TURNER DRAKE & PARTNERS

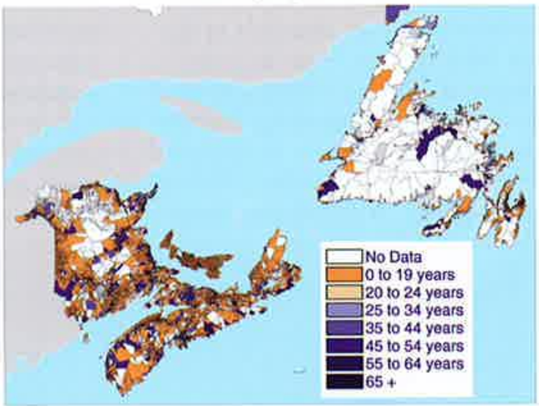
Real Estate Counsellors, Brokers & Valuers
Registration to ISO 9001:2008

Newsletter

Spring/Summer 2015 **Vol. 2 No. 102 (ISSN. 1203-1410)**

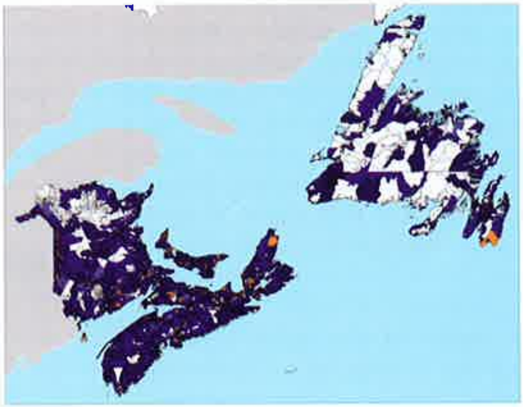
THE LAND THAT WOULD BE GREECE

2001 Demographic Map



Source: Statistics Canada 2001 Census

2011 Demographic Map



Source: Statistics Canada 2011 Census

Three years ago Facebook paid $1 billion for Instagram, an internet photo sharing site with 13 employees and no revenue. Last year they purchased WhatsApp, an instant messaging site with just $10 million in sales, for $22 billion. Airbnb a seven year old app that transforms homes into hotels is valued at $26 billion: Uber, age six, works the same magic with private cars and taxis and is worth $51 billion. (All figures are quoted in USD). Sometimes it is difficult to keep a grasp on reality … or even to determine what is reality. A single app is worth more than the real estate of any province in Atlantic Canada. Yet when its price collapses, as it surely will when it is eclipsed by an upstart competitor, the world will barely note its passing. Not so unfortunately with real estate: when markets tremble the impact echoes throughout the economy. Almost all real estate is leveraged, subject to a mortgage or line of credit, so a slide in property values quickly triggers a rout. This is what happened in 1990, an experience seared in the souls of those of us who experienced it. The problem then was exacerbated by the actions of the mortgage companies, particularly the banks, as they withdrew credit and compounded the problem by flooding the market with foreclosed properties at knock down prices. In business centres such as Halifax, landlords panicked and reduced office rents in a "rush to the bottom" as they attempted to snare the few tenants available in a recessionary market, glutted by overbuilding during the previous decade. Institutional investors meanwhile exited real estate markets with the same foresight they exhibited when entering them a few years earlier. The markets were flooded with commercial property for which there was no demand and prices collapsed … many industrial properties outside the major centres had a negative value. Businesses that relied on their real estate to finance operations faced the future with the same confidence as the priest who discovers there is no God. For many, the 1990's were a lost decade. Prices slowly started to recover in 1995 led by hotels/motels, apartments (1997), industrials 1997/1998), offices (1998) and retail (1999) but property values did not reach their pre-recession 1989 (current dollar) levels for another 10 to 15 years. Most of that recovery in value resulted from the fall in interest, and hence capitalisation, rates rather than an increase in net operating income. Ironically their saviour, the fall in interest rates, resulted from an effort to rescue the world from yet another financial crisis in 2007-2008, itself caused by the massive flood of money into real estate (a "Niagara of Capital") which started in 1997.

Money continues to pour into real estate in Atlantic Canada primarily from Real Estate Investment Trusts (REITS) but also from pension funds, public and private companies. Canada did not suffer the "Great Recession" which decimated many real estate markets in the United States during the period December 2007 to June 2009. However cheap financing has encouraged development and some markets are overbuilt. Eventually interest rates will rise and/ or we will suffer a recession. In either case property values will fall and in the normal course of events, could be expected to fully recover again in time. However there are now two new kids on the block, technology and demographics, and this time history may **not** repeat itself.

(Continued on page 2)

IN THIS ISSUE

Turner Drake & Partners Ltd.
6182 North Street,
Halifax, N.S., B3K 1P5
Tel.: (902) 429-1811

St. John's, N.L.
Tel: (709) 722-1811

Charlottetown, P.E.
Tel: (902) 368-1811

Saint John, N.B.
Tel.: (506) 634-1811

Toronto, ON.
Tel.: (416) 504-1811

Toll Free: (800) 567-3033
Fax.: (902) 429-1891
E-Mail: tdp@turnerdrake.com
Internet: www.turnerdrake.com

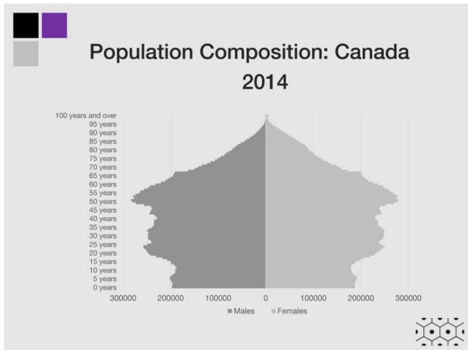
(Continued from page 1)

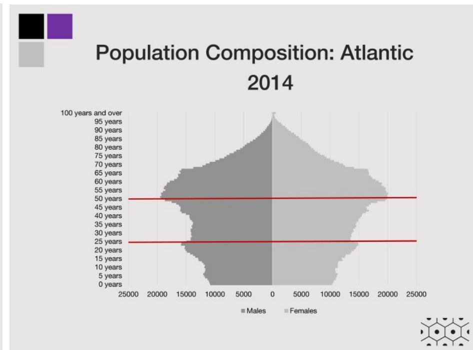
Two Thirds of Everything

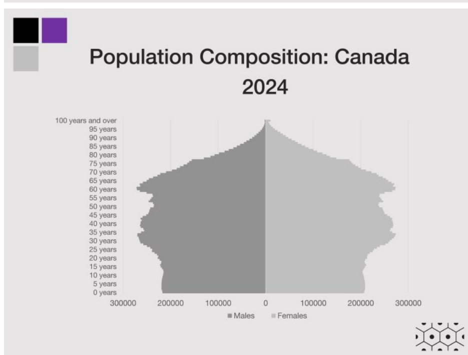
We first produced the Demographic Maps (Page 1) for a couple of seminars staged for the Federal Government in 2012 and published them in our 2013 Spring/Summer issue (Vol. 2 No. 96). They show the population distribution by dominant age group on a census tract basis, and dramatically illustrate the transformation of the Atlantic Region from a youthful (gold) to elderly (purple) populace. Whilst they certainly elicited concern from our civil service audiences they failed to set the world on fire.

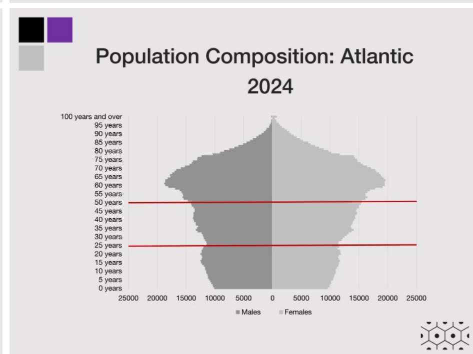
The impact of our aging population found public voice in the government initiated "Report of the Nova Scotia Commission on Building our New Economy" (the "Ivany Report"), released in February 2014 to much initial public angst in that province … and apathy elsewhere despite the fact that the impact is region wide. It was probably optimistic to expect people to storm the barricades but the general lack of concern is astonishing. (When the T. Eaton Company closed their Moncton, NB catalogue warehouse in the 1970's and Canadian National's locomotive repair shop closed in the 1980's, it galvanised that community in an effort that was truly impressive: a "can do" attitude that united the public and private sectors and produced the "Moncton miracle"). The Ivany Report called for bold action to unfetter the private sector by *"openly addressing attitudinal barriers to business development and entrepreneurship"* and lamented the reliance on government spending since *"it had failed in the past and was in any event no longer affordable"* … a tactful rebuke to politicians and civil servants for squandering hundreds of millions of our tax dollars on lunatic projects of self-aggrandisement. So far the Nova Scotia government's timid attempts at change have engendered fierce opposition from public service unions grimly determined to appropriate the lifeboats for their members as the ship goes down … women and children be damned! Given the Report's warning that Nova Scotia (and by extension the Atlantic Region) *"is today in the early stages of what may be a prolonged period of accelerating population loss and economic decline"* the unions' attitude is as productive as re-arranging the deck chairs on the Titanic, albeit much more dangerous. The Report offers the hope that *"these negative prospects are not however, inevitable or irreversible"*. So what are the facts? What is the quantum of the challenge facing this Region and what will be the impact on real estate if we fail to meet it? As Dr. David Foot observed in his seminal book "Boom Bust & Echo", published in 1996, demographics explain two thirds of everything. So that is where we start.

Atlantic Canada: It's Different Here.









The baby boomer generation, almost one third of Canada's population, is a disruptive force particularly in real estate. A direct result of the second world war, it is unique to Canada, the United States, Australia and New Zealand. Fuelled by economies that had "benefitted" from the war, and plenty of food, their populations expanded rapidly. As the boys returned home, family formation exploded in Canada resulting in a 10 million strong baby cohort born between 1947 and 1966 (the "Baby Boomers"). Part of the impetus came from increased family size: at the peak of the boom in 1959 the Canadian Fertility Rate had risen to 3.9, up from 2.6 during the immediate pre-war years. (Fertility rate is the average number of children a woman aged 15 to 48 will have in her lifetime). The war however had provided women the opportunity to enter the workforce and with it relative financial and personal freedom. The two decades immediately after the war again tied them to the kitchen sink (metaphorically speaking) with an average of four children to raise. They were determined that their brief taste of freedom should benefit their daughters. Education, birth control and technology (washing machines, dryers, microwaves, etc.) were the keys necessary to unlock that opportunity. During the 1960's expanded educational opportunities for young women (regrettably sometimes resisted in areas such as engineering by men) presented the chance for a career outside the home, provided family formation was deferred until later in life. By happy coincidence the invention of the birth control pill (by a man) and its commercial introduction in Canada during the early 1960's gave women control over the timing and size of their families. By the end of the 1960's, their fertility rate had plunged to 2.0; below the 2.1 level required to sustain the population (in 2011, Stats Canada reported the following fertility rates: Canada 1.61, Newfoundland 1.45, Prince Edward Island 1.62, Nova Scotia 1.47, New Brunswick 1.54). However because of immigration, Canada's birth rate continued to increase. Immigrants tend to be in their 20s and 30s, family formation years, and have larger families. Canada's population had an annual growth rate of 2.7% in the 1950, 1.8% in the 1960's … post 2010 it is expected to average 0.9%.

The leading edge of the Baby Boomers reached age 65 in 2012: the trailing

(Continued on page 3)

(Continued from page 2)

edge will reach retirement age in 2035. They comprise just under one third of the country's current population and are heavily invested in real estate rather than assets that stimulate the economy. Real estate accounted for 45% of Canada's total wealth in 2012, up from 32% in 1999, accordingly to Stephen Poloz, Governor of the Bank of Canada in a March 2014 address to the Halifax Chamber of Commerce. As the baby boomers transition from first time home owners (early to mid '30s) to upgraded/ larger dwellings and/or country retreat owners (mid '40s), investors in other types of real estate directly or through investment vehicles such as REITs and pension plans (mid 30s through to late 50s), to sellers (≥ 60s), the supply and demand for real estate will fluctuate accordingly. Outside Atlantic Canada there is a broad base of purchasers supporting the Baby Boom cohort partly because the fertility rate is about 8% higher but largely because immigration has increased the birth rate (see graphs Page 2). The impact of the Baby Boomers will thus be muted. This is **not** the case in Atlantic Canada … the Baby Boom cohort is supported by an ever dwindling base (see graphs Page 2). As demand for the various types of real state first expands and stimulates supply, then contracts as the Baby Boom cohort proceeds through the next stage of their life cycle, there will be no cohort following them to fill the demand gap. The pattern will be echoed by the working age population … first creating demand for and supply of office, industrial, retail and institutional space … then contracting demand as they retire. However the supply of real estate generated by the Baby Boom demand will remain … unwashed and unloved, unless immigration replaces the contraction in demand.

Immigration

Discussing demographics in any of the major metropolitan areas in Atlantic Canada is rather like breaking wind at a party; unacceptable behaviour in polite company. Many metropolitan real estate markets are currently booming, fuelled by rural to urban migration. The Atlantic Region trails the country, only 55% of its population is urbanised compared to the national rate of 81%. However the dominant preference of aging Baby Boomers and coming of age Millennials - easy access to services, amenities, jobs, social life, healthcare - are exerting their influence. Urban migration, especially to major centres, has been picking up steam. Unless they are within commuting distance of the major urban centres, small towns, villages and rural communities face stagnation or decline. There is a rush to amalgamate, the better to stave off bankruptcy or meet increasingly stringent Federal standards for water supply and sewage disposal. This growing divide has fostered complacency in the major urban areas as they denude the countryside of its population to feed their prosperity. This is very apparent from the following table which documents the percentage of population growth due to interprovincial migration during the last 10 years:

CMA	% of Growth
St. John's	63%
Moncton	52%
+Fredericton	46%
*Charlottetown	41%
Halifax	32%
Saint John	19%

+York County (2001 - 2011).
*Queens County (2001 - 2011).

Almost two thirds of St. John's population growth over the past 10 years, and a third of Halifax's, is due to pilfering souls from elsewhere in the province. However, by its nature, rural to urban migration is a temporary phenomenon in provinces with declining populations. Eventually the rural areas will run out of people or the urban areas will meet the 80% threshold common to the remainder of Canada and the industrialised world.

The Ivany Report placed great emphasis on meeting population shortfalls by promoting immigration from outside the country, instancing Prince Edward Island's success as evidence that such was possible. *The Atlantic Region's working age population peaked in 2011. Stats Canada's Medium Growth Scenario predicts that it will lose 20% of its workforce during the period 2011 to 2036. Immigration to the Region would have to quadruple its 2001-2014 rate to combat that shortfall. This appears unlikely.*

Love Lasts Forever: Life is Less Permanent

	2001	2006	2011	2016	2021	2026	2031	2036
Newfoundland								
TOTAL POPULATION	522,046	510,584	525,037	521,500	511,500	499,200	483,200	464,000
WORKING AGE (20-64)	329,426	328,984	335,245	318,800	294,800	270,500	248,000	229,200
AGE 65 AND OVER	63,619	69,461	82,304	101,800	121,000	138,300	151,500	157,000
Prince Edward Island								
TOTAL POPULATION	136,665	137,865	144,038	149,400	156,700	163,800	170,500	176,100
WORKING AGE (20-64)	81,137	83,974	88,151	89,100	90,100	90,200	90,400	91,800
AGE 65 AND OVER	18,583	20,117	22,909	28,200	33,500	39,300	45,100	48,600
Nova Scotia								
TOTAL POPULATION	932,491	937,869	944,469	945,700	951,200	953,000	949,200	939,600
WORKING AGE (20-64)	576,249	588,856	594,552	577,700	556,300	525,500	498,400	483,400
AGE 65 AND OVER	126,579	137,138	153,871	184,300	215,300	248,400	275,600	286,500
New Brunswick								
TOTAL POPULATION	749,819	745,609	755,530	760,200	765,400	767,200	764,800	756,800
WORKING AGE (20-64)	466,817	470,243	474,298	461,600	443,000	419,400	398,600	385,600
AGE 65 AND OVER	100,105	107,656	122,294	147,900	174,900	201,700	224,200	233,500
Atlantic Canada								
TOTAL POPULATION	2,341,021	2,331,927	2,369,074	2,376,800	2,384,800	2,383,200	2,367,700	2,336,500
WORKING AGE (20-64)	1,453,629	1,472,057	1,492,246	1,447,200	1,384,200	1,305,600	1,235,400	1,190,000
AGE 65 AND OVER	308,886	334,372	381,378	462,200	544,700	627,700	696,400	725,600

Sources: Stats Canada: CARSEM Tables and Population Projections Medium Growth Scenario.

The table shows the actual Total, Working Age, and Retired, population for the census years 2001, 2006, 2011 together with Stats Canada's projections from 2016 to 2036 under their Medium Growth Scenario. The peak populations are shown in red. A more nuanced analysis by age group is required to measure the impact on each sub-market. Consideration of the impact of technology, for example in reducing the office space per worker, would also be required as would the impact of rural to urban migration, to translate the population trends into space demand. The age of the buildings in each sector and their ability to compete for a shrinking pool of occupiers is also a factor. It is therefore not possible to draw the direct conclusion that the anticipated 20% reduction in the workforce will translate into a similar loss in demand for office space: the impact will be greater. However actual vacancy will be mitigated since buildings will be taken out of service before the end of their physical life and renovation of existing stock will not occur. Investors will demand a higher return and values will decrease relative to similar investment opportunities elsewhere in the country: the yield gap will widen.

The biggest concern is the realisation, and ability of governments to adjust their budgets as their tax base shrinks. Their salary and pension commitments already

(Continued on page 4)

(Continued from page 3)

exceed those of the private sector on a per capita employee basis … and the latter's capability and willingness to pay for them. For the major municipalities these are the good times, the honeymoon before harsh reality strikes. Yet as our Market Surveys show (Newsletter Vol. 2 No. 101) municipalities relentlessly continue to increase property taxes, effectively confiscating an increasing share of the Gross Rent and forcing the Net Absolute Rent per square foot downwards. Since Market Value is a function of Net Operating Income (Net Absolute Rent minus Vacancy) divided by the Overall Capitalisation Rate, the municipalities are reducing Market Value and appropriating a portion of the property owner's equity to fund their operations.

Summary

Real estate markets in Atlantic Canada face unique challenges which are not as yet recognised by investors or the municipalities.

On September 17th, we will host a breakfast seminar at the Halifax World Trade and Convention Centre on the demographic changes sweeping the region, and their impact on real estate values in Atlantic Canada. Reserve your hot breakfast by contacting Gen Lecour at glecour@turnerdrake.com or (902) 429-1811 x 345. There is no charge but we will accept donations to the Salvation Army and Oxfam Canada at registration.

VALUATION DIVISION

Valuing Land: Never a Straightforward Exercise

Nigel Turner, Senior Manager of our Valuation Division shares his experience in valuing resource property on Canada's east coast.

There is a common misconception that valuing unimproved parcels of land (i.e. not built on or cultivated land) is fairly straightforward. Although there is no shortage of land sales to draw from … the sheer number of variables involved with value and the mixed nature of the sales makes valuing unimproved property, which includes islands, one of the most challenging exercises in real estate valuation and appraisal. Over my career I have become familiar with the most important variables to consider when valuing land and briefly share them below. This is by no means a complete list but does demonstrate the complexity involved with valuing land.

It all begins with a conversation with a client regarding their unimproved property. A typical conversation will usually go something like this:

"I am looking to have a valuation completed on my property for sale purposes. I have received an offer and I want to know if it's reasonable. They are offering me $375,000 for 250 acres which is $1,500/acre. Does that sound reasonable to you?"

This is a difficult question to answer without knowing the details of the property. In our profession the accepted method for valuing land is to determine an appropriate per unit rate, which is based on similar properties that have sold, and then applying that to the property being valued. However, this approach is often flawed due to the number of input variables involved with value. For example, you could have two parcels of land that are the same size located adjacent to one another, with one of those parcels having extensive waterfrontage and the other having very little. So does it make sense to value both of these parcels using an overall per acre rate? Let's take a look at the most crucial variables …

Access

The type and amount of access can be a large contributory factor to value. The property, for example, might have enough linear road frontage to be subdivided thus creating several lots. However, if the road is only maintained and accessible for a portion of the year it can have a significant impact on value. Alternatively, the property may be accessible by way of a right-of-way. If that's the case it would be necessary to review the right-of-way documents to understand what the restrictions are for use of the right-of-way.

Size, Shape and Topography

The overall size, shape and topography of the parcel are also variables which need to be considered. The parcel may be very long and narrow, short and wide, or have steep terrain or be fairly level, which can have a significant impact on its use and value.

Location

Location, location, location … If the parcel sits adjacent to a developing residential area it would likely attract a higher value than a property situated in a more rural setting with little development. Location of the property is very important to consider.

Waterfrontage

Does the property have extensive waterfrontage to a river, a lake or the ocean? If so, is it susceptible to flooding during certain times of the year? Is the shoreline badly eroding or is it permanently in a state of wetland? What is the depth of the adjacent water and does the water level drop significantly during the summer months? All of these factors affect value and must be explored.

Cover Type

Another critical variable is the type of land cover. If

(Continued on page 5)

(Continued from page 4)

the likely use of the property is for forestry harvesting then the cover type would be a critical input variable. Often times we are asked to value property which contains unique cover types including old growth forests or hemlocks.

Zoning and Other Restrictions

Even in rural areas where properties are not typically subject to the same level of land controls, there are often restrictions on the use of the property. For example, the property may be located within a designated wilderness area or within an area designated as a watershed. These types of restrictions can severely limit the use of the property and thus impact its value.

Conclusion

Back to the original question; is this offer reasonable? Well that all depends on a number of factors that need to be investigated before providing any input ...

The moral: *Nothing is ever as straightforward as it seems, especially when it involves valuing land.*

Nigel Turner, B.Comm., DULE, BBRE, MRICS, AACI, P.App. joined Turner Drake in 2002. A Chartered Surveyor, he is an acknowledged expert in the valuation of resource property and has conducted seminars on the subject in Kingston, Ontario and Banff, Alberta. He has extensive experience valuing resource property and islands on Canada's east coast. He can be reached at nigelturner@turnerdrake.com or (902) 429-1811 x 330 or 1-800-567-3033 (toll free).

VALUATION DIVISION

Fatter, Fancier, Less and Less Relevant

©Bigstock

Technology and "tick the box" rule driven Appraisal Standards are encouraging appraisal reports which are fatter, fancier but less and less relevant. By comparison our data driven valuation products are dull … as exciting as a eunuch in a harem. Are clients, and potential clients, really voyeurs lusting after the figure rather than the figures? We decided to find out. Where better to start than with our nation's bankers … a lusty lot that successfully navigated the rapids of the 2007 world financial crisis with reputations intact (unlike their hedonistic colleagues overseas). We therefore interviewed the senior commercial lending teams of every national bank active in Atlantic Canada, bar one. They gave generously of their time, were frank and not at all dull. In general they place little reliance on appraisers' opinions preferring instead to undertake their own research to formulate their opinion of the credit worthiness of the property. They considered the appraisal reports submitted in support of the loan useful only if they contained "hard data" on the property itself and the marketplace in which it competed for tenants. The report's rental and market value conclusions were accorded little weight unless they were the clear and logical result of the data analysis. The Income Approach was really the only relevant indicator of value and hard rental and capitalisation rate data was key. In its absence the lending teams relied on data published by commercial real estate brokers (tricky!) or extracted data from the more reliable appraisal reports. If the appraisal report was deficient the lender discounted the appraised value or ignored it completely unless it was lower than their own.

It was hardly a ringing endorsement of the appraisal industry and while we disagree with some of their logic (such as the heavy reliance on the Income Approach), we concur much is amiss. The appraisal industry in Canada is in decline and this is why …

(1) Lack of Regulatory Oversight

"Appraisal fraud leads to $54 million whistleblower award" … "Former state licensed real estate appraiser Lila Risk was sentenced to three years in federal prison and ordered to pay more than $46 million in restitution" … "Chartered Surveyor Mary-Jane Rathie jailed for six years for inflating property valuations" … "Chartered Surveyor Christopher Jarvis jailed for two years for inflating the value of a luxury home".

The United States and United Kingdom do not hesitate to make an example by jailing appraisers for fraudulently inflating values … not so in Canada! There have been major fraud cases in Alberta and Nova Scotia in recent years involving appraisers reportedly inflating property values … but no convictions. News reports indicate that law enforcement agencies will not initiate action "because of the cost involved" and will not otherwise take action unless charges are laid. America's FBI and Britain's Serious Fraud Office have no such qualms. They investigate and prosecute serious fraud … why not in Canada?

In Alberta, Nova Scotia and New Brunswick the appraisal industry purports to regulate itself and has been able to initiate private members' Bills to give themselves licencing authority. Although such Bills (and the subsequent Acts) were justified by their proponents as "safeguarding the public interest" their principal impact is to raise inter-provincial barriers to trade and restrict competition. In response to our repeated requests as to how many of their appraisers had been expelled for fraud the Real Estate Council of Alberta provided the following response *"if someone has taken a lifetime withdrawal from the industry those [names] are all available on the web site"*. Oh, right:

(Continued on page 6)

(Continued from page 5)

that answers that then! The New Brunswick association advised us that no members had been expelled, while the Nova Scotia association would not answer claiming the information was confidential! The Appraisal Institute of Canada pontificated that "unethical conduct for criminal activities such as fraud, can result in expulsion and a fine up to $10,000" … but then wouldn't divulge if such action had ever been taken.

Little wonder appraisals are accorded little credibility!

(2) Without Data, An Opinion is Just a Guess

Property values can only be measured by reference to sales data: "gut feel" is a poor apology for a guess. Acquiring rental, expense, vacancy and sales data is much more difficult in this Region than in the remainder of Canada. The sales data is held by the Provincial governments and assessment authorities and they guard it jealously apparently fearful of property tax appeals by the general public if the latter has ready access to data on which their property assessments are based. Service New Brunswick was shamed into releasing sales data by the provincial Ombudsman in 2009 and the other provinces now make it available for a fee. However only Nova Scotia sells it as a bulk data download: it has to be harvested manually elsewhere, a time consuming process which entails trolling through every property in each province to determine which have been sold and at what price. Generally only transaction specific data (sale price and date) is released … little property attribute data is available. We have had to construct algorithms which utilise footprint and zoning maps and the unit price to determine the property type. Our software then searches our CompuVal® Knowledge Base to determine if we have an earlier property record we can use to (tentatively) populate the remaining fields. Every month our Investment Committee investigates and analyses every shopping centre, office, hotel and multi-tenanted industrial, transaction in the region. They source projected income and debt service data for the ten years post purchase using the internet and industry contacts. Using proprietary software, we then subject the transaction to a battery of tests to extract five key sets of yield data: ten year All Cash IRR, Leveraged IRR, Equity Dividend, Risk Premium and the overall Capitalisation Rate. Rental, vacancy and expense data is harvested from the $4 billion of real estate on which we provide advice each year. In addition we conduct rental, vacancy and expense surveys semi-annually on every office and industry building ($\geq$ 5,000 ft.^{2}) available for rent in each of the six major urban areas in Atlantic Canada: 762 buildings with an aggregate rental area of 38 million ft.^{2}.

The foregoing is time consuming and expensive: out of the reach of most appraisal firms. In other regions of Canada it is readily available from government or commercial sources at a reasonable cost.

(3) Informed Opinions: The Product of Trained Minds

Real estate education at university level is widely available in most developed countries. Canada is the exception that proves the rule: the University of British Columbia is the only source for undergraduate real estate degrees. UBC offers a real estate degree by distance learning (14 of our staff are enrolled) but the lack of a widely taught program through universities coast to coast limits awareness. In addition few firms can offer a structured training program because of the cost and logistics involved in creating job relevant teaching materials and mentored training. (Our training program extends over seven years, quite a commitment for the trainee since they already have four years of undergraduate education).

(4) Specialist Skills: A Broader Perspective

Property valuation is multi-disciplinary. It requires a knowledge of surveying, law, planning, engineering, construction, forestry, statistics, finance, marketing and valuation. The breadth is expanding as new technologies such as satellite imagery and three dimensional photography render geographic information systems (GIS) part of the tool set. However a greater depth of knowledge is also required. Planning is an example. As population migrates from the countryside into urban areas, planning is becoming more complex … and as civil servants retreat behind call centres they are less accessible. (We added GIS specialists to our team nine years' ago and a planner this year). The appraisal industry in general is too narrowly focussed and lacks the necessary access to specialist skills.

(5) Quality Control: Our Cost, Not Our Clients'!

Canadian appraisal standards are very weak, simply a watered down version of the American Uniform Standards of Professional Appraisal Practice (USPAP). The latter were developed by an independent body, The Appraisal Foundation, which was created in 1987 as a result of the financial meltdown. The latter virtually wiped out the Savings and Loan Industry in the United States and placed their entire financial system in jeopardy. USPAP was initially adopted by the Appraisal Institute of Canada (AIC) but then abandoned in favour of its own "Canadian Uniform Standard" ... often referred to as CUSPAP. *(The AIC is in an obvious conflict of interest position because it runs its own professional insurance liability program … and sets the standards against which such liability is measured).* CUSPAP replaced the objective USPAP standards with a subjective "reasonable appraiser" test. Both USPAP and CUSPAP are *"rule based"* and focus on report content … a "tick the box" approach which has contributed to appraisal reports lacking relevancy.

The Royal Institution of Chartered Surveyors' Valuation Standards (RICS Red Book) which have international standing and include the International Valuation Standards (IVS), are *"principle based"*. The Appraisal Foundation (USPAP) and International Valuation Standards Council are now working to harmonise both standards. However the RICS Red Book is not yet the prevailing standard in Canada.

Setting standards is one thing: ensuring compliance is another. Unless the firm is regulated by the RICS, enforcement is complaint driven … the damage is done before action is taken, not a satisfactory system. The appraisal industry has been very slow to implement quality control. The international ISO 9001 quality standard has been increasingly adopted by the manufacturing sector in Canada but less so by the service sector.

For more information on our Valuation Division, visit our web site www.turnerdrake.com → Corporate Site → Valuation & Appraisal. Client can now access their own property records through their Client Area → Property Portfolio.

6182 North Street
Halifax, NS   B3K 1P5
+1 902 429 1811
www.naihalifax.com

Featured Properties:

For Sale: Industrial Production Facility

ADDRESS	30 Thornhill Dr
CITY	Dartmouth, NS
BUILDING SF	41,343 sf
LOT SIZE	2.48 acres

CEILING HEIGHT	18 ft
SALE PRICE	$3,500,000
PRICE/SF	$84.66
CONTACT	RUSS ALLEN, x329
	RYAN FOUGERE, x313

For Lease: Warehouse

ADDRESS	210 Joseph Zatz.
CITY	Dartmouth, NS
BUILDING SF	10,500 sf
LOT SIZE	2.37 acres

CEILING HEIGHT	24 – 28 ft
NET RENT	$6.50 psf
OPERATING	$4.00 psf
CONTACT	RUSS ALLEN, x329
	ASHLEY URQUHART, x340

We have solutions to your real estate problems:

Challenge: this client's rented space in Halifax's Trade Mart Building was "home", they had been there for twenty years. They liked the location: they were a commercial printer and many of their customers were located in the Central Business District just steps away. However they had outgrown their space, new printing equipment had already been ordered and was to be delivered in 6 to 8 weeks. They were concerned that a move away from their customer base would adversely impact their business.

NAI Turner Drake's Approach: Every week NAI Turner Drake's Compuval™ database system captures and stores details of vacant space. Landlords rarely list their space with a single broker preferring instead to propagate details to all commercial brokerage houses on an "open listing" basis. Tenants who are downsizing and want to sub-lease, list their space with one of the half dozen or so commercial brokers. They in turn circulate details of the space amongst themselves. Some residential brokers dabble in commercial sub-leases too and list details on the Nova Scotia Association of Realtor's (NSAR) Multiple Listing Service (MLS). NAI Turner Drake is in the unique position of being a commercial broker who is also a member of the NSAR and thus has access to the MLS on-line service. This provides access to virtually all of the vacant space available for lease in H.R.M. However, since space availability can sometimes change overnight, NAI Turner Drake also poll the individual landlords and commercial brokers if suitable space is not in their current inventory. After a vigorous search NAI Turner Drake presented the best Halifax alternatives to this client. When all were deemed unsuitable, NAI Turner Drake investigated other printers who had been forced to relocate from Halifax and had found a new home in Dartmouth's Burnside Industrial Park. They were able to allay the client's concerns by demonstrating that similar printing operations had made the move successfully. Armed with a new mandate NAI Turner Drake presented the client with a number of attractive alternatives across the harbour.

Winning results: Because of their knowledge of the local rental market, and their robust relationship with the landlords and other commercial brokers, NAI Turner Drake located premises which met the client's fiscal, physical and locational requirements; allayed their fears about the business consequences of their move; and relocated them well before their new equipment arrived.

Global Network

Your Solutions Team

Russ Allen
Leasing

Verna Turner
Sales

Ashley Urquhart
Sales & Leasing

Ryan Fougere
Sales & Leasing

List of Services

Brokerage
- Vendor Representation
- Purchaser Representation
- Landlord Representation
- Tenant Representation

Valuation
- Reserve Fund Studies
- Commercial
- Industrial
- Investment
- Development
- Rural

Economic Intelligence
- Market Surveys
- Site Selection
- Trade Area Analysis
- Supply & Demand Analysis
- Demographic Studies

Development Planning
- Regulatory Review
- Development Analysis
- Development Approval

Lasercad™ Space Measurement
- Space Certification
- “As built” Plans

Property Tax
- Assessment Audits
- Negotiation
- Appeal Board
- PAMS™ Property Tax Manager

Counselling
- Feasibility Studies
- Expropriation
- Mediation & Arbitration
- Infrastructure Acquisition

NAI Turner Drake

6182 North Street
Halifax, NS B3K 1P5
+1 902 429 1811
www.naihalifax.com