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FOR IMMEDIATE RELEASE:

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Press Release

RISING TAXES meet MARKET MELTDOWN

Today, as office vacancy rises and market values fall in Halifax's Central Business District, HRM (Halifax Regional Municipality) continues to gouge landlords and tenants. Realty taxes per square foot continue to rise, forcing landlords already fighting to retain tenants, to absorb more of the municipality's overhead. Office vacancy will soar to a record 21% later this year; a sad tribute to two decades of neglect and mismanagement by HRM since it was created by the amalgamation of four municipal bodies in 1996.

Realty taxes per square foot have risen by 60% over the past ten years, while net rents (out of which the property owner has to pay their mortgage) by just 12%. Office building owners face the perfect storm: as their financial assets deteriorate in value they have to meet the challenges of funding increased property taxes … while also paying for them on their (expanding) vacant space … out of declining net rents on the space they have been able to lease. Nor is this a temporary situation in which their vacant space will be absorbed by expanding demand. Over the past ten years office demand in downtown Halifax has *decreased* by an average of 15,200 $ft.^2$ per year … during a period in which the working age population was *increasing*. Unfortunately the latter peaked in 2016 so aggregate office demand in HRM will now contract more rapidly. The 5% supply/demand equilibrium will only be reached by taking existing space out of service through demolition, repurposing or abandonment. This will take one or two decades. The present situation is largely of HRM's making. Their policies of promoting their "industrial" parks for office development at the expense of Halifax and Dartmouth CBDs, subsidising office construction, and coercing developers to add office space to a market already flooded with it, have helped create the present crisis. Given that the Halifax CBD is a major property tax generator, these policies are now expected to be counterproductive. HRM has killed the goose that laid its golden egg.

Any office building which is not yet appealing its assessment should consider doing so: but this will not address the tax rate, and it is a combination of the two that will ultimately determine the owner's property tax load. Last year HRM successfully prevailed upon the Province to amend its Charter to allow it to levy different commercial tax rates in different areas of the municipality. The amendments are not flexible enough to address the crisis in the CBD office market and its continued decline as the region's commercial centre. The municipality was advised of the danger in 2009 and chose to ignore it. They took the downtown for granted, treating it with comfortable contempt. It is now too late. The situation is dire for the older buildings, particularly the city's built heritage. Virtually every heritage office building outside the designated Barrington Street Heritage District will be swept away within the next decade, unable to survive this perfect storm of high taxes and vacancy. Municipal greed and incompetence have accomplished in two decades, what three centuries of war failed to achieve. Generations, as yet unborn, will question how we could have been so stupid…to squander an asset that other cities on this continent rush to preserve, because they can never be re-created. Halifax, funky old town, survived many world wars, but its enemy was within.

Turner Drake & Partners Ltd., a "home grown" Atlantic Canadian company, has provided real estate advice for over forty years. From their offices in Halifax, St. John's, Charlottetown, Saint John and Toronto they provide landlords and tenants with property tax, valuation, counselling, planning, economic intelligence, Lasercad® space measurement and commercial brokerage advice.

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If you would like more information about this topic, or wish to schedule an interview with Mike Turner, please call him at (902) 429-1811 Ext. 312 or email mturner@turnerdrake.com.