an exercise calculated to cause strong men to quail, and civil servants to quibble. Alas SNB quickly came to grief on what is arguably the easiest part of the exercise, calculating the reproduction cost of the building. They included the HST as part of the construction cost … most of the time. When three levels of Court decreed they were wrong, they gamely averred that it didn't matter because their assessment (including the HST) was still below the Market Value benchmark mandated by the Assessment Act. Oh happy coincidence! Alas that brave defence crumbled earlier this year when, faced with explaining matters to the judiciary, they beat a tactical retreat. Pity, we were rather looking forward to our day in Court. So, if yours is a designated Heavy Industrial Property, a special purpose building or is the type of real estate that is typically owner-occupied, you can be confident that its assessment has been computed by SNB utilising the Cost Approach. Since SNB ignored the New Brunswick Court of Appeal decision, and that of the two earlier rulings by the Court of Queens Bench and the Assessment and Planning Appeal Board, you can be confident too that your property's assessment includes the HST. This does not necessarily mean that it is over-assessed, or even that it is inequitably assessed, but it would be wise to review it. Our New Brunswick Property Tax Team, Rick Escott and André Pouliot (tel. 1-800-567-3033) will be pleased to assist you.

Nova Scotia: Whistling in the Wind

Turner Drake
Lower West Pubnico, Nova Scotia
($198,836 in tax savings)

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In New Brunswick, SNB the provincial assessment authority repeatedly appealed the exclusion of the HST from the Assessed Value until they ran out of Courts. Accountability being notable by its absence, the Nova Scotia assessment authority, Service Nova Scotia (SNS), pursue a similar strategy, designed in our view, to escalate the cost of many appeals the better to emasculate the taxpayer. All of us bear the cost. Thus, although the New Brunswick Court of Appeal, and two lower courts, have decisively ruled against the inclusion of the HST in the Assessed Value calling it an "affront to common sense", Service Nova Scotia insist that the decision must be ignored and file appeals against similar decisions in Nova Scotia. SNS not only file appeals against decisions that have been upheld by higher courts in other provinces, they show little reluctance to challenging the court's jurisdiction … even though they later abandon the latter action.

Tax Time

2006 signals the start of a five year program of Realty Tax increases which we estimate will average 7.5% annum compound as the burden of the Business Occupancy Tax is transferred from occupiers to owners. Business Occupancy is to be eliminated by 2013. Certain occupancies such as automobile dealerships and hotels should pay no Business Occupancy Tax this year. If your property falls into this category, verify that you have not been assessed for Business Occupancy … we have already discovered properties that continue to be assessed. The Business Occupancy assessment for most properties should have been reduced by 20% from last year's figure. However since the Realty Tax Assessment, on which the Business Occupancy Assessment is based, will probably have increased again this year, the real reduction is likely to be in the range of 12% to 16%. Banks and other financial institutions will continue to shoulder the full burden of the Business Occupancy Tax until 2013.

The Assessment Appeal Period has now passed. If you omitted to appeal you have forfeited your right to do so for 2006. However we expect to start negotiating the 2007 assessments in June so there is light at the end of the tunnel. If you did file an appeal and would like professional help, delay not. Service Nova Scotia have already advised us that they want to commence negotiations without delay. Our Nova Scotia tax team, fresh from vacations abroad, are gearing up to meet the challenge. The purported basis for your 2006 Realty Assessment is your property's Market Value as at January 1st 2004 in its *"existing use"* … not its *"highest and best use"*. Thus, if your property is utilised for industrial purposes but has considerably more value as a redevelopment site for commercial use, the market value criteria must be ignored. The assessment should be based on its value as an industrial property (excluding the 15% HST). In addition the property must be assessed in a *"uniform manner"*. Uniformity is achieved by calculating the "General Level of Assessment" … divide the sum of the 2006 assessments, for those properties that have sold within six months of January 1st 2004, by the aggregate of their sale prices. If this General Level of Assessment is 0.80, then all properties whose assessment exceeds 80% of the market value as at January 1st 2004, are over-assessed. Unfortunately you have to rely on Service Nova Scotia to provide the General Level of Assessment. Regrettably they are economical with the truth. Our Giselle Kakamousias recently proved that SNS' calculation of the General Level of Assessment was largely fiction *(Homco Realty Fund [20] Limited v. Director of Assessment)*. It would be wise to treat it with caution.

Call any member of our Nova Scotia Tax Team, Tom Mill$, Giselle Kakamousias and Mark Turner at 1-800-567-3033 (429-1811 in HRM). They will be pleased to help you.

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 we can keep you informed of the changing property tax landscape, and critical dates, through our free Action Alert! email service. Action Alert! bulletins can also be accessed through your personal Client Area.*

VALUATION DIVISION

Oh My!

Fashion File

Every week our consultants, young and old(ish), don hard hats (or hairnets), work boots, coveralls, eye shadow and ear protection to crawl under, climb up, and walk over buildings throughout Atlantic Canada. Since we commenced operations 30 years ago this October, we have valued every type of property imaginable below, on or above ground … sometimes all three at the same time. We have provided valuation advice on abandoned military bases, populated now only by the ghosts of their World War II inhabitants. We have crunched through the broken glass and debris of former submarine tracking stations, relics of the Cold War, surrendered once again to the swirling fog of

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the North Atlantic. Our consultants have shivered in the clammy depths of a bunker buried two storeys below the surrounding countryside, eerily complete with its own radio station, hospital, operations centre, dining hall and living quarters designed to house those "lucky" few survivors of a nuclear holocaust. The foibles, frailties and fears of mankind written in real estate across the region. God! Do we really deserve this Earth?

We have hovered over the region's forests in helicopters, flown into remote areas by float plane, boated its rivers and lakes, trekked on foot, snowshoe and snowmobile through domains populated only by moose, deer and cougar. We have stood in silent awe on Newfoundland's cliffs to witness the parade of sail as Artic icebergs repeat their annual pilgrimage south to certain death. Ah, magic moments! Driving through a Spring dawn in New Brunswick, the early morning mist spun into gold by a waking sun, rising through the forest; the air as sweet as wine. Deer grazing at the forest edge. The soft beauty of Prince Edward Island's countryside in summer with its rolling hills, green pastures, red earth roads, and balmy air: perhaps the most peaceful place on Earth. Nova Scotia, our home base, a land of contrasts. Its Eastern and South Shores pounded by a relentless Atlantic ocean, and penetrated by picturesque inlets, favoured haunts of smugglers for over two centuries. The Fundy Shore, whose tides twice a day generate a wall of water 54 foot high at Burntcoat Head, and fill the Fundy Basin with 100 billion tons of saltwater. Humpbacks, finbacks, minkes and even the rare right whale feed here, rolling on their backs to cast an amused eye at boatloads of shutter snapping tourists. And the nice thing is, you pay us to work here. Keep up the good work!

Of course our consultants also fight their way through the dirt, smell and decay of fire damaged buildings. They struggle to keep their footing on the killing floors of meat packing plants. They pound their way through some of the world's largest pulp and paper mills including one complex comprising four mills with a total area under roof of over 2.0 million $ft.^2$. They are used to hanging out in hangers and flight based operations, and have valued facilities at several international airports, sometimes the entire airport. They routinely value and inspect industrial manufacturing and warehouse premises, several in excess of 1.0 million $ft.^2$. Living in Atlantic Canada they are used to finding their way around fish plants, docking and cold storage facilities. Port facilities such as container terminals, breakbulk, wharves, off-shore loading facilities, and oil refineries are part of their routine. They have stepped into smelters and mines: are equally at home treading through theatres, office buildings and shopping centres. Hotels and motels hold no mystery for them. They fearlessly provide valuation advice to the major fast food chains too. Oh! And did we mention amusement parks, apartment buildings, automobile dealerships, automotive centres, banks, bowling alleys, brothels, camp grounds, car washes, cemeteries, churches, commercial premises, dairies, dance halls, easements, extended care homes, funeral homes, fertilizer plants, greenhouses, golf courses, gravel pits, islands, marinas, mobile home parks, nurseries, nunneries, quarries, race tracks, restaurants, sawmills, self-storage, service stations, shipyards, stables, taverns, and water lots? Our consultants are well experienced in valuing these properties too. In short they are versatile, experienced, and rank with the highest calibre and most cost effective valuation team on the continent. How do we do it? We thought you would never ask! Read on, this is no idle boast.

We Measure, Monitor, Improve

We constantly measure our progress, compare it to our past performance and best practices elsewhere, and then strive to improve upon it. Every six months we poll clients and ask them to rate us on 18 "critical to quality" benchmarks based on work undertaken during the previous half year. About a third of those polled participate, and we analyse every response and use the results to sharpen our client focus. In addition we raise the bar by adopting international standards where these exceed local or national practice. We are the only real estate valuation and appraisal company in Atlantic Canada governed by a quality system registered to the international ISO 9001:2000 standard, and are audited three times a year to ensure that we don't fall off the wagon. Our Valuation Division conducts all of its assignments in accordance with the international Uniform Standards of Professional Appraisal Practice (USPAP) because it is a much more rigorous standard in our view, than the Canadian Uniform Standard generally adopted by the appraisal industry.

Personal

During office hours you will *not* be greeted by a voice from a distant planet, be placed on hold, and be assured all the while that your business is important to us. You *will* speak to a real person who 98% of clients rate as "good" or "excellent" in courtesy, helpfulness and knowledge. You will then be directed to a member of our professional staff, who garners similar praise from 96% of clients (4% think they are "average"). If you commission an appraisal assignment your Lead Consultant will keep you in the loop throughout the process via email, telephone and your personal Client Area on our web site. 85% of clients rate us as "good" or "excellent" at keeping them informed (13% think we are "average", 2% judge that we do a "fair" job, 0% rate us as "poor"). You will get personal attention, that we promise … we are very aware that most of our clients live here too. Your business is important to us (sorry!).

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Professional

Our valuation staff are university graduates, selected from the cream of the Region's business schools. They then enter our five year training program which carefully blends post graduate study, in-house education and work experience so that you have access to the best trained and educated professionals in North America. Our program is rated as the "best of the breed" and we believe it. Our university graduates progress through a structured program which requires that they work in all four of our consulting Divisions (Lasercad™ Space Measurement, Valuation, Property Tax, Counselling) and is carefully choreographed to arm them with enormous breadth and depth of experience and knowledge. 50% of our professional staff are under the age of 35: the average tenure of all our staff is 12 years. They provide an eclectic mix of enthusiasm, experience, knowledge, continuity and brain power. This is one exciting team! Last year we were asked to conduct assignments in virtually every province in Canada: a pleasant compliment given that several of those clients were domiciled outside Atlantic Canada.

Productive

Working in four small provinces that actively compete rather than co-operate with each other; each with their own information systems managed by Luddite like bureaucracies grimly protecting their own empires, has been a real spur to our own productivity. Way back in April 1978 when mice ate cheese and "google" had still to enter the lexicon, we were loosing lots of money training computers to analyse real estate. Fortunately Bill's mom gave him long pants and packed him off to a seat of higher learning where he skipped class and wrote a decent operating system. BG's progress has been rather more stellar than our own, but we have managed to build a very respectable real estate IT platform, Compuval™. Procedurally, property valuation is very simple. The valuation consultant gathers raw data (property sales), sifts through them to screen out sales that are not relevant, matches the remainder to the property to be valued, and then processes them into a final value conclusion using a combination of techniques commonly known as the Cost, Income and Direct Sales Comparison approaches. Fortunately the devil is in the details, otherwise we would be redundant. Thanks to young Bill, mom Gates (William Snr. too), and with help from many others along the way, especially our FoxPro programmer wiz. Barb Hill, we have built Compuval™ into a symphony of intelligent databases capable of analysing data, talking to each other and other software … so you don't have to pay a human to fiddle around doing it for you. We have streamlined the entire valuation process to render our valuation staff much more productive. At a recent conference in Las Vegas we took a look at the best North America had to offer and were unable to find anything comparable … so we decided to raise the bar again. We have now armed Compuval™ with Geographic Information System (GIS) capability so that we can view transactional and assessment data spatially. The system went live last week … more is yet to come. Wow!

For more information on our Valuation Division visit our web site ***www.turnerdrake.com*** *and follow the links (products* → valuation). Don't just sit there, give us your business!

BROKERAGE DIVISION

Oh Hell. Sell! (Continued from last *Newsletter*)
A Case Study

Turner Drake

The Challenge

With operating expenses such as fuel, electricity, real estate taxes, insurance, repairs and maintenance, rising faster than rents, and vacancy increasing, the apartment market has been buoyed only by falling capitalisation rates. The latter have been underpinned by low mortgage rates. Interest rates have now started to increase as the U.S. Federal Reserve feeds the country's huge deficit. The owner of this apartment building was confronted with the fact that the market had peaked. They faced a stark choice: retain the property for another 10 years, or take it to the market. With out-sourced property management and one director not motivated to sell, they consulted our Brokerage Division. The owners wanted to divest themselves of their 60 unit multi-residential property but only if they could attain their "reach" price.

The Approach

After carefully reviewing the market our Brokerage Division decided upon a focused approach. They identified the two purchasers with the financial capability and motivation to pay the highest price. One of these purchasers already owned a nearby apartment building so there was potential for some management synergy. Calling upon the resources of our Valuation and Lasercad™ Space Measurement Divisions they quickly prepared a comprehensive Master Sales Prospectus detailing the physical, fiscal and legal characteristics of the property and approached the prospective purchasers. Within two weeks of listing the property our marketing team had secured their first offer, the second followed a week later at virtually the same price.

The Outcome

Our Brokerage Division were able to successfully negotiate a sale of the property at a price which exceeded their mandate and the client's expectations … and they did so using an accelerated marketing program, thus reducing the risk of tenant instability during a period of rising vacancy.

Our Brokerage Division is a member of NAI *Global, the world's leading managed network of commercial real estate firms.* NAI *Global's managed network, entrepreneurial structure and best in the class technology helps clients everywhere in the world tap into 3,500 experts in 300 offices across 40 countries.*

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