

## **Edmonton Composite Assessment Review Board**

**Citation: COLLIERS INTERNATIONAL REALTY ADVISORS INC v The City of  
Edmonton, ECARB 2012-002229**

**Assessment Roll Number:** 8635005  
**Municipal Address:** 5809 98 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

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**DECISION OF**  
**James Fleming, Presiding Officer**  
**Dale Doan, Board Member**  
**Petra Hagemann, Board Member**

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### **Preliminary Matters**

[1] The parties did not object to the composition of the panel nor were any issues of bias identified.

### **Background**

[2] The subject property is a medium industrial warehouse in average condition, zoned IH located at 5809 98 Street in the Coronet Industrial neighbourhood. It was built in 1974 on a 48,584 square foot (sq. ft.) lot with a total area of 7,547 sq. ft. including 1,626 sq. ft. of main floor office space. The site coverage is 15.5%. The assessment of the subject is based on the direct sales comparison approach.

[3] It was noted by both parties that time adjustment to the sales prices was not in dispute as the City's time adjustment factors were used when applicable.

### **Issue(s)**

[4] Is the 2012 assessment of the subject property excessive based on the direct comparison approach to value?

## **Legislation**

[5] 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**

[6] The Complainant challenged the assessment of the subject property by submitting a 34 page brief (Ex C-1) which included four comparable sales (Ex C-1, pg 10). These comparables were similar to the subject in location, age, building size, lot size and ranged in date of sale from April 2010 to January 2011. Their average sale prices ranged from \$78.88 to \$140.00 per sq. ft. suggesting that the assessment of the subject at \$184.05 per sq. ft. is too high. The Complainant is of the opinion that \$140.00 per sq. ft. for a value of \$1,056,500 would be a more correct assessment.

[7] The Complainant suggested their request for a reduction in the assessment is based on the direct sales comparison approach however also supplied evidence with the income approach to support this position. Four properties in the south-east quadrant of the City similar in age had current leases and indicated rental rates ranging from \$8.25 to \$9.50 per sq. ft. The Complainant suggested that applying a \$9.50 per sq. ft. lease rate to the subject would be fair.

[8] A capitalization rate of 6.5% was applied in the Income Approach supported by a nation-wide market study published by Colliers (ex C-1, pg 27-30). This report showed a cap rate for single-tenant industrial buildings in Edmonton to range from 6.5% - 7.5%. Based on an estimated market rent of \$9.50 and a capitalization rate of 6.5%, the value of the subject property based on the income approach should be \$1,052,500.

[9] The Complainant in their brief included a chart showing Edmonton Industrial Sales by Quadrant (Ex. C-1) which illustrates that based on 128 sales, the average sale price in southeast Edmonton during the period from July 2010 to July 2011 was \$180.60 per sq. ft.

[10] Based on the evidence provided, the Complainant requested the CARB to reduce the 2012 assessment of the subject property to the value based on the direct sales comparison approach of \$140.00 per sq. ft. or \$1,056,500.

### **Position of the Respondent**

[11] The Respondent submitted a 65 page brief (Ex. R-1) supporting the assessment of the subject property. This brief provided six sales comparables (Ex. R-1, pg 16) which they argued were similar to the subject in age, site coverage, condition, lot size and building area. The time adjusted sale prices ranged from \$158.00 to \$232.00 per sq. ft. supporting the assessment of the subject at \$184.06 per sq. ft.

[12] The Respondent submitted a Market Report for the Edmonton area published by Colliers International (Ex. R-1, pg 22-27). This report summarizes market activity, average asking net rental rates, industrial building sales, industrial land sales, and industrial vacancy rates for Q-1, and Q-2, 2011. This report showed that industrial net rental asking rates in southeast Edmonton for properties ranging from 20,000 to 50,000 sq. ft. in Q-2, were \$8.28 and not \$9.50 as the Complainant had indicated.

[13] To demonstrate the effect of the low site coverage of the subject on the assessment, the Respondent further directed the CARB to five land sales activities in the Colliers report in the Edmonton area (Ex. R-1, pg 28). The value per acre ranged from \$465,132 to \$652,659 with an average of \$559,385. The Respondent advised that site coverage and lot size are related and are taken into account in the assessment.

[14] The Respondent presented evidence that the Complainant's sale #3 was a non arms length transaction (Ex. C-1, pg 34-46) where the vendor and purchaser had similar directors. The Respondent advised the CARB that a conversation with the superintendent for the Complainant's comparable #4 revealed that this property had been sold without a heating system and that the building size was representative of the footprint only and did not account for any interior finished office space. The Respondent also noted that the first two comparables provided by the Complainant were larger than the subject and therefore less comparable. No evidence had been provided to substantiate a \$140.00 per sq. ft. assessment.

[15] The Respondent submits that the Complainant did not meet the onus and asked the CARB to confirm the 2012 assessment.

### **Complainant's Rebuttal**

[16] In their rebuttal (Ex. C-2) the Complainant commented on issues with the Respondent's comparables as being dated sales, dating as far back as January 2008. The zoning of the comparables were not similar to the subject and many of the comparables were located as far as ninety blocks from the subject. The only property presented by the Respondent to be comparable to the subject in the opinion of the Complainant was comparable #6 located on 8315 Davies Road assessed @ \$158.00 per sq. ft.

## **Decision**

[17] The decision of the Board is to confirm the 2012 assessment of the subject at \$1,389,000.

## **Reasons for the Decision**

[18] The CARB examined all the evidence provided by both parties deciding on the best evidence provided taking into consideration lot size, building size, site coverage, location (on major road and how far from subject) and age of comparables.

[19] The CARB also noted that based on the pictures provided, there seems to be no evidence of heavy industrial use (IH zoning) by the subject which would question the comparability of industrial properties zoned IM and IB provided by both parties.

[20] The CARB agrees with both parties that to determine market value, the direct sales comparison approach is most appropriate in valuing industrial properties especially when sufficient sales data is available as is in this case. The Respondent noted that no income information had been requested from property owners the last two years as many industrial buildings are owner occupied and little income information is available, therefore all industrial properties have been valued based on the direct sales comparison approach.

[21] The CARB took note of the income approach to value used by the Complainant to support the value determined by the direct sales comparison approach. As stated in the Appraisal of Real Estate Second Canadian Edition: "*Data on each property's sale price, income, expenses, financing terms, and market conditions at the time of sale is needed. In addition, the appraiser must make certain that the net operating income of each comparable property is calculated and estimated in the same way that the net operating income of the subject property is estimated.*" In addition the Complainant provided no rent rolls to support the rental rates of the four comparable properties (Ex C-1, pg 16). The Complainant derived the capitalization rate from Colliers International Cap Rate Report (Ex. C-1, pg 27-30). The CARB is reluctant to rely on third party surveys for many reasons, in particular the "disclaimer" which specifically indicates that there are no guarantees or representations about the accuracy and reliability of these reports (Ex. C-1, pg 41). The CARB concludes that the income approach is suspect and places little weight on this evidence.

[22] The CARB examined the four comparable sales provided by the Complainant (Ex. C-1, pg 10). The CARB accepts the Respondent's criticism of the Complainant's comparable #3 as being a non arms length transaction and places little weight on this sale. Regarding comparable #4 which was in need of a heating system at the time of sale and lacked evidence regarding the interior finished space, the CARB found that since no adjustments had been made to the sale price to take this into consideration it could not place significant weight on this sale.

[23] The CARB noted that the first two sales provided by the Complainant are similar enough to the subject to indicate that the Complainant had met the onus which therefore then shifted to the Respondent.

[24] The CARB examined the six sales comparables provided by the Respondent and found that comparables 3, 4 and 6 were most persuasive. They were located in close proximity to the subject and were similar in size, condition and site coverage. They ranged in time adjusted sale

price per sq. ft. from \$158 to \$232 supporting the assessment of the subject. No adjustment was made to comparable #3 for its location on 91 Street, a major road. The median of these six comparables is \$180 per sq. ft. which further supports the assessment.

[25] The CARB noted that the Complainant's comparables #1 and #2 (Ex. C-1, pg 10) had site coverage of 31% and 28%, twice that of the subject at 15.5%. The most common unit of comparison for industrial properties is the 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. No adjustment had been made by the Complainant to allow for the additional value of this excess land. As additional support for the decision, the CARB performed a rough analysis based on the land value information provided by the Respondent (Ex. R-1, pg 28). It shows that the excess land of the subject property translates to approximately \$38.00 per sq. ft. This, added to the Complainant's requested \$140.00 per sq. ft would support the assessment.

[26] The CARB placed little weight on the Complainant's sales comparables two and four for the reasons mentioned above. The first two sales comparables, which appeared to be similar to the subject when first examined, became questionable as no adjustments had been made for the impact of the difference in site coverage as compared to the subject property.

[27] The CARB noted as well that the Respondent's three sales comparables support the assessment.

[28] As the Complainant did not provide the CARB with sufficient compelling evidence to question the correctness of the assessment, the CARB confirms the 2012 assessment at \$1,389,000.

[29] It should be noted that when the Respondent questioned the Complainant about the chart on Ex. C-1, pg 22 which supported the assessment, the Complainant asked the CARB to ignore this evidence.

### **Dissenting Opinion**

[30] There was no dissenting decision.

Heard commencing September 10, 2012.

Dated this 27<sup>th</sup> day of September, 2012, at the City of Edmonton, Alberta.

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James Fleming, Presiding Officer

### **Appearances:**

Carol Paulson

Greg Jobagy

for the Complainant

Luis Delgado, Assessor

for the Respondent

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Appeal Type	Property Type	Property Sub Type	Issue	Sub Issue
CARB	Warehouse	Warehouse Single Tenant	Cost/Sales Approach	Land and Improvement Comparables