

ALERT: Recent Trends Suggest It Is an Ideal Time for Commercial Property Owners to Evaluate Their Real Estate

At the beginning of 2022, the Pittsburgh Post-Gazette reported that the overall vacancy rate in the Pittsburgh commercial real estate market was 20.8% at the end of 2021, which was an increase from the 19.3% vacancy rate at the end of 2020.¹ But statistics like this tell only part of the story, as they reflect past events, rather than what market participants anticipate will occur in the future. The same article noted that some property owners are offering incentives, such as free rent and higher improvement allowances to retain and attract tenants. The COVID pandemic is having, and will have, a material impact on the value of various commercial property types for quite some time.

Given the trends in increasing vacancy rates and incentives—along with concerns for what long-term effects the pandemic will have on tenants' future needs—commercial property owners should consider whether the time is right to appeal their commercial real estate assessments. For many commercial property owners, the best approach is to work with an attorney familiar with the appeals process and property valuation through the lens of Pennsylvania assessment law, to best appreciate whether an appeal is likely to be a worthwhile endeavor. In Allegheny County, property owners have until March 31, 2022 to initiate an appeal for Tax Year 2022. For property owners in the remainder of Pennsylvania, annual appeal deadlines fall between August 1 and the first Monday in October, depending on the county.

Each year, Pennsylvania publishes an equalization ratio for each county based on a comparison of the county's most recent years' sales data vs. the sold properties' assessments. In a properly filed appeal, this ratio is applied to the property's current fair market value to set the assessment. The ratio applicable to Allegheny County for Tax Year 2022 is significantly more favorable to property owners than last year's ratio. This more favorable ratio makes it a particularly good year to initiate an appeal by the March 31, 2022 deadline. Because counties are not required to regularly reassess, the financial benefits of a decreased assessment may be enjoyed for many years.

Property taxes are often the most significant operating expense for an income-producing property, making it important to evaluate this expense to protect your real estate asset's bottom line.

If you have any questions about these developments, contact Peter Schnore at 412-394-5692 or pschnore@babstcalland.com or Edward Phillips at 412-394-6553 or ephillips@babstcalland.com.

¹Mark Belko, Lingering effects: Pittsburgh office market struggles to overcome the pandemic, PITTSBURGH POST-GAZETTE (January 4, 2022, 6:07 AM).

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