

Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, 2013 ECARB 01227

Assessment Roll Number: 1087675

Municipal Address: 5903 87A STREET NW

Assessment Year: 2013

Assessment Type: Annual New

Between:

Altus Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

Willard Hughes, Presiding Officer

James Wall, Board Member

Randy Townsend, Board Member

Procedural Matters

- [1] Upon questioning by the Presiding Officer, the parties indicated no objection to the Board's composition. The Board Members indicated no bias with respect to this file.

Background

- [2] The subject property is a single storey, industrial warehouse with a main floor area of 7,586 square feet. The improvement was constructed in 1990 and it is located in the Davies Industrial West subdivision in Southeast Edmonton. Municipal address is 5903-87A street NW.

Issue

- [3] Is the 2013 assessment at \$1,374,500 or \$181.19 per square foot correct?

Legislation

- [4] *The Municipal Government Act*, RSA 2000, c M-26, reads:

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 provided the Board with a 58 page submission (exhibit C-1) in support of their position.

[6] The Complainant stated that the subject property's 2013 assessment was in excess of its market value based on both the Direct Sales and Income approaches.

[7] The Complainant provided the Board with four sales comparables which indicated a time adjusted sale price range of \$122.21 to \$186.65 per total square foot of main floor area, with a median of \$155.67 per square foot and an average of \$155.05 per square foot. In addition, the four sales comparables had a sale price range of \$140.15 to \$198.93 per square foot of main floor area, with a median of \$174.60 per square foot and an average of \$172.07 per square foot. The Complainant reconciled and adjusted to a value of \$165.00 per square foot of total floor area from these sales comparables.

[8] The Complainant stated that the subject property was tenant occupied and would therefore be valued by an investor through the Income Approach.

[9] The Complainant provided the Board with a warehouse Valuation Summary (exhibit C-1, page 10) which projected a potential gross rent at \$10.00 per square foot. The Complainant noted that the existing tenant had renewed in September 2011 at \$8.38 per square foot. The Complainant provided the Board with seven lease rate comparables (exhibit C-1, page 19) on southeast located industrial properties. These lease rates ranged from \$7.00 to \$9.75 per square foot. These comparables had a median is \$7.50 per square foot and an average of \$8.18 per square foot. The Complainant reconciled a rental rate of \$10.00 per square foot from these rental rate comparables.

[10] The Complainant stated that third-party market reports (exhibit C-1, pages 20-35) suggest rental rates of \$9.89 per square foot (Colliers), \$9.51 per square foot (CBRE) and \$10.50 per square foot (the Industrial Report). In addition, these same third-party market reports show vacancy rates from 2.0% to 2.9%, and the Complainant used 2.5%. In answer to questions from the Respondent, the Complainant stated that their projected capitalization rate of 6.5% came from the same third-party information (exhibit C-1, page 29).

[11] The Complainant's Income Analysis suggests a market value for the subject property of \$1,104,500.

- [12] Based on the results of the Income Approach with support from the Direct Sales Approach, The Complainant requested the Board reduce the subject property's 2013 assessment from \$1,374,500 to \$1,104,500 or \$165 per square foot.

Position of the Respondent

- [13] The Respondent provided the Board with a 60 page submission (exhibit R-1) which contained information on mass appraisal, maps showing groupings of industrial property in three quadrants of the city, excerpts from The Appraisal of Real Estate, chart of Direct Sales Comparables, and a Law and Legislation brief.
- [14] The Respondent provided the Board with information from the Appraisal publication regarding the application of the three approaches to value. The excerpt (exhibit R-1, page 23) indicated that Income Capitalization can be particularly unreliable in the industrial market when owner users out-bid investors for property. The Complainant suggested this was the situation which would apply to the subject property. The Direct Sales Approach is used by the City of Edmonton to establish the 2013 assessment of industrial property, such as the subject.
- [15] The Respondent provided the Board with a chart of six sales comparables (exhibit R-1, page 30). These comparables indicated time adjusted sale price ranges of \$186.67 to \$301.20 per square foot of main floor area and \$150.07 to \$301.20 per square foot of overall area.
- [16] The sales comparables ranged in year built from 1998 to 2007 (the subject which was constructed in 1990), and they sold between August 2008 and June 2012. Three of the sales comparables were considered similar to the subject in their locations on the South side of the city. The remaining three sales, which were located in the Northwest quadrant of the city, were considered by the Respondent to be inferior in location to the subject.
- [17] The Respondent provided the Board with an analysis of the Complainant's sales comparables (exhibit R-1, page 30), and noted that Complainant's sales #1 and #2 were the same properties as the Respondent's sales #4 and #2 respectively.
- [18] The Respondent provided several Municipal Government Board (MGB) decisions (exhibit R-1, pages 37 and 38) in support of the premise that a Board should not change an assessment if evidence indicates this change would be within a 5% range of the assessment.
- [19] The Respondent pointed out to the Board that the Burden of Proof (exhibit R1, pages 39 and 40) lies with the Complainant.
- [20] The Respondent requested that the Board confirm the 2013 assessment of the subject property at \$1,374,500.

Rebuttal

- [21] The Complainant provided the Board with a Rebuttal document exhibit C-2.

[22] The Rebuttal document provided an analysis (exhibit C-2, page 4) of the Respondent's six sales comparables. The Complainant indicated that the Respondent's comparables #1, #5 and #6 were located in the Northwest quadrant of the city compared to the subject's location in the Southeast quadrant. The Complainant suggested that the Respondent's sales comparables #1 and #5 are 17 years newer than the subject and Respondent's sales comparables two and six have upper office space while the subject has main floor space only. The Complainant suggested to the Board that the Respondent's sales comparables have less site coverage, with a range of 26% to 30% compared to the subject's 34%. The Complainant pointed out that the Respondent's sales #1 and #5 represent the same property sold on two different dates.

[23] The Rebuttal document provided sales data sheets on the sales indicated by the Respondent as #1 and #5.

Decision

[24] It is the Board's decision to confirm the 2013 assessment of the subject property at \$1,374,500.

Reasons for the Decision

[25] Paying particular attention to the subject improvements type and size, the Board accepts the Respondent's opinion, as supported by the appraisal publication (exhibit R-1, pages 23-28), that purchasers for this type of property tend to be owner users and often out-bid investor purchasers. Third party information and argument from the Respondent indicates this is the situation in the current Edmonton market. The Board notes that "income capitalization can be particularly unreliable in the market for commercial or industrial property where owner-occupants outbid investors"(exhibit R-1, page 23). It is the Board's opinion that the subject property's value can best be projected by the Direct Sales approach.

[26] Based on the foregoing, the Board finds the Complainant's Income Approach is an unreliable indicator of market value for the subject property and it is given little weight in the Board's decision.

[27] The Board has reviewed the Direct Sales comparables put forward by both parties and finds the following:

- a. Complainant's sales comparables (exhibit C-1, page 8) are located in the Southeast quadrant of the city of Edmonton, the same as the subject. However, the Board questions the comparability of the properties to the subject as three of the four represent improvements with second-floor office. The subject has one floor only.
- b. Complainant's sale comparable #1 which is main floor only, indicates a time adjusted sale price of \$186.65 per square foot, which would support the subject property's 2013 assessment.

- c. The Board finds that the Complainant's sales comparables are between 48% and 98% larger than the subject property.
- d. The Board notes that the Respondent's sales comparables (exhibit R-1, page 30), like the Complainant's represent a mixture of improvements with both main only and main and upper floor office. The Respondent's sales comparable #5 is smaller than the subject and the remaining four sales comparables ranged from 38% to 98% larger than the subject.

[26] The Board places particular weight on the Respondent's sales comparables #3 and #4. These sales are of single-story industrial improvements located in the Southeast area of the city. They are similar to the subject and indicate a time adjusted sale price of \$197.15 and \$186.67 per square foot, which supports the subject property's assessment. The Board notes that the Respondent's sale #4 was also used by the Complainant as their sale number #1, the only single storey sales comparable the Complainant put forward.

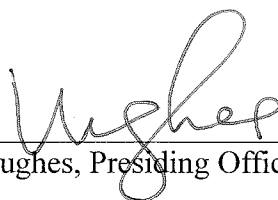
[27] Based on all evidence reviewed and argument put forward by both parties, the Board is of the opinion that the subject property's 2013 assessment at \$181.19 per square foot is fair and reasonable.

Dissenting Opinion

[28] There was no dissenting opinion.

Heard commencing July 18, 2013.

Dated this 13th day of August, 2013, at the City of Edmonton, Alberta.



Willard Hughes, Presiding Officer

Appearances:

Kerry Reimer, Altus Group
for the Complainant

Joel Schmaus
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.