



## ASSESSMENT REVIEW BOARD

Churchill Building  
10019 103 Avenue  
Edmonton AB T5J 0G9  
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### NOTICE OF DECISION NO. 0098 40/11

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 12, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
10026911	9803 12 Avenue SW	Plan: 0425761 Block: 17 Lot: 2	\$10,684,000	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**

There were no preliminary matters raised in the hearing.

## **BACKGROUND**

The subject property is a 97,176 square foot industrial warehouse, located at 9803 – 12 Avenue, Edmonton, Alberta, built in 2006 with a site coverage of 38%.

## **ISSUE(S)**

Is the 2011 assessment of the subject property at \$10,684,000 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, 147 pages) supporting a negative time adjustment factor.

The Complainant described the subject property as a multi tenanted warehouse constructed in 2006, containing 99,579 square feet situated on a 5.807 acre site, which equates to site coverage of 38%.

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 #1, #3 and #4 as most comparable (C-1, page 20). Comparable #1 is most similar in size but is significantly older and sold for \$81.29 per square foot. Comparables #3 and #4 are most similar in age but are larger with 118,800 and 162,860 square feet respectively. Comparable #4 is located near the subject property and its sale price

was \$81.67 per square foot, while comparable #3 is located in the west end with a sale price of \$128.37. From this, the Complainant concluded an assessment of \$85 per square foot would be appropriate and applied it to the subject for a requested assessment of \$8,464,000 (C-1, page 20).

The evidence also included twelve equity comparables from the northwest and southeast quadrants of the city (C-1, page 22). Their 2011 assessments average \$74.21 per square foot. The Complainant placed greatest weight on comparables #2, #5, #9 and #12. Comparables #5 and #12 are neighbouring buildings and are substantially larger at 203,100 and 325,000 square feet. The assessments of these two comparables are \$81.25 and \$97.17 per square foot respectively. Comparables #2 and #9 are also larger, are located in northwest Edmonton and are assessed at \$75.11 and \$74.18. From these comparables, as above, the Complainant concluded a value of \$85 per square foot equalling \$8,464,000.

In rebuttal, the Complainant stated that the Respondent incorrectly time adjusted sales (C-3, page 3), thereby reflecting inflated sale prices, and used dated sales in their comparable sales (R-1, page 17). 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 2006, has a total main floor area of 97,177 square feet, is in average condition and has site coverage of 38%. The subject property was assessed using the industrial warehouse model and mass appraisal methods, as required by legislation, to arrive at an assessment of \$10,684,000.

Six sales comparables similar to the subject property sold in a range of \$84.55 to \$147.66 per square foot when adjusted to the July 1<sup>st</sup>, 2010 valuation date (R-1, page 17). The subject property is assessed at \$109.94 per square foot, well within the range for the comparables. The subject property has a 38% site coverage which is typical for industrial warehouses. The subject is in a most desirable location, and is considered superior to the sales comparables.

An equity analysis shows that for buildings in the 100,000 square foot size, the assessments are in a range of \$100.78 to \$109.38 per square foot and average \$103.94 (R-1, page 24). The subject, in a superior location, is assessed at \$109.94 per square foot.

The Respondent submitted that only one sale comparable out of the 6 presented by the Complainant is useful for analysis and this 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 sales contain factors noted by the data agencies making the sales incomparable for analysis.

The Respondent submitted that a number of the equity comparables presented by the Complainant were sufficiently different from the subject that they were incomparable. Comparable #6 has a large storage area, comparable #8 has a greater building density, and all 12 equity comparables (C-1, page 22) are, on average, three times bigger than the subject. The sizes range from 159,662 to 751,739 square feet. The subject is 97,177 square feet.

The Respondent also entered into evidence a 2011 industrial monthly time adjustment factor sheet (R-3). This factor sheet 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.

The Respondent advised that much of the Complainant's rebuttal evidence contains reports on the stock market and land sale trends which are not a good indicator of Edmonton warehouse values.

## **DECISION**

It is the decision of the Board to confirm the final assessment of the subject property at \$10,684,000.

## **REASONS FOR THE DECISION**

<b>Factor</b>	<b>Complainant (C) Min</b>	<b>Complainant (C) Max</b>	<b>Subject</b>	<b>Respondent (R) Min</b>	<b>Respondent (R) Max</b>
Location	4-SE;2-W		SE	2-SE; 4-W	
Site Coverage	34%	54%	38%	34%	39%
Year Built	-2 (2008)	+30 (1981)	2006	2007 (-1)	1996 (+10)
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	\$107(C)/\$109.94(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 provided, 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 been the sale of an adjacent property.

Factor	Complainant (C) Min	Complainant (C) Max	Subject	Respondent (R) Min	Respondent (R) Max
Location	4-SE;8-W		SE	6-SE; 0-W	
Site Coverage	39%	51%	38%	34%	41%
Year Built	2006	1996-1998	2006	2008	2003
Condition	NA	NA	AVG	AVG	AVG
Building Size (Sq.Ft)	159,662	751,739	99,579(C)/97,177(R)	96,526	141,638
Assessment (per Sq.Ft)	\$64.34	\$97.19	\$107.00(C)/\$109.94(R)	\$100.78	\$109.38

Given the Board's consideration of the twelve equity comparables provided by the Complainant versus the six 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, year built 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 \$10,684,000.

### **DISSENTING OPINION AND REASONS**

None.

Dated this 18<sup>th</sup> day of July, 2011, at the City of Edmonton, in the Province of Alberta.

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Larry Loven, Presiding Officer

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*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.*

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cc: GATEWAY REAL ESTATE EQUITIES INC.