

Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, 2013 ECARB 01228

Assessment Roll Number: 9567538

Municipal Address: 4351 68 AVENUE 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 multi-bay, industrial warehouse with a main floor area of 8,340 square feet and a land area of 35,645 square feet (23% site coverage). The improvement was constructed in 2003 and is located in the Pylypow subdivision in Southeast Edmonton. Municipal address is 4351 - 68 Avenue NW.

Issue

- [3] Is the 2013 assessment at \$1,896,500 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 75 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 Direct Sales and Income approaches, and in comparison to assessments on similar properties in the area.

[7] The Complainant provided the Board with four sales comparables which indicated a time- adjusted sale price range of \$186.65 to \$241.31 per square foot of main floor area, a median of \$198.04 per square foot, and an average of \$206.01 per square foot. In addition, the four sales comparables had a sale price range of \$164.80 to \$241.31 per square foot of total improvement floor area with a median of \$191.90 per square foot and an average of \$197.48 per square foot. The Complainant reconciled and adjusted to a value conclusion of \$197.00 per square foot of total floor area from these sales comparables, for an indicated value of \$1,639,000.

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

[9] The Complainant provided the Board with a warehouse Valuation Summary (exhibit C-1, page 11) which projected a potential gross rent at \$10.75 per square foot. The Complainant provided a rent roll (exhibit C-1, page 17). This rent roll showed two tenants in place, one occupying the largest space at \$11.00 per square foot and the other occupying the smaller space at \$9.20 per square foot. The Complainant provided the Board with five lease rate comparables (exhibit C-1, page 18) on southeast located industrial properties. These lease rates ranged from \$8.75 to \$13.00 per square foot; indicated median of \$10.50 per square foot and an average of \$10.45 per square foot. The Complainant reconciled a typical rental rate of \$10.75 per square foot from these rental rate comparables.

[10] The Complainant stated that third-party market reports (exhibit C-1, pages 19-34) suggest a rental rate range of \$9.65 to \$10.50 per square foot. These same third-party market reports also show vacancy rates from 2.0% to 2.9%, and the Complainant used 2.5% in his Valuation Summary. In answer to questions from the Respondent, the Complainant indicated that their projected capitalization rate of 6.5% came from the same third-party information (exhibit C-1, page 29) and the Complainant's sale number #3 which indicated a capitalization rate of 6.66%.

- [11] The Complainant's Income Analysis suggests a market value for the subject property of \$1,355,500.
- [12] The Complainant provided the Board with two pages from an appraisal report completed in 2008, which projected a value for the subject property of \$950,000, time adjusted to \$981,160.
- [13] The Complainant provided the Board with nine equity comparables (exhibit C-1, page 9) which exhibited a range of \$195.85 to \$266.45 per square foot of total building area, a median of \$205.99 per square foot, and an average of \$216.60 per square foot. These equity comparables indicated the same range per square foot of main floor area, a median of \$217.43 per square foot and an average of \$223.83 per square foot. The Complainant reconciled a value on the basis of \$205.00 per square foot of total building area to indicate an assessment of \$1,705,500.
- [14] The Complainant, based on the results of the Income Approach requested the Board reduce the subject property's 2013 assessment from \$1,896,500 to \$1,355,500. The Complainant requested that the Board consider a reduction in the assessment to \$1,705,500, based on their equity analysis if their request based on the income approach is not acceptable to the Board.

Position of the Respondent

- [15] The Respondent provided the Board with a 66 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 an Appraisal of Real Estate publication, charts of Direct Sales/Equity Comparables and a Law and Legislation brief.
- [16] 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 35) indicated that Income Capitalization can be particularly unreliable in the industrial market when owner users out-bid investors for property. The Respondent suggested this was the situation which would apply to the subject property,. The Direct Sales Approach is used by the City of Edmonton to estimate the 2013 assessment of industrial property such as the subject.
- [17] The Respondent provided the Board with a chart of seven sales comparables (exhibit R-1, page 24). These comparables indicated time adjusted ranges of \$234.20 to \$301.20 per square foot, and \$179.52 to \$301.20 per square foot of total floor and overall area respectively.
- [18] The Respondent's sales comparables ranged in year built from 1995 to 2007. The subject was constructed in 2003. They sold between July 2008 and May 2012. Three of the sales comparables were considered by the Respondent to be similar, three inferior and one superior in location compared to the subject. The Respondent's sales comparables' site coverages ranged from 17% to 26%; the subject property's site coverage is 23%.
- [19] The Respondent provided the Board with an analysis of the Complainant's sales comparables (exhibit R-1, page 24), and noted that Complainant's sale #3 was the same property as the Respondent's sale #3. It was the Respondent's opinion that the Complainant's sales comparables #1, #2 and #4 were inferior to the subject based on their

higher site coverage's and larger improvement size, with the exception of sale comparable #2. Complainant's sale comparable #3 is superior with lower site coverage.

[20] The Respondent offered equity evidence through nine equity comparables (exhibit R-1, page 32). These equity comparables ranged in assessments from \$222.22 to \$257.14 per square foot of floor area, which generally support the subject property's 2013 assessment at \$227.94 per square foot. In addition the Respondent provided a chart of the Complainant's nine equity comparables (exhibit C-1, page 9) which emphasized that two of these properties had very low site coverage (16%).

[21] The Respondent provided several Municipal Government Board (MGB) decisions (exhibit R-1, pages 43 and 44) in support of the premise that the Board should not change an assessment if evidence indicates this change would be within a 5% range of the assessment.

[22] The Respondent pointed out to the Board that the Burden of Proof (exhibit R-1, pages 45 and 46) lies with the Complainant.

[23] The Respondent requested that the Board confirm the 2013 assessment of the subject property at \$1,896,500.

[24] Rebuttal

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

[26] The Rebuttal document provided an analysis (exhibit C-2, page 4) of the Respondent's seven sales comparables. The Complainant indicated that the Respondent's comparables #2, #4, #5 and #7 were located in the Northwest quadrant of the city compared to the subject's location in the south east quadrant. Comparables #4 and #6 are located on arterial roadways. In addition, comparable #4 has energy-efficient walls and roof. Leases are in place for a Bell Mobility cellular tower and Pattison billboard. The Complainant suggested that the Respondent's sales comparables #5 and #6 have extensive glazing to the front of the building. The Complainant pointed out that Respondent's sales #1 and #7 represent the same property sold on two different dates.

[27] The Complainant provided an analysis of four of their sales comparables with two of the Respondent's comparables; this analysis provided a median of \$186.65 per square foot and an average of \$193.89 per square foot (total building areas).

[28] The Rebuttal document provided sales data sheets on the Respondent's sales #1 and #7, and #4, #5 and #6 (C-2, pages 8-12).

[29] Decision

[30] It is the Board's decision to confirm the 2013 assessment of the subject property at \$1,896,500.

[31] Reasons for the Decision

[32] The Board accepts the Respondent's opinion, as supported by the appraisal publication (exhibit R1, pages 34-41), that purchasers for many industrial properties 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 out-bid investors" (exhibit R1, page 35).

[33] The Board was persuaded by the Respondent's evidence and argument that many variables are involved in when using the Income Approach. The Board finds that the Complainant failed to provide sufficient and compelling evidence related to these variables, particularly in establishing a proper capitalization rate. Based on the foregoing the Board finds the Complainant's Income Approach is not a reliable indicator of market value for the subject property and it is given very little weight in the Board's decision.

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

- (a) The 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 some of these properties to the subject, as one of the four represents improvements with second-floor office. The subject has one floor only. The Board notes that all of the Complainant's sales comparables, particularly #1 and #4 are substantially larger than the subject (80% and 49% respectively).
- (b) The Complainant's sales comparables one, two and three which are main floor only, indicate time adjusted sale prices of \$186.65, \$197.15 and \$241.31 per square foot of the improvement area respectively. This tends to support the subject property's 2013 assessment at \$227.94 per square foot.
- (c) The Board notes that the Respondent's sales comparables (exhibit R1, page 24), like the Complainant's represent a mixture of improvements with both main floor only and main and upper floor office. The Respondent's sales comparables are generally more in the size range of the subject than those presented by the Complainant. It is noted that four of the six sales comparables put forward by the Respondent are smaller in improvement size than the subject and the remaining two are larger. All of the Complainant's sales have larger improvements than the subject and would have lower values than the subject.

[35] The Board places particular weight on the Respondent's sales comparables #3 and #4. These sales are of single storey industrial improvements and indicate time adjusted sale prices of \$241.31 and \$234.20 per square foot respectively, which more than supports the subject property's assessment at \$227.94 per square foot. The Board notes that the Respondent's sale #3 was also used by the Complainant as their sale #3.

[36] The Board places very little weight on the appraisal information (exhibit C-1, pages 66 and 67), as only a small portion of the report itself was provided and the Board was unable to determine terms of reference etc.

[37] The Board finds that the Respondent's sales comparables, when adjusted, support the subject property's 2013 assessment. The equity comparables provided by both parties offer support of the correctness of the assessment.

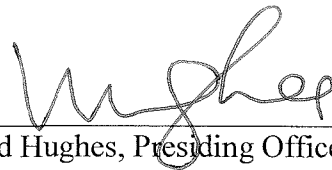
[38] Based on all evidence reviewed and arguments put forward by both parties, the Board is of the opinion that the subject property's 2013 assessment at \$227.94 per square foot is fair, equitable and correct.

[39] Dissenting Opinion

[40] 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.