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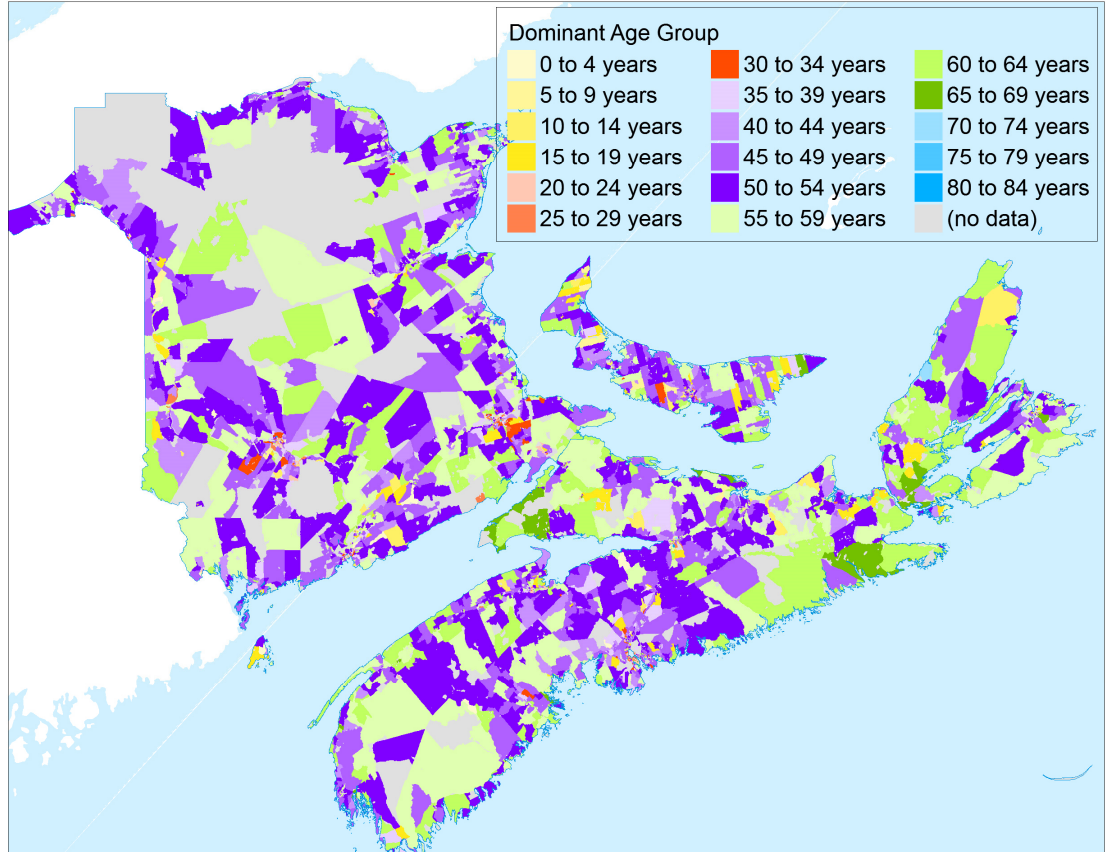
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YOU ARE WHERE YOU LIVE



Your demographic profile is informed by a multitude of factors, including your age and family structure, education level, income and spending habits. Segmentation is the process of classifying neighbourhoods according to the predominant demographics, lifestyles and values of the residents. It's a useful tool for determining who makes up the customer base when location matters, such as for new housing developments or business ventures, and can be used to provide insight into who will occupy neighbourhoods. This is key for developers, who need to tailor developments to their target market. It is also vital for municipal planners, especially as they move from use-based to form-based planning regulations, allowing for more market input to land use. Since land use is long-term (once developed, a property is unlikely to be redeveloped for decades), it is important to get it right for the current market and for future conditions.

In 2015, the United Kingdom (UK) research and policy institute Centre for Cities published a study titled "Urban Demographics: Why People

Live Where They Do", to provide a better understanding of the complexities involved in the decision regarding where to live at different life stages, a follow-up to a previous study examining where people live and work. That study found city centres are predominantly inhabited by young, single, highly educated people; suburbs by couples with children, and rural areas by empty nesters and retirees. They identified that there are push and pull factors involved in residential location choice. Unsurprisingly, the cost of housing stands out as a primary factor across age groups, though it is the *most* important factor only for those in the family rearing and middle aged life stage (aged 35 to 54). Those starting out in adult life (aged 25 to 34) placed more importance on proximity to their or their partner's workplace than any other age group, but 92% of those surveyed allocated some importance to this factor. But, the factor identified as important by the largest number of people was being close to friends and family, with 112% (participants could select more than one factor) of respondents indicating that this played a role in their residential location decision; it was *the* most important factor for those aged 25 to 34. If we make the assumption that people are demographically similar to their friends and family, this finding lends support to the idea that people will settle near others like themselves. Ergo, market

(Continued on page 2)

IN THIS ISSUE	
You Are Where You Live	1
Ontario: Here We Come.....	3
Valuation Division - Property Portfolio Manager	4
- Vice President	5
Counselling Division - Experience Counts	6

(Continued from page 1)

segmentation analysis of who lives where *now* will provide an indication of who is likely to move there in the future.

Our analysis of the Maritime Provinces using 2011 Census data supports the pattern suggested by the UK study. Our map (previous page) shows the dominant age group by Census Dissemination Area with the younger age groups choosing to live in urban areas (flashes of red); those in their family rearing years living in suburban locations (purple); empty nesters and retirees locating in rural areas (greens).

Market Segmentation

Environics Analytics classifies neighbourhoods by the dominant demographic profile of the inhabitants using colourful labels such as “Lunch at Tim’s”, “Pets & PCs”, “Our Time”, etc. Alex Baird Allen, Senior Manager of our Economic Intelligence Unit, and mother of young twins decided to find out if she was living in the right neighbourhood. Come along for the ride.

I looked up my postal code on Environics Analytics PRIZM5 lifestyle classification search tool. I found that, based on where I live, I belong to lifestyle #39 “Our Time”, which makes me an older and mature, lower-middle-income suburbanite. Hmm. I’m not sure that fits me just yet: I’m a few decades shy of retirement, but have found myself of late muttering what amounts to “the kids these days,” so I’m willing to explore it a little further. Who does “Our Time” describe? Setting aside the “over 60” age bracketing, this segment is made up of singles, couples and widow(er)s in low-rise apartment neighbourhoods with modest educations which led to service sector and white-collar careers. We can go with “ish” on this bit. The hobbies listed line up with things I do, surprisingly well, even if my MO is more DIY and less hobby: gardening, woodworking, crafting and sewing. Travel—yes. While I am not (yet?) on board with the suggested package holidays and RV trips, I do love a travel bargain, so “moderately priced” fits the bill; I’ll say “yes” to the above. Food, wine, the arts, current events, health and wellness and the home: I’m starting to feel like I belong in this group. So do they think as I think? “Increasingly attracted to simplicity” -

check. “Desire to connect with small, close-knit groups” - check. “Traditional family, but questioning of authority and opposed to traditional patriarchal and hierarchal relationships” - check. I am open-minded and curious, and of course not all knowledge must be logical. “yes” to learning from other cultures, “yes” to protecting the environment (and thinking that you need to as well), and “yes” to well-designed products that will last forever. Ok, this does sound quite a bit like me. It falls apart a little on the “where” and “how” I live descriptions, (“no thank you” to low-calorie sweeteners and whipped topping, turkey, cordials and liqueurs. And also, what is grocery store takeout, besides an oxymoron?), but overall, it’s not too far off the mark. What’s more, I live on a mixed-age street, and can see how it could fit some of my retired neighbours now, and how it might be tweaked to fit those of us in my own age group when we reach retirement age.

Even though I did check the postal codes of some friends, family and colleagues, to increase the sample size (and because it’s fun; you can check it out at <http://www.environicsanalytics.ca/prizm5>), and found that they fit into their location based lifestyle categories fairly well overall, it has to be acknowledged this test was far from scientific and that there is definitely the possibility of confirmation bias. It supports the idea that people tend to choose to live near others like themselves, and maybe even the notion that you can predict what will be based on what currently exists, since newcomers may be similar to long time residents, but at a different life phase.

One Important Piece of the Puzzle

Market segmentation can provide a good starting point to identify the demographic characteristics of a neighbourhood, but localized expertise and further investigation is highly advisable: clearly, not everyone living in an area will fit into the dominant lifestyle category. Demographic analysis can pick up on the gaps left by lifestyle segmentation, filling in the proportion of people in age brackets other than the dominant one and providing an indication of how the profile of an area has changed, is changing and likely will change in the future: crucial information for anyone planning a development or creating

zoning regulations.

The value of this research is obvious when it comes to private development, but a good understanding of the market is important for public sector work as well. While demographic forecasting is old hat when it comes to municipal planning exercises, typical practice falls short in its depth of analysis. Projections usually consider absolute population, and perhaps employment, but often all people and all jobs are considered equal. When greater effort is put into this analysis, it seems to be spent disproportionately on improving the accuracy of projections; trying to best guess where the future will fall in relation to the low-medium-high range predictions.

The only thing we can guarantee about projections is that they will be wrong. While it is important to ensure they are based on sound methodology and defensible assumptions, time spent trying to read between the projection lines would be better spent diving deeper. Knowing more about who makes up those growth numbers – market segmentation analysis – helps us understand the types and proportions of housing, commercial, and institutional space they will require, and where those needs will be located.

Demographics heavily shape the decisions people make regarding where they live, work and play. The study by Centre of Cities identified the greatest causes of dissatisfaction that people had regarding where they live. The single biggest cause of dissatisfaction with residential location was distance from their own, or their partner’s work, followed closely by living too far from friends and family and the cost of housing. This highlights the importance of housing availability close to employment at an affordable cost, a common and virtuous goal for most municipal plans.

Undefined, but Perfectly Formed

Form-based codes are becoming a popular method of regulating development compared to the traditional land use centred approach. Especially in urban areas and the town centres of smaller communities this makes a great deal of sense; built form is very influential in terms of how we experience and perceive our communities. With good design, the

(Continued on page 3)

(Continued from page 2)

vast majority of land uses that occupy our built environment are perfectly compatible with each other. Further, the tendency with use based regulations is to become overly complex and sclerotic making them poorly suited to accommodating change. We are already undergoing significant demographic and economic restructuring in our communities, and this is not going to stop any time soon. As a result, inflexibility in the use of land is increasingly becoming a competitive disadvantage that weakens our communities and their prospects for the future.

However, one of the advantages of narrow, use based regulation, is that it is relatively easy to understand the servicing needs of those uses: when you zone for a specific type of house, you zone for a specific type of household and the well understood requirements for water and sewer, education, recreation, healthcare, and transportation that accompany them. As we move more and more towards only regulating the built form of a neighbourhood, less implicit is the number and mix of households and businesses that will likely occupy it.

Understanding market segmentation can help. Essentially the inverse of sorting households through defined categories of land use, it parses the population into combinations of social, economic and demographic factors that have uniform demands for real estate. With knowledge of the location and trends within each segment, regulation of built form can be interpreted to predict outcomes for neighbourhood population levels, servicing needs, etc. in aggregate numbers. Add in market absorption and we can anticipate the timeline over which these needs will accumulate. Going beyond simple planning policy and regulation, an awareness of how public space and municipal amenities fit into various market segments can enable municipalities to use capital investments as a strategic tool for shaping growth.

Regulation Redundancy

Location, location, location may be the mantra everyone is familiar with, but the development industry operates on a more sophisticated basis. What gets built and when, is the result of balancing geography with price, style, finish quality, and amenity packages, all

targeted towards specific customers.

Growth is not simply location based, and thus growth patterns can be interpreted, anticipated, and influenced with help from market segmentation analysis. This understanding gives additional nuance to planning practice. Especially in larger, more complex real estate markets, tracking and managing growth based on broad location categories such as rural, suburban and urban can miss important details. Approved units may not capture available demand if they are targeted at a market segment for which there is no surplus demand. Thus growth potential may be limited not because there is insufficient real estate supply, but because the supply is inappropriate for available demand. Different types of residential and commercial development in the same general area may appeal to completely separate market segments. Proactively targeting the high-growth market segments will provide greater net returns for areas designated for growth than simply increasing the aggregate amount of real estate allowed. The public and private sectors must work in concert to realise the full potential of this practice. Private developers have a financial incentive to accommodate available demand with appropriate supply, potentially by developing classes of real estate which attract new market segments to an area over other categories which have always demonstrated local demand. If the goal is to encourage a change from past trends, allowing the market to dictate what gets built will achieve a greater impact than simply focussing on aggregate growth projections. In recognising when market forces will lead to desired outcomes, public planners have the opportunity to avoid implementing redundant regulation.

For more information on our Economic Intelligence Unit, visit our web site www.turnerdrake.com → Corporate Site → Economic Intelligence Unit. Our Planning Division resides at www.turnerdrake.com → Corporate Site → Planning.

ONTARIO

Here We Come!

Rick is a nice guy: sending him back to Ontario is not personal, we just wanted our most competent Ontarian to helm our operations there. Until recently



Rick Escott
B.E.S., MRICS, AACI

Rick was Vice President of our Valuation Division providing advice on about \$1 billion of real estate each year. Nothing fazes him: five university campuses to be valued ... “no problem”; a large property portfolio comprising pulp mills, shopping centres manufacturing plants ... “OK”; 2.6 million acres in Labrador ... “I’ll hire the plane.” Rick is unusual in that his practice also includes property tax: he has extensive experience in that field as well as property valuation.

In his capacity as Vice President Ontario, Rick will be operating from our Toronto and Halifax offices. He joined Turner Drake in 1981 having graduated with a Bachelor of Environmental Studies degree from the University of Waterloo. He gained accreditation (Urban Option) with the Appraisal Institute of Canada in 1985 and subsequently passed the Rural Option in 1988. He was admitted into the Royal Institution of Chartered Surveyors in 2011

Rick is an experienced expert witness and has personally provided advice and concluded several thousand assessment appeals and valuation assignments throughout Atlantic Canada, Ontario and British Columbia. He has appeared as an expert witness before the New Brunswick Assessment and Planning Review Board, the Nova Scotia Public Utility and Review Board, the Nova Scotia Regional Assessment Appeal Court, the Newfoundland Assessment Review Commission and the Ontario Assessment Review Board.

Property Taxes

There is a significant opportunity to reduced your Ontario property tax burden *for the next four years* if you start taking action now. This year, for the first time in its history, the

(Continued on page 4)

(Continued from page 3)

provincial assessment authority MPAC (Municipal Property Assessment Corporation) is publishing a property tax *pre-roll*. It provides us with the opportunity to negotiate your assessment for the four year cycle commencing 2017 *before* the official property tax roll is published later this year.

We have 17 years' experience in pre-roll negotiations thanks to our work in Nova Scotia. It is the only province to utilise the pre-roll strategy. The province first started to publish a pre-roll in 1999 following a meeting with the then Minister of Municipal Affairs and senior members of our Property Tax Division. The province wanted to bring some stability to municipal budgeting. Municipalities base their budgets on the official property tax roll and find themselves in difficulty if it is decimated by successful appeals. The Minister wanted to avoid this situation by providing an opportunity to negotiate the assessments before the official roll was struck. *We* found it advantageous because negotiations on the pre-roll proved more flexible and cost effective than appealing the official roll. (Once the latter is published the assessor is cognizant of the municipality looking over his/her shoulder and often "digs in" to defend the assessment). Kudos then to MPAC for committing to a pre-roll this year in Ontario. However the window for negotiations has narrowed: MPAC originally intended to publish their pre-roll in March but only managed to do so for residential properties on April 4th ... commercial assessments, including apartments, will not now be ready until October 18th. The official roll will be published on December 13th leaving just 55 days for negotiations, perhaps a little less. We have successfully conducted negotiations in Nova Scotia within a much shorter time scale than this, but we anticipate MPAC will be deluged with requests for negotiations. We therefore recommend getting ahead of the pack by letting us complete the preparatory work before the pre-roll is published. We should start that work now. We cannot complete it until the pre-roll is published but our information technology (IT) platform CompuVal® is already in place to run the analyses once the pre-roll data is available. We have had the same challenge every year in Nova Scotia and have developed a well established routine to deal with it.

We opened our Toronto office in September 2015 to give us time to prepare for the Ontario re-assessment. Our success in Atlantic Canada is primarily due to deploying Chartered Surveyors and accredited appraisers rather than tax agents, and then equipping them with advanced information technology (IT) tools. Atlantic Canada is the most data deprived and business hostile environment in the country. The five assessment authorities control the sales data on which the property assessments are based. They restrict access to that information to thwart appeals and initially even refused to provide us with assessments on comparable properties. It forced us to design and build CompuVal®, a leading edge IT platform capable of acquiring, integrating and analysing sales, assessment, rental, revenue and operating expense data from multiple sources. Because CompuVal® was originally built to operate in four data deprived provinces each

- 4 -

with disparate assessment and mapping systems, it has proven to be very flexible and we have been able to incorporate new technologies, such as satellite imagery, and data sources, as they become available. We now deploy it in eleven provinces and have spent the months since opening our Toronto office ensuring that it takes advantage of the relatively data rich environment in Ontario. We can bring some impressive fire power to bear.

☎ *For more information please contact Rick Escott at 416-504-1811 (GTA) or 1-800-567-3033 (toll free). You can also email him at rescott@turnerdrake.com.*

For information on our Property Tax Division, visit our web site www.turnerdrake.com → Corporate Site → Property Tax

VALUATION DIVISION

PAMS® Property Portfolio Manager



On the far horizon, waves crash against the reef raising white plumes of discord. But here, in the lagoon, all is at peace. Warm waters hold turtle, red snapper and sea bass in a turquoise embrace. Caressed by a Caribbean sun, the white sand beach curves gently around a bay. Palm fronds gently rustle in the noon day tradewinds. Welcome to tranquility: the order of the day.

Meanwhile back at the office, clients clamour, telephones trill, emails emote, deadlines demand, bills beg, debts depress: a relentless and incessant cacophony all calling for your immediate attention.

Well, we can help: not with your personal paradise, you'll have to find your own way there. But we can reduce your stress, workload, anxiety ... and improve your bottom line.

For most business managers, property is just one component of production. Despite the fact that it is frequently the company's most valuable asset, allowing the firm to cost effectively raise capital and often buffering it against business downturns, it rarely gets the attention it deserves. Day to day demands of the business require immediate attention and the real estate often only features on the radar when physical property management issues such as a leaking roof intrude.

(Continued on page 5)

(Continued from page 4)

Financial property items and asset management lack that type of immediacy and are often subsumed in the day to day demands of the enterprise. They are often ignored too, even when the property is professionally managed, for the same reasons. Which is a pity, because they can have a significant impact on your bottom line.

Fifteen years ago we launched our PAMS® Property Tax Manager program to relieve time stressed business owners, and property managers, of the administrative burden of managing their property taxes. Every year PAMS® PTM protects \$3 billion of assessed real state in Atlantic Canada from the impact of rapacious taxation and saves participating clients millions of dollars. This year, with the opening of our Toronto office, we are extending it to Ontario. It is administered by our Property Tax Division, a dedicated team of experts who focus only on realty and business occupancy tax appeals. If your property is not enrolled in the program you must be a masochist ... not that we have anything against masochists, they help the world go round ... hell we even like lawyers.

We are now launching a sister service, PAMS® Property Portfolio Manager administered by our Valuation and Planning Divisions. PAMS® PPM is designed to protect your property against capital asset erosion through inadequate (or over adequate) fire insurance coverage, down zoning and adverse market value changes. We are very cognizant of the fact that most property owners do not manage their assets (physical property management is a different kettle of fish, if the roof leaks it has to be fixed). Even basic asset management risk protection policies such as monitoring proposed zoning changes are frequently overlooked. Our Valuation Division for example, was retained for a proposed building expansion, only to find that such was no longer possible because the property had been down zoned just months before the owner contacted us. PAMS® PPM is intended to provide you with professional valuation and planning advice when, and only when, you need it, so that you can avoid being blind sided by external events that threaten your property. It will reduce your administrative burden and risk ... and (we believe) better position you to maximise the value of your holdings. When required, it will also reduce the cost and expedite the valuation of your property for financing, balance sheet, IFRS and other purposes.

The PAMS® Way

This is how it works. We will send you the following information each year, two weeks prior to your property fire insurance renewal date:

- (1) **Fire Insurance** - the updated Replacement Cost New value for each building in your property portfolio.
- (2) **Zoning** - the current zoning on each property in your portfolio together with a notification of any proposed change, its impact, and the action

required.

Since planning is an on-going process you may get notification at any time from the planning authority of proposed changes to the Zoning Bylaw or Municipal Plan that may benefit or adversely impact your property. You forward that notification to us through your personal Client Area on our web site www.turnerdrake.com and we advise you of the action required to protect your property. If you wish we can take that action for you.

- (3) **Market Value Forces** - identification of supply and demand trends over the previous year and their impact on rents and capital values, together with our projection for the subsequent one and five years, as they pertain to each property in your portfolio.

For more information on PAMS® PPM please contact Nigel Turner at nigelturner@turnerdrake.com or visit our web site www.turnerdrake.com → Corporate Site → Products → Valuation → PAMS

VALUATION DIVISION

Himself



Nigel Turner
B.Comm, DULE, BBRE, MRICS, AACI

We are pleased to announce the appointment of Nigel Turner as Vice President, Valuation. He joined Turner Drake in 2002 after graduating with a Bachelor of Commerce degree from Saint Mary's University in Halifax. Nigel was granted a Diploma in Urban Land Economics (DULE) by the University of British Columbia in 2007 and graduated with their Bachelor of Business in Real Estate (BBRE) degree in 2010, both of which were gained while he worked full time with us. He gained accreditation with the Appraisal Institute of Canada (AACI) in 2008 and was admitted into the Royal Institution of Chartered Surveyors (MRICS) in 2014.

Nigel was formerly manager of our Lasercad® Division and had extensive experience in our Property Tax Division before joining our Valuation Division. He was promoted to Manager of that division in 2005, then Senior Manager, working under the aegis of veteran Vice President, Rick Escott. Rick is now launching our operations in Ontario.

(Continued on page 6)

(Continued from page 5)

Nigel is a thoughtful, strategic thinker carefully considering the various factors that impact property value in the context of the specific assignment. There is a myth, unfortunately often propagated by appraisers and assessors, that the market value of each property is absolute, a “certainty” that can be determined by the rigid application of three basic appraisal techniques in isolation from real time events such as the lack of potential, active purchasers. “Market Value” is often calculated by comparison with the sales, on a unit basis, of “similar” properties in the neighbourhood ... when a more realistic approach might be to determine what can be done with the property in the context of the Zoning By-law and potential planning changes, whether active purchasers exist for this type of use and to what degree financing is available. Even the concept of value is fluid and changes depending on the context of the valuation, particularly in Atlantic Canada where occupiers may be thin on the ground ... so a property which is occupied, has a vastly different value if vacant. The same property will have different values depending on the purpose of the assignment: a supermarket as part of the assets of a going concern, has a much different value if a mortgagee wants to quantify their downside risk on the assumption that the property is vacant. There are only two significant supermarket chains in the region so purchasers are limited.

Nigel heads up a talented team of valuers, all products of our own seven year program, trained to think outside the box: informed opinions are the product of trained minds. We have equipped them with CompuVal® our proprietary information technology platform which acquires, processes and analyses sales, rents, revenue and operating expense data throughout Atlantic Canada and Ontario on a daily basis ... a vast amount of information; but without data, an opinion is just a guess.

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

COUNSELLING DIVISION

Experience Counts

The combined service of Turner Drake’s



Lee Weatherby
FRICS, AACI

three most senior consultants is a staggering 110 years...and counting. We expect there are few corporations in the developed world that can match that statistic. Still swift of mind (if not of foot), they provide an unparalleled resource for our clients and give wise counsel to our own junior ranks.

Take Lee Weatherby, for example, Fellow of the Royal Institution of Chartered Surveyors, Vice President of the Counselling Division and now well into his fourth decade of service with Turner Drake. When Lee started with the company in 1981, we were operating nicely with cutting-edge typewriters, rotary-dial phones and comfortable indoor plumbing. Already a veteran of the litigious world of expropriation when he joined, Lee was immediately able to share his training and experience with the local legal community and over the years has worked alongside many lawyers, providing litigation support and forensic valuation advice. He has presented himself as an expert witness at countless trials, arbitrations and mediation hearings, and whilst refusing to accept all the credit, it is worth noting that many of those who were once clients are now judges. And he was always nice to them.




Forensic valuation work is an invaluable tool when disputes do arise, and if you own real estate you will have engaged at one time or another with an irate tenant/ landlord/ insurance adjuster/ assessor/ neighbour. In fact just about anyone who has ever held a contrary opinion to your own. Any self-respecting lawyer will tell you that when serious disputes arise, negotiation is a far better solution than trial, and alternative dispute mechanisms are a happy middle ground for would-be combatants. Our own experience tells us that there are fewer and fewer litigants prepared to try their luck at trial, and for good reason. Inevitably there will be some merit in both sides; when it comes to matters of real estate, the challenge is to measure who has the best case and the

best evidence to support it. The seasoned valuation expert will not only provide the underpinnings for your own case, but will also help to remove them from your opponent’s ... presuming, of course, that your case is credible to start with. Exposing the frailties (and indeed the strengths) in your opponent will put you at a distinct advantage at the negotiating table, and greatly improving your chances of success should you decide to chance your luck at trial.

“Thinking outside the box” has long been a corporate philosophy within the halls of Turner Drake, and strategic thinking is one of the hallmarks of the Counselling Division. Challenging cases and unusual real estate assets are commonplace, and there aren’t many properties that Lee has not encountered during his tenure with Turner Drake. Never one to tire of the mundane, he does however tend to thrive on the more obscure challenges; from heavy water production plants to under-water burial grounds, from debunked bunkers of the cold war era to obsolete pulp and paper mills of the modern era. There is little that has not crossed his desk at one time or another, and no challenge has ever been left unresolved. If you have a property that’s a real head scratcher, give Lee a call. He can be reached at 902-429-1811 (HRM), 1-800-567-3033 (toll free) or by email lweatherby@turnerdrake.com.

🌐 *Our Counselling Division are a most sophisticated bunch: beethoven, bach, single malt, chess and the propensity to use words of more than one syllable in a single sentence. Oh tut! They are also well versed in managing complex projects involving hundreds of properties without breaking a sweat ... such as the acquisition of a transmission line right of way through Nova Scotia and Newfoundland to a large hydro electric project in Labrador (we are not allowed to name the client and have possibly disguised the location ... it may not be in any of the provinces cited, in fact the entire location thing might be a subterfuge). If you would like more information on our Counselling Division and their proclivities, visit our web site www.turnerdrake.com → Corporate Site → Counselling Services.*

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