

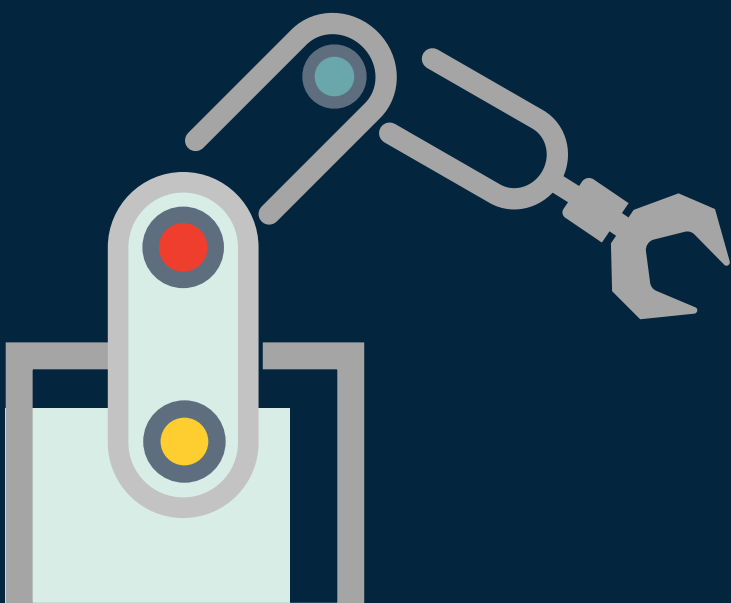
# 5 PROPERTY TAX MYTHS & FACTS

Appealing your owner-occupied industrial property taxes



Industrial properties are hot and poised for continued growth in the commercial real estate industry. **The demand is fueled by two factors:** 1.) the e-economy is leaving investors hungry for a piece of “last-mile” logistics facilities and new industry is booming. 2.) Owner-occupied businesses are breathing new life into buildings and communities left behind by industries of the past or sprouting up as brand-new opportunities.

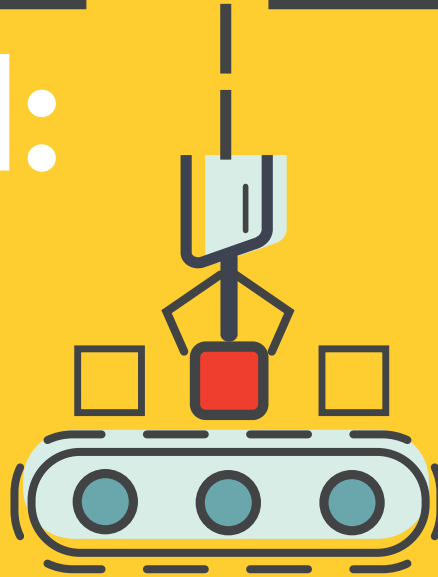
But as municipalities look to capitalize on this area of growth, **what are you doing to minimize operating costs** and ensure you are not paying more than your fair share of property taxes?



**We have taken the pulse across the country and our experts have compiled the following myths and facts regarding property taxes and your owner-occupied industrial real estate...**

# MYTH:

If my assessment drops, my property value drops.



# FACT:

**Informed and prudent purchasers (coupled with the use of the income approach) would disagree.**

Value-in-use vs. Market value are different things. Value-in-use is the present value of future cash flows (the appraised value), whereas the Market value is determined by buyers. The property is only worth what a buyer is willing to pay.

In addition, value for financing, or insurance, can be very different from an appropriate assessed value for property tax purposes.

It is important to understand the assessment valuation parameters behind your individual assessment, which can often vary between markets. Also, what is or is not assessable can range between various legislation.

Cost approach valuation also takes into consideration depreciation applicable for assessment purposes but not necessarily reflective of property value.

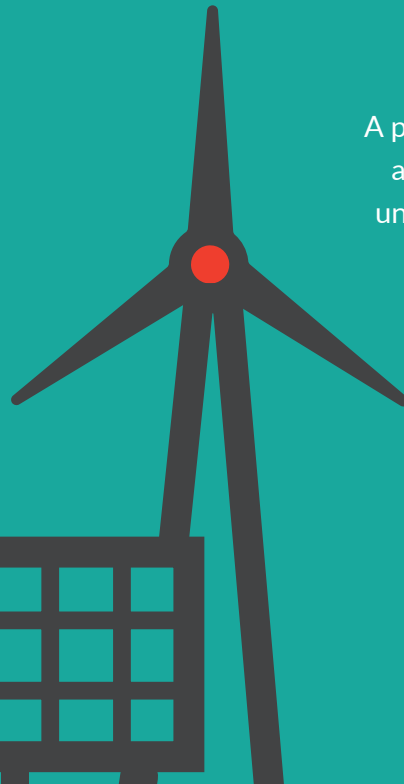
# MYTH:

Owner-occupied properties are often specialized and expensive to build or reproduce. The assessed value is often lower than the cost to reproduce, so I would have a slim chance of winning a property tax appeal.

# FACT:

Cost does *not* equate market value. In most instances, special purpose real estate does not get a dollar-for-dollar return on the open market. By simply approaching the value differently, you can achieve a substantial discount.

A property tax professional can access accurate and detailed data better suited to assess your unique property, giving you the best chance to win your appeal.



# MYTH:

**My assessment seems fair; property taxes are the cost of doing business in any municipality.**

# FACT:

**It is possible to save money (and use it for other business operations) without jeopardizing municipal relationships. On the contrary, inaction can hinder your portfolio's performance, since property tax is the highest operating cost in commercial real estate.**

Property taxes are not a fixed expense and assessing authorities will work with you to reduce the burden in order to foster a business-friendly environment.

You could also benefit from engaging a tax consultant who has a positive existing relationship with municipal government and knows the ins and outs of legislation.



# MYTH:

**Property Tax can be handled the same as sales and business taxes**

# FACT:

**For owner-occupied industrial buildings, real estate management is often not one of their internal expertise, nor is it their primary focus. There are many other taxes that may occupy the minds of the Accounting Department.**

Property Taxes are much more subjective and can fluctuate based on:

Valuation method

Equity and uniformity with other properties

Location

Special use

Property tax can be better described as a manageable operating cost as opposed to a tax



# MYTH:

**Filing an appeal might make my assessment and property taxes increase.**



# FACT:

**Do not assume the worst. Assessors already know about your renovations and expansions due to large scale triggers (using new technology and building permit monitoring). Money spent does not necessarily translate to higher value. The earlier you foster a relationship with the assessment authority, the better.**

A proactive approach to property tax management can yield significant results and minimize the risks and potential uncertainty of an appeal hearing.