

Edmonton Composite Assessment Review Board

**Citation: COLLIERS INTERNATIONAL REALTY ADVISORS INC v The City of
Edmonton, 2012 ECARB 2113**

Assessment Roll Number: 2220002
Municipal Address: 12745 149 STREET NW
Assessment Year: 2012
Assessment Type: Annual New

Between:

COLLIERS INTERNATIONAL REALTY ADVISORS INC

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Robert Mowbrey, Presiding Officer
Brian Frost, Board Member
Reg Pointe, Board Member

Preliminary Matters

[1] Upon questioning by the Presiding Officer, the parties indicated no objection to the composition of the Board. In addition, the Board members indicated that they had no bias on this file.

Background

[2] The subject property is a large warehouse located at 12745 – 149 Street NW. The building has an effective year built of 1975 and comprises 104,398 square feet (sf) of main floor space 8,031 sf of which is finished office space. The site is 5.59 acres resulting in site coverage of 43%. The 2012 assessment is \$6,543,500.

Issue

[3] Is the 2012 Assessment excessive in relation to market value?

Legislation

[4] The Municipal Government Act reads:

Municipal Government Act, RSA 2000, c M-26

s 1(1)(n) “market value” means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

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

[5] The Complainant filed this complaint on the basis that the subject assessment of \$6,543,500 is in excess of market value. In support of this position, the Complainant submitted a 30 page evidence package marked as Exhibit C-1.

[6] The Complainant provided the Board with property details, maps and photographs of the subject property (Exhibit C-1, pages 4 - 6).

[7] The complainant stated on page 7 of Exhibit C-1 that the subject property transferred ownership on November 4, 2010 for \$6,633,743.

[8] The Complainant advised the Board about assessment and valuation and how the subject property was evaluated by the Complainant. The Complainant indicated that real estate Owner – Operators purchase the majority of industrial warehouse buildings in Western Canada. Such owners are most concerned with its particular physical and locational characteristics, rather than the property’s income generation. This suggests that the Direct Comparison Approach is a relevant valuation technique for the subject property. However, to further support a reduced assessment, the Complainant also presented an income approach to value. The overall income capitalization method is the Income Approach, utilized due to its dominant usage by investors for properties similar to the subject. The Income approach is sometimes referenced as a secondary measure of value for industrial warehouse buildings. It is therefore utilized as a supporting method in valuation, as it is a good test for market value.

[9] The Complainant presented four sales comparables to the Board, all of which sold within 18 months of the valuation date, (Exhibit C-1, pg 11). The sales comparables were all warehouses which ranged in size from 73,000 sf to 115,318 sf, and with site coverages ranging from 9% to 58%. The price per sf ranged from \$43.59 to \$76.31. The Complainant stated the comparables were all similar to the subject however adjustments were necessary to account for differences in age, zoning and size. The comparable sales were considered recent so no time-

adjustment factors were warranted however sales 2 and 3 were zoned IB and sale 4 was zoned IH. The Complainant suggested there was a 10% differential between the subject's IM zoning and the IB zoning for comparables 2 and 3. The average selling price per square foot of the five sales based on total building area was \$55.29. The Complainant stated that with adjustment for variances in zoning and age, the subject property should reflect a unit value of \$55.00 per sf or \$5,740,000.

[10] The Complainant provided a Comparable Recent Leasing summary itemizing two spaces within the subject property that had recently leased as well as five spaces similar to that evident in the subject property that had recently leased, (Exhibit C-1, pg 12). The leases, with varying terms, ranged from \$3.23 to \$6.50 per sf and one gross lease at \$11.11 per sf. The five latter leases averaged \$4.88 per sf.

[11] On the basis of the documented leases, the Complainant stated that the subject if analyzed using the income approach to value should utilize a \$5.00 per sf lease rate, a 5% vacancy rate and a 7.000% cap rate. The result (Exhibit C-1, Pg 13) suggested the value by Income Approach would be \$5,821,071, or \$55.79 per sf. This, the Complainant suggested, fully supported the estimate of value by the Direct Comparison Approach.

[12] Accordingly, the Complainant requested that the subject assessment should be reduced to \$5,740,000.

Position of the Respondent

[13] The Respondent presented the Board with a 51-page assessment brief marked as Exhibit R-1. In addition, the Respondent presented the Board with a 44-page Law and Legislation package marked as Exhibit R-2.

[14] The Respondent explained to the Board that the subject assessment and similar assessments were prepared using the direct sales comparison assessment methodology for value for the 104,398 sf building. The Respondent advised the Board that the City was mandated to use mass appraisal for assessment purposes.

[15] The Respondent advised the Board that for the 2012 annual assessment the sales comparison approach was employed. This was because there was ample data from which to derive reliable value estimates and only a portion of the inventory was traded on its ability to generate income. A large percentage of industrial property in Edmonton is owner-occupied, and as such has no income attributable to it.

[16] The Respondent provided the Board with photographs and maps detailing the subject property (Exhibit R-1, page 4 - 7).

[17] To support the City of Edmonton's assessment of the subject property, the Respondent provided the Board with five sales comparables. The sales comparables ranged in effective year built from 1977 to 1979 as compared to the subject's 1975. The total building areas of the sales comparables ranged from 68,815 sf to 135,566 sf as compared to the subject's 104,398 sf. The site coverage ranged from 37 to 46% as compared to the subject's 43%. All the sales comparables were, like the subject, in average condition. The time-adjusted selling price per square foot, based on total building area, ranged from \$69.13 to \$82.62 (Exhibit R-1, page 16).

[18] In critique of the Complainant's comparables, the Respondent noted that the Complainant's sale 1 was a non arms length transaction. Sale 3 required \$850,000 in repairs at the time of sale and sale 4 was purchased under a three year old purchase option.

[19] The Respondent in its Exhibit R-1, pages 22 – 27 highlighted excerpts from Colliers Edmonton Market report, in particular noting that space comparable in size to the subject's average \$6.95 per sf rental rates, in the subject's northwest zone.

[20] The Respondent provided evidence (Exhibit R-1, page 28 and 29) that the sale of the subject in November 2010 was part of a portfolio transaction and individual valuations could not be relied upon.

[21] The Respondent advised the Board the subject property and other similar properties were assessed under the direct sales assessment methodology. The subject property was built in 1975, is in average condition, and has a site coverage ratio of 43%.

[22] The Respondent asked the Board to confirm the 2012 assessment of \$6,543,500.

Decision

[23] The decision of the Board is to confirm the 2012 assessment of \$6,543,500.

Reasons for the Decision

[24] The Board considered the evidence as put forward by the Respondent. With the exception of its first comparable, its sales closely approximated the sale date, age, condition, and building size of the subject. The site coverage was generally less for the comparables suggesting they might be considered to carry more value than the subject. The range in values of the four remaining comparables was \$69.13 to \$82.62 per sf, greater than the subject's \$62.68 per sf.

[25] The Board was not swayed by the evidence as put forward by the Complainant. The Board noted that the Complainant's comparables were with one exception older than the subject, one significantly and the buildings were with one exception smaller than the subject, The Board noted that the Complainant's best comparable, sale 2, at \$76.31 exceeded the 2012 assessment of the subject. The Board placed no value on the Complainant's income approach as there was no evidence presented in support of market lease rates, vacancy rates or capitalization rate.

[26] Jurisprudence has established that the onus of showing an assessment is incorrect rests with the Complainant. The Board finds that the Complainant's evidence was, particularly when reviewed in concert with the Respondent's most relevant evidence, neither sufficient nor compelling enough to enable the Board to form an opinion as to the incorrectness of the assessment.

Dissenting Opinion

[27] There was no dissenting opinion.

Heard commencing November 8, 2012.

Dated this 30th day of November, 2012, at the City of Edmonton, Alberta.

Robert Mowbrey, Presiding Officer

Appearances:

Greg Jobagy
for the Complainant

Mary-Alice Nagy
Suzanne Magdiak
for the Respondent

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.