Altus Group

Canadian property tax rate BENCHMARK REPORT 2021

Supporting industry partner

REALPAC

About the report

Over the last 18 years, we have benchmarked and analyzed property tax rates of major urban centres across Canada 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 education and 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 and competitive business environment for the real estate sector.

The COVID-19 pandemic has had a deep impact on municipal finances across Canada. A long period of government economic support programs and funding commitments have stretched budgets and will continue to do so possibly for years to come. We continue to see the importance of competitive and fair property tax rates to the overall economic performance of cities and point to further reductions in tax ratios as a strong and progressive way to 'build back better'. We encourage all municipalities to think about tax ratios as they consider how best to mitigate more economic fallout from the pandemic".

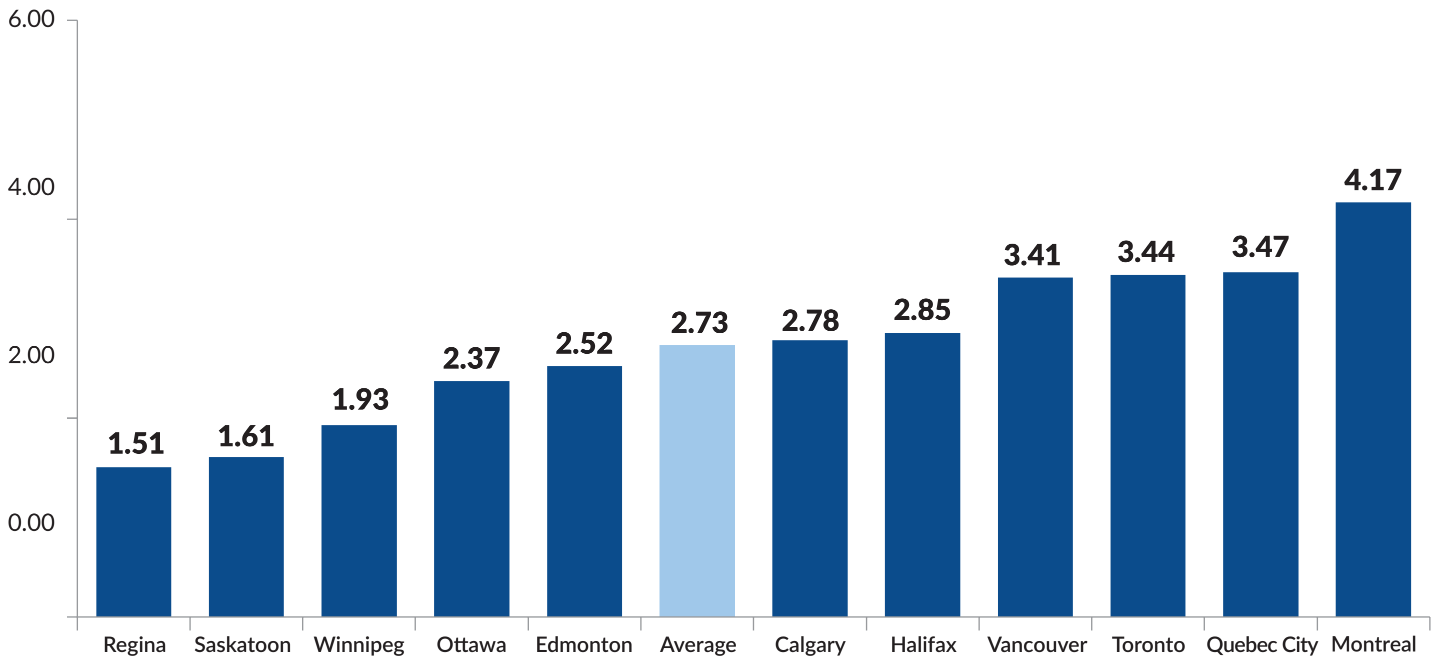
– Michael Brooks, CEO, REALPAC

What's inside?

2021 commercial-to-residential tax ratios of major urban centres across Canada

The graph 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.

2021 commercial-to-residential tax rate ratios



Figures in this chart are calculated by dividing the commercial tax rate by the residential tax rate.

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 would incur property taxes 2.5 times higher than an equally valued residential property.

2021 above-average property tax ratio rankings:

2021 saw a shift in commercial-to-residential tax ratios, with two more municipalities moving into above-average ratios. In 2020, Montreal, Toronto, Quebec City and Halifax sat above the average ratio. In 2021, Vancouver and Calgary joined the above-average ranking, while Montreal, Quebec City, Toronto and Halifax remained in a similar ranking to 2020.

2021 commercial-to-residential tax ratios

The average commercial-to-residential tax ratio for the cities surveyed in 2021 was 2.73, up 3.0% from 2.65 in 2020. The rise in average was largely driven by a significant increase in Vancouver's ratio, along with moderate increases in Calgary and Edmonton. Vancouver's ratio rose 48.3% to 3.41 in 2021, which was driven primarily by the reversal of the commercial Education Tax reduction of 70% implemented by the Province for 2020 in response to the economic circumstances of the pandemic.

Meanwhile, Calgary's ratio increased 7.8% to 2.78 and Edmonton rose 5.7% to 2.52. Both cities experienced reductions in their non-residential assessment bases as a result of the economic fallout of the COVID-19 pandemic, which led to increases in the commercial tax rates while the residential rates either increased at a lesser rate or decreased.

Vancouver and Calgary now sit above the national average in 2021, compared to 2020 when they sat below the average. Montreal remains the city with the highest ratio at 4.17, while Quebec City is unchanged at 3.47. Toronto saw a moderate decrease of 5.0% to 3.44. Halifax remains above the average at 2.85.

Ottawa sits below the average with a ratio 2.37. Winnipeg's ratio at 1.93 remains below the average, however, this ratio is not reflective of school tax rebates implemented in 2021. The Provincial Government introduced education School Tax rebates in 2021 (issued in the form of a refund cheque to every property owner equaling 10% of the School Tax for commercial properties and 25% for residential properties) if considered would increase the net commercial-to-residential tax ratio to 2.07. In addition, Winnipeg is the only city, of those surveyed, that still has business tax on commercial premises, which is also not reflected in the ratio analysis due to its variability from property to property.

Saskatoon and Regina, the cities traditionally with the lowest overall commercial-to-residential ratios, saw the largest decreases in their ratios. Saskatoon went down 6.3% from 1.72 to 1.61 and Regina decreased 13.4% from 1.74 to 1.51. Both cities experienced reductions in their residential assessment bases and increases in their commercial assessment bases because of a reassessment of properties for the 2021 tax year. The resulting impact on tax rates led to reduced ratios.

Year-over-year commercial and residential tax rate activity

	COMMERCIAL / RESIDENTIAL RATIO				COMMERCIAL				RESIDENTIAL			
City	**2020**	**2021**	**Change**	**% Change**	**2020**	**2021**	**$ Change**	**% Change**	**2020**	**2021**	**$ Change**	**% Change**
Calgary	2.58	2.78	0.20	7.84%	$19.41	$20.61	$1.20	6.18%	$7.52	$7.41	$(0.12)	-1.54%
Edmonton	2.38	2.52	0.14	5.71%	$22.22	$24.15	$1.93	8.69%	$9.33	$9.59	$0.26	2.83%
Halifax	2.88	2.85	(0.02)	-0.79%	$34.41	$33.94	$(0.47)	-1.37%	$11.96	$11.89	$(0.07)	-0.59%
Montreal	4.11	4.17	0.06	1.49%	$36.99	$36.24	$(0.76)	-2.04%	$9.01	$8.70	$(0.31)	-3.49%
Quebec City	3.47	3.47	(0.00)	0.00%	$35.03	$34.97	$(0.06)	-0.16%	$10.10	$10.09	$(0.02)	-0.16%
Ottawa	2.45	2.37	(0.08)	-3.36%	$26.64	$26.48	$(0.16)	-0.62%	$10.85	$11.16	$0.31	2.84%
Toronto	3.62	3.44	(0.18)	-4.98%	$21.72	$21.03	$(0.69)	-3.18%	$6.00	$6.11	$0.11	1.89%
Vancouver	2.30	3.41	1.11	48.28%	$6.73	$9.97	$3.24	48.12%	$2.93	$2.92	$(0.00)	-0.11%
Winnipeg	1.94	1.93	(0.01)	-0.61%	$23.17	$23.05	$(0.12)	-0.52%	$11.94	$11.95	$0.01	0.08%
Saskatoon	1.72	1.61	(0.11)	-6.29%	$15.65	$15.63	$(0.02)	-0.11%	$9.12	$9.72	$0.60	6.59%
Regina	1.74	1.51	(0.23)	-13.42%	$17.31	$16.68	$(0.63)	-3.65%	$9.95	$11.07	$1.12	11.29%
Average	**2.65**	**2.73**	**0.08**	**2.99%**	**$23.57**	**$23.88**	**$0.31**	**1.34%**	**$8.97**	**$9.15**	**$0.17**	**1.93%**

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.

Commercial rates

The average estimated commercial property taxes per $1,000 of assessment among the cities surveyed was $23.88, representing a slight increase of 1.3% between 2020 and 2021.

Montreal, Quebec City and Halifax continue to post the highest estimated commercial tax rates for the eleventh consecutive year.

Both Montreal and Quebec City decided to freeze tax increases for 2021 to help alleviate the financial burden on individuals and businesses in response to the COVID-19 pandemic. Commercial rates dropped by 2.0% for Montreal and almost remained the same for Quebec City. Despite the tax freeze and drop in commercial rates, businesses will pay around $35 per $1,000 of assessment, the highest in the survey.

Halifax also experienced a drop in commercial rates of 1.4%. The Municipality benefited from a booming residential sector fueled by out of province buyers and implemented austerity measures resulting in lower municipal expenses.

The increase in the survey's average commercial tax rate was largely driven by a notable increase in Vancouver's commercial rate of 48.1%. In 2021, Vancouver reintroduced the Provincial School Tax rate to normal levels after temporarily reducing it by 70% for 2020, resulting in the abnormally large year-over-year increase to commercial tax rates. The temporary reduction in the School Tax Bill in 2020 was in response to the COVID-19 pandemic, providing relief to business owners. Despite the reintroduction of the School Tax portion, Vancouver remains the city with the lowest commercial taxes of around $10 per $1,000 of assessment.

Edmonton and Calgary experienced significant increases in commercial rates of 8.7% and 6.2%, respectively. Both cities updated their assessment bases to reflect July 2020 (pandemic impacted) market values. The negative impacts of the pandemic on commercial values led to reduced commercial assessment bases in both cities with Calgary's down approximately 5.0% and Edmonton's down just over 7.0%. At the same time the residential assessment bases in both cities dropped only slightly. Municipal budgets were also strained from the pandemic, which when combined with decreasing assessment bases caused increases to 2021 tax rates.

Regina observed the largest drop in commercial rates of the cities surveyed with a decrease of 3.6%. Saskatoon saw a marginal decrease of 0.1%. This reversal comes after three years of increasing commercial rates in both cities during the 2018-2020 period. Notably for 2021, Saskatchewan has decreased the taxable percentage for commercial properties from 100% to 85%.

Winnipeg saw a slight decrease of 0.5% in commercial rates, sitting just below the average of all cities surveyed in 2021.

While the City of Ottawa commercial tax rates remained relatively stable in 2021, dropping 0.62%, the Provincial budget included a reduction of the Business Education Tax (BET) for 2021. The Municipal portion of the tax rate actually increased 4.9%, but was offset by a decrease of 10.2% in the provincial education rate.

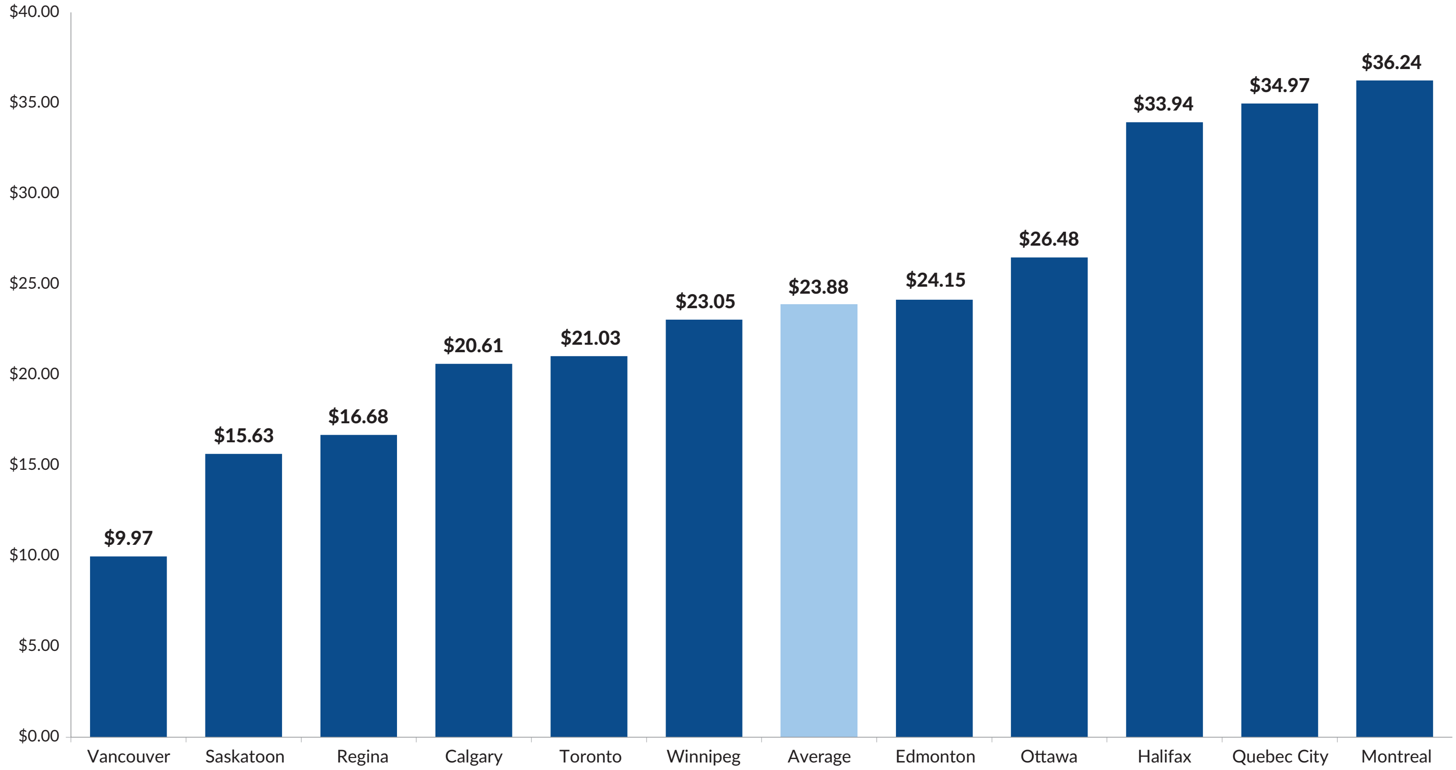
Toronto continued its 13-year trend of lowering commercial tax rates with a decrease of 3.2%. This decrease, like Ottawa, was greatly aided by a significant drop in the BET levy. The Municipal portion of the tax rate actually increased by 0.7%, but was offset by a decrease of 7.9% in the provincial education rate.

From a geographical standpoint, every city east of Alberta saw a decrease in commercial rates. Vancouver, Calgary and Edmonton all experienced increases.

"What's fair?" The case for lower commercial property tax rates.

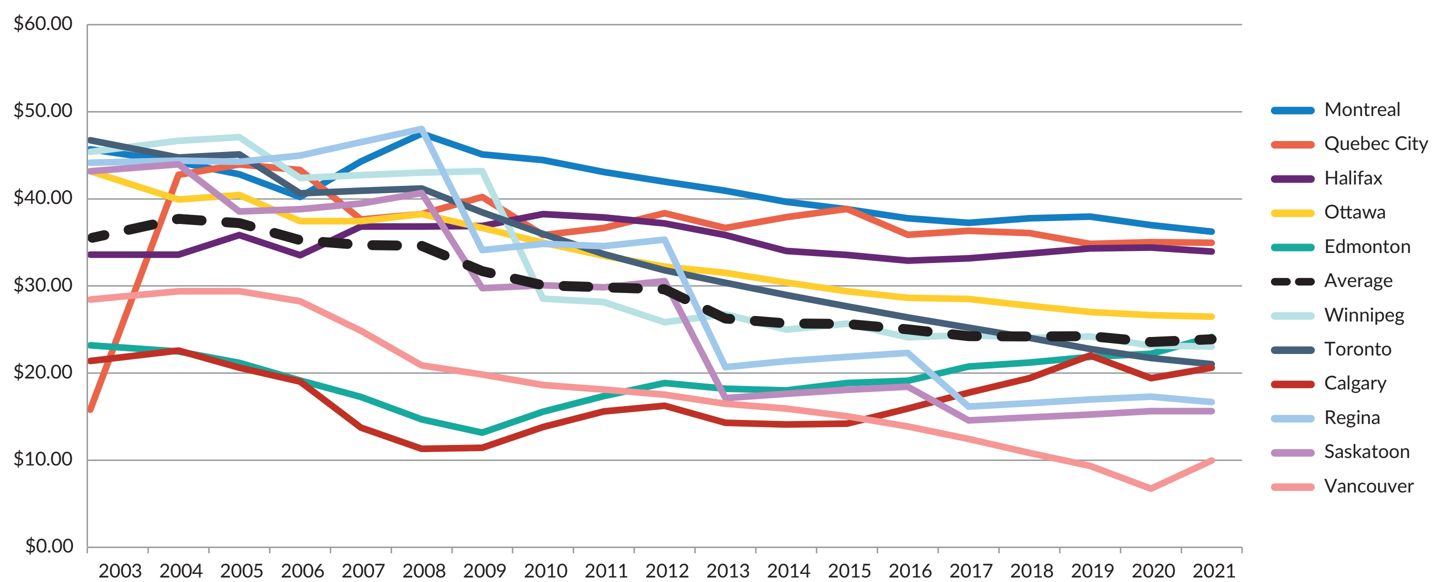
High commercial property taxes place a greater weight on businesses to contribute an unequitable share of municipal and education budgets. While every homeowner would appreciate paying less property tax, it is important to balance the burden paid by businesses in each city. Lower commercial property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

2021 estimated 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.

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

There was a 1.9% increase to the average residential tax rate in 2021. The average estimated residential property taxes per $1,000 of assessment among the cities surveyed was $9.15, compared to $8.97 in 2020.

The cities of Vancouver, Toronto and Calgary continue the nine-year trend of reporting the lowest residential tax rates in the survey. Low residential rates are a key factor in leading to a higher commercial-to-residential ratio. Vancouver and Toronto have historically posted some of the highest ratios.

In 2021, Regina and Saskatoon observed the largest increases in residential rates of 11.3% and 6.6%, respectively. 2021 was a revaluation year for properties in the province of Saskatchewan, with a base valuation date of January 1, 2019.

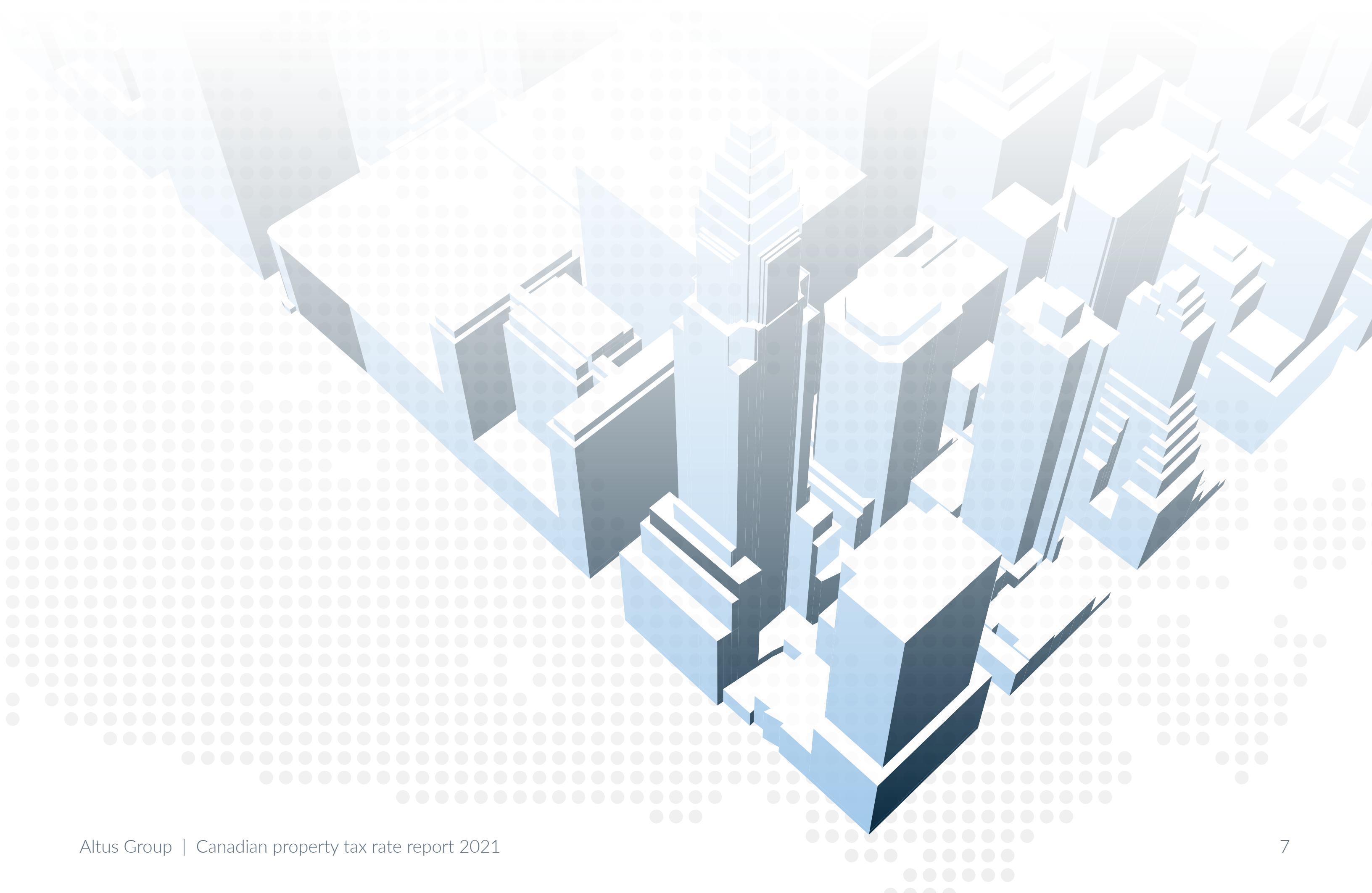
Ottawa and Edmonton both saw minor increases of 2.8%. Edmonton sits just above the average residential tax per $1,000 of assessment at $9.59.

Montreal's residential rate dropped by 3.5%, representing the largest decrease in the survey. Montreal sits just below the average residential tax per $1,000 of assessment at $8.70.

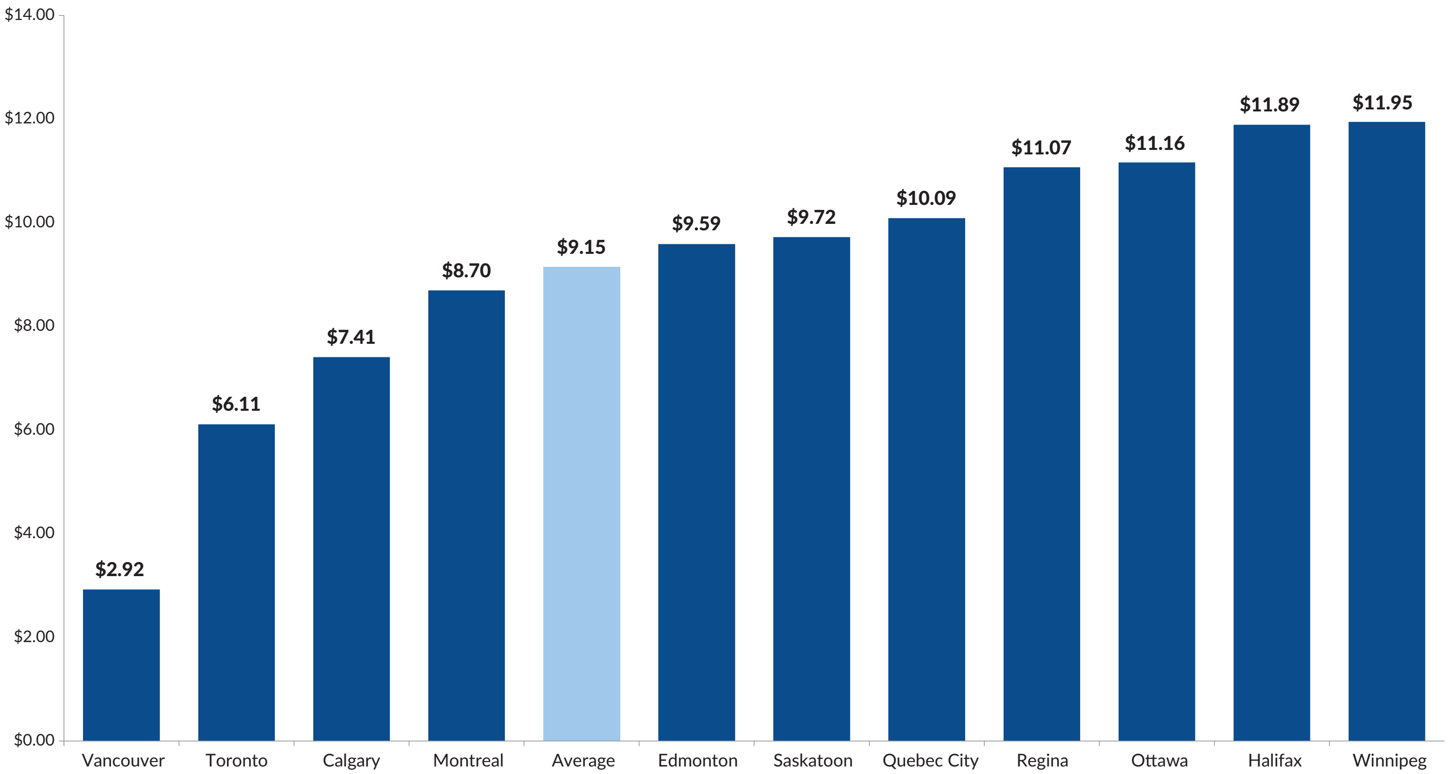
Toronto's residential rate increased for the first time in 12 years, rising 1.9%. Council overwhelmingly voted to approve an overall average property tax increase. The City continues to experience significant financial impacts, in the form of both added costs and revenue losses, as a direct result of the COVID-19 pandemic.

Winnipeg, Halifax and Ottawa continue a four-year trend of posting the highest residential tax rates.

Quebec City's residential rate saw a slight decrease of 0.2%.

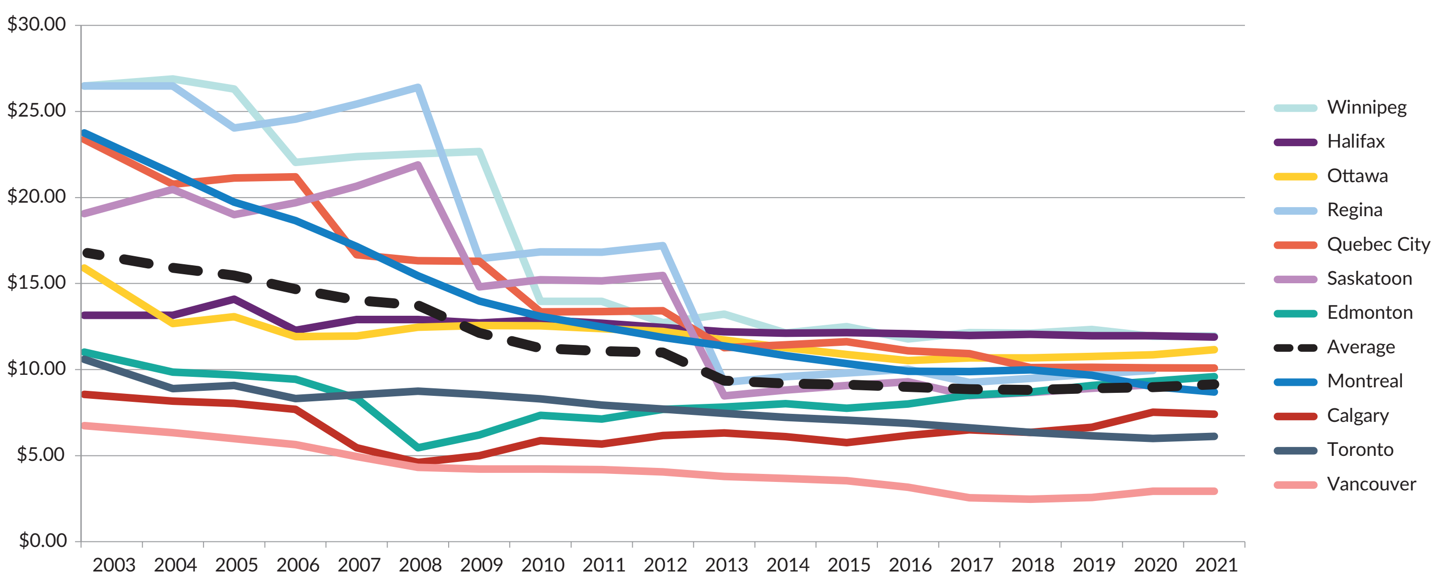


2021 estimated residential property taxes per $1,000 of assessment



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.

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.

2003–2021 trend analysis

In 2021, Vancouver observed a large increase in its commercial-to-residential tax ratio after the City re-introduced the Provincial School Tax portion to normal levels for commercial properties. Calgary, Edmonton and Montreal also saw moderate increases to their ratios, driving the average ratio of the cities surveyed up 3.0% to 2.73.

Vancouver – although Vancouver's ratio began trending downward in 2017 to a historic low of 2.30 in 2020, the reversal of the Provincial School Tax reduction in 2021 caused the city's ratio to rebound to 3.41. Vancouver returns to sitting well above the average ratio.

Calgary – office properties in downtown Calgary continue to struggle, resulting in a shrinking non-residential tax base. With increasing commercial tax rates and a decreasing residential tax rate, Calgary returns to the trend of a rising commercial-to-residential ratio now sitting above the survey average at 2.78.

Montreal – continued a three-year trend of posting the highest commercial-to-residential ratio, currently sitting at 4.17. The city's ratio rose 1.5% in 2021, marking the second year in a row to post a commercial-to-residential ratio exceeding 4:1. The ratio first rose above the survey average in 2008 and has been steadily climbing since, increasing 16 out of the last 18 years.

Quebec City – first climbed above the average in 2013 and remains well above the average in 2021 with a ratio of 3.47.

Halifax – with a slight decrease in commercial rates and a lesser decrease in residential rates, Halifax's ratio decreased 0.79% to 2.85.

Edmonton – despite an increase to the city's ratio of 5.7% in 2021, Edmonton remains just below the average with a ratio of 2.52.

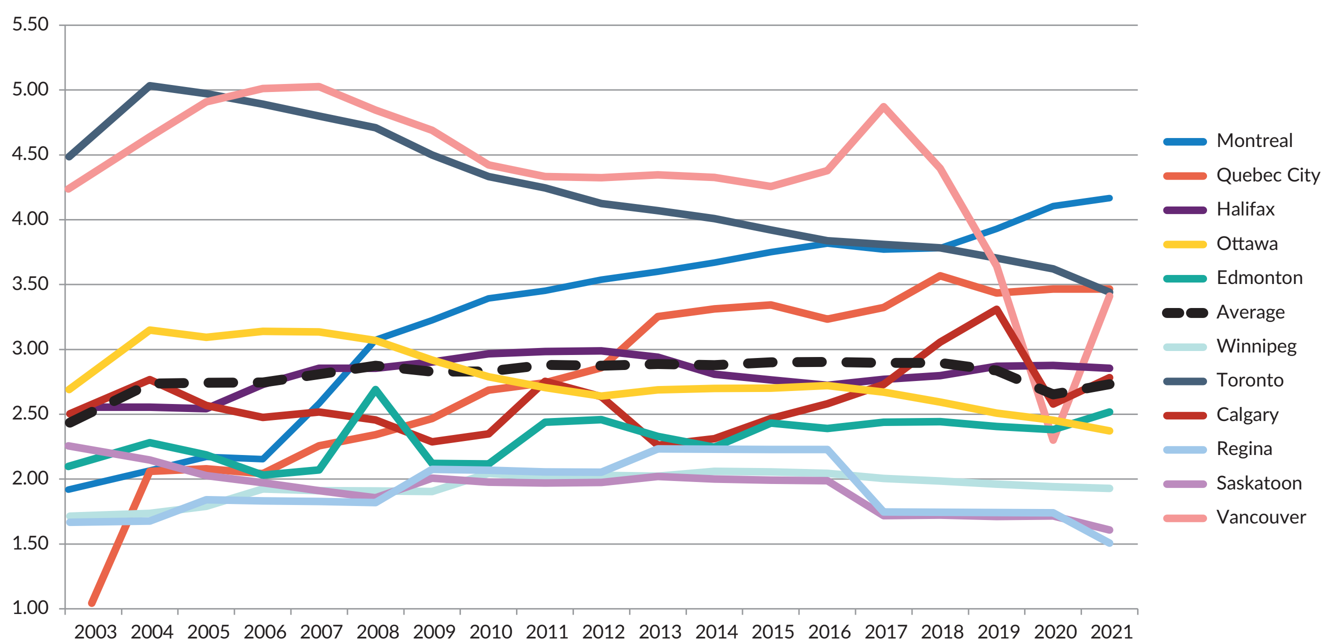
Ottawa – has slowly been decreasing since 2017 and now posts a ratio of 2.37.

Toronto – continued its 17-year trend of decreasing its ratio. This is consistent with the City's strategy to enhance the business climate by reducing tax rates for commercial, industrial, and multi-residential properties to target 2.5 times that of the residential tax rate. The City expects to reach this targeted tax ratio by 2023, however, commercial rates will need to come down more if Toronto is to meet this goal ratio.

Winnipeg – with a slight decrease in commercial rates and a simultaneous increase in residential rates, Winnipeg's ratio decreased 0.6% to 1.93.

Saskatoon and Regina – ratios decreased in 2021 by 6.3% and 13.4%, respectively, after remaining relatively stable from 2017-2020.

Commercial-to-residential tax ratios 2003-2021



Spotlight

How current are your city's property assessments?

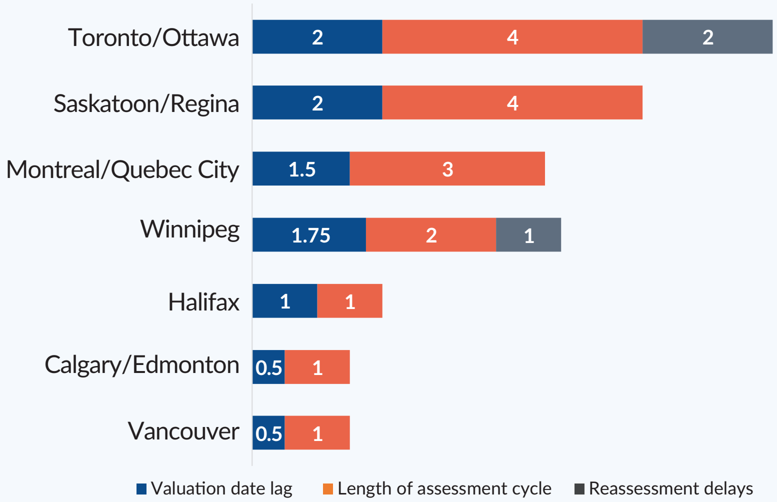
"To best reflect the changes inherent in a dynamic economy and to maximize fairness and ease of understanding, assessments should be based on the current market value of property. Values in one area may increase, whereas those in another may decrease or stabilize. Property taxes then shift to areas with increasing wealth as measured by property value. Only a system requiring current market value acknowledges these changes in local economies and the distribution of property-related wealth."
(Source: International Association of Assessing Officers (IAAO) Standard on Property Tax Policy - 2020)

When property assessments reflect the actual current market value of all properties in a jurisdiction, then it is generally accepted that the property taxes are fairly distributed among property owners, subject only to variances in the tax ratios determined by local taxing authorities.

There are two key variables that determine the fair distribution of property taxes: the tax ratio and how *current* the assessments of properties are kept. In Canada, the frequency of assessment updates and currency of assessed values is governed by the Provincial Governments.

The graphic below illustrates both the frequency of assessment updates and the currency of assessed values for each of the 11 major urban centres covered in this report.

How current are property assessments in Canada?



The **blue bar / Valuation date lag** shows how current the assessments are in each city. The currency of the assessment is measured by the time lag from the base valuation date of the assessments to January 1 of the first taxation year for which the assessments apply. Assessments are the most current in Vancouver, Calgary and Edmonton where the assessment valuation date is only six months prior to the first taxation year.

Assessments are the least current in Toronto, Ottawa, Saskatoon and Regina where the assessment valuation date precedes the first taxation year by two years.

The **orange bar / Length of assessment cycle** shows the frequency of assessment updates measured by the number of years between assessment updates. Assessment updates are the most frequent in Vancouver, Calgary, Edmonton and Halifax where assessments are updated annually. Assessment updates are the least frequent in Toronto, Ottawa, Saskatoon and Regina where assessments are only updated every four years.

The combined **blue** and **orange** bars indicate how many years outdated the market value assessment is by the end of an assessment cycle. As market values change over time, at differing rates, outdated assessments create inequities, or unfairness, in how property taxes are distributed among classes of properties and between property owners within the same tax class.

The **grey bar / Reassessment delays** represents the number of years a scheduled update of assessments has been postponed. Winnipeg was scheduled to update assessments to reflect market values as at April 1st 2020 for the 2022 taxation year. That reassessment has been postponed by one year. Toronto and Ottawa were scheduled to update assessments to reflect market values as at January 1st 2019 for the 2021 taxation year. The Province of Ontario has delayed that reassessment for 2 consecutive years and, at the time of writing this report, has yet to confirm whether an assessment update will occur for the 2023 taxation year.

Combining the lag in valuation dates and the length of the assessment cycle shows that Vancouver, Calgary and Edmonton are the Canadian poster children, having assessments that are never more than a year and a half out of date. These factors combined foster a fair system for the distribution of taxes most in line with the IAAO standard.

At the other end of the spectrum Saskatoon, Regina, Toronto and Ottawa have the least current systems of assessment, where assessed values are 6 years behind by the end of an assessment cycle. With the Provincial delay in assessment updates, Toronto and Ottawa's assessments would now be 8 years outdated, under current legislation, by the end of 2022.

When assessments are allowed to become more outdated, inequities, or unfairness, in the distribution of taxes creeps into the system. The result is typically large shifts in relative assessments, between property tax classes and amongst properties within a tax class, when the next reassessment does occur. This shifting of tax burdens normally leads to outcries from those groups of taxpayers who had previously been under taxed and are now facing the largest tax increases. The political reaction to this is normally the implementation of tools to mitigate the tax shifts such as the phase-in of assessment changes, capping of tax increases, or changing tax ratios. All these measures only entrench the inequities of assessment, caused by outdated assessments, into inequities of taxation. Those properties that weren't paying their fair share continue to be undertaxed while those properties that were overtaxed continue to be overtaxed.

The Province of Ontario went through a period from 1969 to 1998 where assessments were "frozen", no reassessments occurred. At the time the Residential Tax Rate was 85% of the Commercial Tax Rate in both Toronto and Ottawa, representing a Tax Ratio of 1.18. When the Province moved to market value-based assessments in 1998 the shifting in tax burdens, that would have resulted from correcting the inequities in assessment which developed over the preceding 29 years, forced the Province to introduce numerous tax classes, sub-classes and optional classes on top of capping tax increases and clawing back tax decreases, introducing graduated tax rates and later the phase-in of assessment increases.

> *When assessments are allowed to become more outdated, inequities, or unfairness, in the distribution of taxes creeps into the system.*

The hangover from this unprecedented delay in updating assessments remains in Toronto and Ottawa to this date, having the greatest inequities in taxation and the least transparent tax system of all the cities covered in this survey. Consequently, their tax ratios have moved from 1.18 to 3.44 and 2.37 respectively. And it could only get worse for these cities with the pending introduction of a Small Business Tax Class and/or if further reassessment delays occur.

Full marks to British Columbia, Alberta and Nova Scotia for keeping their assessments current.

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 and Quebec City 2021 – CGTSIM Municipal School Tax, (Comité de gestion de la taxe scolaire de l'île de Montréal)

- For Montreal, the commercial tax rate is for an assessment of more than $750,000

- Saskatoon and Regina 2021 – Saskatchewan Residential Provincial Percentage (taxes are calculated based on 80% of a residential property's value), Saskatchewan Commercial Provincial Percentage (taxes are calculated based on 85% of a commercial property's value)

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

- Tax deferral assistance programs related to the COVID-19 pandemic

- Municipal business improvement areas

- Manitoba 2021 – 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 (2021 - $5.45 per frontage foot)

- The property tax rates for the City of Winnipeg referred to in this report, do not account for business taxes, which are separately charged to taxpayers. The business taxes are based on the business assessment which is the Annual Rental Value of an occupied premise plus occupancy costs.

Source data

Source data was retrieved from the municipal websites below:

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

Calgary
https://www.calgary.ca/cfod/finance/Pages/Property-Tax/Tax-Bill-and-Tax-Rate-Calculation/Current-Property-Tax-Rates.aspx

Edmonton
https://www.edmonton.ca/residential_neighbourhoods/property-taxes.aspx

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

Regina
https://www.regina.ca/home-property/residential-property-tax/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

Corporate headquarters:
33 Yonge Street, Suite 500
Toronto, Canada
altusgroup.com

Altus Group Limited is a leading provider of software, data solutions and independent advisory services to the global commercial real estate industry. Our businesses, Altus Analytics and Altus Expert Services, reflect decades of experience, a range of expertise, and technology-enabled capabilities. Our solutions empower clients to analyze, gain insight and recognize value on their real estate investments. Headquartered in Canada, we have approximately 2,600 employees around the world, with operations in North America, Europe and Asia Pacific. Our clients include many of the world's largest commercial real estate industry participants.

Founded in 1970, REALPAC is the national leadership association dedicated to advancing the long term vitality of Canada's real property sector. Its membership includes chief executives and the vanguard of real estate investment.

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. For more information on REALPAC, please visit realpac.ca.