

The Negative Impact of Government Spending on Multi-family Real Estate

Erosion of value

The Impact of Government Spending on Multi-family Real Estate

Prepared by:

Colliers International (Atlantic) Inc.

Prepared for:

Investment Property Owners of Nova Scotia

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Introduction

- Outline

- Who is Colliers?

- Impact on value of proposed HRWC rate increase

- Impact on value of rising assessments

- Impact on value of increase in HST

Who is Colliers International?

- International in Scope

- Local in Knowledge

- 480 Offices, 62 Countries, 11,048 Employees

- Established in 1898

Colliers International (Atlantic) Inc.

- Active in HRM since 1996

- Staff of 12 in brokerage operations

- Staff of 8 in valuation and consulting operations

- Office, Industrial, Hotel, Multi-Family, Land

 - Commercial and Investment Sales

 - Leasing

 - Real Estate Consulting

 - Property Valuation

Impact on Value – HRWC proposed rate increase

In 2007 HRM transferred Wastewater and Storm water assets to Halifax Regional Water Commission

HRWC is the first regulated utility to operate wastewater and storm water assets in Canada

"Some of the oldest infrastructure in North America ...in desperate need of repair"

Impact on Value – HRWC proposed rate increase

"Halifax water rates could rise by 40%" (CBC News)

The tale of 2 buildings ... 18 units and 45 units

Both located in the urban HRM area

Impact on Value – HRWC proposed rate increase

Building 18 units 45 units

Meter size 1.5 inches 2.0 inches

Sprinkler Line under 6 inches 8 inches

Consumption 1,975 cubic m 12,792 cubic m

Impact on Value – HRWC proposed rate increase

Building 18 units 45 units

Cost – today \$4,073 - \$21,703

Cost – April 1 /11 \$4,829 - \$25,516

\$ Increase \$756 - \$3,813

% Increase 18.6% - 17.6%

Impact on Value – HRWC proposed rate increase

Building 18 units 45 units

\$ Increase \$756 - \$3,813

Cap Rate 8.0% 8.0%

Value reduction \$9,450 - \$47,662

Impact on Value – increasing property tax burden

Building 18 units 45 units

Assessment 2006 \$340,000 - \$2,280,000

Assessment 2010 \$406,500 - \$3,078,500

Increase \$66,500 - \$798,500

% change 19.6% - 35.0%

Impact on Value – increasing property tax burden

Building 18 units 45 units

Property Tax 2006 \$4,352 - \$29,184

Property Tax 2010 \$5,244 - \$39,712

Increase \$892 - \$10,528

% change 20.2% - 32.1%

Impact on Value – increasing property tax burden

Building 18 units 45 units

Increase - tax \$892 - \$10,528

Cap Rate 8.0% 8.0%

Value reduction \$11,150 - \$131,600

(based on actual assessment increase from 2006 – 2010)

Impact on Value – increase in HST

Building 18 units 45 units

HST paid @ 13% \$6,142 - \$10,695

HST paid @ 15% \$7,087 - \$12,341

Increase – HST \$945 - \$1,646

% change 15.4% 15.4%

Impact on Value – increase in HST

Building 18 units 45 units

Increase - HST \$945 - \$1,646

Cap Rate 8.0% 8.0%

Impact on Value \$11,812 - \$20,575

Impact on Value – Summary

Building 18 units 45 units

HRWC rates \$ 756 - \$ 3,813

Property Tax \$ 892 - \$10,528

HST increase \$ 945 - \$ 1,646

Total \$2,593 - \$15,987

Cap Rate 8.0% 8.0%

Impact on Value \$32,412 - \$199,837