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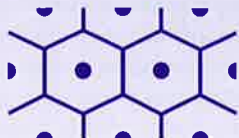
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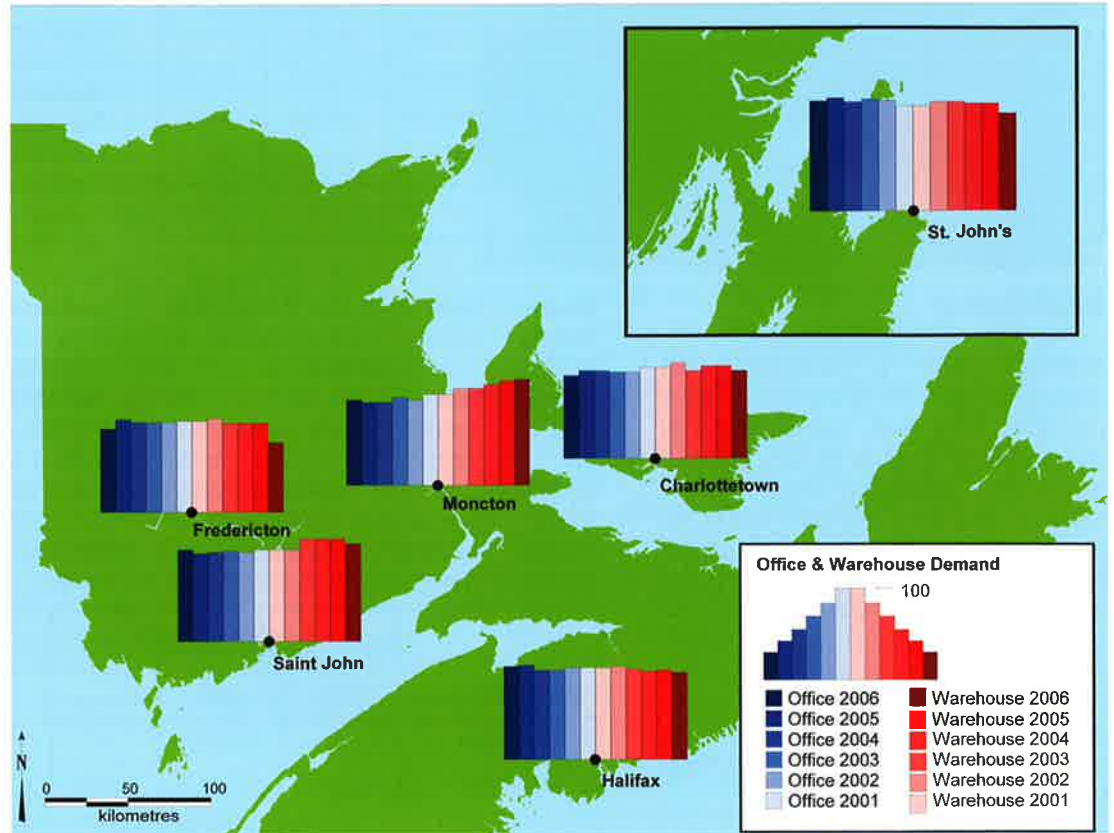
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WHERE HAVE ALL THE WORKERS GONE?



Source: Turner Drake Economic Intelligence Unit Surveys June & December 2006.

Gone to Alberta Everyone!

Well actually no, many still head for Ontario ... to replace workers who have headed for Alberta. But the effect is the same: Atlantic Canada is bleeding workers. This haemorrhage is getting worse: during the twelve month period ending 30th June 2006 the region lost almost 1% (12,213) of its workforce to greener pastures elsewhere in the country. Very few return ... and those that do so are widely quoted in the media as criticising this region's high taxes. Since it is the younger workers who are more mobile, the out migration is contributing to the aging of the population. Births still outnumber deaths, and immigrants from other countries outweigh

emigration, but not in sufficient numbers to redress out migration to other provinces. We estimate that the region's working age population fell by 2.07% over the five year period ending 30th June 2006. The working age population figures, i.e. those aged between 18 and 64, are detailed in the table on Page 2. Statistics Canada provides an actual working age population count for the 2001 Census, and estimated figures for the years 2002 to 2005. They have released the total population count for the 2006 Census, but will not provide the working age population count until 1st July. We have therefore estimated the working age population for 2006 and 1996 using the same ratio of working age to total population, as Statistics Canada. It is probable that these figures will err on the high side, as is the case with the Statistics Canada's 2002 to 2005 estimates. The table thus displays a "best case" scenario: the working age population loss is probably higher than the estimated figures suggest. The table shows that the population of working age increased steadily each year during the time period 2001 to 2005 for every province other than Newfoundland. Working age population started to decline in that province in 2005, and a year later in the other provinces.

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| Province | Working Age Population (age 18-64) Year Ending June 30 th | | | | | | |
|---------------|--|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 1996 |
| Newfoundland | 333,610 | 346,758 | 347,123 | 346,741 | 345,697 | 345,643 | 364,183 |
| Nova Scotia | 593,750 | 614,828 | 612,347 | 608,881 | 604,942 | 600,210 | 591,033 |
| PEI | 85,586 | 88,133 | 87,538 | 86,572 | 85,760 | 85,143 | 84,771 |
| New Brunswick | 474,498 | 496,511 | 495,427 | 493,219 | 490,531 | 487,946 | 479,786 |
| Total | 1,487,444 | 1,546,230 | 1,542,435 | 1,535,413 | 1,526,930 | 1,518,942 | 1,519,773 |

Source: Statistics Canada & Turner Drake's Economic Intelligence Unit.

Urban Animals

Although there is anecdotal data confirming the out migration to other provinces on a scale unprecedented in recent history ... all of us now know of neighbours, colleagues, friends and/or relatives who have migrated within the past twelve months ... the impact has been masked in the metropolitan centres by an influx of people from the countryside. Humble Hodge has happily swapped his hovel of thatch and wattle for an eyrie in the sky at one of the apartment high-rises mushrooming in the region's urban landscape. The following table tells the tale:

| Metropolitan Area | Census Population | | % Change 2001-2006 |
|-------------------|-------------------|---------|--------------------|
| | 2006 | 2001 | |
| St. John's CMA | 181,113 | 172,918 | 4.74% |
| Halifax CMA | 372,858 | 359,193 | 3.80% |
| Charlottetown CA | 58,625 | 58,358 | 0.46% |
| Moncton CMA | 126,424 | 117,727 | 7.39% |
| Saint John CMA | 122,389 | 122,678 | -0.24% |
| Fredericton CA | 85,688 | 81,346 | 5.34% |
| Total | 947,097 | 912,220 | 3.82% |

Source: Statistics Canada 2006 & 2001 Censuses.

Implications for Real Estate

What are the implications for real estate in the Atlantic Region as the working age population declines? We first realised something was afoot when Public Works and Government Services Canada (PWGSC) commissioned us in 2006, to undertake a survey of office and warehouse rental space in each of the major metropolitan areas in the region. Our Economic Intelligence Unit surveys every office building ($\geq 10,000$ ft.²) and warehouse ($\geq 20,000$ ft.²) available for rent in St. John's, Halifax Regional Municipality (HRM), Charlottetown,

Moncton, Saint John and Fredericton. The first surveys were completed in June 2006: a second series of surveys was completed in December 2006. The June 2007 surveys are now in progress. The surveys are the most comprehensive ever conducted in the region. They capture information on property ownership, building size, occupancy level, rental and operating

| Metropolitan Area | Warehouse Demand | | | Office Demand | | |
|-------------------|------------------|------------|----------|---------------|------------|----------|
| | 2006 | 2001 | % Change | 2006 | 2001 | % Change |
| St. John's CMA | 1,767,133 | 1,890,972 | -6.55% | 2,339,968 | 2,234,313 | 4.73% |
| Halifax CMA | 6,039,158 | 6,353,126 | -4.94% | 8,341,354 | 8,226,247 | 1.40% |
| Charlottetown CA | 221,058 | 229,525 | -3.69% | 727,874 | 797,240 | -8.70% |
| Moncton CMA | 2,228,902 | 1,923,493 | 15.88% | 2,475,341 | 2,663,483 | -7.06% |
| Saint John CMA | 398,183 | 375,171 | 6.13% | 1,653,028 | 1,642,337 | 0.65% |
| Fredericton CA | 232,895 | 302,565 | -23.03% | 1,833,822 | 2,031,909 | -9.75% |
| Total | 10,887,329 | 11,074,852 | -1.69% | 17,371,387 | 17,595,529 | -1.27% |

Source: Turner Drake's Economic Intelligence Unit Surveys June & December 2006.

expenses on an individual property basis. The data is entered into an "intelligent" geocoded database, specifically designed for this project. Our contract with PWGSC provides that we retain ownership of the data. We are thus able to provide participants in the survey with the survey results at no cost. We have had tremendous participation by property managers: virtually all responded with information; and we are continually improving the database to make it easier for them to participate.

PWGSC also provided us with data from similar surveys conducted for them during the period 2001 to 2005 by Royal LePage (now Cushman & Wakefield LePage). Since these surveys encompassed a much smaller population of buildings and were conducted variously on six month or annual cycles, we developed heuristic

algorithms to create a time series based on a consistent twelve month cycle. These algorithms, (1) compensate for the missing data, (2) utilise the existing data to calculate demand for the entire population of properties included in the Turner Drake surveys, (3) ensure that the historical data will improve as we conduct subsequent surveys. *The Federal Government, through PWGSC, has thus enabled our Economic Intelligence Unit to provide developers and investors with access to a resource of a breadth, depth and quality never before available in this region.* The algorithms, our 2006 survey, and the earlier Royal LePage surveys, allow us to compute market demand for office and warehouse space in each of the six metropolitan areas for the years 2001 through 2006. The base data is detailed in the following table:

For ease of comparison we have plotted the demand by space type and location on the map on Page 1 using Year 2001 = Base 100. Despite a growing economy, office and warehouse demand has stagnated throughout the region.

During the period 2001 to 2006, aggregate demand in the six major metropolitan areas *decreased* by 1.69% (warehouse) and 1.27% (office): this despite the fact that the total population of these areas *increased* by 3.82%. Perhaps more significantly, the Atlantic Provinces' working age population *decreased* by 2.07%. Real estate in the region is going to face significant challenges if the population of working age continues to decline. There has been no co-ordinated response yet by the provincial governments: they continue to compete with each other in a region with half the land mass and population of the next smallest province. Such responses

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as have occurred focus on draining tax monies from the region's successful firms to subsidise companies from outside the region who wish to relocate here ... and billboard advertising in Alberta designed to persuade workers who have migrated there, they have made the wrong decision.

The changing pattern of demand within the region reveals systemic changes due, for example, to shifting methods of conducting business following the 1990 recession. This has meant that Moncton has continued to grow as a distribution centre for the three Maritime Provinces. It has captured 305,409 ft.² of warehouse demand during a period when Halifax CMA lost 313,968 ft.² and Fredericton CMA lost 69,670 ft.². Moncton's central location was further consolidated by the completion of the Confederation Bridge to Prince Edward Island in June 1997 and the twinning of the Trans Canada Highway through New Brunswick, expected to be completed this Fall.

Estimating Demand

We have built a supply and demand model to assist clients with their asset management. At present it is confined to office and warehouse property. It captures existing and past supply and demand from our surveys and utilises that information, together with current and projected economic data, to forecast vacancy, rental rates and operating expenses in each of the six major metropolitan areas in Atlantic Canada. The model is driven by recent historical data together with intelligence on projects currently under construction or in the pipeline. We use a five year forecasting horizon. Our model is pragmatic rather than esoteric: it favours a practical methodology built on our thirty years' observation of markets in the region rather than arcane mathematical formulae ... unless of course we exhaust our ideas ... in which unhappy event we rely on obscure mathematical techniques, entrails from the odd chicken, a crystal ball, any clean palm, tarot cards, pontificating provincial politicians ... well perhaps not the latter ...

☞ For a synopsis of the office and warehouse rental surveys mentioned in this article, visit our web site www.turnerdrake.com and follow the links (corporate site → news & research →

surveys).

PROPERTY TAX DIVISION



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Business Grows Here

Vegetation struggles to survive in many parts of Atlantic Canada: the thin acidic soils and rock barrens ensure that only the fittest survive. Yet survive they do: and in many ways they are emblematic of business in the region. If business can survive here, it can prosper in softer climes elsewhere. Perhaps that is why this sparsely populated region, with its unforgiving economic climate, has spawned so many companies that today prosper on the national and international stage. When you have to fight from birth for business every minute, of every hour, of every day, it has to be ingrained in your DNA. We are proud to count many of those companies as clients: hardly surprising then that the same fighting spirit imbues our Property Tax Division. They have forged their skills on the bureaucratic barrens of the region's assessment authorities, tempered their negotiating ability on the anvil of civil service arrogance and indifference: and have hammered out their cases in court. All of this in a thinly populated area with four provincial jurisdictions, each with their own incompatible mapping and assessment systems; where the sales information on which the property assessments are based, is available only to the civil service! In order to succeed we have been forced to design and build

our own leading edge information technology (IT) system; have developed highly specialised valuation, property tax, negotiation and court skills; and have inculcated an attitude of winning in our professional staff. All of these assets are readily deployable outside the region and we are now conducting property tax appeals from coast to coast. We recently saved a client \$220,000 in property tax on their Ottawa, Ontario property. Our PAMS™ Property Tax Manager business model successfully saved another client \$1,124,584 in property taxes at a cost to them of \$97,879. As a result of being enrolled in PAMS™ further tax increases were minimised and over the next five years we saved them an additional \$1,024,648 at a total cost to them of just \$9,283!

We prefer to work with entrepreneurial companies, usually regionals rather than nationals, with a small, focussed management team with whom we can build a long term relationship. Over 100 companies with \$1.0 billion in assessed value, are enrolled in our PAMS™ Property Tax Manager program. If you are interested in exploring how you can harness our resources, call Mike Turner at 1-800-567-3033.

☞ To better understand how you can utilise our services to improve your bottom line, visit our web site www.turnerdrake.com and follow the links (corporate site → news & research → case studies).

St. John's Newfoundland



St. John's, Newfoundland
(\$67,600—17% in tax savings)

April 1st was extra special in St. John's this year, the City mailed out its Year 2008 Assessment Notices: a tad on the early side, the Assessment Act deadline is September 30th and in prior years the Notices have often arrived just before

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Christmas. The Appeal Period ended on April 30th. This is the second year of the tri-annual re-assessment cycle so assessments should not have changed from last year unless the property has changed physically, or will do so prior to January 1st 2008. If buildings on the property have been, or will be demolished this year, you should advise the City Assessor so he can amend the assessment. The basis for your Year 2008 assessment is supposed to be the market value of your property on January 1st 2005, the "base date". However there is also a *uniformity* provision in the Assessment Act which requires that your property be assessed in a uniform manner with other properties. This is to avoid the situation where your property is assessed at a higher level than comparable properties. If your property appears to be assessed at more than its peers, you should have appealed. If you did so and would like some professional help, call our Newfoundland Tax Team, Rick Escott or André Pouliot, at 1-800-567-3033. If you failed to file an appeal, oh dear, April Fool!

New Brunswick



Edmundston, New Brunswick
(\$17,029/annum in tax savings.)

Service New Brunswick published its Year 2007 Assessment Notices on March 1st. The Appeal Period expired on April 2nd. The basis for your 2007 Realty Assessment is the market value of your property on January 1st 2007 (the "base date") in its *existing use* i.e. ignoring any development potential. In arriving at its market value you should have regard to *any event, or circumstance which had occurred, or could have been anticipated* on the base date. For example, if you have an automobile dealership which has to be remodelled to comply with your franchise obligations, the anticipated cost should be reflected in the assessment. Since the Realty Assessment pertains only to the "real" property, personal items such as the value of the franchise (automobile dealership, fast food outlets) or the flag (hotels/motels), together with furniture, fixtures and equipment (hotels/motels, restaurants, gas stations), should be excluded.

The New Brunswick Court of Appeal has ruled that the Realty Assessment must ignore the HST component of market value. Unfortunately Service New Brunswick

included HST prior to the 2005 Court ruling and made no attempt to remove it after the Court decision. If your 2007 assessment is unchanged from the 2005 figure, it probably still includes HST.

If you filed an appeal, our New Brunswick Tax Team, André Pouliot and Rick Escott, are available to assist you at 1-800-567-3033.

Nova Scotia



Dartmouth, Nova Scotia
(\$74,044/annum - 22% in tax savings)

Service Nova Scotia, the provincial assessment authority, published its Year 2007 Assessment Notices on February 7th; three weeks later than normal. The Appeal Period expired on February 28th. The basis for your 2007 Realty Assessment is the Market Value of your property on January 1st 2005 (the "base date"), having regard to its physical state on December 1st 2006 (the "state date"). However, unlike New Brunswick, the Assessment Act provides that properties have to be assessed in a uniform manner with other properties. The Courts have interpreted the uniformity issue on a "municipal" and "property class" basis. Properties assessed at the commercial tax rate have to be compared with all other properties similarly taxed within the municipality. In practice this means that all properties should be assessed at the "general level of assessment", computed by dividing the aggregate assessed values, for those properties that sold within six months of the base date, by their aggregate sale prices. The General Level of Assessment for non-residential properties is usually between 0.5 to 0.8. In order to determine whether your property is over-assessed, apply the following decision rule:

If 2007 Assessed Value > Market Value (January 1st 2005) x General Level of Assessment: the property is

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over-assessed.

Do not include the HST in your estimate of Market Value. (Service Nova Scotia insists on doing so despite the Court of Appeal decision in New Brunswick ruling that the practice is "an affront to common sense".)

If you filed an appeal, our Nova Scotia Tax Team, Giselle Kakamousias and Mark Turner, are available to assist you at 1-800-567-3033.

Prince Edward Island


The Provincial Assessment Department is expected to mail out your Year 2007 Assessment Notice at the beginning of May. You will have a leisurely 90 days in which to appeal. The basis for your 2007 Realty Assessment is supposed to be the Market Value of your property on January 1st 2007 (the "base date"). Unfortunately the Assessment Department ignores the Act and routinely under-assesses property in order to castrate the appeal process. Since property is not under-assessed in a uniform manner, similar properties shoulder widely different tax loads. The practice is long standing, the discrepancies are great, and the gap widens every year.

In the unlikely event that the Assessment Department decides to discharge its responsibilities this year, and your property is worth less than its Realty Assessment, you should appeal. Be careful that you do not restrict your grounds of appeal: we recommend the following wording:

"The Assessment is excessive, unfair, and any other grounds that may appear. Praise the Lord and pass the ammunition".

There is no "uniformity" provision in the PEI Assessment Act requiring that similar properties carry similar assessments.

If you require assistance with your appeal, our PEI Tax Team, Mark Turner and Nigel Turner, are available to assist you at 1-800-567-3033.

 For more information on Property Tax visit our web site www.turnerdrake.com and follow the links (corporate site → property tax).

VALUATION DIVISION

Island Treasure

Situated on Nova Scotia's Atlantic Coast, Mahone Bay is an area of breathtaking beauty: 365 islands lie cradled in its arms. Named after the low lying craft favoured by the pirates who, 330 years ago, hid among these green jewels adrift on a carpet of blue, the area is



famous now as the hiding place of Captain Kidd's treasure. During the summer the bay is dotted with the sails of boaters who freely use the islands to picnic, shelter overnight, and camp. Backman's Island is particularly beautiful and offers spectacular recreational opportunities with its long sand spit, two beaches and a large sheltered cove at its centre. It was offered for sale on the open market. Conservation groups were already fully committed financially, purchasing other islands, so the Province of Nova Scotia stepped up to the plate. They turned to Turner Drake for valuation advice.

The Approach

Backman's Island lies two kilometres off shore. The Province commissioned the assignment in February, the coldest month of the year. Fortunate then that they agreed to furnish a helicopter. Turner Drake's valuer took advantage of the lack of summer foliage to inspect the interior of the island from the air, before landing on the beach to catalogue the recreational attributes of the 3 kilometre, ice encrusted shoreline. It was, he later recalled, a little chilly. Turner Drake had developed a method of recording, and scoring, the recreational potential of the inshore, foreshore, backshore, bluff, beach frontage and back up land, to ensure that nothing was missed during the all important site visit. The fun stuff over, the real work began. Uniquely in Canada, sales information is not public knowledge in the Maritime Provinces so Turner Drake has painstakingly assembled the most comprehensive storehouse of sales in the region, gathered over a period of 30 years. Their Compuval™ family of interactive databases contain extensive details on 160,000 transactions, each dynamically linked to aerial and photographic imagery, site specific photographs, topographic mapping and web based government sources. However each valuation assignment is unique: Compuval™ must be supplemented with sales information coaxed from purchasers, vendors and real estate brokers. This time consuming research paid off, Turner Drake's valuer was able to secure details of every recent island sale in Mahone Bay. These sales then had to be inspected, catalogued and rated using aerial and satellite photography; topographic, forest cover, and Canada Land Inventory, mapping. Fortunately he was a keen kayaker and had already visited many of the islands. The results were then analysed and Backman's island

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was valued using regression analysis, a statistical modelling technique.

Winning Results

Turner Drake furnished a Valuation Report, containing comprehensive information on Backman's Island, the supporting sales data, a detailed analysis, and their valuation, to Nova Scotia Natural Resources for use in their negotiations.

LASERCAD™ DIVISION



We are pleased to announce the appointment of Nigel Turner as Manager of our Lasercad™ Division.

Nigel Turner, B. Comm.

Nigel joined us in 2002 after graduating with a Bachelor of Commerce degree from Saint Mary's University. He was granted a Diploma in Urban Land Economics from the University of British Columbia this year and is enrolled in the Bachelor of Business in Real Estate degree.

Nigel was heavily involved in the expansion and integration of our Compuval™ family of intelligent databases. He joined us initially to implement the launch of our photographic database. Since then, in concert with our programmer, he has implemented and tested several new databases, most recently the Market Survey database which captures information on office and warehouse space. He undertook much of the fieldwork for the initial Market Survey in 2006. Nigel also quarterbacked our new web site which went live late last year.

Until recently Nigel worked in our Valuation Division, undertaking assignments throughout Nova Scotia and New Brunswick. He is currently employed in our Property Tax Division conducting appeals throughout the Maritimes.

A committed car enthusiast, Nigel revels in taking his Volkswagen Golf apart and

putting it back together, aided by a collection of DeWalt tools that Mike Holmes is reputed to envy.

BROKERAGE DIVISION

Oh Hell. Sell!



Turner Drake

The Challenge

The beneficiaries of this Estate faced something of a dilemma: seven individuals were members of the same family, the rights of the remaining beneficiary had been entrusted to a Trust Company. The market for residential real estate was "hot": it was the optimum time to sell. But which part of the 400 acres should be sold first, at what price ... and which method of disposal would generate the highest value? The "family" were anxious to proceed before the market went off the boil; however protocol demanded that the Trust Company utilise a formal step by step approach. The Estate turned to NAI Turner Drake for advice.

The Approach

NAI Turner Drake were familiar with the property; their Valuation Division had valued the land thirteen years ago. Zoning restrictions prevented much of the property from being developed in the short term, and none of it was serviced by city sewer and water. One 5.7 acre parcel had frontage to Halifax's spectacular North West Arm, a treasure whose waters laugh and dance their way into the heart of the city. NAI Turner Drake identified this parcel as the jewel in the crown and recommended that it be marketed first. Since any development had to be serviced with on-site sewer and water, determining the number of residential lots that would be approved by Halifax Regional Municipality in advance of any subdivision, was

problematic. NAI Turner Drake's Brokerage Division therefore recommended the use of a quasi-tender approach in which offers would be invited in excess of a minimum published price by an offer closing date. The wisdom of this approach was confirmed when the two independent appraisals commissioned by the Trust Company initially produced widely differing estimates of the property's value. In order to take as much risk out of the transaction for the purchaser as possible, and to encourage them to tender their best bid, NAI Turner Drake's Brokerage Division carefully prepared a comprehensive Master Sales Prospectus detailing the physical, fiscal and legal attributes of the property. They then exposed the property to the market using a target list of prospective purchasers, on-site signage, circulation to the brokerage community, positioning on NAI Turner Drake's website, and newspaper advertising.

Winning Results

Within 60 days of commencing the tender process for the Estate, NAI Turner Drake were able to secure seven offers for the property ... two of which being well in excess of the higher appraisal commissioned by the Trust Company.

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 5,000 experts in 350 offices across 45 countries.

ONE COOL CAREER!

Yesterday you helicoptered into a remote island: today you will struggle to maintain your footing on a meat packing plant's killing floor; tomorrow you will dodge containers at the Port. If you are a recent Commerce graduate and want a professional career with variety ... check our web site www.turnerdrake.com.

Please notify us by snail mail, email, fax, telephone or foot if you would like to be removed from, or added to, our mailing list.