

# PROPERTY TAX CASE STUDY AVERAGE APARTMENTS

## Our Client's Challenge

Apartment buildings are grist to the assessor's mill. Assessment authorities such as Service New Brunswick are charged with the monumental task of appraising every piece of property in the province, every year. It is obviously not possible to do so in the type of detail required to arrive at an accurate value. Assessment authorities therefore employ "mass appraisal" a broad brush technique which relies heavily on averaging. Walk up apartment buildings are easy fodder for this type of approach. Seemingly similar, they present few challenges to mass appraisal ... and those that do so are frequently discounted by assessors as outliers. Unfortunately averages are of themselves, poor descriptors. A man with one leg firmly planted in a bucket of boiling water, the other encased in ice, is on average quite comfortable. Measures of dispersion such as standard deviation rarely feature in an assessor's lexicon. Our client's property fitted the mould but poorly: he turned to Turner Drake for advice. Our Rick Escott accepted the challenge.

## Turner Drake's Approach

We eschew averages: down here in the trenches life is a much more messy affair. Every property is unique, far removed from the orderly and cosseted world that circumscribes the civil servant's cosy view of life. It is difficult if not impossible for assessors to comprehend the realities of property management, it is so far removed from their own work experience. As always we started with a thorough inspection of the property noting the quality of construction, state of repair, the neighbourhood in which it was located, and its market position vis à vis its competitors. We interviewed the property manager, reviewed the rent roll, income and expenses. We analysed the operating history of the property, and compared each item (gross income, vacancy, and every expense category) with industry standards and competing facilities. Nary an average in sight!

## Winning Results

**We successfully negotiated a 24% reduction in the assessed value with Service New Brunswick, the provincial assessment authority, yielding \$8,655 in annual tax savings. For us, an average result.**

