It’s Not A Dark Store

Brett A. Harrington, CMI
President
International Appraisal Company
Upper Saddle River, NJ
Bretth@iacinc.com

John M. Schindler, CMI
Senior Manager Real Estate Tax
Target Corporation
Minneapolis, MN
Jack.Schindler@target.com

Lou Newman, MRICS
Senior Manager
Walmart Stores
Bentonville, AR
Louis.Newman@walmart.com

Mark S. Hutcheson, CMI
Partner
Popp Hutcheson, PLLC
Austin TX
Mark@property-tax.com
The BIG, Big Box Study

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THE BIG, BIG BOX STUDY

OVER 200 SALES ANALYZED

- FEE SIMPLE V. LEASED FEE
- SUBSEQUENT USE
- DEED RESTRICTIONS
THE DATASET

![Graph showing data points for different periods, with lines indicating linear trends for Leased Fee and Fee Simple.](image)
LEASED FEE V. FEE SIMPLE

Leased Fee

Fee Simple
FEE SIMPLE SALES

MEDIAN PRICE: $26.08

AVERAGE SALE PRICE: $27.73
## SALES BY CATEGORY

<table>
<thead>
<tr>
<th>Category</th>
<th># of Sales</th>
<th>Average Sale Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big Box to Big Box</td>
<td>49</td>
<td>$27.13</td>
</tr>
<tr>
<td>Conversion to Multi-Tenant</td>
<td>19</td>
<td>$27.82</td>
</tr>
<tr>
<td>Conversion to Alternative Use</td>
<td>27</td>
<td>$28.60</td>
</tr>
<tr>
<td>Vacant</td>
<td>11</td>
<td>$28.22</td>
</tr>
</tbody>
</table>

**VARIANCE AMONGST SUB-CATEGORIES: $1.47 (5%)**

**LARGEST VARIANCE FROM COMPLETE CATEGORY: $.087 (3%)**
DEED RESTRICTED SALES

MEDIAN SALE PRICE: $25.17

AVERAGE SALE PRICE: $26.22
UNRESTRICTED SALES

MEDIAN SALE PRICE: $28.38
AVERAGE SALE PRICE: $28.84
RANDOM SAMPLE SIMULATION

5000 SAMPLES OF 20 RANDOM SALES

AVERAGE SALE PRICE: $27.76
LEASED FEE SALES

MEDIAN SALE PRICE: $104.58
AVERAGE SALE PRICE: $127.03
## SUMMARY TABLE

<table>
<thead>
<tr>
<th>SALE TYPE</th>
<th>AVERAGE SALE PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FEE SIMPLE</td>
<td>$27.73</td>
</tr>
<tr>
<td>RESTRICTED</td>
<td>$26.22</td>
</tr>
<tr>
<td>UNRESTRICTED</td>
<td>$28.84</td>
</tr>
<tr>
<td>LEASED FEE</td>
<td>$127.03</td>
</tr>
</tbody>
</table>
Income Approach Pro’s and Con’s

John M. Schindler, CMI
Senior Manager Real Estate Tax
Target Corporation
Minneapolis, MN
Jack.Schindler@target.com
Income Approach

Pro’s

and

Con’s
Income Approach
Pro’s

• *It is not the Cost Approach*

• *Reflects actions of Market Participants*

• *Economic Cycles*
Income Approach
Con’s

- Lack of Data
  - Target, Walmart, Home Depot, Lowe’s, Costco are Owner/Operators
  - ~ 15% of locations are leased (many are ground leases)

- Quality of Data
  - Build to suit leases (versus market lease)
  - Investment Value versus Real Estate Value (cap rates)
Assessment Community’s Positions

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Senior Manager
Walmart Stores
Bentonville, AR
Louis.Newman@walmart.com
IAAO Update

Special Committee on Intangibles

- Completed Research
- Draft Report to the Executive Board
- Presentation at Annual Education Conference
- Exposure for Member Comment
- Member Comments Reviewed by Executive Board
- Adopted by Board as Official Position of IAAO
IAAO Update

Special Committee on Big Box Valuation

• Research in Progress
• Status Updates to Executive Board

Pending
• Draft Report to Executive Board
• Exposure for Member Comment
• Member Comments Reviewed by Executive Board
• Board to Vote to Adopt as Official Position of IAAO
Assessment Community’s Positions

• Branding by Public Sector
• Value to a Particular User = Value in Exchange
• Market, Insurance, Federal Reporting Values
• Trends in Building Size
• Internet Sales
• Obsolescence
• Closed Stores Not Comparable to Open Stores
Assessment Community’s Positions

- Deed Restrictions
- Assumption of Demand
- Highest and Best Use
- Market Segmentation
- Buyer Motivations
- Net Lease Sales
- Sale-Leasebacks
What’s Next

• More Litigation

• Formal Position on Big Box Valuation by IAAO

• Implementation of Market Segmentation

• Prescriptive Legislation

• Branding by Private Sector
Selected Cases

Mark S. Hutcheson, CMI
Partner
Popp Hutcheson, PLLC
Austin, TX
Mark@property-tax.com
Indiana


• Howard County Assessor v. Kohl’s Indiana L.P., Cause No. 49T10-1502-TA-00004, Ind. Tax Court (Sept. 7, 2016)
Iowa


Kansas

• *In Re Prieb Properties, LLC*, 275 P.3d 56 (Kansas Ct. of Appeals, March 16, 2012)
Michigan

- **Target Corp. v. City of Novi**, Docket No. 345523 Michigan Tax Tribunal (September 23, 2010)

- **Target Corp. v. City of Auburn Hills**, Docket No. 361955 Michigan Tax Tribunal (April 24, 2012)

- **Ikea Property Inc. v. Township of Canton**, Docket No. 366639 (Michigan Tax Tribunal (July 18, 2012)

- **Kohl’s Department Stores, Inc. v. Township of Kochville**, Docket No. 369840, Michigan Tax Tribunal (Feb. 22, 2013)

- **Kohl’s Department Stores, Inc. v. Township of Frenchtown**, Docket No. 369836, Michigan Tax Tribunal (Feb. 22, 2013)
Michigan


New York


Wisconsin

- *Walgreens v. City of Madison*, 311 Wis.2d 158 (Wis. 2008)

- *Bonstores Realty One, LLC v. City of Wauwatosa*, 351 Wis.2d 439 (Wis. Ct. App. 2013)

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