



ASSESSMENT REVIEW BOARD

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10019 103 Avenue
Edmonton AB T5J 0G9
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NOTICE OF DECISION NO. 0098 921/11

Altus Group
17327 106A Avenue
Edmonton, AB T5S 1M7

The City of Edmonton
Assessment and Taxation Branch
600 Chancery Hall
3 Sir Winston Churchill Square
Edmonton AB T5J 2C3

This is a decision of the Composite Assessment Review Board (CARB) from a hearing held on April 16, 2012, respecting a complaint for:

| Roll Number | Municipal Address | Legal Description | Assessed Value | Assessment Type | Assessment Notice for: |
|-------------|-------------------|--------------------------------------|----------------|-----------------|------------------------|
| 10064565 | 6704 50 Street NW | Plan: 0625512 Block: 12 Lot: 1 | \$25,168,500 | Annual New | 2011 |

Before:

Patricia Mowbrey, Presiding Officer
George Zaharia, Board Member
Howard Worrell, Board Member

Board Officer: Segun Kaffo

Persons Appearing on behalf of Complainant:

Walid Melhem

Persons Appearing on behalf of Respondent:

Marty Carpentier, Assessor
Tanya Smith, Law Branch

PROCEDURAL MATTERS

[1] Upon questioning by the Presiding Officer, the parties indicated no objection to the composition of the Board and Board members indicated no bias with respect to the file.

PRELIMINARY MATTERS

[2] At the onset of the hearing the Respondent put forward a recommendation to reduce the subject assessment from \$25,168,500 to \$23,830,000 based on an adjustment applied by the model for a rear building component.

[3] The Complainant accepted the recommendation in principal, but indicated that it did not go far enough and wanted to proceed with the merit hearing

BACKGROUND

[4] The subject property is a multi-building warehouse property located at 6704 - 50 Street NW in the Roper Industrial subdivision of southeast Edmonton. The subject property contains 2 warehouse buildings: building 1 – 103,600 square feet, and building 2 – 123,100 square feet, for a total building size of 226,700 square feet. The buildings were built in 2006 and are situated on a lot 584,590 square feet in size, resulting in site coverage of 39%.

[5] The subject property has been assessed by the direct sales approach resulting in a 2011 assessment of \$25,168,500.

ISSUE(S)

[6] Is the 2011 assessment for the subject property too high compared to sales of similar properties?

LEGISLATION

[7] The *Municipal Government Act, RSA 2000, c M-26* reads;

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

[8] The Complainant provided a 55 page brief (C-1) in which he stated that the objective of the hearing was to determine a fair and equitable assessment for the subject property using available market data.

[9] The position of the Complainant is that the 2011 assessment of the subject property at \$25,168,500 (\$111.76 per square foot) is too high compared to sales of similar properties. The Complainant argued that a review of recent market transactions indicated the value of the subject property is \$17,115,000 (\$76.00 per square foot) (C-1, pg. 7).

[10] In support of this argument, the Complainant submitted five sales comparables that sold between January 30, 2007 and April 27, 2010 for time-adjusted sales prices ranging from \$67.46 to \$84.55 per square foot resulting in an average of \$77.09 and a median of \$75.11 per square foot. Sale comparable 1 in the Direct Sales Comparison Chart provided by the Complainant was corrected from a sale price of \$28,000,000 (\$69.41 per square foot) to \$31,252,423 (\$78.13 per square foot) to account for the total consideration at the time of sale. The five sales comparables had an age range of 1996 to 2007 compared to the subject's 2005, the site coverage ranged from 35% to 56%, the site size ranged from 304,020 square feet to 1,017,311 square feet, and the total building size ranged from 163,368 to 399,767 square feet (Exhibit C-1, page 8).

[11] These sales comparables supported the value of the subject property at \$17,115,000 (\$76.00 per square foot).

[12] The Complainant stated that one of the salient features of real estate is the tendency for the price per square foot of land or building space to decrease as the net square footage in a transaction increases (Economies-of-Scale). Conversely, the price per square foot tends to rise as the property size decreases. This is due to factors related to economies of scale and barrier to entry. A small land investment will have a lower overall barrier to entry (lower purchase price) and the investment would be within reach of more investors. For this reason, the seller will be able to command a higher price per square foot. Conversely, an investor who buys a larger piece of land or building will demand an economies-of-scale discount, which will lower the price per square foot (Exhibit C-1, page 8).

[13] By way of rebuttal, the Complainant critiqued the 5 sales comparables provided by the Respondent. He stated that one sale was of a mixed use property, two were sales with motivated purchasers, and two were significantly smaller properties than the subject (Exhibit C-2, page 2).

[14] The Complainant requested that the Board reduce the 2011 assessment of the subject property from \$25,168,500 (\$111.76 per square foot) to \$17,115,000 (\$76.00 per square foot).

POSITION OF THE RESPONDENT

[15] The Respondent provided the Board with a 36-page evidence package (R-1) and a 42-page Law and Legislation brief (R-2). Based on the adjustment applied by the model for rear building location, the Respondent recommended that the 2011 assessment of the subject property be reduced from \$25,168,500 to \$23,830,000.

[16] The Respondent provided an overview of the "sales comparison model".

- i. He stated that sales occurring between January 2007 and June 2010 were used in model development and testing. Through the review of sales in the market place,

values were determined through the mass appraisal process and applied to the inventory to derive the most probable selling price.

- ii. Sales were validated by conducting site inspections and interviews, and reviewing title transfers, validation questionnaires, and four data collection sources.
- iii. Factors found to affect value in the warehouse inventory were: location, lot size, age and condition of the building, total main floor space developed second floor space and mezzanine area.

[17] The Respondent submitted five sales comparables that sold between March 20, 2007 and April 19, 2010, for time-adjusted sales prices based on total floor space ranging from \$113.34 to \$147.66 per square foot, with the recommended reduced assessment of the subject at \$105.11 per square foot falling below the range. The age range of the comparables was from 1978 to 2007 compared to the age of the subject at 2006, the site coverage ranged from 34% to 42% compared to the subject at 39%, the site size ranged from 139,587 to 862,603 square feet compared to the subject's 584,590 square foot site, and the total building size ranged from 74,801 to 291,285 square feet compared to the subject at 225,700 square feet (Exhibit R-1, page 21).

- i. Sale number 1 was a two-building property.
- ii. Sales numbers 2, 3 and 4 were one-building properties.
- iii. Sale number 5 was of an eleven-building property that included 7% retail space.
- iv. The position of the Respondent is that multiple building properties sell for more than single building properties because of the higher cost of construction, the greater flexibility of attracting different tenants with different space requirements, and lower rental risk.

[18] The Respondent provided two equity charts, the first including seven one-building properties that had total floor space between 92,765 and 141,638 square feet, and the second chart of three multi-building properties exceeding 200,000 square feet. The subject at 226,700 square feet fell into the "exceeding 200,000 square feet" category.

- i. The first chart that included seven equity comparables was amended to six when it was disclosed that comparable number 2 was a multi-residential property, and therefore excluded. Of the remaining six equity comparables, the assessments ranged from \$95.52 to \$109.94 per square, resulting in an average assessment of \$104.41 per square foot compared to the subject's reduced assessment at \$105.11 per square foot. Five of the equity comparables were located in southeast Edmonton as is the subject, with the sixth one located in west Edmonton. The five comparables located in southeast Edmonton are in close proximity to the subject, and all are similar in age and site coverage (Exhibit R-1, page 28).
- ii. The second chart included three equity comparables with assessments ranging from \$122.69 to \$131.16 per square foot compared to the subject's reduced assessment at \$105.11 per square foot. These three equity comparables were located in southeast

Edmonton as is the subject, are in close proximity to the subject, and are similar in age and site coverage (Exhibit R-1, page 29).

[19] The Respondent requested the Board to accept the recommendation to reduce the 2011 assessment of the subject property from \$25,168,500 to \$23,830,000 based on the recommended adjustment for the rear building location.

DECISION

[20] The Board accepts the Respondent's recommendation to reduce the 2011 assessment from \$25,168,500 to \$23,830,000.

REASONS FOR THE DECISION

[21] The Board placed less weight on the Complainant's five sales comparables for the following reasons:

- i. Two of the comparables had much higher site coverage at 54% and 56% compared to the subject's at 39%.
- ii. Only one of the comparables was multi-building property as is the subject.

[22] The Board placed less weight on the Respondent's five sales comparables for the following reasons:

- i. Three of the five comparables were single-building properties.
- ii. Sale comparable number one, a multi-building property aged 1978, is considerably older than the subject at 2006.
- iii. Sale comparable number five, an eleven-building property, has a building size of 291,285 square feet compared to the subject's 225,700 square feet, and a site size of 862,603 that is significantly larger than the subject's site size of 584,590 square feet.

[23] The Board placed some weight on the Respondent's first equity chart of seven (reduced to six) comparables, with all but one located in southeast Edmonton.

- i. All the comparables at 92,765 to 141,638 square feet are smaller than the 226,700 square feet of subject; however, they are considered large warehouses.
- ii. The site coverage between 34% and 40% is similar to the subject at 39%, and the ages of the comparables from 2003 to 2008 are similar to the subject's 2006. However, all of the comparables were one-building properties while the subject is a two-building property. Regardless, the range of assessments for these comparables between \$95.52 and \$109.94 per square foot encompassed and supported the \$105.11 reduced assessment of the subject.

[24] The Board placed greatest weight on the Respondent's second equity chart of three comparables, located in southeast Edmonton. The comparables are multi-building properties similar in site coverage at 31% to 34% compared to the subject at 39%, and with assessments

ranging from \$122.69 to \$131.16 per square foot supported the \$105.11 per square foot reduced assessment of the subject.

[25] The Board is persuaded that the recommended reduced 2011 assessment of the subject property at \$23,830,000 is fair and equitable.

DISSENTING OPINION AND REASONS

[26] There was no dissenting opinion.

Dated this 15th day of May, 2012, at the City of Edmonton, in the Province of Alberta.

Patricia Mowbrey, Presiding Officer

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.

cc: GPM MANAGED INVESTMENTS INC