



Industrial Properties

Policy

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Purpose

This Assessment Policy ensures that BC Assessment (BCA) consistently values, classifies, and codes all industrial properties.

Industrial properties include all industrial occupancies that are not limited or no market (formerly special purpose), major industrial (MIP) or electrical power generation (EPG) properties.

Industrial Property Importance

Industrial properties consist of mainly warehouses utilized for a variety of storage, manufacturing, transportation, automotive, and other industrial type uses. It is important that BC Assessment adhere to this policy to:

- adhere to the *Assessment Act*, related regulations, and corresponding legal direction;
- produce an accurate and uniform assessment roll and other property information products;
- ensure that industrial properties are consistently assessed and classified; and
- provide local governments and other taxing authorities with a reliable tax base.



Policy Statements

1. Industrial rents, vacancy rates, expense rates, and capitalization rates must be reviewed annually.
2. Industrial property land and improvement values must be apportioned using a building residual approach except:
 - in the case of an air-space parcel;
 - for designated heritage properties; or
 - if the cost approach is used.
3. Industrial properties must use the reported gross leasable area (GLA) as the units of measure except:
 - major convenience stores and fast-food restaurants (which use retail models) must use the reported net leasable area (NLA); and
 - self-storage facilities must use the reported net leasable area (NLA).
4. Non-assessable items must be considered in the valuation of industrial properties as per the *Assessment Act* and *B.C. Reg. 433/98*.
5. Industrial properties with one or more significant non-industrial rental components must use a separate model for those uses.
6. Office space that falls within typical industry norms for the area in which the industrial property is located must be included in the gross leasable area for the industrial model.
7. Industrial general models must have all model expenses combined into one general expense line.
8. Classification for industrial properties must be Class 06 – Business and Other or Class 05 – Light Industry except where:
 - there are non-industrial uses, in which case those areas must be classified according to their use.
9. Industrial properties must be valued using the appropriate approach, as detailed in [Industrial Property Valuation Method Requirements](#).
10. Industrial property occupancies must be assigned as per [Industrial Property Occupancy Requirements](#).
11. Industrial property adjustments must be coded as per [Industrial Property Adjustment Requirements](#).



Industrial Property Requirements

Industrial Property General Requirements

1. Industrial rents, vacancy rates, expense rates, and capitalization rates must be reviewed annually.
2. Industrial property land and improvement values must be apportioned using a building residual approach except:
 - in the case of an air-space parcel;
 - for designated heritage properties; or
 - if the cost approach is used.
3. Industrial properties must use the reported gross leasable area (GLA) as the units of measure except:
 - major convenience stores and fast-food restaurants (which use retail models) must use the reported net leasable area (NLA); and
 - self-storage facilities must use the reported net leasable area (NLA).
4. Non-assessable items (e.g., machinery, temporary structures, etc.) must be considered in the valuation of industrial properties as per the *Assessment Act* and *B.C. Reg. 433/98*. See [Appendix 2: Determination of Assessable Improvements Flowchart](#).
5. Industrial general properties with one or more significant non-industrial general rental components must use a separate model for those uses.
6. Office space that falls within typical industry norms for the If office space within a warehouse falls within typical industry norms (for size of office warranted to support industrial use), it must be included in the gross leasable area for the industrial model (i.e., a separate office model should not be used).
7. Industrial general models must have all model expenses combined into one general expense line.
8. Classification for industrial properties must be Class 06 – Business and Other or Class 05 – Light Industry except:
 - where there are non-industrial uses, in which case those areas must be classified according to their use.

Industrial Property Valuation Method Requirements

1. General industrial warehouses must be valued using a capitalized net operating income (NOI) approach except:
 - in areas where information to support an income valuation is not available, in which case a direct comparison approach or cost approach must be used; or



- for properties where the current use is not the highest and best use (HBU), in which case it should be valued according to its alternative use or the cost approach must be used.
- 2. Service station (fuel) improvements must be valued using a cost approach including small kiosks and mini-convenience stores.
- 3. Major convenience store and fast-food components of service stations must be valued using a capitalized NOI approach except:
 - in areas where income information to support an income valuation is not available, in which case a direct comparison approach or cost approach must be used.
 - for properties where the current use is not the highest and best use (HBU), in which case it should be valued according to its alternative use or the cost approach must be used.
- 4. Non-fuel automotive properties including auto service centres, mini-lubes, paint and repair garages, and auto body shops must be valued using a capitalized net operating income (NOI) approach except:
 - in areas where information to support an income valuation is not available, in which case a direct comparison approach or cost approach must be used; or
 - for properties where the current use is not the highest and best use (HBU), in which case it should be valued according to its alternative use or the cost approach must be used.

Industrial Property Occupancy Requirements

1. Industrial improvement occupancies must be applied as per [Appendix 3: Industrial Property Occupancy Standard](#).
2. Multi-tenant buildings must not have an individual income record for each occupant except for those units that have a distinct use or rent grade.

Note: The intention of this is to minimize the number of income records for multi-tenant buildings where all units have the same use and rent grade.



Industrial Property Adjustment Requirements

1. Adjustments to industrial properties or models must be accompanied by explanatory notes and supporting market evidence as per the following table:

Adjustment Type	Requirement
Manual Adjustments	Any available evidence
Chattels, Furniture, Fixtures & Equipment (FF&E), Cost to Cure, Tenant Improvement Costs	Any available evidence
Income model adjustment	Market study
Size adjustment curve	Market study



Resources

Definitions

- Refer to the [BC Assessment Glossary page](#) for term definitions.

Related Policies

- [Highest and Best Use Policy](#)
- [Industrial, Commercial, and Investment \(ICI\) Land Policy](#)
- [Industrial, Commercial, and Investment \(ICI\) Sales Policy](#)
- [Light Industry \(Class 05\) vs Business and Other \(Class 06\) Policy](#)
- [Office Properties Policy](#)
- [Retail Properties Policy](#)
- [Strata ICI Properties Policy](#)

References

- [Assessment Act](#)
- [Assessment Act Regulation](#), B.C. Reg. 433/98
- [Prescribed Classes of Property Regulation](#), B.C. Reg. 438/81
- Bokoske, Kevin, *The Valuation of Warehouses: IAAO Subscription Series*, International Association of Assessing Officers, Volume 1 Number 1, Jan-Feb 2003.



Appendices

Appendix 1: Frequently Asked Questions

1. Why is the Building Owners and Managers Association (BOMA) standard not applicable to warehouse and industrial premises?

The BOMA standard is only applicable to office space adjacent to warehouse and industrial structures. Generally, the Society of Industrial and Office Realtors (SIOR) standard is applied to warehouse space. BOMA and SIOR are currently working together to create a new, more comprehensive standard.

2. Can enclosed loading areas be included as part of the rentable area of a building?

Yes, enclosed loading areas that have a roof are included within the rentable area of a building.

3. How are mezzanines treated within an industrial building?

The actual area of mezzanine floors and balconies are included in the calculation of floor areas if the mezzanine or balcony floors are a permanent structure, have a minimum clear standing headroom of eight feet (2.44 metres) and form an integral part of the building.

4. How should excess land be treated?

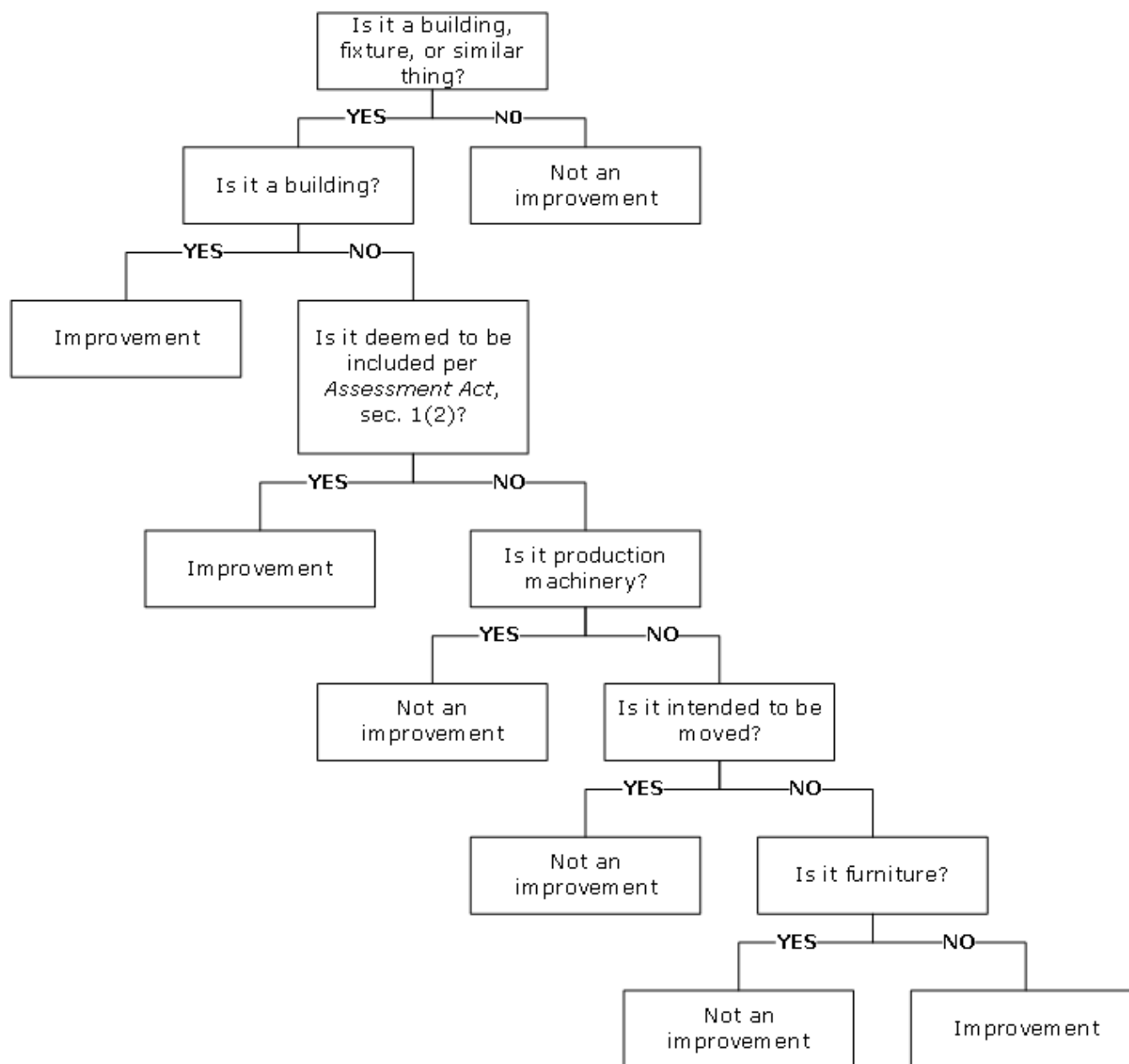
First, verify that the land is “excess” rather than “surplus”. Refer to [Industrial, Commercial, and Investment \(ICI\) Land Policy](#) for definitions and direction. If excess land can be identified, record the basis for determination of excess land and value the excess land according to [Industrial, Commercial, and Investment \(ICI\) Land Policy](#).

5. How should income related to yard storage be treated?

A yard storage occupancy exists for a number of ICI model types. When valuing yard storage, consider whether the yard storage income is already included in the economic rate for the property or whether there is an area of surplus land that is or may be rented for storage.



Appendix 2: Determination of Assessable Improvements Flowchart



Appendix 3: Industrial Property Occupancy Standard

Determination of industrial building occupancies according to class of building or space within a mixed-use property with similar amenities is subjective since buildings in each class will exhibit a number of the characteristics but not necessarily all. It will be important to ensure that the approach taken to determine the occupancy for industrial properties within regions is consistently applied for the competitive market set.

Occupancy Code	Size	Age	Defining Features	Other Features
Service Garage	Any; typically 2,000 to 50,000 sqft	Any age; typically new to 50 years old	Single storey; overhead doors; one or more bays with hoists/pits for auto repair/ maintenance and/or one or more auto paint booths	Any or none of: <ul style="list-style-type: none"> - On-site parking - gas pumps - minimal or no office space - car wash (any type) - retail kiosk or full convenience store
Mini Storage Warehouse	Any; typically 10,000 to 50,000 sqft	Any; typically new to 30 years old	Multiple small storage units (usually 20 to 500 sqft each); typically rented to residential or small commercial customers	Any or none of: <ul style="list-style-type: none"> - gated entrance - rv and other large vehicle storage - single or multiple storey buildings - air conditioning - multiple overhead doors - manager's apartment or office at front of property
Warehouse	Any; storage or bulk typically	Any	Intended principally for storage and distribution; distribution designed for temporary storage only with many more truck bays than a storage warehouse and usually less than 150 feet deep; typically associated with	Any or none of: <ul style="list-style-type: none"> - located near a rail spur - office portion



Occupancy Code	Size	Age	Defining Features	Other Features
	50,000 to 200,000 sqft		low site coverage – required for truck circulation and exterior storage parking; multiple loading bays and overhead doors; high ceilings (usually over 20 feet); clear interior spans; office space limited to five to 15 percent of GLA with office component reflected in the overall rent for warehouse	partitioning - showroom portion - yard area - typically single or two-storey
Flex Warehouse	Any; typically 2,000 to 50,000 sqft	New to 30 years old	Designed to allow flexible conversion of warehouse or manufacturing space to a higher percentage of office space; typically “low-rise” in relation to bulk storage warehouse; about 30 percent dedicated to office-retail space and may resemble office or retail property from front of building, commonly multi-tenant properties; increased plumbing, lighting, and partitioning to accommodate a larger personnel load; office/sales build-out varies depending on tenancy; commonly used for market-distribution, light manufacturing, and service trades	Any or none of: - dock loading door(s) - showroom space - single or two-storey - high ceilings (usually over 20 feet) - concrete tilt-up or steel frame construction
Land-storage	Any	n/a	Cannot be subdivided nor does it support the HBU of the property; usually odd shaped portion of the lot; land required for a buffer; land encumbered by no-build restrictions, easements or overhead power lines; only suitable for uses such as parking or storage. Also, refer to ICI Land .	n/a

