NO. CV 01 0382971S	:	SUPERIOR COURT
400 LONG BEACH LIMITED PARTNERSHIP	:	JUDICIAL DISTRICT OF FAIRFIELD
v.	:	AT BRIDGEPORT
TOWN OF STRATFORD	:	NOVEMBER 25, 2003

MEMORANDUM OF DECISION

This action is a real estate tax appeal of property known as 400 Long Beach Boulevard in Stratford. This 4.915 acre property, located in an industrial zone, contains an 87,150 square foot building used primarily for warehousing with limited office space. The subject property is situated on the southerly side of Lordship Boulevard approximately one mile south of exit 30 off Interstate 95. The Long Island Sound lies to the south of the subject neighborhood which is known as Stratford Executive Park. Igor Sikorsky Memorial Airport is situated less than one mile to the southeast. The subject property is located within Stratford Executive Park serving office, light industrial, warehouse and heavy industrial uses. The subject building, which was built on one floor with steel structure and panel exterior, was constructed in 1978. The building was constructed for primarily one occupant. The warehouse section is 83,400 square feet and has a ceiling height of 24 feet. The building also contains office space of 3,750 square feet.

The assessor for the town of Stratford valued the subject property on the list of October 1, 2000 at $3,953,400. The plaintiff's appraiser, Roy L. O'Neil, Jr. (O'Neil), valued the subject property as of October 1, 2000 at $3,113,000. The town's appraiser, Christopher K. Kerin (Kerin), valued the subject property on the same date at $4,030,000.

O'Neil used three approaches to determine the value of the subject property as of October 1, 2000, the cost approach, the sales approach and the income approach. In performing his cost approach analysis, O'Neil relied upon Marshall & Swift service for construction costs adjusted for local cost factors. O'Neil arrived at the fair market value of the subject as of October 1, 2000, using the cost approach containing a 35 percent depreciation factor, at $3,130,000 plus land at $490,000 or $3,620,000. Because of the age of the building, and a substantial depreciation factor, we see little value in relying on the cost approach in this instance.

In the sales approach, O'Neil identified eleven industrial building sales in the town of Stratford from 1997 through 2001, and selected four sales he considered as comparable. After adjusting the various comparables, O'Neil arrived at a unit price of $33.95 per square foot or a fair market value of $2,960,000. Kerin also conducted a sales comparison analysis using three comparables. Under this approach, Kerin arrived at a unit price, after adjustments, of $47.00 per square foot of gross building area or a fair market value of $4,100,000.

We are inclined to use the income approach to value rather than the sales approach. The sales selected by both appraisers reveal the problems existing in the marketplace for industrial buildings that were constructed for the first occupant and then put on the market when the first occupant vacated the premises. A number of the comparables have a significantly lower ceiling height, thus limiting functionality for warehouse use and storage. Also, several of the selections call into question whether the sales were truly arms length transactions because of the types of financing arrangements made by the purchaser.

Given the lack of credible sales, we turn to the income approach to value used by both appraisers. Considering the income approach, we note that the bottling division of Coca Cola operated out of the subject property until the end of 1998. The subject remained vacant until February of 2000, at which time, the majority of the property, 83,323 square feet of usable warehouse space was leased to Shoplink for a seven- year term to run until January 2007. The rent paid by Shoplink was $5.35 per square foot of gross building area on a triple net basis. The remaining square feet of office space of the subject building was leased to a tenant named STC at below market rate. This was done to entice STC to vacate the warehouse space to permit it to be leased to the tenant Shoplink.

We find O'Neil's analysis of the rental market and the contract rent of the subject property to be a credible approach to the valuation of the subject as of October 1, 2000. O'Neil found that the contract rate paid to Shoplink in 2000 of $5.35 per square foot triple net was reflective of the market rate for similar property. Even though it was recognized that Shoplink had financial problems early into its tenancy and later vacated the building after going into bankruptcy, we find that Shoplink's termination of its lease had no effect on the original contract rent set at the beginning of Shoplink's lease. We agree with O'Neil that the potential gross income for the subject property was $5.35 per the 83,323 square feet of usable warehouse space and $9.00 per square foot for the 3,750 feet of usable office space to produce a gross income of $479,528. Although Kerin selected a vacancy rate of 10 percent, we agree with O'Neil that 15 percent vacancy and collection loss is more credible. This leaves us with an effective gross income of $407,599. We further accept O'Neil's computation of the net operating expenses of the subject at $100,571 to arrive at a net operating expense of $307,027. Although Kerin selected a capitalization rate of 9.70 percent, we find O'Neil's capitalization rate buildup by band of investment of 9.40 percent to be reflective of an overall capitalization rate to use in this instance. Using the net operating income of $307,027 divided by the capitalization rate of 9.40 percent, we arrive at a determination of the fair market value of the subject property as of October 1, 2000, at $3,266,245.

Since we find that the fair market value of the subject property, as of the last revaluation date, was less than the $3,952,400 valuation placed upon the property by the assessor, we conclude that the plaintiff was an aggrieved party. Accordingly, we sustain the appeal of the plaintiff and find the fair market value of the subject property to be $3,266,245 as of the date of the last revaluation.

Judgment may enter in favor of the plaintiff without costs to either party.

Arnold W. Aronson
Judge Trial Referee