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TURNER DRAKE & PARTNERS
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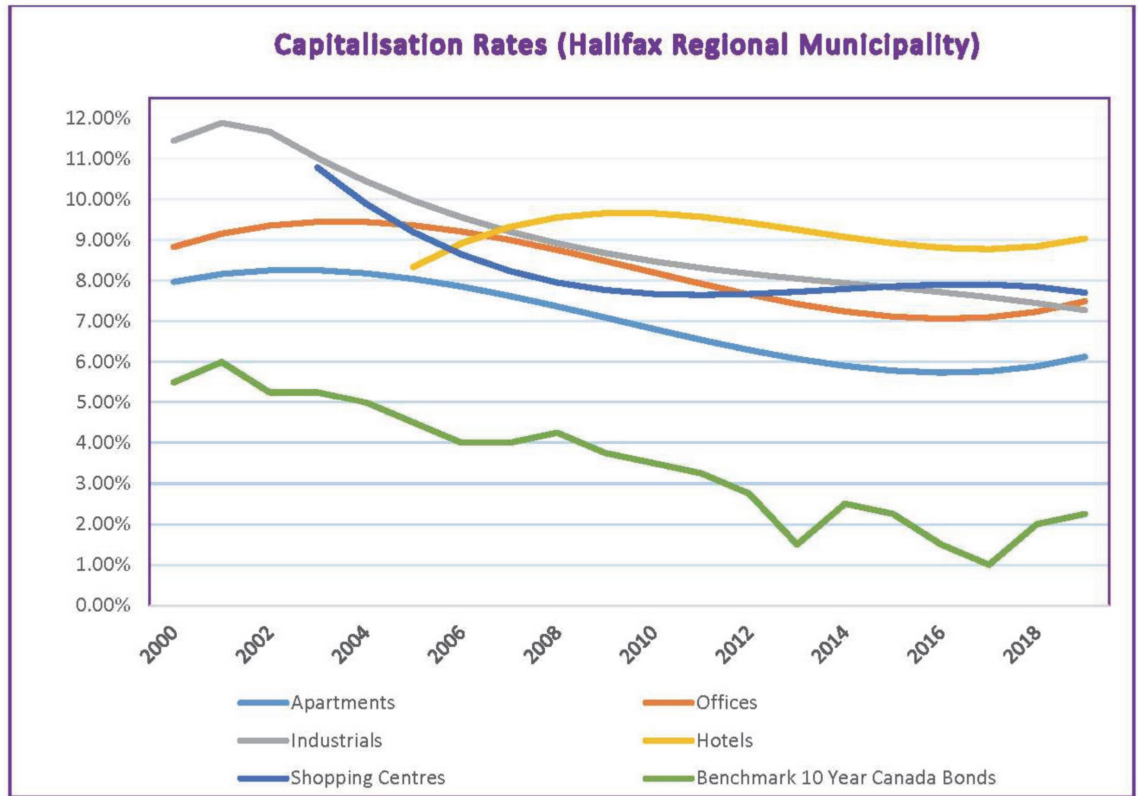
Newsletter

All Together Now: Cap. Rates Compress!



Source: TDP Cap. Rate Report, June 2019 (Updated) and Bank of Canada

Capitalisation Rates are the most widely used benchmark of property investment performance. They are easy to understand, can be deployed across all property types, and are the reciprocal of the Price/Earnings Ratio utilized to evaluate stocks. Capitalisation Rates measure risk; they reflect the possibility that actual future income, expenses and property value may differ from those anticipated by the investor on the date of purchase. The more uncertain these variables, the greater the risk inherent in the purchase decision and the greater the rate of return required to persuade purchasers to commit to the investment. The Capitalisation Rate is the ratio of the anticipated first year's net operating income (post purchase), to the purchase price, expressed as a percentage i.e.

Capitalisation Rate = ([1]Net Operating Income ÷ Purchase Price) × 100

[1]The Net Operating Income is the income remaining after all operating expenditures (other than mortgage debt service and depreciation) have been deducted from the effective gross income. It is the equivalent of EBITDA (earnings before interest, taxes, depreciation, and amortisation).

Although Capitalisation Rates measure risk they also reflect the strength and weakness of supply and demand. Since different Property Types and Property Classes often appeal to different groups of purchasers, Capitalisation Rates do not exist on a continuum but reflect the competition for property within each buyer group. Hotels for example, do not compete for investment dollars with low rise apartment buildings because each predominantly appeals to a different buyer group. Property Classes within specific Property Types may not compete for the same group of purchasers; high rise apartment buildings usually find a market with national or international purchasers, low rise apartments appeal predominantly to local or regional players. Both groups may have different appetites for risk, investment opportunities, competition for product, time horizons, tax considerations, access to capital, management capability, local knowledge and operating efficiencies.

As can be seen from the Capitalisation Rates Graph, Cap. Rates have *declined* for most property types over the past twenty years and have been the main, often the only, reason why property values have increased over that time period. Apartment properties, for example, struggled for years to match their rental increases with the inflation rate as the latter drove increases in operating expenses and eroded the residual net operating income. The tide turned in Halifax Regional Municipality in

(Continued on page 2)

IN THIS ISSUE
All Together Now—Cap. Rates Compress! 1
Property Tax Division—Nova Scotia Appeals...........3
Expropriation—The Empire Strikes Back!...............4
Lasercad® Division—Fire Safety Plans 6

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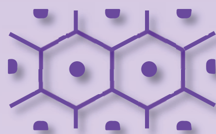

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2016 due to increased demand for rental accommodation from the wave of retiring Baby Boomers and increased immigration. (HRM is the only area in Atlantic Canada large enough to generate a sufficient quantity of data to afford reliable analysis across the various property types but we do analyse data from all of the major urban areas, where it is available. There is a fairly consistent pattern so our conclusions can be broadly extrapolated pari passu with the local economic environment). At present there is a feeding frenzy for most types of commercial real estate as investors from outside the Region join those already here to purchase existing real estate or create new development opportunities. Many are "new" investors attracted by the dizzying rise in the value of some types of real estate such as apartments and the "stability" represented by a physical asset. This, together with prices increasing faster than rents, rates of return decreasing below long term trends, shorter marketing times and many other elements of market activity are classic symptoms of a real estate bubble. Is the party about to end? Probably not just yet, but it is worthwhile pausing to consider what is happening and why. Consider too that low inflation carries its own risk if you are a real estate investor… it may constrain mortgage rates, but since rents do not rise quickly it takes longer to build equity.

Where We Are Now

Capitalisation Rates haven't just *fallen,* they have also *compressed*. In year 2000, the overall Capitalisation Rates for Apartments was 7.97% and Industrials 11.44%, a differential of 3.47%. By 2019, the overall Capitalisation Rates were Apartments 6.12% and Industrials 7.27%; the spread had narrowed to 1.15%. Conventional wisdom holds to the view that the fall in Capitalisation Rates is simply a function of falling interest rates generally… and that this is exemplified by the declining return on 10 Year Canada Government Bonds (the green line in the Capitalisation Rates Graph and the generally accepted surrogate for a "Risk Free" rate). There is indeed a high degree of correlation between Capitalisation Rates for Apartments, Offices and Industrial properties and the long term Canada Bond Rate; it "explains" most of the "year over year" differential (Apartments – 90%, Offices – 85%, Industrials – 87%). With Retail (Shopping Centres on the Graph), only 51% of the "year over year" difference in Capitalisation Rates is accounted for by the Canada Bond Rate: no mystery here, on-line shopping is taking its toll and this is fighting against decreases in the Capitalisation Rate because risk is increasing. With Hotels though, there is virtually no correlation between the Capitalisation Rate and Bond Rate. But this sector aside, the 10 Year Government of Canada Bond Rate does a good job of explaining why Capitalisation Rates are falling. If the analysis is restricted to the past **ten** years the impact of the falling Canada Bond Rate is less pronounced but broader in its impact, explaining 70% of the yearly Capitalisation Rate differential for Apartments and Offices, 68% for Hotels and 43% for Industrials. Capitalisation Rates for Retail are *negatively* correlated with the Canada Bond Rate as investors increasingly demand a higher Risk Premium to compensate for the adverse impact of on-line shopping. We can therefore project, with some accuracy, the trajectory of property values. Provided that rents and vacancy remain stable, the value of Apartments, Offices, Industrials, and to some degree Hotels, will rise if the long term Bond Rate falls, and decrease if it rises. The positive impact on Retail values of a falling Bond Rate may be offset by changing shopping habits in favour of on-line purchases. Easy peasy? Well not quite!

If the Canada Bond Rate had been the only driver, Capitalisation Rates for all property types would have fallen in parallel with each other, but such was not the case, they have also *compressed* i.e. moved closer to one another. The common explanation is that this compression was due to investors changing their risk profile and becoming less risk adverse with certain types of property. We tested this assumption by comparing the "Risk Premium" for each property type with the Canada Bond Rate. (The "Risk Premium" is the "reward" investors require to persuade them to invest in each specific property type and is the difference between the Capitalisation Rate and the Canada Bond Rate… the latter representing the "Risk Free" rate, i.e. Risk Premium = Capitalisation Rate – Canada Bond Rate). Over the time periods tracked by our Graph we confirmed that investor's risk profiles had indeed changed. Offices now demand a significantly higher Risk Premium than was the case twenty years' ago, a reflection of the damaging impact of oversupply, particularly in Halifax's Central Business District, itself driven by a false narrative, propagated by a provincial agency, that the world's financial sector was decamped offshore anxiously awaiting completion of office space fit for their occupancy. Hotels too warranted a higher risk premium as did Apartments, albeit to a lesser degree. Industrials are viewed as somewhat slightly less risky than was the case twenty years ago. Retail is a special case: despite the growth of on-line shopping facilitated by the start of the World Wide Web in 1991, and propelled by Amazon and eBay in 1995, the potential impact was not recognised by investors in Retail real estate in HRM until 2009, after which they demanded an ever higher risk premium. It is a commonly held belief, and one that we shared until we completed this analysis, that the reduction in Capitilisation Rates was due, in part, to investors discounting risk and becoming less risk adverse. Our analysis reveals that the reverse is the case. We regressed the Risk Premium against the Canada Bond Rate and discovered there was an inverse correlation with every property type…. as the Canada Bond Rate declined the Risk Premium increased. Presumably investors are wary that the low interest rates will not last forever and have increased their Risk Premium to give themselves a cushion to hedge against future interest rate increases. Industrials were the only property type where this was not statistically significant. The percentage change in the Risk Premium "explained" by the change in the Bond Rate is very strong for Hotels (88%), Offices (77%) and Apartments (76%); it is less so for Retail (51%) and insignificant for Industrials (3%). If the analysis was restricted to the last ten years the strength of the correlation was even stronger: the differential in the yearly Bond Rate explained 78% to 99% of the difference in the Risk Premium and was statistically significant for all property types. There is therefore some tolerance for an increase in mortgage rates in the future without triggering a market meltdown.

(Continued on page 3)

(Continued from page 2)

Where We Are Going

The value of an investment property is the product of its Net Operating Income (NOI) and its Capitalisation Rate (Cap. Rate). Short term fluctuations in supply and demand aside, *these two factors will govern any increase or decline in value*. If the NOI increases and/or the Cap. Rate declines, the value increases… and vice versa. In the long term, NOI is correlated with the inflation rate; the Cap. Rate with the 10 Year Canada Bond Rate.

Inflation in Canada has averaged 1.93% (Median 2.02%, Range 0.3% to 2.74%) over the past 20 years. Has the dragon of inflation finally been slain? The Economist considered this very question in its October 12th 2019 issue. In an article titled "The End of Inflation?" it observed that *"The rich world conquered runaway prices by the late 1990s as governments made central banks independent and gave them inflation targets. In the 2000s and the early 2010s commodity price booms kept prices rising at a decent clip. But since oil prices crashed in 2014, inflation above 2% has been rare"*. The Economist gave three underlying global drivers of low inflation (1) the low price of commodities, albeit recently threatened by increased demand in emerging markets such as China, (2) the low price of manufactured goods as production shifted to low wage countries and access was facilitated by the Internet, and the growth of firms such as Amazon and Ebay, (3) cross border capital flows which took advantage of the glut in global savings, itself the result of ageing populations, slower productivity growth, a scarcity of safe investments and a dearth of lucrative investment opportunities. Within developed economies the Internet promoted the efficient distribution not just of goods, but also services (many of which are now provided at little or no cost). In the past, falling unemployment rates had triggered wage increases but this has not happened: the Canadian unemployment rate is currently 5.9% (November 2019), the United States' rate just 3.5%, without noticeable increases in wages. The Economist postulates that the Phillips Curve, which holds that inflation escalates as unemployment falls, may still exist but is now non-linear…. prices and wages could suddenly and quickly accelerate should unemployment fall beneath some threshold. Unless this occurs, or American President Trump's trade wars with the world trigger price increases, a war in the Middle East disrupts oil supplies, or cross border capital flows cease, inflation appears likely to hover around the 2% mark. In the long term therefore, property NOI increases are likely to mirror the inflation rate and offer little prospect for value growth. There will be short term fluctuations in NOIs due to the imbalance between space supply and demand. In Halifax Regional Municipality the oversupply of office space will continue to depress NOIs and, in the face of static or decreasing demand, this can only be addressed by taking office space out of service through its demolition or conversion to more productive use such as apartments. This is already occurring in the Halifax CBD but is likely to be a protracted process lasting another decade or more. In St. John's, Newfoundland, the future of the office sector is dependent on the revival of the offshore energy sector. Apartment rents throughout Atlantic Canada are now in growth mode after several decades during which increases struggled to match the inflation rate. Rental growth ignited in HRM in 2017 and has since escalated as demand took off. Increased demand is now evident in the major urban areas throughout the Region driven by (1) the Baby Boomers as they transition from home ownership to rental accommodation, (2) rural to urban migration, (3) increased immigration. Demand for apartment rental accommodation is likely to peak between 2026 and 2031: you can view the results of our research for HRM, Saint John, Moncton and St. John's on our web site www.turnerdrake.com → Corporate Site → News & Research → Research → Banking on the Boomers.

The Ten Year Canada Bond Rate is the product of the Bank of Canada's monetary policy, acting to control the inflation rate and keep it within a fairly narrow band. The Canada Bond Rate was 1.64% in December 2019 versus 1.80% for its United States' equivalent, 0.9% for the United Kingdom and -.03% for the Euro Zone. Over the past ten years it has averaged 2.25% (Median 2.2%) and ranged between 1% and 3.5%, trending downwards, albeit erratically. *On average, every 1% decrease in the Canada Bond Rate results in a decrease in the Cap. Rate (Apartments – 0.38%, Offices – 0.32%, Industrials – 0.38%, Hotels – 0.34%)* but no significant alteration in the Retail Cap. Rate (this could be a limitation of the data or more probably the impact of on-line shopping). In the absence of inflation, the Cap. Rate, as influenced by the Ten Year Canada Bond Rate, will be the main driver of property values in the long term though there will be short term fluctuations in values due to imbalances in supply and demand. If Canada Bond Rates continue to fall, property values will increase… and vice versa. This assumes that there will be sufficient liquidity to finance property purchases. If Canada Bond Rates and mortgage rates increase, expect a time lag before property values fall. Property owners have factored about 0.5% into their Risk Premium over the past ten years to hedge against rates rising.

Due to space limitations this article has been abbreviated. For the Full Monty visit our web site www.turnerdrake.com/newsresearch/research.asp → All Together Now: Cap. Rates Compress!

Our Valuation Division and Economic Intelligence Unit undertake primary research to identify and measure the forces that shape property values in Atlantic Canada. Check out our web site www.turnerdrake.com for more information.

PROPERTY TAX DIVISION

Nova Scotia Appeals

Stonecrest Village Apartments, Nova Scotia—$52,817 in Tax Savings

If you own property in Nova Scotia, you should have received your 2020 Assessment Notice from the provincial assessment authority, the Property Valuation Services Corporation (PVSC): it was mailed on January 13th. It carries a valuation ("base") date of 1st January 2019. Review it carefully... or risk being unpleasantly surprised when your tax bill arrives later this year; some municipalities are struggling to reconcile spending growth with an assessment base that is no longer expanding, so there may be widespread

(Continued on page 4)

(Continued from page 3)
increases in municipal tax rates pending. Whilst there is nothing that you can do about tax rates, you **can** take steps to ensure that your assessment is correct. You only have until February 13th to ***approve*** your assessment.

What do we mean by "approve", you ask?

Property tax assessments are one of the few types of tax liability that you do not calculate yourself. With income tax, and HST on new apartment buildings, you "self-assess" i.e. you calculate the taxes you owe and then submit your return to government. They review your tax return and accept it or flag it for an audit. Property taxes work in reverse; the ball is on the other foot. PVSC send you an estimate of what *they* think your property's assessment should be and ask you to *approve* it (i.e. do nothing) or leave it to you to flag it for an audit (i.e. appeal). Typically, 98% of property owners take the route of least resistance, tacitly approving their property assessment by not requesting a review: doing little more than comparing the current year's assessment to the year before.

The 2020 assessment increases that we have reviewed are moderate, but don't let an assessment that has only increased marginally, remained unchanged, or even declined, lull you into complacency. If your property is located outside Halifax Regional Municipality (HRM), in HRM's office and retail markets, or its business parks (especially new construction), your assessment should be reviewed. We uncover tax savings on properties with stagnant assessments on a regular basis. Even 2020's temperate increase offers hollow comfort to property owners who have weathered increase after increase in the years leading up to it.

You can obtain your property's assessed value, and PVSC's calculations, from their website at https://www.pvsc.ca/en/home/findanassessment/mypropertyreport.aspx. You will need your Assessment Account Number (AAN) and PIN access number (top right corner of your 2020 Assessment Notice). Bear in mind the following factors as you review your assessment:

- If you acquired the property during the past two years, is its 2020 assessment comparable to that of similar properties? Has it increased and if so, does your recent purchase price appear to be the primary basis for the new assessment? Sales chasing is *"the practice of using the sale of a property to trigger a reappraisal of that property at or near the sale price".* Internationally accepted assessment standards prohibit sales chasing. Your assessment should be based on comparable sales data "in aggregate": one sale does not a market make, even if it is your own property. All assessments should be calculated using the same data set.

- Do PVSC's 2020 calculations contain errors of fact or judgement? What about last year or the year before? Don't allow those errors to form the basis for your assessment. There are, with rare exceptions, no provisions for recovery of overpayment in taxes in prior years, but a 2020 appeal will allow you to correct errors for current and future years.

- Did the vacancy rate at your property, or within your market area, increase last year? Did rental rates decline? Loss in value due to competitive market forces are valid grounds of appeal.

- Has the use of your property changed this year? Are there areas of your building that were once productive, but are now vacant or used primarily for lower intensity use such as storage?

No assessing authority gets it right every time. Assessing property is a mass appraisal exercise and PVSC's personnel do not have the time or resources to give each property the attention required to accurately arrive at its Market Value (the basis for its assessed value). Fortunately the appeal process provides you with the opportunity rectify that situation and conduct your own audit. Do not passively pay taxes without first verifying that your assessment is correct.

For more information on property tax appeals visit our corporate web site www.turnerdrake.com → Corporate Site → Property Tax → Tax Appeals. If you would like us to file the appeal on your behalf call a member of our Nova Scotia tax team Giselle Kakamousias, Greg Kerry or Andre Pouliot at 1-800-567-3033 (429-1811 in HRM) and put them to work.

EXPROPRIATION

The Empire Strikes Back!

Photo Credit: iStock Photo Manuel F-O

It was an unfortunate coincidence. The ink had barely dried on our Expropriation article (Newsletter Vol. 2 No. 117 Fall 2019) extolling the protection afforded by our excellent and independent judicial system, when the Province of Nova Scotia changed the law. If you are adversely impacted by a provincial, municipal or other scheme proceeding under the Nova Scotia Expropriation Act, the changes may render it more difficult, expensive or impossible to pursue your claim for just compensation. Earlier last year the

(Continued on page 5)

(Continued from page 4)

Province had introduced regulations to limit the amount they were willing to pay for legal costs and appraisal fees, something they were allowed to do under their Expropriation Act. They had not done so during the two decades of the Act's existence but reportedly copied similar action taken in British Columbia. Courts across the land have recognised that an important part of their job is to level the playing field and ensure that property owners are able to adequately pursue their claim for fair compensation against an acquiring authority with substantially greater financial resources. Until the Province introduced their regulations last year, the responsibility for ensuring fair play lay within the jurisprudence of the courts. It is now constrained by the regulations: the property owner may have to pick up part of the cost or forego some professional advice.

The other changes appear to be a response, in large part, to a Nova Scotia Utility and Review Board ("NSURB") decision in the case of "*S. & D. Smith Central Supplies Limited v. Province of Nova Scotia*", according to a media interview with Justice Minister Mark Furey. The Province had offered the expropriated property owner, S. & D. Smith Central Supplies Limited ("*Central*"), compensation of $266,000 for seizing part of their Lower South River, Antigonish, property. *Central* disputed the compensation and also filed a claim for business disturbance. NSURB issued their decision on July 26th 2017 determining that the total compensation, including interest, should be properly assessed at $8,180,497. Our analysis of the 277 page NSURB decision can be found on our corporate web site at www.turnerdrake.com/products/expropriation_caselaw.asp → Business Disturbance (S. & D. Smith Central Supplies Limited). The Province appealed that decision to the Court of Appeal. It, and the cross appeal, were dismissed by the Court on March 26th 2019. In an interview with the CBC on July 28th 2017, *Central's* owner, Stephen Smith, bitterly recounted a traumatic legal dispute spread over 19 years and stated *"This litigation will only have a happy ending if lessons are learned and changes are made by the government of Nova Scotia"*. Apparently the latter were listening, albeit their response was somewhat different from that hoped for by Mr. Smith. The changes to the Expropriation and Public Highways Acts, introduced by the Province in October 2019, are intended to defeat a similar claim for business disturbance in the future. The changes to the Expropriation Act (Bill 169) and the Public Highways Act (Bill 170) potentially impact any property owner operating a business that is adversely impacted by a current or future highway acquisition. The legislation is retroactive to June 1st 2019, more than four months prior to it being presented to the Legislature.

Under the Public Highways Act (Section 12) the Minister already had the right to "reserve" land that would be required for the construction of a public highway, for up to five years, without paying compensation. During that period the owner would continue to own and pay taxes on the property but would not be compensated for "any building, wall, fence, wharf, breakwater or other structure of a permanent nature" (with the exception of improvements to a dwelling) should the Minister eventually decide to purchase the property. This Section has now been extended by Bill 170 to *exclude any enhancement in the value of the land due to the obtaining of permits, approvals or other rights appurtenant to or that benefit the land.* There is no obligation on the part of the Minister to acquire the property during the reservation period and nothing to stop him/her slapping another "reservation period" on the property after the first has expired. Effectively the Province has granted itself the right to sterilise land for development in perpetuity, for up to five years at a time, and then acquire it for less than Market Value… during which period, or periods, the unfortunate property owner has to pay property taxes. Consider this situation: a piece of woodland is "reserved" for a highway use for five years. During that period the area in the vicinity of the property is redeveloped for residential use and the owner of the parcel, of which the "reserved property" is part, applies for and receives subdivision approval. The entire parcel increases substantially in value as a result. The Province subsequently acquires the "reserved property" but will only compensate the owner at its woodland value because the increase in value occurred during the reservation period. In the *Central* case, the municipality extended a water line to the property, thus enabling its redevelopment with a "big box" Retail Store and Distribution Centre, something for which a building permit would not have been granted without the installation of a sprinkler system. Bill 170 appears to be designed to defeat compensation for any increase in value resulting from the issuance of a building permit in similar circumstances.

The changes to the Expropriation Act enacted by Bill 169 appear to be an attempt to thwart the principle confirmed by the Supreme Court of Canada decision in this country's leading "shadow expropriation" case *"Toronto Transit Operating Authority v. Dell Holdings Ltd, [1997] 1 S.C.R. 32 ("Dell")* that the purpose of expropriation legislation is *remedial*; it is intended to make the expropriated party "whole" by placing them in the same position after the expropriation, as they were before it, insofar as it is possible to do so by the payment of financial compensation. This overarching principle, and the lodestone that expropriation legislation should be interpreted in a *broad, liberal and purposive manner,* is fundamental to protecting the rights of property owners against abuse by an Orwellian State. Bill 169 implements the following changes to the Nova Scotia Expropriation Act:

(1) It defines "disturbance" as the *"pecuniary losses actually incurred by an owner by reason of having to vacate the expropriated property"*. "Disturbance" was not defined in the Expropriation Act when *Central's* land was expropriated. The bulk of *Central's* award related to lost profits flowing from their inability to expand their business on the land remaining after the expropriation. *Central* did not vacate the land

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expropriated and continued their business on the land remaining, albeit in a much diminished form than they had planned prior to the highway acquisition. By defining "disturbance" as outlined above, Bill 169 attempts to prevent business owners from claiming compensation for the type of business loss that was fundamental to *Central's* claim, indeed it may prevent businesses being compensated for any losses unless they are forced to relocate. The reference to "pecuniary" losses may be an attempt to restrict compensation for a business that has to relocate, to cash payments flowing from the move such as moving expenses, and to disallow claims for loss of goodwill.

(2) It amends the Act by restricting the payment of interest (on any unpaid compensation) to the time **after** *"the date the expropriation documents are deposited in the registry of deeds*". In the *Central* case the property owner was advised in May 1998 by the Provincial Department of Transportation (DOT) that their property was a potentially impacted by the Trans-Canada Highway re-alignment and were warned that they would not be compensated for any buildings they erected on land subsequently acquired for the highway. *Central* therefore refrained from developing this land and altered their expansion plans to mitigate their loss in profits. They attempted without success to engage in negotiations with DOT but only received an offer of compensation in August 2013 (the land had been formally expropriated on May 1st 2012), after DOT's appraiser had completed his report. The NSURB decision awarded interest from the date lost profits started on May 1st 2001. Bill 169 would have restricted interest to the post May 1st 2012 period and thus rendered most of *Central's* claim for interest non-compensable.

(3) In cases where the property owner suffers a loss, but no land is expropriated, the NSURB no longer have the authority to hear the case. It must instead by heard by the Supreme Court of Nova Scotia. This change results from the abortive attempt by adjacent businesses to be compensated for lost profits during the construction of the Nova Centre in Halifax's Central Business District according to a media interview with Justice Minister Mark Furey.

LASERCAD® DIVISION

Fire Safety Plans

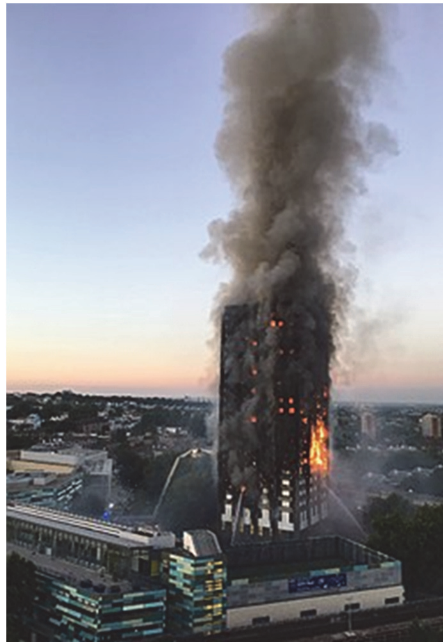

Photo Credit: Natalie_Oxford on Twitter [CC BY]

Every residential property manager's nightmare… the call from the security company at 2:00 am that the fire alarm has been triggered and fire trucks have been dispatched. On the way to the scene a cacophony of thoughts crowd the mind: did everybody get out safely, was there something more I should have done? The dreadful spectre of Grenfell Tower haunts the night. Careful landlords try to cover all their bases.

The 2015 National Fire Code mandates the implementation and registration of a Fire Safety Plan, a document detailing the type, location and operation of building fire emergency systems, for all buildings that are required to have an *alarm system* under the 2015 National Building Code. This includes virtually all buildings with sprinkler systems; and non-sprinklered buildings over three storeys (basements count as storeys) or which meet specified minimum occupant loads. In the case of a non-sprinklered apartment building, an alarm system is required if it is designed with sleeping accommodation for more than 10 persons… unless every apartment has direct access to an exterior exit leading to the ground floor and (1) no more than four apartments share a common means of egress or (2) it is not more than three storeys (including the basement) in height. A non-sprinklered motel or hotel has to have an alarm system if it is over three storeys in height; or if it is less than three storeys in height and each suite does not have direct access to an *exterior* exit facility leading to ground level. In the case of other non-sprinklered buildings the requirement for an alarm system is governed by the occupant load. A school, college, or child care facility, including a daycare, with an occupant load of more than 40, requires an alarm system, as does a licensed beverage establishment, or licenced restaurant, with an occupant load in excess of 50. Non-sprinklered office or other buildings with an occupant load exceeding 150 above the first (ground) storey are required to have an alarm system. High hazard industrial buildings with an occupant load of more than 25, and low/medium hazard industrial buildings with an occupant load of more than 75 people, also require a fire alarm system.

Fire Safety Plans are also required for every building containing an assembly, care, treatment or detention occupancy, certain demolition, construction sites and storage areas, flammable or combustible liquid storage areas, and areas where hazardous processes or operations occur.

Many municipalities, including the Halifax Regional Municipality (HRM), have adopted those Codes and all will do so eventually. HRM have published a number of useful templates on their web site https://www.halifax.ca/fire-police/fire/fire-prevention-safety/fire-safety-plan-templates. They require that a Fire Safety Plan be registered and approved by HRM's Fire Prevention and Life Safety Division. It should include *Fire Emergency Floor Plans* showing the location of the building fire emergency systems (detection and fighting equipment) such as emergency lights, exit signs, pull stations, fire extinguishers, hose cabinets, bells, sirens, smoke and heat detectors, gas and sprinkler shut off valves, electrical shut off switch, pull pins for kitchen fire suppression systems, standpipes, fire panel, fire pump, fire department connections, and sprinkler riser. Our Lasercad® Division also prepare *Fire Exit Plans* for use as part of the wayfinding signage posted throughout the building common areas indicating the exits, evacuation route, muster point and the type and location of firefighting equipment (pull stations, fire extinguishers, hose cabinets). The 2015 National Fire Code requires *Fire Exit Plans* in every hotel and motel bedroom.

For more information on our Lasercad® Space Measurement service visit our web site at www.turnerdrake.com → Corporate Site → Lasercad Space Measurement.