

Edmonton Composite Assessment Review Board

**Citation: COLLIERS INTERNATIONAL REALTY ADVISORS INC v The City of
Edmonton, 2012 ECARB 2222**

Assessment Roll Number: 8888323
Municipal Address: 6120 DAVIES ROAD 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 medium sized warehouse located at 6120 Davies Road NW. The building has an effective year built of 1979 and contains 14,372 square feet (sf) of main floor space with 3,922 sf of finished office space. An additional 540 sf of finished upper area gives the building a total area of 14,912 sf. The building is located on 67,930 sf of land with 21% site coverage. The building is in average condition and the Direct Sales Comparison Approach is used in arriving at the assessment.

Issue

[3] Does the assessment reflect 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 acknowledged that the assessment was prepared using the Direct Comparison Approach in arriving at the assessed value of \$2,201,500.

[6] The Direct Comparison approach is based on the Principle of Substitution “which maintains that a prudent purchaser would not pay more for a property than what it would cost to purchase a suitable alternative property that exhibits similar physical characteristics, tenant agreements, location, etc. Within this approach, the property being reviewed is compared to properties that sold recently and considered to be relatively similar to the subject.”

[7] The Complainant indicated that portfolio transactions and post facto sales should not be considered in establishing the assessment. Single property sales between January 1, 2010 and July 1, 2011 are the best indication of value at the mandated valuation date of July 1, 2011.

[8] The Complainant presented four comparable sales (Exhibit C-1, page 10). Sale #1 at 9405 – 58 Ave was sold in September 2010 and included a building with 12,724 sq. ft. It was on a 1.29 acre lot and sold for \$78.88 per sq ft. Sale #2 at 5820 – 96 St was in August 2010 and included a building with 10,000 sq ft. It was on a 0.51acre lot and sold for \$100.00 per sq ft. Sale #3 at 9719 – 63 Ave was in July 2010 and included a building with 17,149 sq ft. It was on a 0.89 acre lot and sold for \$104.96 per sq ft. Sale #4 at 8135 Wagner Rd was in July 2010 and included a building with 15,972 sq ft. It was on a 0.92 acre lot and sold for \$75.13 per sq ft. The average net leasable area of the sales comparables was 13,961sq. ft., average lot size was 0.92 acres, while average price per sq. ft. was \$89.74.

[9] The Network transaction sheets were included in the appendices to support the transactions. While the comparable sales are in close proximity to the subject, adjustments need to be made to account for the total lot size, year of construction, zoning and building size. When taken into consideration, a concluding unit valuation of \$110.00 per sq. ft. is appropriate for the

subject property. Accordingly, the Complainant requested a reduction of the assessment to \$1,640,000 (truncated).

[10] 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.

[11] Based on a review of the actual rent and market rent for comparable industrial buildings, the market rent for the subject is \$8.50 per sq ft. Applying a modest capitalization rate of 7.50% to the Net Operating Income of \$120,787 (C-1, page 13) produces a market value of \$1,610,000 for the subject property, similar to the \$1,640,000 value derived using the Direct Sales Comparison Approach, and indicates the subject property’s assessment is above market value.

Position of the Respondent

[12] The Respondent indicated that a mass appraisal methodology was used to value individual properties. This involves a process whereby properties are stratified into groups of comparable property, common property attributes are identified for the properties in each group and a uniform valuation model is calibrated for each group using market information incorporating the property attributes (R-1, page 4).

[13] The Respondent advised that sales occurring from January 2008 through 2011 were used in model development and testing. Sales are validated by conducting site inspections and interviews, and by reviewing title transfers, sales validation questionnaires, and four data collection sources. 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; amount of finished area on the main floor as well as developed upper area (per building) (R-1, page 7).

[14] 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. Site coverage expresses the relationship between the main floor area of the building and the amount of land associated with it. 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 (R-1, page 8).

[15] The Respondent presented five sales comparables in support of the assessment. Sale #1 at 4810 93 St NW was on Feb 23, 2011 with a 27,750 sq. ft. building for \$4,000,000. It had a 25% site coverage and sold for \$144.14 per sq. ft. Sale #2 at 4035 101 Street NW was on Nov 3, 2008 with a 13,714 sq. ft. building for an adjusted sale price of \$1,983,450. It had 19% site coverage and sold for an adjusted sale price of \$144.63 per sq. ft. Sale #3 at 1431 70 Ave NW was on May 3, 2010 with a 15,048 sq. ft. building for an adjusted sale price of \$2,293,100. It had a 19% site coverage and sold for an adjusted sale price of \$152.38 per sq ft. Sale #4 at 9540 60 Ave NW was on Dec 12, 2008 with a 10,637 sq ft building for an adjusted sale price \$1,894,600. It had

15% site coverage and sold for an adjusted sale price of \$178.11 per sq. ft. Sale #5 at 6025 99 Street NW was on Aug 18, 2008 with a 12,009 sq. ft. building for an adjusted sale price of \$2,059,200. It had 41% site coverage and sold for an adjusted sale price of \$171.47 per sq. ft. (R-1, page 22).

[16] The subject property has a 14,912 sq. ft. building and is assessed at \$2,201,500. It has 21% site coverage and is assessed at \$147.63 per sq. ft., well within the range of the sales comparables.

[17] The Respondent indicated that the Vendor and Purchaser on Sale #2 of the Complainant had a common Director making the sale questionable as an arms-length transaction, or good sales comparable (R-1, page 28-32).

[18] The Respondent entered an MGB Board Order #054/10 (R-3, page 10) indicating that the MGB places little weight on third party reports. "As the MGB said in MGB 018/10: Third party publications are problematic evidence for many reasons. In particular, the market data used to construct the reports was not in evidence, without which the MGB cannot determine the reliability or applicability of these reports to the subject property."

[19] The Respondent entered as evidence a report by Bourgeois & Company (R-4) indicating that the sale at 9405 -58Ave NW (C-1, page 10) did not feature a heating system.

[20] The Respondent entered as evidence a report by the Network (R-5), with notes thereon by the assessor indicating that the sale at 9719 63 Ave(C-1, page 10), formerly used by Wedding World, needed significant renovations due to water damage and mould on 30% to 40% of the exterior walls.

Decision

[21] The decision of the Board is to confirm the 2012 assessment of \$2,201,500.

Reasons for the Decision

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

[23] The Board was satisfied that the subject property with site coverage of 21% would best be compared with sales comparables having site coverage close to that of the subject. The Respondent presented four sales comparables with site coverage within 6% of the subject while only one sale comparable of the Complainant had site coverage within 6% of the subject.

[24] The Board was persuaded by the Respondent's sale comparables numbers 1 to 4, with site coverage of 25%, 19%, 19% and 15% respectively. These sales took place at an adjusted sale price per sq. ft. ranging from \$144.14 to \$178.11 supporting the subject assessment at \$147.63

[25] The Board placed less weight on the Complainant's comparables which had considerably higher site coverage than the subject. As noted in the Respondents position "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."

[26] The Board placed less weight on the Complainants comparable #2 where the vendor and purchaser had a common Director, #1 which lacked a heating system, #3 which had water damage and mould on 30% to 40% of the exterior walls and #4 which had lease rates well below market.

[27] The Board placed little weight on the income approach which was prepared based on factors extracted from third party reports. “As the MGB said in MGB 018/10: Third party publications are problematic evidence for many reasons. In particular, the market data used to construct the reports was not in evidence, without which the MGB cannot determine the reliability or applicability of these reports to the subject property.”

[28] 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 neither sufficient nor compelling enough to enable the Board to form an opinion as to the incorrectness of the assessment.

Dissenting Opinion

[29] There was no dissenting opinion.

Heard commencing November 6, 2012.

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

Robert Mowbrey, Presiding Officer

Appearances:

Greg Jobagy
Stephen Cook
for the Complainant

Marty Carpentier
Tanya Smith
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.