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Valcre: Boston office primed for tax appraisals

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Boston has a vast amount of office space as a state, regional, national and international hub for government, education, banking and finance, insurance, legal, healthcare, biotechnology, technology and R&D sectors. Faced with a slew of converging adverse conditions, office is perhaps the most troubled commercial real estate sector with current appraised values anticipated to show steep value declines, particularly for non-stabilized assets. These are ripe conditions for an increased demand for property tax appeal appraisal.

The Appeal Process:

- Massachusetts tax bills are sent out quarterly or semi-annually, (roughly 80% of communities are quarterly) with a fiscal year running from July 1 to June 30.
- For towns and cities with quarterly billing, the property tax appeal filing date with the local board of assessors is February 1. For towns with semi-annual billing the date is November 1.
- After this initial appeal is filed, the local board of assessors has three months to approve or deny the application.
- If denied, the decision can be appealed within three months of the denial notice to the Appellate

Tax Board (ATB), which presides over property tax cases.

- Formal ATB appeals follow traditional rules of evidence and allow for future appeals to the Appeals Court or Supreme Judicial Court.

Macro Conditions Impacting Value: On a national level, prevailing market conditions include sharply higher interest rates, decreased access to capital and bifurcated performance for industries across the economy. These conditions have wiped out transactional and refinance deal flow, and are creating value declines across commercial and multifamily assets in general. According to tax appeal industry experts, appeal volume has increased 300% over the most recent quarter, and is anticipated to remain high for the next 18 to 24 months. This is leading to a spike in appraisal services needed in this segment.

Boston Offices Value Issues: Boston offices are dealing with under-performance both in vacancy and utilization rates caused by a variety of factors. Meanwhile, Boston's office inventory continues to expand through ongoing construction projects, having the largest development pipeline of its metropolitan peers in terms of total square footage and as a percentage of overall stock. Boston was one of the stronger performers during the pandemic years keeping overall vacancy rates generally under or near 10% but in the last year vacancy steadily increased and is now at roughly 18%. These factors along with increasing capitalization rates are contributing to potentially sharp value declines for this asset type.

Interested In Tax Appeal Appraisal Work? For appraisers anticipating lower work volumes from finance and banking clients, property tax appeals can be a substantial line of business during these transitional times in the market.

"The number of appraisers experienced preparing fair cash value appraisals in compliance for use by the Massachusetts Appellate Tax Board (ATB) is rapidly diminishing due in large part to retirements within our aging profession," said Thomas Jensen, MAI, AI-GRS, CRE.

The May 3rd ATB Program will be an excellent opportunity for area appraisers looking to engage with the community and learn more about doing tax appeal appraisal work. Here are some recommendations on how pursue property tax appraisal work:

- **Lean into your specialization** - If you have an existing specialization, this is an excellent way to position yourself as a subject matter expert. Property types that are ripe for potential appeals include office, data centers, retail impacted by ecommerce, hospitality in some cases and new construction for a variety of assets.
- **Network with attorneys and property tax consultants** - In each jurisdiction there are attorneys and tax consultants that specialize in the property tax appeal space. Complete the research to identify the key players and network with them to share your expertise.
- **Offer effective product solutions** - Develop a phased scope of work approach that matches up with

the local property tax appeal process

-Phase 1 research and validate the supportable value in a restricted appraisal;

-Phase 2 complete a full appraisal report that is court ready; and

-Establish time and charges billing rate for court proceedings.

Valcre Supports Tax Appeal Appraisal Services: Importantly, don't underestimate the power of technology to streamline your transition into new practice areas and establish market credibility. Valcre is the commercial appraisal industry's trusted technology platform and includes extensive support for tax appeal work with specialized engagement and report templates, as well as the most expansive property type coverage available. With Valcre, you can grow your business faster and optimize appraisal production with end-to-end support.

Valcre is the premier valuation software for the commercial real estate industry, trusted by more than 300 leading organizations as the gold standard for appraisers.

Valcre is proud to be a sponsor of the MA-RI-ME Chapter of the Appraisal Institute's Appellate Tax Board Program at the Dedham Hilton on May 3rd.

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