TURNER DRAKE & PARTNERS
Real Estate Counsellors, Brokers & Valuers
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Newsletter

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HST Self-Supply on Rental Apartments: Challenging Some Myths

HST Self-Supply on new apartment buildings has been around for a long time. We were first introduced to the world of HST (or GST as it was then known) back in 1990 at a seminar put on by one of the leading accounting companies to help the appraisal profession adjust to the new rules. GST was officially launched in January 1991 and the world of Self-Supply was unleashed. For the first 35 years or so it lay relatively dormant with scarcely a call to our offices from new apartment builders, who are the most affected by the new rules. Rarely were we consulted on Self-Supply valuations. Everyone was seemingly happy in apartment land. But the last 5 years has erupted with calls coming in on a regular basis from clients old and new, anxious to escape the inevitable battle with Canada Revenue Agency's (CRA) auditors and appraisers. (For those looking for a tutorial, see our blog post of August 24th, 2016 on our corporate web site www.turnerdrake.com → Blog → "HST Self-Supply Rules: Is CRA on the Warpath?" And feel the pain).

Undoubtedly the biggest practical problem for apartment builders is the uncertainty it leaves after the building has been completed. HST on new buildings is based on "Fair Market Value", not on the cost of construction. The latter is easily calculated because ITC's (Input Tax Credits) will have been filed with CRA throughout the construction process. The former - "Fair Market Value" - cannot be calculated until the building is completed and it is, like any market value figure, just an opinion. But CRA's opinion increasingly is at odds with the builder's opinion. To make matters worse, CRA's review will come along well after the building has been finished, and therefore well after the mortgage financing has been committed, and occasionally even after the building has been sold. In jurisdictions with regulatory rent controls, rents too will have been committed. In short, the final HST tax bill comes in well after all the dust has (literally) settled. Too bad that it can't be agreed in advance, or based on something more predictable than "Fair Market Value". *So, what can you do to reduce the risk of a dispute with CRA's appraiser? First, accept the reality that back of the envelope calculations will not cut it… even if they are blessed by your accountant. It is unwise to underestimate CRA's Halifax based professional appraisal staff; many are former colleagues, graduates of Turner Drake's training program which includes seven years of mentored training, twenty-four training modules and the University of British Columbia's real estate degree. These guys know their onions! You need a comprehensive valuation report, containing the fiscal, physical and legal attributes of your property, as well as its Fair Market Value at the appropriate appraisal date, prepared by a reputable valuation firm. The Fair Market Value figure must be anchored by a detailed logic path to adequate, comparable and properly analysed sales data. By law the Valuation Report has to comply with the Canadian Uniform Standards (we go the extra*

(Continued on page 2)

IN THIS ISSUE

(Continued from page 1)

mile, our Reports are also compliant with the globally accepted Royal Institution of Chartered Surveyors' Red Book).

"Just levelling the playing field..."

The reasoning behind the Self-Supply rules is succinctly laid out in an official CRA publication (GST/HST Memoranda series 19.2.3, paragraph 5) which begins "Purpose of self-supply rules: level playing field". In essence, it is an attempt to put the builder who wants to keep the building on the same footing as an investor who wants to buy it. The selling price will (fingers crossed) include a profit component for the builder and that's what CRA wants a piece of. It's difficult to argue with the principle, but what it overlooks is that HST is just another construction cost to be recovered through the eventual selling price. If HST is charged on the elusive profit component, it simply adds to the cost of the building and hence adds to the selling price. The builder pays tax on the profit and recovers it from the purchaser as part of the selling price. The playing field is level. But if no tax is charged on the elusive profit component, the cost of the building is marginally lower and, assuming a balanced market, the selling price will be marginally lower. The playing field remains level, just slightly smaller. CRA's concern is that the tax on the builder's profit will simply end up in the builder's pocket; but a competitive market will address that. Viewed from that angle, the pain, anguish and sleepless nights endured by the builder waiting to settle the tax bill with CRA is more to do with the size of the playing field than its degree of tilt. All of that pain and anguish could be removed if the tax on profit were a predictable formula, agreed in advance, rather than an elusive opinion coming after the show is over.

HST on Apartment Rents

So, what if the profit or rather the tax thereon, is occasionally underestimated? Eventually it is the end user who pays the HST on goods and services anyway. That's how value-added taxes work. For apartment buildings that means the tenant ultimately bears the cost of the builder's HST, even though residential rental property is, for the most part, officially exempt from HST. Rents must be sufficient to recover all of the costs or else buildings don't get built. So that troublesome tax on the builder's profit ultimately shuffles through to the tenants. Is it a bad thing to give tenants a break these days? And for more on THAT debate, check out "Affordable, Attainable, Available" the lead article in our Fall 2021 Newsletter on our corporate web site www.turnerdrake.com → Newsletter → Newsletter Vol. 2 No. 123.

*Lee Weatherby, the Vice President of our Counselling Division, is a Chartered Valuation Surveyor. He has extensive experience of Self Supply valuations. For more information about them, or any of our Counselling services, feel free to contact Lee at 902-429-1811 Ext. 315 in HRM or toll free at 1-800-567-3033 (this is **not** a call centre) or by email at lweatherby@turnerdrake.com.*

LASERCAD® SPACE MEASUREMENT DIVISION

The 2020 BOMA Retail Standard.

Photo Credit: iStock Photo; IGphotography

The creation and widespread adoption of Standard Methods of Measurement are hugely advantageous to property owners and their tenants because they reduce uncertainly and risk to both parties. *But they have wider global implications too.* The Building Owners and Managers Association (BOMA), have taken the lead role in North America in promulgating Standard Methods of Measurement. On May 30th 2013, during a meeting at the World Bank in Washington DC, BOMA joined with the Royal Institution of Chartered Surveyors (RICS) to create the International Property Measurement Standards Coalition (IPMSC), a group of more than 80 professional and not-for-profit organisations from around the world, charged with creating International Property Measurement Standards (IPMS). The objective? Eliminate wide variance in property measurement by ensuring that a retail, office, industrial, residential or any type of property is measured consistently irrespective of location. Research by JLL, a global property firm, showed that a property's floor area could differ by as much as 24% depending on location. *Moreover, since measurement is fundamental to the property's value, consistency in the former will improve the accuracy of the latter. Most financial crises are triggered by the collapse of the property market in a leading regional economy, the contagion from which then spreads around the globe. In most, if not all cases, the property market collapse is a consequence of reckless lending facilitated by inflated and inaccurate appraisals. Hence the interest of the World Bank in addressing the issue.* The RICS, a global professional body which covers, amongst other disciplines, space measurement and valuation, was also a founding member of the International Valuations Standards Council. Most appraisal and valuation organisations throughout the world, including the Appraisal Institute of Canada, have now aligned their valuation standards with those of the Council, and have therefore adopted the International Property Measurement Standards as well.

So much for the global perspective! From the property manager and the tenant's viewpoints the importance of an accepted Standard Method of Measurement is multi-faceted because it: (1) facilitates lease negotiations by eliminating a major point of contention, the area on which the rent is based, (2) reduces the risk of future landlord-tenant disputes, (3) reduces management involvement in the measurement process by detailing how the assignment is to be conducted, (4) clearly signals that the property is professionally managed, (5) increases the accuracy and reliability of any valuation of the property.

BOMA 2020 Standard Method of Measurement

The BOMA Retail Standard, updated in 2020 and approved by the American National Standards Institute, Inc. on February 11th 2021 is compatible with the International Property Measurement Standard Retail Buildings IPMS 1 published in 2019. It builds on and adds clarity to the edition it replaces (our Mark Turner was part of the team that produced that edition, which itself was a major advance from the original Urban Land Institute (ULI) standard, employed for many years by real estate professionals engaged in measuring retail space in shopping centres). BOMA 2020 For Retail Properties lays out two distinct levels of measurement known as *"Partial Measurement"* and *"Overall Measurement"*. In essence *Partial Measurement* is, as the name implies, measurement of something short of the entire property, typically single or multiple retail units. It can also include measurement of specific Gross Leasable Exclusions in order to perform Inter-Building Area calculations to determine Property Tax, Common Area and Maintenance

(Continued on page 3)

(Continued from page 2)

charges (more on that later). *Overall Measurement*, the method recommended by BOMA, includes the entire property and the preparation of a Global Summary of Areas, a spreadsheet which can by used to calculate and apportion property tax, CAM and other maintenance related expenses. When completed the Overall Measurement will be in full compliance with IPMS 1.

BOMA 2020 Retail Standard follows the same "out to out" convention of the previous and ULI editions, Gross Leasable Area is measured to the outside face of the walls bordering the retail unit and to the centreline of walls shared with adjoining rental units. The Standard contains a wealth of plans illustrating how to locate the measurement line for mezzanines, exterior and interior door setbacks, adjacent occupant areas, building voids, service and public areas, major vertical penetrations and parking areas. It also deals with voids and building shafts in tenant spaces. Many of the foregoing were resolved by an executive decision in the past so the clarification is very useful and further improves consistency. Where the occupant area includes exterior space for the exclusive use of a single tenant and is part of the retail experience e.g. a patio utilised for dining, or where the floor height is less than 2.13 metres (7 ft), the Standard provides that the leasable area has to be shown separately but must still be included in the Gross Leasable Area. This improves transparency. *The Standard also codifies the methodology for allocating Inter-Building Areas (Parking Areas, Major Vertical Penetrations, Service and Public Areas) to the retail units that benefit from them, for property tax related expenditures, CAM charges and other maintenance related expenses. These costs are apportioned to the benefiting tenants based on their Gross Leasable Area, and are recovered by the landlord via the Service Rent.* The Standard acknowledges that the application of this type of load factor to the leasable area is not typically the way retail space is leased (unlike office space) and so avoids grossing up the Gross Leasable Area for the Base Rent calculation.

BOMA Certified Drawings

"*BOMA does not certify, approve or endorse any individual, firm, device or software for the measurement of floor areas"* and any claim to the contrary is bogus, so how can you be comfortable that the space certification provided by a measurement company is reliable and accurate? And what is an acceptable degree of accuracy? The Standard acknowledges that no two measurements, taken by different parties, are likely to be identical, so proposes a 2% variation as being acceptable. So how do we live up to the promise? As always, the devil is in the details.

We are regulated by the RICS and all of our operations are governed by a quality system registered to ISO 9001-2015. Every member of our Lasercad® space measurement team are recent graduates of an Atlantic Canada university. They are proceeding through our seven-year valuation training program which includes modules on each of the Standard Methods of Measurement and our CAD (Computer Aided Design) system. Before they are allowed out in the field alone they have to complete mentored space measurement training and establish proficiency by completing at least three supervised, accurate assignments. Our laser measuring instruments and digital mitres are checked quarterly for accuracy against a measuring range in our offices. The instrument numbers are recorded with each assignment so that we can notify the client, and remeasure the space, if we discover the instruments have developed an error. We calculate every leasable area twice, once using our CAD system, the second time by hand using on-site measurements. If the two areas differ by more than 2% we rectify the error before sending the result to our client. Sounds labour intensive? It is, but despite the blandishments of technology, we have not yet found an alternative that can handle the idiosyncrasies of the Standards with the same degree of accuracy.

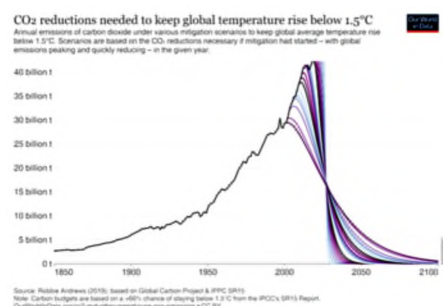
Nathan Hewitt, the Manager of our Lasercad® Space Measurement Division, can be reached at (902) 429-1811 Ext.356 (toll free 1-800-567-3033) or by email at nhewitt@turnerdrake.com.

PLANNING DIVISION

A Warming World

Climate change: a long emergency that is rapidly becoming shorter according to the recently released 6th Assessment Report of the Intergovernmental Panel on Climate Change. The outlook is grim with some irreversible effects of climate change now baked into our future and an ever-diminishing window of opportunity to take action and head off the worst. This is "code red for humanity" as put by UN Secretary General, Antonio Guterres. The evidence is now in plain sight, forest fires and then floods due to excessive precipitation in British Columbia last year, coastal erosion due to sea level rise and heavy rainfall in Prince Edward Island, strong winds buffeting the Atlantic Region now almost a weekly event.

A few months ago, I turned 35. Old man, I know. But even from here, just past the threshold of maturity, let me tell you that aging is a hell of a trip. With a few decades and milestones under my belt, I can now regularly perceive the arc of time, but still hold clearly in my mind the memories of early childhood when nothing existed beyond the "now". I can vividly remember, for example, sitting in the school library in Grade 4 and learning about the Montreal Protocol and how it reversed the depletion of the ozone layer (something very topical to a pasty redhead with British genes). I remember learning how something called the Kyoto Protocol was going to help prevent a different environmental crisis called Global Warming. It felt like an imperceptible eon away at the time, what a different world we would be facing if that had panned out.



My daughter turned 5 this spring and at the moment her "now" is a lot more focused on Covid than climate, but that will probably change soon. That long arc of time leading to climate-driven environmental and social crises has converged with the now. As the IPCC report lays out, our window of opportunity to shape future impacts and head off the worst is running out. Not in imperceptible eons, not in generations, but in a decade (singular), in near-term political cycles. In all likelihood, I will know whether or not my daughter is inheriting a disastrous +2°C world before I know whether or not she's passed her driver's test.

(Continued on page 4)

(Continued from page 3)

But even that sentiment downplays the issue. In fact, we are already living with the impacts of climate change and it's easy to find the real estate angle. Earlier this week our social media accounts shared this article www.cbc.ca/news/business/climate-risk-real-estate-1.6139206 from the CBC examining the lack of climate risk information in the typical real estate transaction process. The topic is presented against the background of raging wildfires in the BC interior, which have destroyed numerous homes and disrupted even more communities. This is already leading to some early musings that the housing markets of Vancouver Island could see a groundswell of demand pressure over the long term as people are increasingly motivated to move upwind of areas where "50-year fires" are now happening multiple times in a decade, threatening life and shelter, and choking out the rest.

So far, the smoke is dissipating before it reaches this side of the continent, so our concerns are not so focused on forest fires (though not to be ignored). Sea level rise and flooding are the risks du jour. We've visited this topic a number of times already, in research articles from www.turnerdrake.com → Research → 2006, 2007, 2013, 2016, and most recently 2019. It's a subject that we care about and have integrated into our valuation practice, adding a climate risk section to our standard reports just a few years ago. But as one small firm in this big industry it is difficult for us to push that envelope.

Well, reality is on its way to force the issue. Back in the fall of last year the National Bureau of Economic Research published a working paper from a couple of good eggs at the Wharton School examining the capitalization of climate risk in real estate prices. More specifically, their analysis www.nber.org/papers/w27930 of home sales in coastal areas of Florida noted that properties more exposed to the risks of Sea Level Rise started to see lagging sales volumes in the early 2010s, with price appreciation starting its underperformance a few years later. Their conclusion? This is a demand-side trend, buyers are now thinking about climate change in the timespan of their own mortgage term! Here's the money chart:

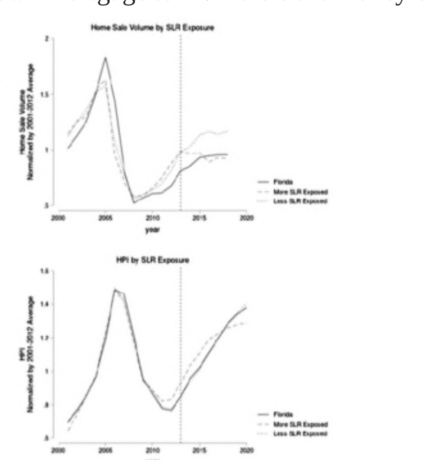


Figure A-2: Housing transaction volume (top panel) and home price (bottom panel) trends across all of Florida (solid lines) and coastal Florida census tracts with high versus low SLR exposure (dashed and dotted lines, respectively). Housing volume and home price index are normalized by their 2001-2012 mean.

This trend is just starting, and with the IPCC telling us that a +1.5°C world is now unavoidable, it will only grow in impact in the years to come. Not eons, not generations, years! We'll continue to look for ways to integrate climate risk assessment into our work, and we recommend that anyone considering a real estate acquisition these days do the same. Even if you don't expect to own the property long enough for sea level rise and other climate impacts to physically threaten your asset, the next buyer sure could be, and property values look to be a leading indicator now, not a trailing one. In other words, without due care, your mortgage could be underwater long before the property is itself.

*Neil Lovitt, the Vice President of our Planning Division and Economic Intelligence Unit, is a qualified planner with an interest in marshalling real estate economics to shape a more equitable and livable world. Neil's special interest, apart from global warming, is affordable housing. His Division undertakes consulting assignments coast to coast, non-market housing feasibility studies, Housing Needs Assessments, land inventory analysis and infrastructure studies. He can be reached by email at nlovitt@turnerdrake.com or 902-429-1811 Ext. 349 in HRM or toll free at 1-800-567-3033 (this is **not** a call centre).*

BROKERAGE DIVISION

Commercial Real Estate: Financing the Acquisition

Get your financial ducks in a row *before* you start looking for commercial property in the present, over heated, real estate market. That is the sage advice from James Dunnett, a consultant in our Brokerage Division.

Accurate Space Requirements

Carefully study your real estate needs. When budgeting, it's important to consider not just the purchase price, but also any additional costs associated with the property acquisition. It is easy to overlook or underestimate extras such as renovations, due diligence costs, legal fees, production downtime during the transition, recurring operational expenses for the property and, in the case of a property purchased partially or totally as an investment, possible leasehold improvements and other leasing costs. The lender wants to see evidence of solid planning. Determining whether you want to buy for occupation, or as an investment to lease, and how you'll accommodate projected growth, is important in ascertaining your square footage needs.

The Subject Property

If you don't already have a property in mind, a lender may agree to a preliminary meeting to give you a ballpark idea of how much financing it could provide. However, such a meeting is generally advisable only if you already have a good relationship with the loans officer. It can leave a poor impression if it looks like

(Continued on page 5)

(Continued from page 4)
you're not a serious buyer and are wasting the lender's time. Lenders decide how much to lend based not only on your finances, but also on the amount of the required mortgage principle as a percentage of the property's Market Value (loan to value ratio), the type of building, and its condition, age, resale potential, ability to generate a cash flow capable of supporting the debt service (debt coverage ratio), and marketability. Without a specific property, it's hard for a lender to be precise on how much financing it can offer, but they will set out the parameters.

Business Plan

Do you have a property in mind? You should. Prepare the documents you'll need to show the lender. These will include a solid business plan, up-to-date financial statements and details of the property you're interested in. You should plan to make a good first impression and be well prepared.

How do your books look?

Start by making sure your company's finances are in order and organised. One of the most important requirements for getting financing is having a profitable and growing company. A business with no profitability hurts your chances at obtaining a loan. Lenders like to see a proven record of profits year over year.

Meet the lender to clarify the terms and conditions

It's best to meet the lender before bidding on the property you have in mind, especially if it's your first venture into commercial real estate. The lender will also advise you on its conditions for granting financing. Those may include obtaining environmental and building condition assessments, an appraisal, and a title search. It helps to use approved experts for this kind of due diligence, and each lender has its own list of such experts. If you use someone else, the lender may require a second opinion and the transaction could be delayed.

Don't rush the conditional period

Your purchase offer should give the lender enough time to review the terms of the deal. It's common for offers to provide four weeks of "conditional acceptance" while lenders often need six to eight weeks and possibly more (especially if due diligence issues arise). The last thing you will want to do is ask for an extension, especially on a "hot" property, or to "remove conditions" without having the full approval from the lender.

If you are interested in purchasing or selling a commercial property, or need help managing your leasing requirements, James will assist you every step of the way. Feel free to reach out to him at (902) 429-1811 Ext. 338 or by email at jdunnett@turnerdrake.com.

PROPERTY TAX DIVISION

Musing on a Twenty-Eight Year Career.
Our Giselle Kakamousias reflects on her career in property tax:

June 28, 2021 marked the twenty-eight-year anniversary of my employment at Turner Drake. Time really does fly when you're having fun.

Originally hired, trained and educated as a commercial appraiser, I've spent the majority of my career in our Property Tax Division. True to our in-house training program of the time, I was hired freshly graduated from University; started as a trainee valuer; moved into a Manager's role six years later, and then, commencing in 2006, became divisional Vice-President, where I lead a team of six. That team assists hundreds of owners every year in mitigating their tax burdens.

Twenty-eight years in property tax translates into tens of thousands of appeals filed and, over the course of addressing those appeals, some recurring themes have emerged. I'll discuss them below…and in the process, try to do a little bit of property tax myth-busting.

Thou Shalt Not Covet Thy Neighbour's Assessment

If you own property in Nova Scotia, it's tempting (and, with the information available online free-of-charge, relatively easy) to compare your assessment to competing properties. For some owners I've encountered, logging on to assessment sites and feverishly clicking on surrounding properties has become sport… in some cases, bordering on an obsession.

While comparable assessments are undeniably a useful benchmark, as well as a helpful tool to identify an over-assessment (we do it too!); and while some assessors will even consider assessments on similar properties as grounds for reducing an assessment at the (relatively informal) initial appeal review stage, the fact that your assessment compares unfavourably to others will carry no weight before Nova Scotia's administrative Tribunals, Boards, and Courts.

Nova Scotia's *Assessment Act* requires uniformity of assessment…but legislated uniformity is achieved across entire classes of property in a Municipality (and there are only two such classes of property: residential and commercial). Sadly, ensuring that your property's assessment is consistent with similar properties does *not* ensure uniformity. This is one of the most common misconceptions that we encounter in dealing with property appellants.

And don't even get me started on New Brunswick, where there is no uniformity or equity provisions in the assessment legislation- none! Comparable assessments

(Continued on page 6)

(Continued from page 5)
have zero evidentiary value. Sad, but true. There are reform moves afoot to address the issue, but given the current glacial pace, I may be another twenty-eight years in before they come to fruition.

The Best Opportunity to Reduce Your Assessment (and Taxes) is NOT on Appeal

In every Province in which we operate, assessing authorities are willing to discuss assessments **prior** to those values being inserted onto the official assessment rolls. In our experience, such preliminary consultations often produce better results, at lower cost, than waiting to file formal appeals. A number of provinces, Nova Scotia among them, fully embrace the opportunity to discuss proposed values and to make changes, where required, at the "pre-roll" (also referred to as the "advance notification") stage.

Of course, it's not always possible to do so, as values may not be available with sufficient lead time in advance of the filing of the roll. But where the opportunity presents itself, my advice is always to be proactive, and to address a problem before it becomes one. A stitch in time really does save nine.

Not Every Property is Over-assessed

There. I've said it.

It's the truth, not every property offers the opportunity for tax relief. My colleagues and I take many, many calls, where we have to break that unwelcome news to owners… sometimes in spite of a double-digit increase, or an assessment that exceeds its neighbours by a considerable margin, or a revenue stream that has tanked due to the COVID-19 pandemic. In fact, for every appeal we file, there is probably a second property that was reviewed and its value accepted.

Assessors - They're Just Like Us.

They worry about mixing vaccines. They wonder about going gluten-free. They drive their kids to countless sport practices and extracurricular activities. They think about work while they're walking the dog. They fret about how they look on Zoom calls. And, for the most part, they're well educated and professional, and open to reasoned argument. That's not to say that we don't take the gloves off from time to time. But professional relationships built on mutual respect with assessors from across the country have allowed for the settlement of hundreds of appeals every year without the need for Board and Court appearances.

Giselle Kakamousias, the Vice President of our Property Tax Division, is a Chartered Valuation Surveyor. She celebrated her twenty-eight-year anniversary with Turner Drake last June. Feel free to contact her at (902) 429-1811 Ext.333 (toll free 1-800-567-3033) or by email at gkakamousias@turnerdrake.com.

VALUATION DIVISION

Title Insurance

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Title Insurance is sometimes regarded by purchasers as yet another unnecessary add-on in the complicated and costly business of buying a property. Our experience suggests otherwise. In Atlantic Canada clear title is often an aspiration, rather than reality. Caution is the watchword, especially in overheated property markets that eschew careful investigation prior to purchase. Several decades ago your correspondent, an impecunious immigrant with a large family and a consulting business dedicated to consuming cash, was seized with the irrational desire to purchase a peninsular in Cape Breton's Bras d'Or Lake. Overwhelmed by the area's natural beauty, and impelled by a vision no nobler than the desire to own something that could be identified by the Landsat satellite, he stumbled upon a likely candidate and slapped his (few) dollars down. Alas, his lawyer, a tardy fellow, having left the title search until the afternoon before the closing, phoned that evening with the bad news. The registered owner, and vendor, was not the actual owner, though the property had been given to said vendor by a benevolent soul, albeit using the legal description of an adjacent property (which was not for sale). The benefactor had many heirs, so uncontested clearance of title at tax sale was far from certain. Happily, the sale eventually proceeded with pristine title; sadly it proved to be a thirsty purchase, well water was not available because of a gypsum deposit, and the briny Bras d'Or Lake is not for drinking. Still, it is visible from space.

It is doubtful if title insurance would have solved the foregoing problems but it can address defective titles resulting from easements or encroachments that may rear their ugly head, sometimes several years after the property purchase. Imagine finding out that your beautiful ocean frontage actually belongs to somebody else, that your river bank is girded by a public right of way shared with all and sundry, or that part of your building is actually located on somebody else's property. And what happens when your neighbour casually informs you that your driveway is actually not yours at all because part runs across his property and you have no deeded right of way? You have a parking space but no way to get to it! Or that your fire exit is non-compliant because it discharges over what now proves to be somebody else's land? That renovations were carried out without a permit and were not up to code? These and other equally unpleasant surprises are much more common than most purchasers appreciate. Title insurance will not address the defect in title, but it is one way to protect the property owner against monetary loss. Calculating that loss often utilises the same *before and after* methodology employed in expropriation (the forcible taking of property for public projects such as road widening). Take for example a property purchased on the erroneous assumption that it has ocean frontage. To assess the owner's monetary loss, the property is valued on the hypothetical assumption that it has the water frontage (its "before" value) and then again recognising that the intervening land is owned by another party (its "after" value). The difference between the two values represents the monetary loss covered by the title insurance and comprises, in expropriation parlance, "the value of the land acquired plus the injurious affection". The valuation date is fixed at the date the *defect in title was discovered* but having regard to *the physical state of the property on the date the insurance was purchased* (usually the date the property was acquired by the present owner).

Nigel Turner, the Vice President of our Property Tax Division, is a Chartered Valuation Surveyor who undertakes expropriation and title insurance valuations for impacted property owners, expropriation authorities and title guarantee companies to assess the losses suffered by impacted owners. He can be reached by email at nigelturner@turnerdrake.com or by phone at (902) 429-1811 Ext.330 (toll free 1-800-567-3033).

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