

Property:

Minnesota Tax Court Says Pandemic Impacted Office Tower's Market Capitalization Rate for Valuation Purposes

Case No. 27-CV-21-4795; 27-CV-22-5283, Minn. Tax Ct. (7/18/24). In a case involving the market valuation of a mid-rise, multi-tenant office tower, the Minnesota Tax Court (Court) concluded that the taxpayer's expert witness credibly testified that fallout from the COVID-19 pandemic did impact the market capitalization rate for the property as office tenants were downsizing and landlords renegotiated "to their detriment" leases during the late spring/early summer months of 2020, "owing to tenant inability or fear of inability to cover their costs." Moreover, the Court gave weight to the expert witness's testimony that the pandemic increased the cost of construction and "thus tenant improvements cost landlords more," and landlords were signing tenants for shorter leases after 2020 – all of which "increased costs and risks" and pushed the capitalization rate upward. Please contact us with any questions.

URL:
<https://publicinfo.taxct.mn.gov/case/summary/0aeb31eef2bf0e71c572a7a1056900a0923f42f530b0bb7324f5200e20d86bfa>

— Ted Kuch (New York)
Principal
Deloitte Tax LLP
tekuch@deloitte.com

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