



ASSESSMENT REVIEW BOARD

Churchill Building
10019 103 Avenue
Edmonton AB T5J 0G9
Phone: (780) 496-5026

NOTICE OF DECISION NO. 0098 44/11

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:
10138842	12959 156 STREET NW	Plan: 0827733 Block: 102 Lot: 31A	\$9,689,000	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:

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

PRELIMINARY MATTERS

There were no preliminary matters raised at the hearing.

BACKGROUND

Thee subject property located at 12959 – 156 Street contains a 100,018 square foot industrial warehouse built in 2008 with site coverage of 42%.

ISSUE(S)

Is the 2011 assessment of the subject property at \$9,689,000 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 106 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 Complainant described the subject property, constructed in 2008, as a large, multi-tenanted warehouse containing 100,018 square feet, situated on a 5.318 acre site; equating to site coverage of 42%.

The evidence included twelve warehouse sales comparables (C-1, page 10) of properties over 100,000 square feet that sold between January, 2009 and August, 2010. The Complainant did not consider 6 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 the 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" and "good" comparables.

The Complainant identified comparables #1, #2 and #3 as most comparable (C-1, page 19). Comparables #1 and #2 are most similar in size but are significantly older and sold for \$81.29 and \$70.24. Comparable #3 is most similar in age but has a selling price of \$128.37 which may be contributed to the high ceiling height; it is considered an outlier. A comment on Comparable #4 was added describing it as similar in age but located in the southeast quadrant of the city; it sold for \$81.67 per square foot. Based on the foregoing, the Complainant concluded an assessment of \$85 per square foot would be appropriate and applied it to the subject for a value of \$8,501,500 (C-1, page 19).

The evidence also included eleven equity comparables from the northwest and southeast quadrants of the city (C-1, page 21), with 2011 assessments averaging \$72.12 per square foot. The Complainant placed greatest weight on comparables #2, #6 and #9, all of which are located in the northwest quadrant of the city, like the subject property. Comparables #2 and #9, which were constructed in 2004 and 2002 respectively, are closest in size and are assessed at \$75.11 and \$74.78 per square foot. Comparable #6, built in 2007, is similar in terms of age but is substantially larger at 218,000 square feet; it is assessed at \$71.01. Based on these comparables, the Complainant concluded a value of \$82 per square foot, equating to \$8,201,500, the requested reduced assessment (C-1, page 34).

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 20). 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 subject property, built in 2008 and assessed as in average condition, includes an industrial warehouse with a total building area of 100,018 square feet; it is assessed at \$9,689,000 or \$96.87 per square foot.

Sales of comparable properties (R-1, page 20) range from \$87.90 to \$147.66 per square foot and support the subject assessment. Equity comparables (R-1, page 25) show that assessments of similar properties range from \$93.45 to \$108.61 per square foot while the subject is assessed at \$96.87 per square foot.

The Respondent submitted that only one sale comparable out of the six 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 contain factors noted by the data agencies as 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 eleven equity comparables (C-1, page 21) are, on average, three times bigger than the subject. The sizes range from 159,662 to 751,739 square feet; the subject is 100,018 square feet.

The Respondent referred to a 2011 industrial monthly time adjustment factor sheet, 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.

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

DECISION

It is the decision of the Board to confirm the final 2011 assessment of \$9,689,000.

REASONS FOR THE DECISION

Factor	Complainant (C) Min	Complainant (C) Max	Subject	Respondent (R) Min	Respondent (R) Max
Location	4-W;2-SE		W	4-W	
Site Coverage	34%	54%	42%	34%	39%
Year Built	0(2008)	+28(1980)	2008	2007 (+1)	1974 (+34)
Condition	NA	NA	AVG	AVG	AVG
Building Size (Sq.Ft)	100,000	251,000	101,018(C)/101,018(R)	72,877	118,800
Sale Price (per Sq.Ft)	\$70.24	\$128.37	\$97(C)/\$96.87(R)	\$87.90	\$147.66

Based on the Board's consideration of the six sales comparables provided by the Complainant versus the four 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 been the sale of an adjacent property.

Factor	Complainant (C) Min	Complainant (C) Max	Subject	Respondent (R) Min	Respondent (R) Max
Location	8-W; 3-SE		W	5-W	
Site Coverage	41%	50%	42%	34%	40%
Year Built	1996/98	2007	2008	2003	2007
Condition	NA	NA	AVG	AVG	AVG
Building Size (Sq.Ft)	159,662	751,739	101,018(C)/101,018(R)	92,184	125,822
Assessment (per Sq.Ft)	\$64.34	\$81.25	\$97(C)/\$96.87(R)	\$93.45	\$108.61

Given the Board's consideration of the eleven equity comparables provided by the Complainant versus the five 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, year built and building size; therefore, the Board gives greater weight to the equity comparables provided by the Respondent.

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 to the requested assessment in equity of \$82.00 per square foot or \$8,201,500, and confirms the final assessment for 2011 of \$9,689,000.

DISSENTING OPINION AND REASONS

None

Dated this 20th 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: SIP HOLDINGS LTD