



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 39/11

AEC INTERNATIONAL INC.
#112, 1212 1st Street SE
Calgary, AB T2G 2H8

The City of Edmonton
Assessment and Taxation Branch
600 Chancery Hall
3 Sir Winston Churchill Square
Edmonton AB T5J 2C3

This is a decision of the Composite Assessment Review Board (CARB) from a hearing held on July 11, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
9977985	6510 20 STREET NW	Plan: 0020008 Block: 1 Lot: 26	\$14,184,000	Annual New	2011

Before:

Larry Loven, Presiding Officer
Reg Pointe, Board Member
Taras Luciw, Board Member

Board Officer: Kristen Hagg

Persons Appearing on behalf of Complainant:

Jason Luong, AEC International Inc.

Persons Appearing on behalf of Respondent:

Stephen Leroux, City of Edmonton
Mary-Alice Nagy, City of Edmonton
Luis Delgado, City of Edmonton

PRELIMINARY MATTERS

At the outset of the hearing the Respondent raised an objection to information contained in pages 15 to 17, inclusive, of the Complainant's rebuttal package, as being new information. This information, containing three sets of paired sales and a table containing five sales (two of which are also provided by the Respondent), was included by the Complainant to support his argument that the market for industrial warehouse properties in the City of Edmonton declined from Q1 2007 to the valuation date of July 1, 2010. In its consideration of the Respondent's objection, the Board finds the information to be supplemental information only; the Board therefore allows the Complainant's rebuttal package in its entirety.

BACKGROUND

The subject property, constructed in 2000, is a 144,980 square foot single-tenant warehouse located at 6510 – 20th Street NW in the City of Edmonton with a 5,400 square foot greenhouse situated on 16.441 acres land, with site coverage of 21%.

ISSUE(S)

Is the 2011 assessment of the subject property at \$14,184,000 fair and equitable?

LEGISLATION

The Municipal Government Act, R.S.A. 2000, c. M-26;

s.467(1) An assessment review board may, with respect to any matter referred to in section 460(5), make a change to an assessment roll or tax roll or decide that no change is required.

s.467(3) An assessment review board must not alter any assessment that is fair and equitable, taking into consideration

- a) the valuation and other standards set out in the regulations,
- b) the procedures set out in the regulations, and
- c) the assessments of similar property or businesses in the same municipality.

POSITION OF THE COMPLAINANT

The Complainant submitted written evidence in the form of an Appeal Brief (C-1) comprising 111 pages, which included sales and equity comparables supporting the Complainant's value conclusion, and a rebuttal package (C-3) supporting a negative time adjustment factor.

The evidence included twelve warehouse sales comparables (C-1, page 11) of properties over 100,000 square feet that sold between January, 2009 and August, 2010. The Complainant did not consider six of these sales as they were non-arms length (sales between related companies and sales with leasebacks), and thus deemed invalid. The sales of the remaining six comparables took place between May, 2009 and January, 2010. Of these six properties, four are located in the northwest quadrant of the city and two are in the southeast quadrant, as is the subject; the

Complainant believes there is little difference between sales in these quadrants. The comparable properties were described as being “fair” to “very good” comparables.

The Complainant identified comparables #2 and #3 as “outliers” because their sale prices of \$70.24 and \$128.37 per square foot represent the high and low of the range. The remaining 4 sales average \$81.37 per square foot. Comparables #4 and #6 are considered most comparable as they are located in the southeast quadrant of the city and are similar in age; with comparable 4 being most similar in size while comparable #6 is somewhat larger. Their sale prices were \$81.67 and \$73.03 per square foot respectively and average \$78.00 per square foot. The Complainant considered this the market value and applied it to the subject for a value of \$13,049,000 (C-1, page 20).

The evidence also included fourteen equity comparables from the northwest and southeast quadrants of the city (C-1, page 23). Their 2011 assessments average \$72.02 per square foot. The Complainant placed greatest weight on comparables #10, #11 and #13, all of which are located in the southeast quadrant of the city, in close proximity to the subject. The assessments of these three comparables are \$68.02, \$67.36 and \$76.56 per square foot respectively. The Complainant concluded a value of \$73 per square foot and, when applied to the subject property, equals \$12,212,500, the requested reduced assessment.

The Complainant described the subject property as being comprised of two buildings, one with 161,898 square feet and one with 5,400 square feet, situated on a 16.441 acre site, which equates to site coverage of 21%. During questioning by the Respondent, the Complainant acknowledged that the industry average site coverage is 35% but did not accept that the subject property contains excess land that would contribute to a higher value.

In rebuttal, the Complainant stated that the Respondent incorrectly time adjusted sales (C-3, page 4), thereby reflecting inflated sale prices, and used dated sales in their comparable sales (R-1, page 16). While the Respondent adjusted prices upward up to 16%, the Complainant held that the real estate market decreased by up to 10% during the period from June, 2007 to March, 2009 (C-3, pages 15 and 18).

POSITION OF THE RESPONDENT

The Board was advised that sales occurring from January 2007 to June 2010 were used in the model development and testing for standard industrial warehouses. A value for specific property characteristics is determined through the mass appraisal process and applied to the inventory to determine the most probable selling price. Estimates of value are calculated using multiple regression analysis, which follows the forces of supply and demand in the market place.

Sales used in the mass appraisal process are validated with site inspections, interviews, title searches, questionnaires and data collection agencies. Factors found to affect value in the warehouse inventory were: the location of the property; the lot size; age of the building; condition of the building; main floor area; and developed second floor and mezzanine.

The most common unit of comparison for industrial properties is dollar value per square foot of building area. When using this basis, it is imperative that site coverage be a key factor in the comparison. Properties with a larger amount of land in relation to the building footprint will see a higher value per square foot, as each square foot has to account for the additional value attributable to the larger land area.

The subject property was built in 2000, has a total main floor area of 144,980 square feet, is in average condition and has site coverage of 21%. The Subject property was assessed using the industrial warehouse model and mass appraisal methods, as required by legislation, to arrive at an assessment of \$14,184,000.

Six sales comparables, similar the subject property sold in a range of \$84.55 to \$147.66 per square foot, when adjusted to the July 1st, 2010 valuation date. The subject property is assessed at \$97.83 per square foot, well within the range for the comparables. The subject's 21% site coverage is considerably lower than the comparables, which tends to minimize the value per square foot. The Respondent further noted that one of the sales comparables had excess land which was valued by a third party report at \$750,000 per acre (R-1, page 19).

An equity analysis shows that for buildings in the 150,000 square foot range, the assessments average \$117.01 per square foot (R-1, page 23). The subject is assessed at \$97.83 per square foot.

The Respondent submitted that only one sale comparable out of the 6 presented by the Complainant is useful for analysis, and that sale supports the assessment of the subject. Of the five other sales, one is a non-arms length sale, one is using incorrect data and three contain factors noted by the data agencies as making the sales incomparable for analysis.

The Respondent further submitted that a number of the equity comparables presented by the Complainant were sufficiently different from the subject that they were incomparable. Comparable #6, #8, #12 and #14, (C-1, page 23) should not be considered. Comparable #6 has a large storage area, comparable #8 has a greater building density, comparable #12 was assessed on the cost basis and comparable #14 has three buildings assessed.

The Respondent also entered into evidence a 2011 industrial monthly time adjustment factor sheet (R-3), which indicates the numerical factor to be applied to a sale value occurring prior to the July 1, 2010 valuation date. The factors were determined from the analysis of all industrial sales taking place 3 ½ years prior to July 1, 2010; they reflect the rapid price increases in 2007 continuing into early 2008, and eventually starting to decline later in 2008 due to global uncertainty. Low sales activity from the fall of 2008 to July 1, 2010 demonstrated little change in values during that period, and is reflected in the factors applied.

DECISION

It is the decision of the Board to confirm the final assessment of the subject property at \$14,184,000.

REASONS FOR THE DECISION

Factor	Complainant (C) Min	Complainant (C) Max	Subject	Respondent (R) Min	Respondent (R) Max
Location	4-SE;2-W		SE	2-SE; 4-W	
Site Coverage	34%	54%	21%	34%	39%
Year Built	2 (2008)	30 (1981)	2000	2007 (7)	1996 (4)
Condition	NA	NA	AVG	AVG	AVG
Building Size (Sq.Ft)	100,00	251,000	167,298(C)/144,000(R)	72,877	291,285
Sale (per Sq.Ft)	\$73.03	\$128.37	\$85(C)/\$97.83(R)	\$84.55	\$147.66

Based on the Board's consideration of the six sales comparables provided by the Complainant versus the six sales comparables provided by the Respondent summarized in the table above, the Board finds that the characteristics of the Respondent's comparables more closely match the characteristics of the subject property. Furthermore, the Board accepts that of the Complainant's sales comparables, one may have been a non-arms-length transaction, two were at below market rents (both of which may have negatively influenced the sale price of the properties); and, one may have actually been the sale of an adjacent property.

Factor	Complainant (C) Min	Complainant (C) Max	Subject	Respondent (R) Min	Respondent (R) Max
Location	6-SE;8-W		SE	3-SE; 1-W	
Site Coverage	41%	51%	21%	16%	25%
Year Built	2007	1999	2000	2007	1999
Condition	NA	NA	AVG	AVG	AVG
Building Size (Sq.Ft)	69,230	586,144	167,298(C)/144,000(R)	142,800	187,231
Assessment (per Sq.Ft)	\$64.34	\$81.25	\$84.78(C)/\$97.83(R)	\$95.16	\$139.35

Given the Board's consideration of the fourteen equity comparables provided by the Complainant versus the four equity comparables provided by the Respondent as summarized in the table above, the Board finds that the comparables of the Respondent more closely match the characteristics of the subject property in terms of location, site coverage and building size; therefore, the Board gives greater weight to the equity comparables provided by the Respondent.

The Board further finds that the Complainant used the gross area of building instead of the total building area to determine the assessment per square foot resulting in an understatement of the assessment per square foot.

The Board finds the Complainant's observation that an approximately 10% reduction in the value for Edmonton industrial warehouse properties occurred over a 20 month period is based on a limited number of paired sales, whereas the Respondent's time adjusted sale prices were supported by monthly time adjustment factors derived from a more complete set of sales information verified by the Respondent. As a result the Board places greater weight on the time adjustment factor used by the Respondent.

In conclusion, based on the above reasons, the Board finds that there is insufficient evidence to support a reduction in the assessed value of the subject property, and confirms the final assessment for 2011 of \$14,184,000.

DISSENTING OPINION AND REASONS

None

Dated this 15th day of July, 2011, at the City of Edmonton, in the Province of Alberta.

Larry Loven, Presiding Officer

This decision may be appealed to the Court of Queen's Bench on a question of law or jurisdiction, pursuant to Section 470(1) of the Municipal Government Act, R.S.A. 2000, c.M-26.

cc: MORGUARD INDUSTRIAL PROPERTIES (1) INC.