

## **Edmonton Composite Assessment Review Board**

**Citation: COLLIERS INTERNATIONAL REALTY ADVISORS INC v The City of  
Edmonton, 2012 ECARB 2121**

**Assessment Roll Number:** 1072842  
**Municipal Address:** 2110 70 Avenue 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

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

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### **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 medium warehouse located at 2110 70 Avenue NW. The building was constructed in 1982. The building has main floor space of 30,823 square feet and the building is in average condition. The building has site coverage of 17% and has been assessed on the direct sales assessment methodology. The subject property assessment for 2012 is \$3,700,000.

### **Issue(s)**

[3] What is the market value of the subject property?

### **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 property assessment of \$3,700,000 is in excess of market value. In support of this position, the Complainant submitted a 24-page evidence package marked as Exhibit C-1.

[6] The Complainant provided the Board with a map and photographs of the subject property (Exhibit C-1 pages 4, 5, 6 and 12).

[7] 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.

[8] The Complainant presented four sales comparables to the Board that were within approximately 18 months of valuation. The sales comparables were all medium warehouses which ranged in size from 38,373 to 44,994 sf and the site coverage ranged from a low of 25% to a high of 48%. By incorporating this time frame, there was no necessity for time adjustments as the City of Edmonton’s City Assessor’s chart shows that from June 2010, there is 0.0 % adjustment. The first three sales are zoned IB and the fourth sale is zoned IM, as is the subject property. The Complainant advised the Board that when the factors of age, total lot size, total building size and zoning are considered, a concluded unit valuation of \$110.00 per square foot is appropriate for the subject property. The resulting total property value is \$3,390,500 (Exhibit C-1, page 11).

[9] The Complainant presented a chart to the Board that outlined the rationale for the difference in Edmonton industrial sales by zoning between IB and IM (Exhibit C-1, page 15).

[10] The Complainant presented the Board with four land sales. The land sales had an average price per acre of \$494,000 and an average lot size of 3.62 acres. By adding the land value of the average land size of the four comparables to the respective sales comparables gives a total price per square foot to the total building area for comparison to the subject property (Exhibit C-1, page 11).

[11] During argument and summation, the Complainant stated the comparables were market sales and adding the land component to the value of the Complainant's sales comparables was an accepted appraisal methodology.

[12] The Complainant concludes that with adjustments made for zoning, year of construction and building size, a unit value of \$110.00 per square foot is appropriate for the subject property. The Complainant therefore requests the Board to reduce the 2012 assessment to \$3,390,500.

### **Position of the Respondent**

[13] The Respondent presented the Board with a 70-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 comparison assessment methodology. The Respondent stated that sales occurring from January 2008 through June 2011 were used in the model development and testing (Exhibit R-1 page 66).

[15] Factors found to affect value in the warehouse inventory were: the location of the property; the size of the lot; the age and condition of the buildings; the total area of the main floor (per building), and; the amount of finished area on the main floor as well as the developed upper area (per building) (Exhibit R-1, page 66).

[16] The most common unit of comparison for industrial properties is value per square foot of building area. When comparing properties on this basis, it is imperative that the site coverage be a key factor in the comparison. Properties with a larger amount of land in relation to the building footprint display a higher value per square foot, to account for the additional land value attributable to each unit of the building size (Exhibit R-1, page 67).

[17] The Respondent is legislatively obligated to use mass appraisal methodology for valuing individual properties. The Respondent employed the sales comparison approach for the 2012 annual assessment of all warehouse properties in Edmonton. The Respondent informed the Board that a large percentage of industrial property in Edmonton was owner occupied and had no income attributable to it, making the sales comparison a more reliable approach in this market place (R-1, page 65).

[18] The Respondent provided the Board with photographs and maps detailing the subject property (Exhibit R-1, pages 4-8).

[19] To support the City of Edmonton's assessment of the subject property, the Respondent provided the Board with seven sales comparables. The sales comparables ranged in age from 1976 to 1992. The total building area ranged in size from 25,530 square feet to 40,020 sf. The

site coverage ranged from a low of 12% to a high of 29% and all sales comparables were in average condition. The Respondent mentioned that it was looking for lower than typical site coverages. The time adjusted selling price per square foot, based on total building area, ranged from \$112.11 to \$143.96 (Exhibit R-1, page 17).

[20] The Respondent referred the Board to the “Standard on Verification and Adjustment of Sales” detailing that if the sale is a pure trade with the seller receiving no money or securities, the sale should be excluded from any analysis (Exhibit R-1 page 27).

[21] The Respondent noted that the Complainant’s sale #1(3304 Parsons Road) had four of the main floor bays leased at below market rates. In addition, the mezzanine (fully leased) is also below market rates (Exhibit R-1, page 30).

[22] The Respondent also noted that the Complainant’s sale #2 (4115 101 Street) appears to have the incorrect year of construction. Anderson Data Online states the year of construction was 1969, whereas the Complainant’s evidence states 1978 (Exhibit R-1, page 31).

[23] The Respondent pointed out that the Complainant’s sale #3 (8210 McIntyre Road) states the premises were vacant at the time of sale (Exhibit R-1, page 32).

[24] The Respondent noted the Complainant’s sale #4 (7603 McIntyre Road) states the lease rate in place is considered well below market (Exhibit R-1, page 33).

[25] The Respondent provided the Board with a chart detailing the issues surrounding the Complainant’s four land sales. One of the land sales was a trade only. The second land sale was a vendor take-back mortgage and was 50% larger than the subject.

[26] The third and fourth land sales were court ordered sales and the sale price had been agreed upon in April 2008, and therefore the sale price should not be used in the model or audit (Exhibit R-1, page 35).

[27] The Respondent brought the Board’s attention to the sale of the subject property in June 2012 for a sale price of \$5,175,000. The Respondent notes the sale is post-facto, but is provided to the Board for trending purposes only (Exhibit R-1, page 34).

[28] The Respondent provided the Board with a CARB decision, that a large vendor take-back mortgage could easily influence the final selling price, and therefore the Board should place little weight on this sale (Exhibit R-1, page 51).

[29] During argument and summation, the Respondent advised the Board that the subject property had a lower than typical site coverage. The Respondent advised the Board that the Complainant’s sale and land comparables had a number of issues with them and cannot be considered good comparables to the subject property.

[30] The Respondent requested the Board to confirm the 2012 assessment of \$3,700,000.

## **Decision**

[31] The decision of the Board is to confirm the 2012 assessment of \$3,700,000.

### **Reasons for the Decision**

[32] The Board reviewed the Complainant's evidence and oral testimony and the Respondent's evidence and oral testimony and found the Respondent's evidence and oral testimony to be more compelling.

[33] The Board was not persuaded by the Complainant's sale comparables. Two of the sale comparables had leases that were well below market and therefore were not considered typical.

[34] The Board was not persuaded by the Complainant's land sales. Two of the four land sales were court ordered and the price had been established a number of years prior. One of the land sales was a trade, thus making the land sale not useable for comparison purposes.

[35] With the Board unable to rely on the land sale comparables, this makes the total sales comparables unreliable.

[36] The Board does not take a strong stand on the issue of vendor take-back mortgage or the issue of vacant premises at the time of sale. Both parties agree that with the industrial warehouse inventory, two-thirds of the purchasers are buying so they can move into the premises.

[37] The Board is persuaded by the sale of the subject property. Although the sale is post-facto, the price is substantially higher than the 2012 assessment, making the assumption that no decrease to the 2012 assessment is necessary or warranted.

### **Dissenting Opinion**

[38] There was no dissenting opinion.

Heard commencing November 8, 2012.

Dated this 30<sup>th</sup> day of November, 2012, at the City of Edmonton, Alberta.

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Robert Mowbrey, Presiding Officer

### **Appearances:**

Greg Jobagy

Stephen Cook

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.*