



ASSESSMENT REVIEW BOARD

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10019 103 Avenue
Edmonton AB T5J 0G9
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NOTICE OF DECISION NO. 0098 918/11

Altus Group
17327 106A Avenue
Edmonton, AB T5S 1M7

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 April 16, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
9538000	5103 68 Avenue NW	SE 23-52-24-4	\$30,623,500	Annual New	2011

Before:

Patricia Mowbrey, Presiding Officer
George Zaharia, Board Member
Howard Worrell, Board Member

Board Officer: Segun Kaffo

Persons Appearing on behalf of Complainant:

Walid Melhem

Persons Appearing on behalf of Respondent:

Marty Carpentier, Assessor
Tanya Smith, Law Branch

PROCEDURAL MATTERS

[1] Upon questioning by the Presiding Officer, the parties indicated no objection to the composition of the Board and Board members indicated no bias with respect to the file.

PRELIMINARY MATTERS

[2] There were no preliminary matters.

BACKGROUND

[3] The subject property is a three-building warehouse property located at 5103 – 68 Avenue NW in the Roper Industrial neighbourhood of southeast Edmonton. The sizes of the three buildings are: building 1 – 76,800 square feet, building 2 – 105,600 square feet, and building 3 – 67,200 square feet for a total building area of 249,600 square feet. The subject buildings were built 2008 and are on a lot 725,307 square feet in size, resulting in site coverage of 34%.

[4] The subject property was assessed by the direct sales approach resulting in a 2011 assessment of \$30,623,500.

ISSUE(S)

[5] Is the assessment of the subject property too high compared to sales and assessments of similar properties?

LEGISLATION

[6] The *Municipal Government Act, RSA 2000, c M-26* reads;

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

[7] The Complainant provided a 65-page brief (C-1) in which he stated that the objective of the hearing was to determine a fair and equitable assessment for the subject property using available market data.

[8] The position of the Complainant is that the 2011 assessment of the subject property at \$30,623,500 (\$122.69 per square foot) is too high compared to sales of similar properties.

[9] The Complainant argued that a review of recent market transactions indicated the value of the subject property is \$18,720,000 (\$75.00 per square foot). In support of this argument, the Complainant submitted four sales comparables that sold between February 4, 2009 and April 27, 2010 for time-adjusted sales prices ranging from \$67.46 to \$84.55 per square foot resulting in an average of \$77.59 and a median of \$79.19 per square foot. Sale comparable 1 in the Direct Sales Comparison Chart provided by the Complainant was corrected from \$28,000,000 to \$31,252,423 or \$78.13 per square foot (Exhibit C-1, page 8).

[10] The Complainant further argued that the 2011 assessment of the subject property at \$30,623,500 (\$122.69 per square foot) is inequitable compared to similar properties. The Complainant argued that a review of assessments of similar properties indicated the value of the subject property is \$24,960,000 (\$100.00 per square foot). In support of this argument, the Complainant submitted six equity comparables with assessments ranging from \$94.48 to \$103.46 per square foot resulting in an average of \$98.90 and a median of \$98.90 per square foot (Exhibit C-1, page 9).

[11] The Complainant stated that one of the salient features of real estate is the tendency for the price per square foot of land or building space to decrease as the net square footage in a transaction increases (Economies of Scale). Conversely, the price per square foot tends to rise as the property size decreases. This is due to factors related to economies of scale and barrier to entry. A small land investment will have a lower overall barrier to entry (lower purchase price) and the investment would be within reach of more investors. For this reason, the seller will be able to command a higher price per square foot. Conversely, an investor who buys a larger piece of land or building will demand an economies-of-scale discount, which will lower the price per square foot (Exhibit C-1, page 8).

[12] By way of rebuttal, the Complainant critiqued the three sales comparables provided by the Respondent. He stated that one sale was of a mixed use property, two were sales with motivated purchasers, and sale number 3 was significantly smaller than the subject (Exhibit C-2, page 2).

[13] The Complainant requested that the Board reduce 2011 assessment of the subject property from \$30,623,500 to \$18,720,000.

POSITION OF THE RESPONDENT

[14] The Respondent provided an overview of the “sales comparison model”.

- i. He stated that sales occurring between January 2007 and June 2010 were used in model development and testing. Through the review of sales in the market place, values were determined through the mass appraisal process and applied to the inventory to derive the most probable selling price.
- ii. Sales were validated by conducting site inspections and interviews, and reviewing title transfers, validation questionnaires, and four data collection sources.

- iii. Factors found to affect value in the warehouse inventory were: location, lot size, age and condition of the building, total main floor space developed second floor space and mezzanine area.

[15] The Respondent submitted three sales comparables that sold between June 16, 2008 and April 19, 2010 for time-adjusted sales prices based on total floor space ranging from \$125.32 to \$147.66 per square foot with the assessment of the subject at \$122.69 per square foot falling within the range (Exhibit R-1, page 23).

- i. The Respondent advised that sales number 1 was of an eleven-building property that included 7% retail space.
- ii. Sales numbers 2 and 3 were one building properties.
- iii. The position of the Respondent is that multiple building properties sell for more than single building properties because of the higher cost of construction, the greater flexibility of attracting different tenants with different space requirements, and lower rental risk.

[16] The Respondent provided two equity charts, the first including four properties that had 1) one building in excess of 50,000 square feet placing them into the large warehouse category, and 2) three multiple building properties that exceeded 100,000 square feet, two of the comparables exceeding 200,000 square feet, the same as the subject.

- i. The first equity chart included four equity comparables with assessments ranging from \$130.04 to \$137.91 per square foot compared to the assessment of the subject at \$122.69 per square foot (Exhibit R-1, page 27).
- ii. The second equity chart included three equity comparables with assessments ranging from \$127.67 to \$134.43 per square foot. These three equity comparables were all located in southeast Edmonton as is the subject, are in close proximity to the subject, and are similar in age (Exhibit R-1, page 28).

[17] The Respondent requested the Board confirm the 2011 assessment at \$30,623,500.

DECISION

[18] The decision of the Board is to confirm the 2011 assessment of the subject property at \$30,623,500.

REASONS FOR THE DECISION

[19] The Board placed less weight on the Complainant's five sales comparables for the following reasons:

- i. Two of the comparables had much higher site coverage at 54% and 56% compared to the subject's at 34%.
- ii. Only one of the comparables was multi-building property as is the subject.

[20] The Board placed less weight on the Complainant's six equity comparables for the following reason:

- i. Five of the six comparables were single building properties, with an average assessment amount of \$98.27 per square foot, lower than the multi-building comparable that was assessed at \$103.46 per square foot, supporting the Respondent's position that multi-building properties are valued higher than single building properties.

[21] The Board placed greater weight on the Respondent's three sales comparables for the following reasons:

- i. The comparables' ages range from 2001 to 2007 which is reasonably close to the subject's age of 2008.
- ii. Two of the comparables had much the same site coverage as the subject at 34% while the third was reasonably comparable at 39%.
- iii. Sale number 1 is a multi-building property with the same site coverage at 34%, located in the same southeast area of the City, and at 291,285 square feet in building size, is reasonably comparable to the subject at 249,600 square feet. The time-adjusted sale price of this comparable at \$138.30 per square foot supported the subject's assessment at \$122.69 per square foot. The Board recognized that this comparable is slightly different from the subject in that it has 7% retail space.
- iv. Sale number 2 is a one-building property with the same site coverage at 34%, located in the west Edmonton, and at 118,800 square feet in building size, is a large warehouse as is the subject, but is smaller than the subject's 249,600 square feet. The time-adjusted sale price of this comparable at \$125.32 per square foot supported the subject's assessment at \$122.69 per square foot.
- v. Sale number 3 is a one-building property with a higher site coverage at 39%, located in the west Edmonton, and at 74,801 square feet in building size, is a large warehouse as is the subject but is smaller than the subject's 249,600 square feet. The time-adjusted sale price of this comparable at \$147.66 per square foot supported the subject's assessment at \$122.69 per square foot, but also supported the principle of economies of scale.

[22] The Board placed some weight on the Respondent's first equity chart of four comparables, all located in southeast Edmonton. All the comparables at 50,022 to 61,378 square feet are much smaller than the 249,600 square feet of subject; however, they are considered large warehouses. Three of the comparables have site coverage less than the subject and all are one-building properties, but at assessments ranging from \$130.04 to \$137.91 per square foot, these again support the principle of economies of scale, and the assessments supported the \$122.69 per square foot assessment of the subject.

[23] The Board placed more weight on the Respondent's second equity chart of three comparables, all located in southeast Edmonton. Two of the comparables are in excess of 200,000 square feet of building space as is the subject, are the same as, or slightly less, in site coverage, and are multi-building properties. The assessments of the comparables ranging from

\$127.67 to \$134.43 per square foot supported the \$122.69 per square foot assessment of the subject.

[24] The Board is persuaded that the 2011 assessment of the subject property at \$30,623,500 is fair and equitable.

DISSENTING OPINION AND REASONS

[25] There was no dissenting opinion.

Dated this 15th day of May, 2012, at the City of Edmonton, in the Province of Alberta.

Patricia Mowbrey, 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, RSA 2000, c M-26.

cc: GPM MANAGED INVESTMENTS INC