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Altus Group

CANADIAN PROPERTY TAX RATE BENCHMARK REPORT



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About the Report

We have benchmarked and analyzed property tax rates of major urban centres across Canada for the last 15 years in order to identify the ratios of tax rates between commercial and residential properties.

Property tax is the main source of revenue for Canadian municipalities and is used to fund services such as road repair, education, recreational programs and public transit. Both

residents and business owners pay property taxes, but the rate they pay varies depending on whether the property type is commercial or residential – taxing authorities set these rates at their discretion.

The issue and subsequent argument that arises is the perceived fairness of the different property tax rates paid between commercial and residential taxpayers, and who should

proportionally fund more, or less for municipal services – businesses or residents.

The findings of this report are used by Altus Group and REALPAC to create dialogue with taxing authorities about tax fairness, influence public policy and promote a healthy business environment for the real estate sector.

“WHAT’S FAIR?”

The case for lower commercial property tax rates

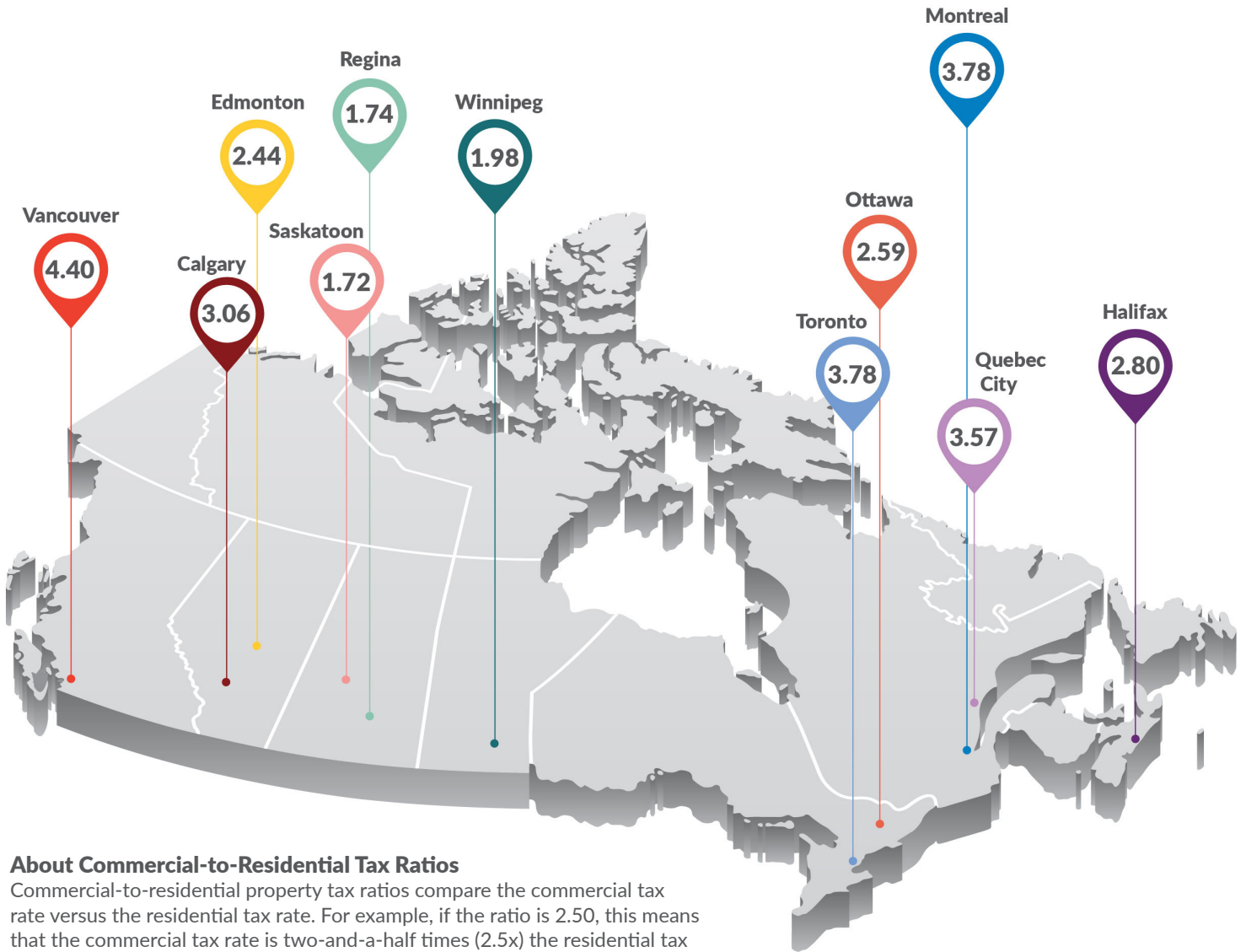
High commercial property taxes place a greater weight on businesses to contribute an unequitable share of municipal budgets. While every homeowner would appreciate paying less property tax, it is important to balance the burden paid by businesses in each city. Lower commercial property taxes help make cities more competitive, promote job growth and investment, and subsequently generate more stable and sustainable revenue.



Benchmarking commercial tax ratios provides terrific insight into the nuances of both absolute and relative property taxation. Again this year, several cities have much work to do to get their commercial property taxes in balance with residential property taxes. Businesses are mobile, political boundaries not far away, and excessive property tax burdens are acted upon by prudent managers. – Michael Brooks, CEO, REALPAC

2018 COMMERCIAL-TO-RESIDENTIAL TAX RATIOS OF MAJOR URBAN CENTRES ACROSS CANADA

The map below shows the 11 cities surveyed and their respective commercial-to-residential ratios. In 7 out of 11 municipalities across Canada, commercial tax rates are at least **2.5** times greater than residential tax rates.



About Commercial-to-Residential Tax Ratios

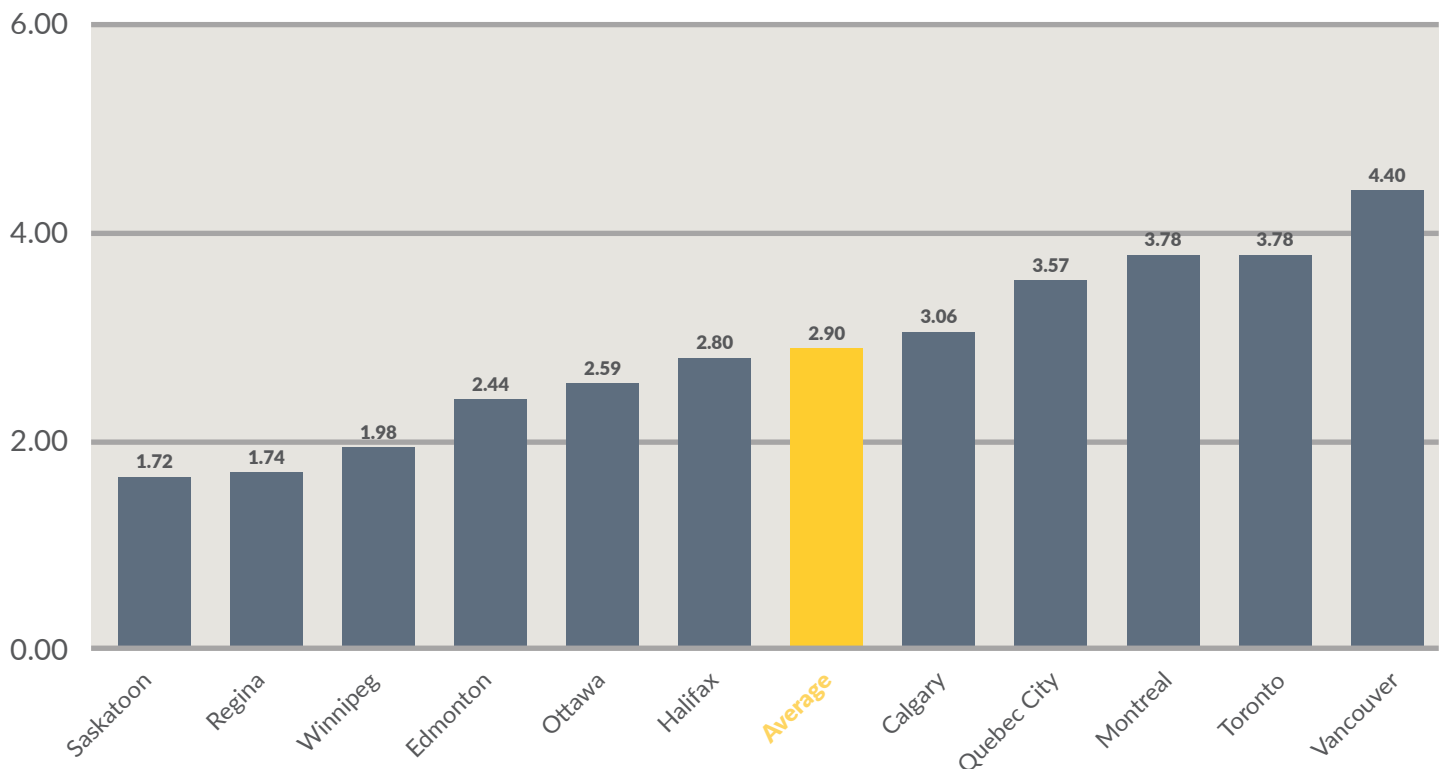
Commercial-to-residential property tax ratios compare the commercial tax rate versus the residential tax rate. For example, if the ratio is 2.50, this means that the commercial tax rate is two-and-a-half times (2.5x) the residential tax rate. Therefore, a commercial property valued at \$1 million dollars would incur property taxes 2.5x times higher than an equally valued residential property.



2018 Commercial-to-Residential Tax Ratios

The average commercial-to-residential tax ratio for all municipalities surveyed in 2018 was 2.90. Vancouver, Toronto and Montreal continue to post the highest commercial-to-residential ratios. Vancouver has the highest ratio of 4.40, despite experiencing a 9.72% drop, the largest decrease of all the cities surveyed. Meanwhile, Calgary saw the largest increase in the survey with a jump of 11.95% and now sits above the average with a ratio of 3.06. Quebec City, a new addition to the report in 2018, also sits well above the average with a ratio of 3.57 and the second largest increase of 7.38%.

2018 Commercial-to-Residential Tax Rate Ratios



Halifax, Ottawa and Edmonton sit just below the average with ratios of 2.80, 2.59 and 2.44, respectively. Winnipeg's ratio continues to hover around the 2.00 mark. Saskatoon and Regina remain the cities with the lowest overall commercial-to-residential ratios, both approximating 1.70.

YEAR-OVER-YEAR COMMERCIAL AND RESIDENTIAL TAX RATE ACTIVITY

CITY	COMMERCIAL/RESIDENTIAL RATIO				COMMERCIAL				RESIDENTIAL			
	2017	2018	Change in Ratio	% Change	2017	2018	\$ Change	% Change	2017	2018	\$ Change	% Change
Vancouver	4.871	4.398	(0.473)	-9.721%	\$12.445	\$10.854	\$(1.591)	-12.782%	\$2.555	\$2.468	\$(0.087)	-3.391%
Calgary	2.730	3.056	0.326	11.950%	\$17.745	\$19.426	\$1.682	9.478%	\$6.501	\$6.357	\$(0.144)	-2.207%
Edmonton	2.440	2.443	0.003	0.119%	\$20.759	\$21.219	\$0.460	2.216%	\$8.509	\$8.687	\$0.178	2.094%
Saskatoon	1.719	1.722	0.004	0.220%	\$14.568	\$14.910	\$0.342	2.350%	\$8.476	\$8.656	\$0.180	2.125%
Regina	1.746	1.744	(0.002)	-0.123%	\$16.157	\$16.548	\$0.391	2.422%	\$9.252	\$9.488	\$0.236	2.548%
Winnipeg	2.005	1.985	(0.021)	-1.036%	\$24.364	\$24.052	\$(0.312)	-1.279%	\$12.149	\$12.119	\$(0.030)	-0.245%
Toronto	3.809	3.783	(0.026)	-0.694%	\$25.202	\$24.039	\$(1.164)	-4.618%	\$6.616	\$6.355	\$(0.261)	-3.951%
Ottawa	2.671	2.595	(0.076)	-2.840%	\$28.519	\$27.724	\$(0.795)	-2.789%	\$10.679	\$10.684	\$0.006	0.052%
Montreal	3.770	3.782	0.012	0.319%	\$37.233	\$37.764	\$0.531	1.426%	\$9.877	\$9.986	\$0.109	1.104%
Quebec City	3.323	3.568	0.245	7.380%	\$36.319	\$36.087	\$(0.232)	-0.640%	\$10.930	\$10.114	\$(0.816)	-7.468%
Halifax	2.770	2.798	0.029	1.040%	\$33.180	\$33.735	\$0.555	1.673%	\$11.980	\$12.055	\$0.075	0.626%
AVERAGE	2.896	2.898	0.002	0.601%	\$24.226	\$24.214	\$(0.012)	-0.231%	\$8.866	\$8.815	\$(0.050)	-0.792%

Figures in this chart are calculated by multiplying the tax rate by 1000 to give the taxes paid per \$1,000 of assessment.



Commercial Rates

There was only slight change to the average commercial tax rate in 2018. The average estimated commercial property taxes per \$1,000 of assessment among the cities surveyed was \$24.21, representing a slight decrease of 0.23% between 2017 and 2018.

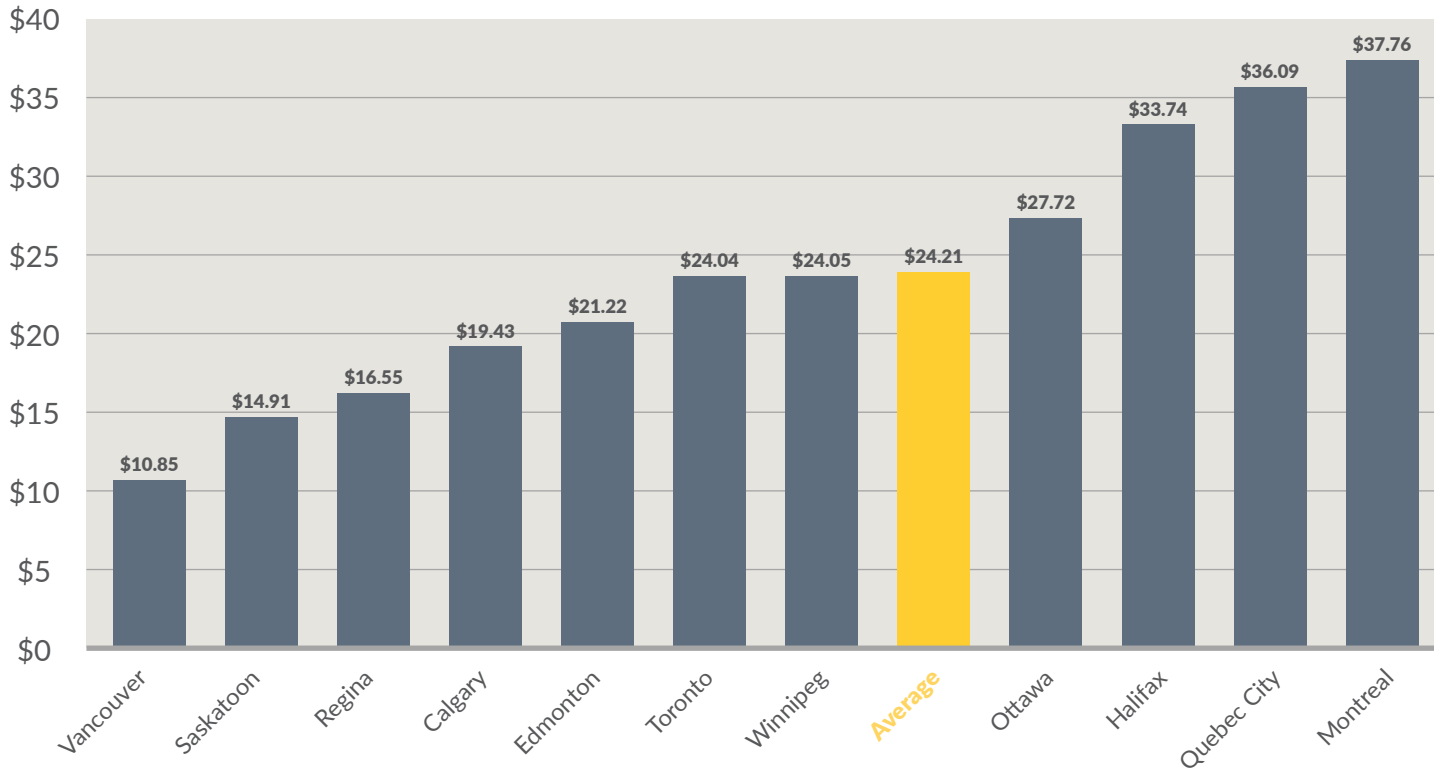
Montreal, Quebec City and Halifax posted the highest estimated commercial taxes per \$1,000 of assessment in 2018. The commercial tax in Montreal and Quebec is significantly high. Despite commercial values rising in Montreal, the commercial tax rate has continued to increase in 2018.

Calgary saw the largest increase in commercial tax rates in the study for the second year in a row. Calgary's commercial rates jumped by 11.36% in 2017 and again in 2018 by 9.48%. The downtown office market continues to struggle and this is having the effect of driving down office assessment values, ultimately resulting in a shrinking overall assessment base. Regina, Saskatoon and Edmonton saw increases of 2.42%, 2.35% and 2.22%, respectively.

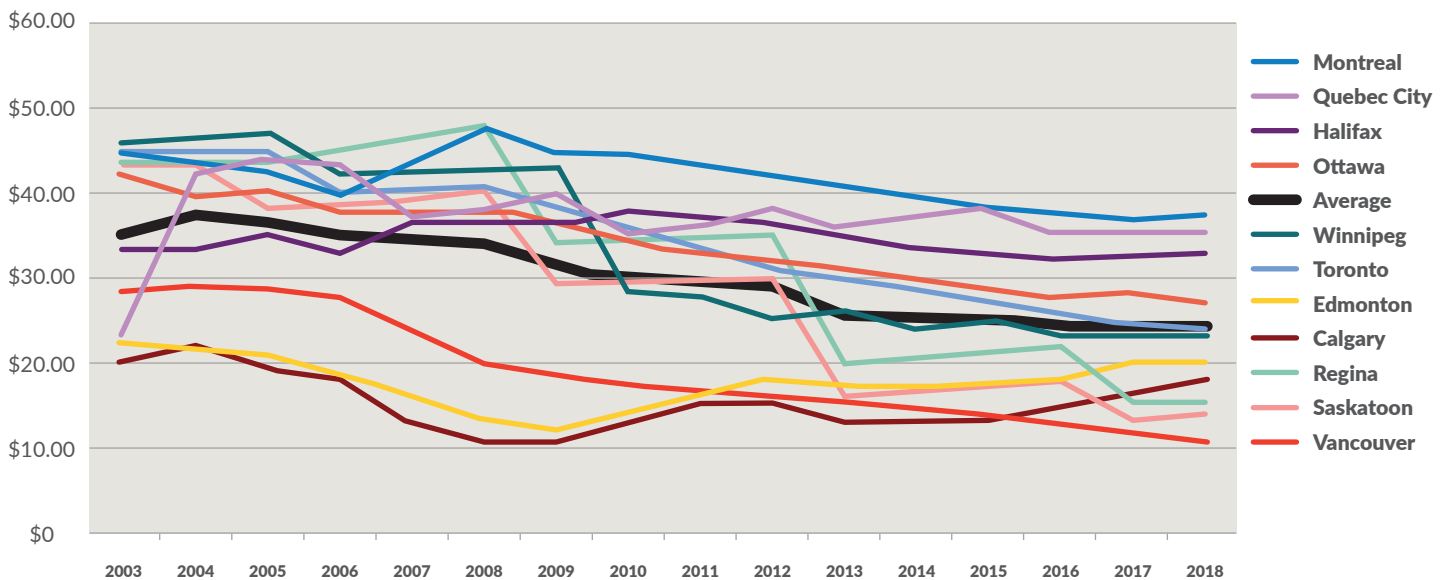
It is worth noting that every city east of Toronto in the survey lies on the higher end of the commercial tax rate spectrum, all sitting above the average.

Vancouver's commercial rates decreased by 12.78%, the largest drop of all the cities surveyed. This is the thirteenth year in a row that Vancouver's commercial rates have gone down. Toronto also continued its 10-year trend of lowering commercial rates with a decrease of 4.62%. Commercial rates also fell in Ottawa and Winnipeg by 2.79% and 1.28%, respectively.

2018 Estimated Commercial Property Taxes per \$1,000 of Assessment



Commercial Property Taxes per \$1,000 of Assessment



Figures in this chart are calculated by multiplying the commercial tax rate by 1000 to give the taxes paid per \$1,000 of assessment. Where mill rates are applicable, the mill rate is multiplied by the mill rate factor before calculating the ratio.



Residential Rates

Similar to commercial rates, there was minimal change to the average residential tax rate in 2018. The average estimated residential property taxes per \$1,000 of assessment among the cities surveyed was \$8.82, indicating a decrease of 0.79% year-over-year.

Quebec City experienced the largest drop in residential rates of 7.47% due to a significant decrease in that region's school tax rate. Larger

assessment bases allowed Toronto to decrease residential tax rates for the tenth consecutive year, while Vancouver experienced a reduction for the fifteenth consecutive year.

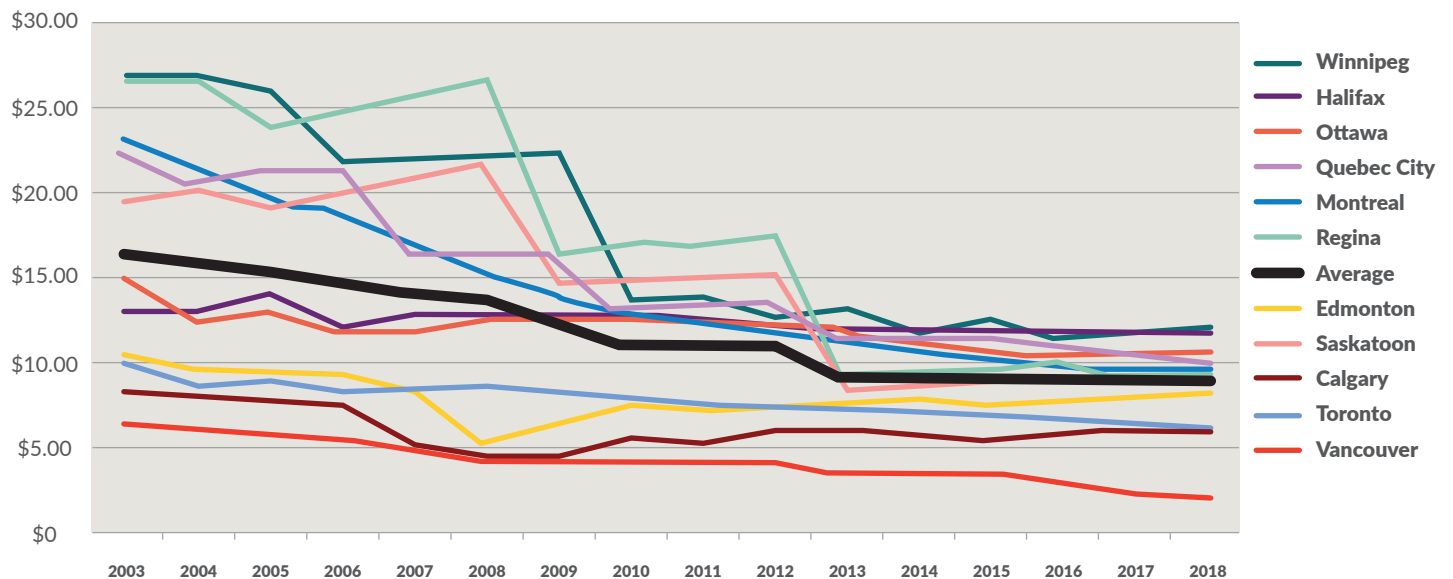
Winnipeg, Halifax and Ottawa posted the highest 2018 residential rates per \$1,000 of assessment. Regina, Saskatoon and Edmonton saw the largest residential tax rate increases of 2.55%, 2.13% and 2.09%, respectively.

Calgary's residential rates decreased by 2.21%, which can be attributed in part to an overall year-over-year increase of 4% in residential property values, according to the [2018 City of Calgary Property Assessment Market Report](#).

2018 Estimated Residential Property Taxes per \$1,000 of Assessment



Residential Property Taxes per \$1,000 of Assessment



Figures in this chart are calculated by multiplying the residential tax rate by 1000 to give the taxes paid per \$1,000 of assessment. Where mill rates are applicable, the mill rate is multiplied by the mill rate factor before calculating the ratio.

2003–2018 Trend Analysis

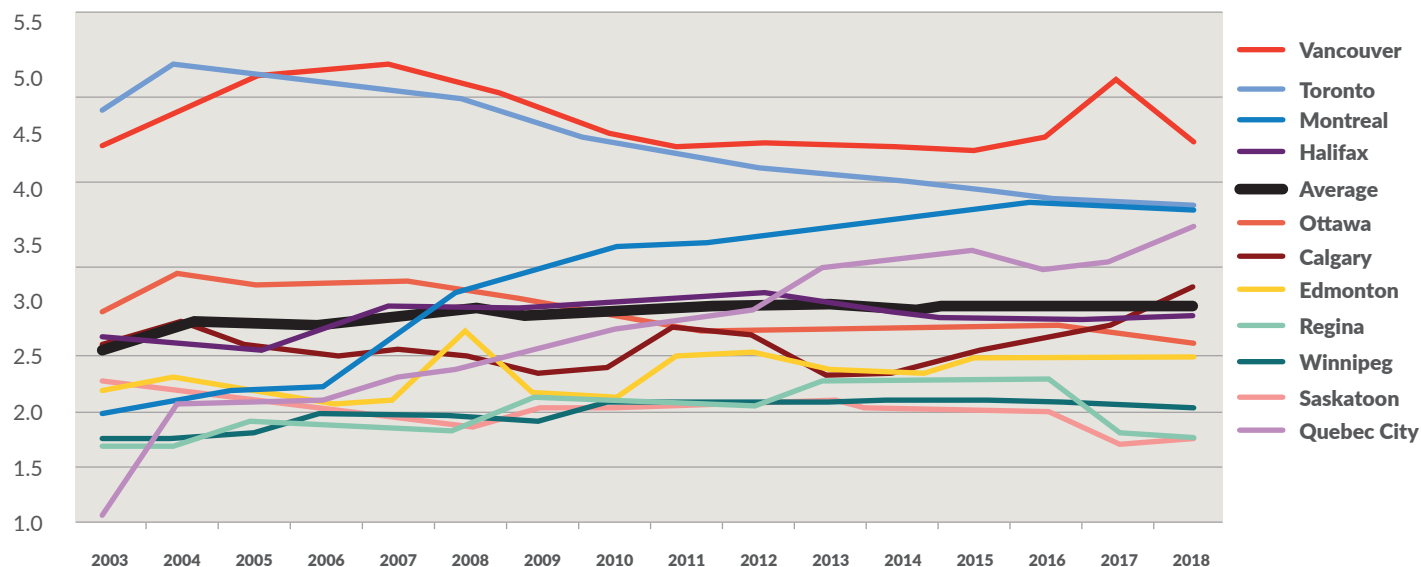
Calgary's ratio has trended upwards for five consecutive years. In 2018, the city experienced the largest increase in the commercial-to-residential ratio of all the cities surveyed. With a jump of 11.95%, the highest in the 2018 study, Calgary now sits above the average for the first time in 14 years with a ratio of 3.06. This increase is reflective of a shrinking overall commercial assessment base and can be partially attributed to a declining downtown office market, with assessed values of office buildings in Calgary dropping overall by 11.0% in 2018, according to

the [City of Calgary Assessment](#). Lower commercial assessment values led to a spike in commercial rates while at the same time residential rates decreased resulting in the subsequent jump in the city's ratio.

Winnipeg posted a ratio of 1.98, which is the first time since 2009 that the city had a ratio below 2:0, joining the cities of Regina and Saskatoon. Winnipeg's modest decrease can be attributed to growth of the overall tax base in 2018 which mitigated tax rate hikes.

For at least the nineteenth consecutive year, Vancouver remains the only city to post a commercial-to-residential tax ratio in excess of 4:1, despite posting the largest decrease of 9.72%. This drop brings Vancouver down to 4.40, which is roughly where it was 15 years ago. Montreal's ratio first rose above the average in 2008 and has been steadily climbing since then, now sitting on par with Toronto at 3.78.

Commercial-to-Residential Tax Rate Ratios 2003-2018



Figures in this chart are calculated by dividing the commercial tax rate by the residential tax rate to obtain a ratio. Where mill rates are applicable, the mill rate is multiplied by the mill rate factor before calculating the ratio.

Similarly, Quebec City's ratio has been steadily climbing since 2003, and in 2018 experienced a large increase of 7.38%. This jump is a result of the city's residential tax rates falling at a faster rate than commercial rates. The drop in residential rates is ultimately an outcome of the decrease in Quebec City's school tax rates.

Toronto's ratio has trended downwards for 14 years demonstrating the city's commitment to reducing commercial property tax ratios in order to improve the business climate and increase competitiveness over the long term. In 2005, Toronto put in place a target ratio of 2.50 by 2020. That said, the city recently

pushed the target back from 2020 to 2023 and commercial rates will have to come down more if Toronto is to meet this goal ratio.

2018 Spotlight

VANCOUVER – NEW TAXES TARGETING FOREIGN HOMEBUYERS AND HIGH-VALUE RESIDENTIAL PROPERTIES

Despite having the highest commercial-to-residential tax ratio, Vancouver continues to post the lowest commercial and residential tax rates of the cities surveyed. This is largely a reflection of Vancouver's heightened property values in comparison to the other cities across the country. Vancouver, and the Province of BC, ramped up efforts to use local taxation as a tool to curtail demand for residential properties and attempt to slow the increase in pricing.

Three new taxes, to be levied on property assessments, were announced in 2018:

1. Empty Homes Tax – 1%

- Generally applies to residential dwellings that are deemed empty (properties that are not owner-occupied nor occupied by tenants for a period exceeding six months).

2. Speculation Tax Rate – ranging from 0.5% to 2%

- Applies to properties held by investors, the Speculation Tax appears to mirror the Empty Homes Tax except that there are different rates for local residents (0.5%), Canadian owners outside of the Province of BC (1%) and foreign owners (2%).

3. Additional School Tax – up to 0.4%

- Announced in 2018 and effective in 2019, this tax applies a 0.2% rate on the residential portion assessed between \$3 million and \$4 million and a 0.4% tax rate on the residential portion assessed over \$4 million.

Since these taxes are circumstantial additions to the base residential tax rate, they did not directly impact the 2018 commercial-to-residential tax ratio for Vancouver. However, they do produce additional tax revenue for Vancouver.

QUEBEC – TAX BURDEN OF COMMERCIAL PROPERTIES AND IMPACT OF STANDARDIZATION OF THE SCHOOL TAX SYSTEM ON PROPERTY TAXES

In 2018, Montreal continued to post the highest commercial tax rates of the cities surveyed. Since 2008, Montreal has had the highest commercial property tax rate per \$1,000 in Canada. Additionally, since that same year, the City of Montreal budget has increased faster than inflation. The average growth of the budget for the City of Montreal since 2002 is 2.67%, while the average annual growth of the consumer price index was only 1.64% for the same period. Oddly, while non-residential properties assume 56.1% of municipal taxes, they represent only 26.1% of the tax base.

The overall tax rate in Quebec City and Montreal includes the municipal tax rate and the school tax rate. While the residential tax component has barely changed between 2017 and 2018, the school tax rate has dropped by more than 35% in Quebec City, from 0.2074 in 2017 to 0.1336 in 2018. In Montreal, the school tax rate was set at 0.1783 in 2017 and remained unchanged in 2018.

The school tax system in Quebec is 25 years old and, until now, had never been reviewed. Previously, there could be different school tax rates in the same municipality depending on the school board. However, with the introduction of

Bill 166, the Government of Quebec has standardized the school board tax rates down for all properties. This bill stipulates, that for the years of 2018-2019, a school taxation system applicable throughout Quebec except on the Island of Montreal, establishing that a school board's tax rate will be the same as the lowest rate imposed by a school board, Anglophone or Francophone. Following the adoption of Bill 166, school tax rates will be standardized down across the province except for Montreal. The large decrease in residential tax rates in Quebec City is therefore reflective of the drop in the school tax rate in that region.

2018 Spotlight

CALGARY – INCREASING COMMERCIAL PROPERTY TAX RATES DESPITE HIGH VACANCY

The commercial mill rate in Calgary is slated to continue to increase due to three main factors affecting the city's tax environment:

1. Business Tax Consolidation – 2019

is the final year of the Business Tax phase-out and the last piece of that tax base is transferring to the commercial property tax in 2019.

2. Erosion of the Assessment Base –

The commercial real estate market is still facing challenges since the 2014 economic downturn in Alberta. The office market, specifically downtown,

has experienced the greatest impact. Downward pressure on the largest commercial assessments has the effect of driving up the tax rate when the municipality collects the same or more tax.

3. Continued City of Calgary

budgetary increases – the majority of these increases are being pushed to the commercial tax base, as opposed to the residential tax base.

The net effect of these factors has been a drastic shift of tax liability from downtown office properties to the

commercial suburbs. Industrial and retail properties have experienced unprecedented tax increases over the last four years in Calgary.

The city has attempted to mitigate these increases by implementing two separate one-year Tax Cap programs, called the Phased Tax Program (PTP). These PTPs have capped tax increases at 5% for the Municipal Tax portion of the commercial tax.

MULTI-RESIDENTIAL TAX RATIOS UPDATE – ONTARIO RENTERS CARRYING A DISPROPORTIONATE BURDEN OF PROPERTY TAX

Our 2017 Report highlighted that residential tenants were being taxed equally to homeowners in all cities surveyed, except for Montreal, Edmonton, Toronto and Ottawa, having ideal ratios of 1:1. For 2018, Montreal has joined the 1:1 club. With the addition of Quebec City to the survey, however, there remain four cities where renters are being taxed at higher ratios compared to owner-occupied residential properties. Quebec City and Edmonton posted ratios of 1.04 and 1.11 respectively

and are close to the ideal ratio of 1:1 but have some room for further reductions.

The Ontario cities of Toronto and Ottawa, with ratios of 2.07 and 1.36 respectively, remain extreme outliers, though both improved marginally over 2017.

The Ontario Liberal government had placed a freeze on multi-residential taxes for 2017 while it undertook a review on how to reduce the tax ratio.

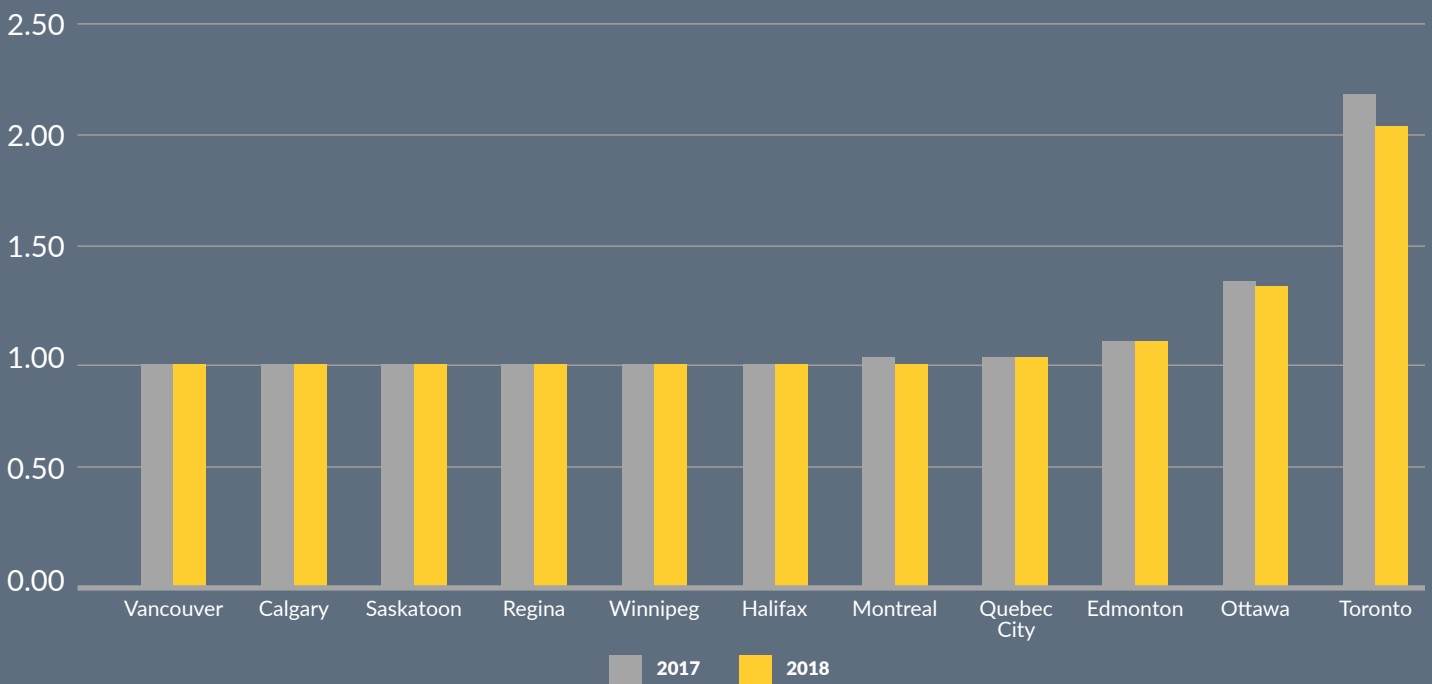
No policy changes were implemented by the Ontario Liberal government to cause a significant reduction in the ratios. With the election of the Ontario PC government in June 2018, it remains to be seen if the new government will act on this issue and implement a significant correction in the multi-residential ratio or choose to continue status quo.

2018 Property Tax Rates Per \$1,000 of Assessment: Multi-Residential vs. Residential

CITY	Multi-Res to Residential Tax Ratio				Multi-Residential Tax Rate				Residential Tax Rate			
	2017	2018	Change in Ratio	% Change	2017	2018	\$ Change	% Change	2017	2018	\$ Change	% Change
Vancouver	1.000	1.000	-	0.000%	\$2.555	\$2.468	\$(0.087)	-3.391%	\$2.555	\$2.468	\$(0.087)	-3.391%
Calgary	1.000	1.000	-	0.000%	\$6.501	\$6.357	\$(0.144)	-2.207%	\$6.501	\$6.357	\$(0.144)	-2.207%
Saskatoon	1.000	1.000	-	0.000%	\$8.476	\$8.656	\$0.180	2.125%	\$8.476	\$8.656	\$0.180	2.125%
Regina	1.000	1.000	-	0.000%	\$9.252	\$9.488	\$0.236	2.548%	\$9.252	\$9.488	\$0.236	2.548%
Winnipeg	1.000	1.000	-	0.000%	\$12.149	\$12.119	\$(0.030)	-0.245%	\$12.149	\$12.119	\$(0.030)	-0.245%
Halifax	1.000	1.000	-	0.000%	\$11.980	\$12.055	\$0.075	0.626%	\$11.980	\$12.055	\$0.075	0.626%
Montreal	1.046	1.002	(0.044)	-4.232%	\$10.335	\$10.007	\$(0.328)	-3.176%	\$9.877	\$9.986	\$0.109	1.104%
Quebec City	1.033	1.036	0.002	0.231%	\$11.293	\$10.474	\$(0.819)	-7.255%	\$10.930	\$10.114	\$(0.816)	-7.468%
Edmonton	1.106	1.107	0.001	0.102%	\$9.410	\$9.617	\$0.207	2.199%	\$8.509	\$8.687	\$0.178	2.094%
Ottawa	1.377	1.358	(0.019)	-1.362%	\$14.705	\$14.512	\$(0.193)	-1.310%	\$10.679	\$10.684	\$0.006	0.052%
Toronto	2.212	2.069	(0.143)	-6.462%	\$14.634	\$13.148	\$(1.487)	-10.158%	\$6.616	\$6.355	\$(0.261)	-3.951%
AVERAGE	1.161	1.143	(0.018)	-1.066%	\$10.117	\$9.900	\$(0.217)	-1.840%	\$8.866	\$8.815	\$(0.050)	-0.792%

Tax ratios on multi-residential properties compare the multi-residential property tax rate to the residential property tax rate. Although the classification of multi-residential properties varies by tax jurisdiction, broadly speaking this class includes the bulk of the rental housing market excluding condominiums.

2018 Multi-Residential to Residential Ratio



Notes

The property tax rates in this report are comprised of the general provincial, municipal and education portions as posted by the cities surveyed, including provincial assessment value percentages:

- Montreal 2018 – CGTSIM Municipal School Tax, (Comité de gestion de la taxe scolaire de l'île de Montréal)
- Saskatoon and Regina 2018 – Saskatchewan Residential Provincial Percentage (taxes are calculated based on 80% of a residential property's value)

Business levies, tax assistance programs and other considerations are not reflected in the rate calculations, including but not limited to:

- Municipal business improvement areas
- Calgary and Winnipeg 2018 – Municipal business occupancy taxes
- Manitoba 2018 – Manitoba's Provincial Education Property Tax Credit (EPTC)
- Winnipeg frontage taxes (charged separately and apart from property taxes; applies to residential and commercial properties)
 - Based on a property fronting on a street that contains a sewer main or water main (2018 - \$5.45 per frontage foot)

SOURCE DATA

Source data was retrieved from the municipal websites below:

Vancouver

<https://vancouver.ca/home-property-development/tax-rates.aspx>

Calgary

<http://www.calgary.ca/CFOD/Finance/Pages/Property-Tax/tax-bill-and-tax-rate-calculation/current-property-tax-rates.aspx?redirect=/ca/fs/pages/property-tax/>

Edmonton

https://www.edmonton.ca/residential_neighbourhoods/property_tax_assessment/tax-rates.aspx

Saskatoon

<https://www.saskatoon.ca/services-residents/property-tax-assessments/tax-rates-mill-rates>

Regina

<https://www.regina.ca/residents/assessment/property-tax-deadlines/calculating-property-tax/>

Winnipeg

<http://www.winnipegassessment.com/AsmtTax/English/Property/TaxRates.stm>

Toronto

<https://www.toronto.ca/services-payments/property-taxes-utilities/property-tax/property-tax-rates-and-fees/>

Ottawa

<https://ottawa.ca/cgi-bin/tax/tax.pl?lang=en>

Montreal

http://ville.montreal.qc.ca/portal/page?_pageid=44,14111603&_dad=portal&_schema=PORTAL

Quebec City

<https://www.ville.quebec.qc.ca/apropos/profil-financier/taux-taxation.aspx>

Halifax

<https://www.halifax.ca/home-property/property-taxes/tax-rates>



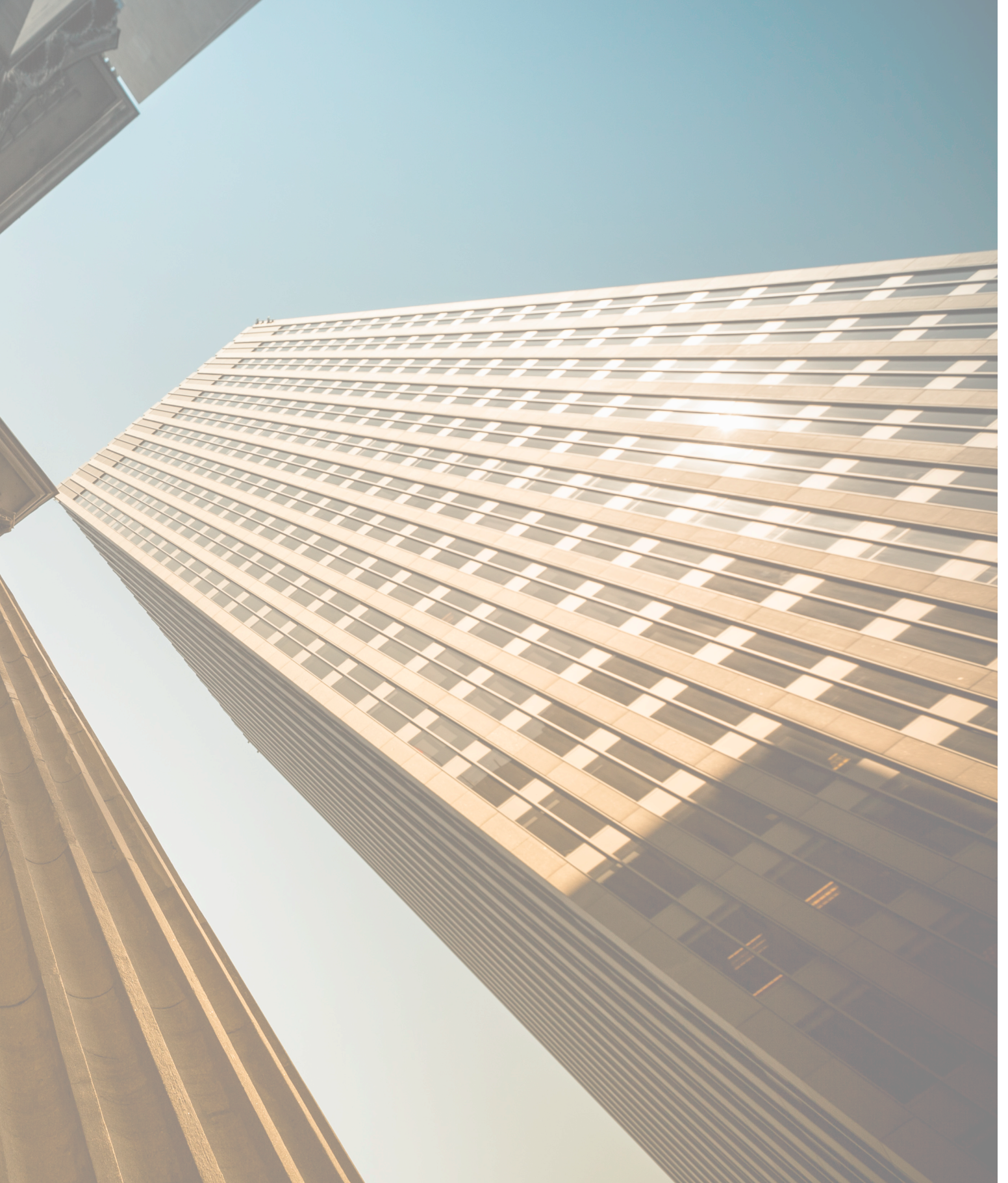
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Corporate Headquarters: 33 Yonge Street, Suite 500, Toronto, Canada | 416.641.9500



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REALPAC:

- Connects senior Canadian real estate executives to help build new relationships, identify opportunities, access and build markets, and grow companies and investments
- Advocates nationally directly with government at all levels to achieve the most desirable business, environmental, tax, infrastructure and capital market conditions
- Supports the industry by providing smart tools, meaningful data services and benchmarks, best practice guides and practical voluntary standards to enhance management practices and results
- Educates the industry by providing events, conferences, training, research reports, education and educational resources to senior real estate professionals. REALPAC and Ted Rogers School of Management at Ryerson University, partners in Executive Education, are proud to offer the Real Property Investment Certificate Program.

For details, visit realpac.ca > Educates > RPIC Program

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