



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 52/11

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:
10087852	9704 12 AVENUE SW	Plan: 0722263 Block: 16 Lot: 8	\$31,656,000	Annual New	2011

Before:

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

Board Officer: Kristen Hagg

Persons Appearing on behalf of Complainant:

Jason Luong, AEC International Inc.

Persons Appearing on behalf of Respondent:

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

PRELIMINARY MATTERS

There were no preliminary matters raised at the hearing.

BACKGROUND

The subject property consists of two industrial warehouses, 110,050 and 215,649 square feet, located at 9704 12 Avenue SW, built in 2007, with 39% site coverage.

ISSUE(S)

Is the 2011 assessment of the subject property at \$31,656,000 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 107 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 as a large, multi tenanted warehouse with 2 buildings. The first building contains 110,050 square feet while the second building contains 215,649 square feet, for a total of 325,699 square feet. Both buildings were constructed in 2007 and are situated on an 18.982 acre site which equates to site coverage of 39%.

The evidence included 12 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 6 comparables took place between May, 2009 and January, 2010. Of the 6 properties, 4 are located in the northwest quadrant of the city and 2 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 #3, #4 and #6 as most comparable in age, and all as having similar characteristics to the subject (C-1, page 19). Comparable #6 is closest in size with 250,000 square feet, while comparables #3 is smaller with 118,800 square feet, as is #4 with 162,860 square feet. Comparables #4 and #6 are located in the southeast quadrant, as is the subject property, while Comparable #3 is located in the west end. Comparable #4 sold for \$128.37 per square foot, #6 for \$81.67 per square foot and #3 for \$73.03 per square foot. Based on the foregoing, the Complainant concluded an assessment of \$75 per square foot would be appropriate and applied it to the subject resulting in an assessment of \$24,427,500 (C-1, page 19).

The evidence also included 11 equity comparables from the northwest and southeast quadrants of the city that range in size from 159,662 to 751,739 square feet (C-1, page 22), with 2011 assessments averaging \$72.12 per square foot. The Complainant placed greatest weight on comparables #3, #5, #7. Comparable #3, with 292,105 square feet, is similar in size and age but is located in a more established industrial area and is assessed at \$64.34 per square foot. Comparable #7 is more similar in size and age to the subject but is also located in a more established industrial area; it comprises 395,055 square feet and is assessed at \$72.11 per square foot. Comparable #5 is a neighboring property to the subject, smaller in size with 203,100 square feet and is assessed at \$81.25 per square foot. From these comparables, the Complainant concluded a value of \$73 per square foot would be appropriate, which equates to \$23,776,000, the requested reduced assessment (C-1, page 35). The Complainant stated that there is no evidence to show that properties in the southeast quadrant should be assessed higher.

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 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 built in 2007, is in average condition, has a total main floor area of 321,429 square feet and a finished mezzanine area of 4,270 square feet, and has site coverage of 39%. The Subject property was assessed using the industrial warehouse model and mass appraisal methods, as required by legislation, to arrive at an assessment of \$31,656,000.

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 1st, 2010 valuation date (R-1, page 20). The subject property is assessed at \$97.19 per square foot, well within the range for the comparables. The subject's 39% site coverage is typical for industrial warehouses. The subject is in a most desirable location, considered superior to the sales comparables.

The subject property contains 2 buildings and 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 the assessments average \$103.94 (R-1, page 27). The subject, in a superior location, is assessed at \$97.19 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 sales contain factors noted by the data agencies making the sales not comparable for analysis.

The Respondent further submitted that a number of the equity comparables presented by the Complainant (C-1, page 22) were sufficiently different from the subject that they were incomparable. Comparable #6 has a large storage area and comparable #8 has a greater building density.

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.

The Respondent advised the Board 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 \$31,656,000.

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%	38%	34%	39%
Year Built	-2 (2008)	+30 (1981)	2006	2007 (-1)	1996 (+10)
Condition	NA	NA	AVG	AVG	AVG
Building Size (Sq.Ft)	100,000	251,000	325,669(C)/325,699(R)	72,877	291,285
Assessment (per Sq.Ft)	\$73.03	\$128.37	\$97(C)/\$97.19(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	3-SE;8-W		SE	6-SE; 0-W	
Site Coverage	41%	51%	38%	34%	41%
Year Built	2007	1996-1998	2006	2008	2003
Condition	NA	NA	AVG	AVG	AVG
Building Size (Sq.Ft)	159,662	751,739	325,669(C)/325,699(R)	96,526	141,638
Assessment (per Sq.Ft)	\$64.34	\$81.25	\$97(C)/\$97.19(R)	\$100.78	\$109.38

Given the Board's consideration of the eleven 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, and year built; 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 a market value of \$75.00 per square foot or \$24,427,500, or \$73.00 per square foot in equity or \$23,776,000, and confirms the final assessment for 2011 of \$31,656,000.

DISSENTING OPINION AND REASONS

None.

Dated this 18th 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: GATEWAY REAL ESTATE EQUITIES INC