

KILLING THE GOOSE THAT LAID THE GOLDEN EGG

Nova Scotians have recently received their 2015 property Assessment Notices: over the past 5 years commercial assessments in Halifax Regional Municipality have risen by an average of 24%. Time to shoot the messenger? Not yet! That is the surprising opinion of Turner Drake & Partners Ltd., a real estate consulting firm dedicated to reducing their clients' property tax load.

Property assessments are based on Market Value: as values rise so do assessments. Therefore, tax rates, which are determined by municipalities, should fall... but studies carried out by Turner Drake show that municipal budgets expand instead to take advantage of the increased assessments.

Halifax Regional Municipality, is a prime example. Over the five years to 2014, assessments increased, on average by the following amounts: Automobile Dealerships 29%; Apartments 28%; Industrial property 27%; Offices 26%; Hotels/Motels 10% ... while tax rates fell by just 4%. That's right: 4%!

So where did all that extra money go ... into additional or better services? Sadly not: over 60% of HRM's expenditures are consumed by staff salaries and pensions. And HRM's own figures show that staff compensation increased by 82% between 2000 and 2010 ... a period during which the cost of living grew by just 24%. In part this was because salaries soared above those in the private sector, by about 40% in those admittedly few cases where we have been able to compare them with major private sector companies. The average salary of a full time HRM employee rose from \$47,301 to \$76,821, a rise of 62% over those ten years.

The major municipalities in Atlantic Canada must face the facts: the next 10 years will not be a replication of the past decade. The region's population is shrinking and aging: the ratio of working to non-working age population is declining rapidly and immigration will **not** reverse that process. The smaller municipalities are now experiencing this reality but the major municipalities have been buffered from it by rural to urban migration. Unfortunately there is little evidence that municipalities are prepared to face up to the situation: expect instead that they will attempt to lobby for additional taxes albeit under a different guise than property tax.

Turner Drake & Partners Ltd. is a multi-disciplinary firm of real estate consultants offering valuation, property tax, counselling, Lasercad® space measurement, economic intelligence, planning and brokerage service throughout Eastern Canada from their Halifax, St. John's, Charlottetown and Saint John offices.

For more on this topic, including a detailed look at Realty Taxes and Net Absolute Rent versus the Atlantic Region's Consumer Price Index, check out our online Winter 2014/2015 Newsletter on our web site <https://www.turnerdrake.com/Newsletter/attachments/139.pdf>, or call Giselle Kakamousias, Vice President of our Property Tax Division at 1 (800) 567-3033.