

2018

ASSESSMENT METHODOLOGY

COMMERCIAL RETAIL AND RETAIL PLAZA

A summary of the methods used by the City of Edmonton in determining the value of commercial retail and retail plaza properties in Edmonton for assessment purposes.

edmonton.ca/assessment

Revised: February 20, 2018

Edmonton



Table of Contents

Table of Contents	1
Scope	2
Introduction	2
Mass Appraisal	4
Valuation Model	6
Commercial Property Types	7
Approaches to Value	9
Income Approach	9
Income Approach Definitions	10
Sample Assessment Detail Report	14
Sample Retail Plaza Proforma	16
Variables	17
Condition	17
Effective Year Built	18
Location	18
Lot Location	21
Traffic Influence	21
Space Types	22
Adjustments	23
Other Definitions	24
Provincial Quality Standards	25
References	25
Market and Study Area Map	26
Time Adjustment Factors	27

Scope

This guide is an aid in explaining how retail and retail plaza properties are valued for assessment purposes. The guide is intended as a tool; it is not intended to replace the assessor's judgment in the valuation process.



This icon signifies when legislation is quoted.

Introduction

Property assessments in the City of Edmonton are prepared in accordance with the requirements of the *Matters Relating to Assessment and Taxation Regulation, 2018*, Alta Reg 203/17, (hereinafter “MRAT”). This regulation establishes the valuation standard to be used, defines the procedures to be applied, and proposes objectives for the quality to be achieved in the preparation of assessments. The legislation requires the municipality to prepare assessments that represent *market value* by application of the *mass appraisal process*. All assessments are expected to meet quality standards prescribed by the province in the regulation.

In summary, commercial property assessments represent:

- an estimate of the value;
- of the fee simple estate in the property;
- as it existed on December 31, 2017;
- would have realized if it had been sold on July 1, 2017;
- on the open market and under typical market conditions;
- by a willing seller to a willing buyer.

The assessment is a prediction of the value that would result when those specific, defined conditions are met.

“Fee simple interest [is] absolute ownership unencumbered by any other interest or estate...leased fee interest [is] the ownership interest held by the lessor, which includes the right to the contract rent specified in the lease plus the reversionary right when the lease expires....leasehold interest [is] the interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions.”

Appraisal Institute of Canada, *The Appraisal of Real Estate Third Canadian Edition*, Vancouver, Canada, 2010, page 6.4.

Both *market value* and *property along*, with additional terms, are defined in the *Municipal Government Act*, RSA 2000, c M-26 (hereinafter the “MGA”) and MRAT :



s.284(1)(r) **"property"** means

- (i) a parcel of land
- (ii) an improvement, or
- (iii) a parcel of land and the improvements to it

MGA .s.284(1)(r)

s.1(k) **"regulated property"** means

- (i) land in respect of which the valuation standard is agricultural use value,
- (ii) designated industrial property, or
- (iii) machinery and equipment

MRAT s.1(k)

s.9(1) the **valuation standard** for the land and improvements is market value unless subsection (2)... applies

MRAT s.9(1)

s.1(1)(n) **"market value"** means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer

MGA s.1(1)(n)

s.5 An assessment of property based on **market value**

- (a) must be prepared using mass appraisal,
- (b) must be an estimate of the value of the fee simple estate in the property, and
- (c) must reflect typical market conditions for properties similar to that property

MRAT s.5

s.289(2) Each assessment must reflect

- (a) the characteristics and physical condition of the property on **December 31** of the year prior to the year in which a tax is imposed

MGA s.289(2)(a)

s.6 Any assessment prepared in accordance with the Act must be an estimate of the value of a property on **July 1** of the assessment year

MRAT s.6

s.1(g) **"mass appraisal"** means the process of preparing assessments for a group of properties using standard methods and common data and allowing for statistical testing

MRAT s.1(g)

Mass Appraisal

Mass appraisal is the legislated methodology used by the City of Edmonton for valuing individual properties, and involves the following process:

- properties are stratified into groups of comparable property
- common property characteristics are identified for the properties in each group
- a uniform valuation model is created for each property group



31(c) **“valuation model”** means the representation of the relationship between property characteristics and their value in the real estate marketplace using a mass appraisal process

MRAT s.31(c)

The following two quotations indicate how the International Association of Assessing Officers distinguishes between mass appraisal and single-property appraisal:

... “single-property appraisal is the valuation of a particular property as of a given date: mass appraisal is the valuation of many properties as of a given date, using standard procedures and statistical testing.”

... “Also, mass appraisal requires standardized procedures across many properties. Thus, valuation models developed for mass appraisal purposes must represent supply and demand patterns for groups of properties rather than a single property.”

Property Appraisal and Assessment Administration, pg.88-89.

For both mass appraisal and single-property appraisal, the process consists of the following stages:

	Mass Appraisal	Single Appraisal
Definition and Purpose	Mass appraisal is used to determine the assessment base for property taxation in accordance with legislative requirements	The client specifies the nature of the value to be estimated, including rights to be valued, effective date of valuation, and any limiting conditions
Data Collection	Mass appraisal requires a continuing program to maintain a current database of property characteristics and market information.	The extent of data collection is specific to each assignment and depends on the nature of the client's requirements
Market Analysis	Mass appraisal is predicated on highest and best use	Market analysis includes the analysis of highest and best use
Valuation Model	Valuation procedures are predicated on groups of comparable properties	Subject property is the focus of the valuation. The analysis of comparable properties is generally six or less
Validation	The testing of acceptable analysis and objective criteria	The reliability of the value estimate is more subjective. Acceptability can be judged by the depth of research and analysis of comparable sales

Valuation Model

A valuation model creates an equation of variables, factors and coefficients that explains the relationship between estimated market value and property characteristics. An assessed value is then calculated by applying the appropriate valuation model to individual properties within a property type.



s.31(a) **“coefficient”** means a number that represents the quantified relationship of each variable to the assessed value of a property when derived through a mass appraisal process

(b) **“factor”** means a property characteristic that contributes to a value of a property;

(d) **“variable”** means a quantitative or qualitative representation of a property characteristic used in a valuation model

MRAT, s.31 (a), (b) and (d)

s.33(3) Information prescribed...does not include coefficients

MRAT, s.33(3)

Valuation Model

- variables are created from property characteristics
- analysis of how variables affect market value
- factors and coefficients are determined
- the resulting valuation models are applied to property characteristics

Depending on the property type, multiple regression analysis or other mass appraisal techniques are used to determine variables, factors, and coefficients.

“Multiple Regression Analysis (MRA): a statistical technique used to analyze data to predict market value (dependent variable) from known values of property characteristics (independent variables)”

Property Appraisal and Assessment Administration, p. 653

An assessed value is calculated by applying the appropriate valuation model to individual properties within a group.

Commercial Property Types

Retail properties are commonly freestanding buildings. Multiple freestanding buildings can be found on the same property. This category also includes street-front retail units that may be abutting other retail properties, which are typically pedestrian-oriented. In conjunction with retail, various uses on other floors can be found, such as residential and/or office space. Street parking is predominant in these retail properties. Does not include properties that fall under the Retail Plaza category.

Retail Plazas are stratified into three types of properties:

Unanchored* Strip Centers are multi-unit (3 or more) retail buildings often laid out in a continuous strip. These buildings are generally constructed as a straight line (strip) or a 'U' or 'L' shape configuration. They are typically vehicle-oriented rather than pedestrian-oriented. Typically, off-street parking is available with direct access to the front of retail stores. Each retail unit generally has a separate customer entrance; however, some may be accessed through common areas, such as enclosed walkways or corridors. One or more freestanding building may be on the parcel such as a bank or restaurant.

Stacked Retail Developments are unanchored multi-unit (3 or more), multi-floor retail buildings often laid out in a box configuration, and typically have a common area to access one or more units. Stacked Retail Developments are typically street-front and found in areas of higher pedestrian and vehicle traffic. Multiple Stacked Retail Developments can be found on the same parcel. Main floor units typically have direct access to the exterior, while upper floor units are usually accessed through a common area.

Unanchored Enclosed Malls are similar to Stacked Retail Developments, but are only one story. Units are typically accessed through a common area.

Retail and Retail Plaza properties are assessed using the same valuation model.

**Anchor space is often occupied by national retailers and typically has a gross leasable area of at least 60,001 square feet. They increase the attraction of neighbouring commercial retail unit spaces.*

There are other commercial properties types in the marketplace, however only the pertinent ones have been summarized below:

Residential conversion properties were originally constructed for residential use. These properties were converted to commercial retail use. Conversion changes to these buildings include the removal of the residential kitchen and full bathrooms as they are not required for commercial retail uses.

Retail/Office Condominiums are single units that are typically part of a larger building site or complex. These units are registered as separate titles, and therefore can be bought and sold separately. These properties may be of mixed use consisting of both retail, commercial, and residential units. Service

station equipment includes pumps, underground tanks, canopy structures, car wash structures and equipment. In addition, small free standing buildings may be on site, such as a service garage.

Office buildings are designed for general commercial occupancy where the majority of the space type is office use; including administrative, government and corporate uses, and are normally divided into relatively small units. Some of these typical uses include the offices of lawyers, accountants, engineers, architects, real estate and insurance firms, health and government services and similar office support services.

Shopping centres are commercial establishments related in location, size, and type. Shopping centre properties are grouped into two formats: open and enclosed format properties. Enclosed format properties are malls, which include super-regional, regional, and community shopping centres. Open format properties are described below:

Power centres are typically large shopping developments, with one or more anchor(s) and/or shadow anchors(s). Typically, tenants have direct exterior exposure and access. They are commonly situated along major arterial roads. Power centres typically occur over large commercial areas that include more than one legal address and it is **not** a requirement that an anchor be on each parcel.

Neighbourhood shopping centres typically provide for the sale of convenience goods (foods, drugs and sundries) and personal services (laundry and dry cleaning, barbering, shoe repairing, etc.) for the day-to-day living needs of the immediate neighbourhood. A grocery store is typically the anchor tenant in a neighbourhood shopping centre. Neighbourhood shopping centres typically occur over large commercial areas that include more than one legal address and it is **not** a requirement that the anchor(s) be on each parcel.

Box retail is typically a single site or stand-alone property that is not directly abutted by other retailers. They are commonly anchor and junior anchor sized retailers.

Additional details are available in the Suburban Office and Neighbourhood, Power & Box Retail Assessment methodology guides, which are provided online at Edmonton.ca.

Approaches to Value

The most common approaches to determine market value are the direct sales, income, and cost. Each emphasizes a particular kind of market evidence.

Direct Sales Approach	Typical market value (or some other characteristic) is determined by referencing comparable sales and other market data. It is often used when sufficient sales or market data is available. It may also be referred to as the Sales Comparison Approach.
Income Approach	This approach considers the typical actions of renters, buyers and sellers when purchasing income-producing properties. This approach estimates the typical market value of a property by determining the present value of the projected income stream. Often used to value rental or leased property.
Cost Approach	Typical market value is calculated by adding the depreciated replacement cost of the improvements to the estimated value of land. It is often used for properties under construction or when there is limited market data available.

Income Approach

For this property type, the assessment is determined using the income approach. The income approach best reflects the typical actions of buyers and sellers when purchasing income-producing properties. The financial information provided by owners during the annual Request for Information (RFI) process also supports the use of the income approach.

Annually, property owners are requested to provide the following via the RFI process:

- A completed Commercial Tenant Roll Form including information about the commercial property's profile. This includes space type (office, retail, warehouse, storage), tenant location, lease term, operating expenses, tenant inducements, improvements, and/or escalations. Vacant space is to be reported.
- Year-end financial statements should include the Income Statement, a Schedule of Income and Expenses and Notes.
- A completed commercial parking roll form including parking location, the number of stalls and rate per stall.

The Income model analyzes the relationship between the attributes of income producing properties and their income. The City of Edmonton uses **triple net rent** in its income model. For 2018 valuation, income information from July 1, 2012 to June 30, 2017 was analyzed. The resulting model was then applied to the physical characteristics and attributes of every commercial property to calculate each property's market value assessment.

Sales information is received from Land Titles. Sales are verified and validated. Validation may include conducting site inspections and interviews, and reviewing title transfers (change of ownership), sales validation questionnaires, and secondary data collection sources. The resulting verified and validated

sales are used to develop capitalization rates to determine market value in the income approach. ***Sales reflect the condition of a property as of the sale date and thus may not always be equivalent to their assessed value.***

For the 2018 valuation of Retail properties, sales occurring from July 1, 2012 to June 30, 2017 were used. Time adjustments are applied to sale prices to account for any market fluctuations occurring between the sale date and the legislated valuation date.

Income Approach Definitions

To provide a clear understanding of the terms used in the income approach, the following definitions are supplied.

Typical Market Rent is the rent currently prevailing in the market for properties comparable to the subject property (otherwise known as current economic rent). Current economic or market rents are used to form the basis of the valuation as opposed to actual rents, because in many cases actual rents reflect historical revenues derived from leases negotiated before the valuation date. In determining potential gross income, the assessor is not bound by the contractual rent between the landlord and tenant, but must determine rental income on the basis of what is typically paid in the market at the time of valuation.

Base Rent / Net Rent is the stipulated or contract rent exclusive of additional charges to the property (taxes, insurance, utilities and maintenance). Base and net rent do not include GST.

Triple Net Rent is the rental structure where the tenant (lessee) pays all charges to the property (e.g.: taxes, insurance, utilities, maintenance) in addition to the stipulated or contract rent. Structural repairs are excluded from the tenant responsibility.

Effective Net Rent is the rental amount (usually in dollars per square foot of leased area) after adjustments have been made accounting for free rent periods, plus the present value of tenant improvement allowances and other inducements such as free parking.

Lease types include gross leases, modified gross leases, single net leases, double net leases, and triple net leases. These may not always mean the same thing in different markets. The expenses that are included in each type of rent vary from market to market. In general, the following distinctions can be made:

- *Gross lease* - tenant pays rent and property owner pays expenses
- *Modified gross lease (sometimes semi-gross)* - tenant and property owner share expenses
- *Single net lease* - tenant pays utilities and taxes or insurance, and property owner pays structural repairs, property maintenance, and property taxes or insurance
- *Double net lease* - tenant pays utilities, taxes, and insurance, and property owner pays structural repairs and property maintenance
- *Triple net lease* - tenant pays utilities, taxes, insurance, and maintenance, and property owner pays for structural repairs only

- *New* - a new lease agreement of a tenant occupying a space that was vacant or occupied by a previous tenant, may include tenant expansion.
- *Renewal* - when a lease expires and the existing tenant signs a new lease term.
- *Step-Up* - a scheduled change to the rental rate within the term of the existing lease.

Tenant Improvement Allowances is a dollar amount or allowance provided to the tenant by the landlord for the renovation or completion of the interior finish, which may or may not equal the full cost of construction or remodelling.

The City of Edmonton does not adjust the base rental rate for tenant improvement allowances. As the City is mandated through legislation to assess the *Fee Simple interest* of each property, it is inherent that the estimated market rent reflect fully finished office space. When a tenant and landlord negotiate a base rental rate with a tenant improvement allowance as part of the rental agreement, they have agreed upon the rent that they believe the space can achieve as fully finished, not the rent it would achieve in its current state.

Tenant Inducements are incentives provided by landlords either to attract new tenants or retain existing tenants. Described below are the most typical forms of tenant inducements:

- *Common area expense or operating expense reimbursement* is another form of tenant concession where operating expenses in excess of a predetermined base amount are reimbursed.
- *Relocation Allowance* is a credit offered by a landlord to cover relocation expenses incurred by tenants.
- A *buyout* is a termination of an existing lease whereby the landlord agrees to pay the remainder or terminate the original lease on behalf of the tenant.
- *Cash payments* are a signing bonus paid to tenants that enter into a new lease agreement.
- *Free rent or discounted rent* is an abatement of rent during some period of the lease term. Free rent is a reduction in the face rental rate, the amount appearing on the face of the lease, for a stated period of time. This adjustment is generally applied at the beginning of the lease term. For example, a lease is signed with free rent for the first three months of a five year lease.

Based on the information provided by the City of Edmonton through the RFI process, for 2018 valuation, tenant inducements were not typical in the marketplace for retail and retail plaza properties. Therefore, no adjustments were applied when determining typical market rent.

Operating Expenses (OE) are the periodic expenditures necessary to maintain the real property and continue the production of the effective gross income; these are accounted for by the vacancy shortfall and structural allowances in the pro forma.

Common Area Maintenance (CAM) are the charges that reflect the costs of operating the interior and exterior common areas of a commercial property, and therefore include expenses for cleaning, utilities, heating, insurance, garbage & snow removal, and management fees.

Potential Gross Income (PGI) is the total current market rent for all space types that would be collected if the property were fully occupied at the date of valuation. In estimating PGI, the assessor distinguishes between market rent and contract rent. Market rent is the rate prevailing in the market for comparable

properties and is used in calculating market value by the income approach. Contract rent is the actual amount agreed to by landlord and tenant.

Potential gross income is derived by multiplying all Gross Leasable Areas (GLA) in the building by the current market rent for each particular space type.

$$\text{GLA} \times \text{Market Rent for Space} = \text{PGI}$$

Vacancy Allowance is a deduction from the potential gross income for typical vacancy and collection losses, assuming current market conditions and typical management. Vacancy losses are best described as an allowance for vacant space. Collection losses are considered unpaid rents that the landlord is unlikely to recover. These allowances are usually expressed as a percentage of potential gross income. Variations in vacancy allowance (such as chronic vacancy) can occur if vacancy is greater than 10% for 3 consecutive years immediately preceding the valuation date. An allowance reflecting the stabilized chronic vacancy (See chart below) is applied on a per building. Storage space is not included in the vacancy allowance calculation.

Actual Vacancy (over three years)	Stabilized Vacancy
Less than 10%	5%
10% to 20%	10%
20% to 30%	15%
30% to 50%	20%
50% to 75%	25%
75% to 100%	30%

Effective Gross Income (EGI) is the anticipated income from all operations of real property adjusted for vacancy and collection loss.

$$\text{PGI} - \text{Vacancy Allowance} = \text{EGI}$$

Vacancy Shortfall is an expense related to the cost of carrying vacant space. Though the space is vacant there are still costs associated with the space that the owner must pay, e.g. some operating expenses, heating, security, property taxes, etc. Storage space is not included in the vacancy shortfall calculation.

$$\text{GLA} \times \text{Vacancy Allowance} \times \text{CAM} = \text{Vacancy Shortfall}$$

Net Operating Income (NOI) is the actual or anticipated (before income tax) net income from the operation of the property after deducting all expenses from the effective gross income but before debt servicing costs. The term is often abbreviated to net income and sometimes stated as net income before recapture.

$$\text{EGI} - \text{OE} = \text{NOI}$$

Structural Allowance(Shown as Structural Repair Percentage on the Assessment Detail Report) is an allowance provided to cover items which require periodic replacement because they wear out more rapidly than the building itself. Typically under the terms of conventional triple net leases, all operating expenses and property taxes are fully recouped by the landlord from the tenant. The only exception relates to items of a structural and/or capital nature, which are normally excluded from such recoveries. ***Rather than lump sum deductions, a structural allowance is applied annually over the economic life of the property regardless of whether any expenses were incurred in any given year.***

Overall Capitalization Rate (Cap Rate) reflects the relationship between the anticipated net operating income from a single year (or an average of several years) and the total price or value of the property. The Cap Rate converts net operating income into an indication of property value. The Cap Rate, in its basic formula, is found by dividing net operating income by the sale price.

$$\text{NOI} \div \text{CAP RATE} = \text{MARKET VALUE ESTIMATE}$$

Sample Assessment Detail Report



Assessment Detail Report
ANNUAL REALTY ASSESSMENT DETAILS 2018

Tax Roll Account	Taxation year 2018	Date of mailing	Date of request
Property Address:	Property Assessment \$1,138,000		

Property Details

Unit Of Measure IMPERIAL

Legal Plan: 1234A Block: 12 Lot: 12
 Neighborhood 1234 - TEST
 Effective Zoning CB2 - General Business District
 Actual Zoning CB2 - General Business District
 Lot Size 13,024 Ft² .299 Ac Site Coverage Percent 51 %

Tax Class / Land Use / Taxable Status

COMMERCIAL

100 % 200 - ONE STOREY RETAIL/WHOLESALE
 01-JAN-2018 To 31-DEC-2018 100 % FULLY TAXABLE

Building Details		%Comp	Condition	Yr Built	Eff Yr Built	Gross Area	Net Area
No.	Market Building Class						
1	RESTAURANT (AVERAGE)	100	AVERAGE	1976	1976	6,624	6,624

Factors

Income Approach Summary

ACCOUNT	VALUATION GROUP	RETAIL
ACCOUNT	MARKET AREA	100
ACCOUNT	STUDY AREA	COMAREA183
ACCOUNT	TRAFFIC	MAJOR
ACCOUNT	CORNER	1
ACCOUNT	SITE COVERAGE	40
BUILDING - 1 RESTAV	EFFECTIVE AGE	40
BUILDING - 1 RESTAV	QUALITY	4
BUILDING - 1 RESTAV	TOTAL MAIN FLOOR AREA	6,293
BUILDING - 1 RESTAV	CONDITION	AVERAGE
BUILDING - 1 RESTAV	CRUMED MAIN AREA	6,293
BUILDING - 1 RESTAV	CRUMED MAIN RENT	15
BUILDING - 1 RESTAV	VACANCY MAIN (%)	5
BUILDING - 1 RESTAV	EFFECTIVE GROSS INCOME MAIN	89,670
BUILDING - 1 RESTAV	TOTAL EFFECTIVE GROSS INCOME	89,670
BUILDING - 1 RESTAV	STRUCTURAL REPAIR PERCENTAGE	2
BUILDING - 1 RESTAV	VACANCY SHORTFALL	8

Variables

If you have any questions concerning this information, please return to the website (<https://assessmentinfo.edmonton.ca>) and click on FAQ (Frequently Asked Questions) located at the top right hand corner of the webpage.

Copyright © 2017 The City of Edmonton

The information is collected for property assessment interpretation purposes only. While the City of Edmonton provides this information in good faith, it does not warrant, covenant, or guarantee the completeness and accuracy of the information. The City does not assume responsibility nor accept any liability arising from any use other than assessment interpretation. The information is maintained on a regular basis and reflects the contents of the Assessment per the stated date/time of this document. This information is proprietary and may not be reproduced without consent from The City of Edmonton.

BUILDING - 1 RESTAV	NET OPERATING INCOME	85,360
BUILDING - 1 RESTAV	OVERALL CAPITALIZATION RATE	7.5
BUILDING - 1 RESTAV	TOTAL BUILDING VALUE	1,138,139
Property Assessment		1,138,000

If you have any questions concerning this information, please return to the website (<https://assessmentinfo.edmonton.ca>) and click on FAQ (Frequently Asked Questions) located at the top right hand corner of the webpage.

Copyright © 2017 The City of Edmonton

The information is collected for property assessment interpretation purposes only. While the City of Edmonton provides this information in good faith, it does not warrant, covenant, or guarantee the completeness and accuracy of the information. The City does not assume responsibility nor accept any liability arising from any use other than assessment interpretation. The information is maintained on a regular basis and reflects the contents of the Assessment per the stated date/time of this document. This information is proprietary and may not be reproduced without consent from The City of Edmonton.

Sample Retail Plaza Proforma



Assessment Detail Report

2018 RETAIL PLAZA VALUATION SUMMARY

Roll Number:	123456789	Valuation Date:	July 1, 2017
Address:	Sample Address	Year Built:	1950
Building Number:	1	Effective Year Built:	1980
Market Area:	COMMKT200	Lot Size (ft ²):	3,000
Study Area:	COMAREA123	Corner:	None
Neighbourhood:	6610	Traffic:	Minor
Condition:	Average		
Legal Description:	Sample Legal Description	Property Assessment:	\$226,000

Space Types	Gross Leasable Area (ft ²)	Market Rent/ft ²	Total
Main Floor Area	0	\$0.00	\$0
Apartment Area	0	\$0.00	\$0
Autoservice	0	\$0.00	\$0
Bank	0	\$0.00	\$0
Convenience Store	0	\$0.00	\$0
CRUs < 1,001 ft ²	0	\$0.00	\$0
CRUs 1,001 to 3,000 ft ²	1,000	\$12.00	\$12,000
CRUs 3,001 to 5,000 ft ²	0	\$0.00	\$0
CRUs 5,001 to 10,000 ft ²	0	\$0.00	\$0
CRUs > 10,001 ft ²	0	\$0.00	\$0
Drug Store	0	\$0.00	\$0
Theatre	0	\$0.00	\$0
Office	0	\$0.00	\$0
CRU - Restaurant	0	\$0.00	\$0
CRU - Restaurant Fast Food	0	\$0.00	\$0
CRU - Restaurant Good	0	\$0.00	\$0
Bsmt Storage	0	\$0.00	\$0
Bsmt Non-Storage	1,000	\$5.00	\$5,000
Storage/Whse Main	1,000	\$1.50	\$1,500
Area Upper	100	\$7.00	\$700
Area Upper Storage/Mezz	100	\$1.00	\$100

Total Gross Leasable Area (ft²): 3,200

Potential Gross Income \$20,300

Less: Vacancy Allowance

CRU	5.0%	\$875
Upper	5.0%	\$35
Basement	20.0%	\$1,200

Effective Gross Income \$18,390

Less: Expenses

Structural Allowance	2.0%	\$368
----------------------	------	-------

Less: Vacancy Shortfall

Cru	100	\$10.00	\$1,000
Upper	5	\$10.00	\$50
Basement	0	\$10.00	\$0

Net Operating Income \$16,972

Stabilized Value

Capitalization Rate	7.50%
Value Subtotal	\$226,296

Other Value Adjustments

Additional Buildings	\$0
Additional deductions/additions	\$0
Excess Land	\$0
Surplus Land	\$0

2018 Market Value Estimate (Rounded) \$226,000

COMMENTS

--

Copyright © 2018 The City of Edmonton

The information is collected for property assessment interpretation purposes only. While The City of Edmonton provides this information in good faith, it does not warrant, covenant, or guarantee the completeness and accuracy of the information. The City does not assume responsibility nor accept any liability arising from any use other than assessment interpretation. The information is maintained on a regular basis and reflects the contents of the Assessment per the stated date/time of this document. This information is proprietary and may not be reproduced without consent from The City of Edmonton.

Variables

Below is the list of variables that affect the assessment value for 2018.

Condition	Effective Year Built
Location	Lot Location
Size	Space Type
Traffic Influence	

The rates displayed on the Proforma are determined based on one or more of the above variables. For example; the valuation rates will vary based on space type, size, effective year built and location of the property. The capitalization rate is based on one or more of the following factors; a property's physical condition and location.

Condition

The overall property condition has been rated using the following categories, generally described as:

Poor:

- borderline derelict;
- far below average maintenance;
- many items need immediate repair.

Fair:

- below average maintenance;
- outdated construction materials, design or techniques;
- deferred maintenance requiring rehabilitation, replacement, or major repairs;
- reduced utility with signs of structural decay.

Average:

- average maintenance;
- minor repairs or rehabilitation of some components required;
- within established norm for the era;

Good:

- well maintained with high desirability;
- may have slight evidence of deterioration in minor components;
- often components are new or as good as new;
- high utility, and superior condition.

Unless otherwise noted, properties in this inventory are in average condition for their age.

Effective Year Built

Effective Year Built is the chronological age of a property adjusted to reflect an addition or significant renovation that extends the improvement's remaining economic life. The exterior components that when replaced or extensively renovated affect the remaining economic life of a property include the roof, the building envelope (windows and doors, exterior siding, walls including insulation and vapor barrier, and other structural components), the foundation, and mechanical components (electrical, plumbing and HVAC). The effective age of a property can also be altered due to additions.

Location

Retail and Retail Plaza properties are stratified based on geographic areas and are described below.

- **Market Areas** typically encompass a group of neighbourhoods; currently there are 19 market areas. These market areas are defined on the basis that the properties within their boundaries are subject to a set of one or more economic forces that largely determine the value of the properties in question. Refer to the map below.
- **Neighbourhoods** are geographic areas delineated in the City's Neighbourhood Maps found at <http://maps.edmonton.ca>.
- **Study Areas** are found within the 19 market areas and are sub-groups of properties that show different market trends from the rest of the market area in which they are located. These properties are stratified into study areas that more accurately analyzes and values the market trends in these locations. Study area maps are available upon request. Study areas are defined as follows:

2018 Study Areas	
ComArea 000	Abutting Jasper Ave between 103 Street and 110 Street.
ComArea 001	South of 104 Avenue, west of 99 Street north of 100 Avenue and east of 105 Str. Also abutting Jasper Ave (between 103 Street and 97 Street), abutting MacDonald Drive, abutting 102 Street between 100 Ave and Jasper Ave), and abutting 104 Street(between Jasper Ave and 104 Ave).
ComArea 002	South of 104 Avenue, West of 104 Street, North of Jasper Avenue, and East of 110 Street. Excludes properties in ComArea000 or ComArea001.
ComArea 004	This area is located North of 97 Avenue, East of 110 Street, South of Jasper Avenue, West of 103 Street.
ComArea 010	East of 97 Street, North of Grierson Hill, West of 95 Street, South of 103a Avenue.
ComArea024	South of 111 Avenue, West of 92 Street, East of 96 Street, North of 104 Avenue.
ComArea 025	Properties located in the Boyle/McCauley neighbourhood.
ComArea 026	Northlands East: Properties located in Montrose, Newton, Beacon Heights, Beverly Heights, Abbottsfield, Virginia Park. and Rundle Heights. Excluding properties located in COMAREA100 along 118 Avenue.
ComArea028	South of 111 Avenue, East of 128 Street, North of 97 Avenue, West of 109 Street.
ComArea 030	Within the boundaries of 101 Street, 107a Avenue, 105 Street, 97 Street, as well as properties abutting 107a Avenue between 95 Street and 101 Street, and abutting 97 Street between 107a Avenue and 105 Avenue.

ComArea031	South of 110a Avenue, East of 99 Street, West of 96 Street, North of 107a Avenue.
ComArea 032	Abutting 97 Street between 120 Avenue and 153 Avenue.
ComArea033	On 97 Street, South of 103a Avenue, North of Jasper Avenue.
ComArea 034	Abutting 97 Street North of 153 Avenue.
ComArea 040	Properties located along 101 Street, North of 105th Ave and South of 112 Avenue.
ComArea 050	Properties along 107th Avenue, East of 117 and West of 101 Street.
ComArea 055	Properties located South of 107 Avenue, East of 111 Street, West of 108 Street, North of 105th Avenue.
ComArea080	On 111 Avenue, East of 97 Street, West of 90 Street.
ComArea081	Abutting 111 Avenue between 156 Street and 142 Street.
ComArea 090	124th Street Corridor: South of 116th Avenue and North of 103 Avenue
ComArea100	Abutting 118 Avenue East of 50 Street.
ComArea101	On 118 Avenue, East of 68 Street, West of 64 Street.
ComArea102	On 118 Avenue, West of LRT Tracks to 107 Street.
ComArea103	118 Avenue, West of 121 Street to East of St. Albert Trail.
ComArea 110	Properties located along 82 Street, south of 132 Avenue north of 127 Avenue. Also included properties along 127 Avenue on the south side and 2 properties north of 132 Ave along 82 Street
ComArea112	South of 123 Avenue, West of Fort Road, East of 95a Street, North of 111 Street.
ComArea130	On Fort Road, North of Yellowhead Trail, South of 139 Avenue, West of 50 Street.
ComArea132	South of 137 Avenue, East of 87 Street, North of Jasper, West of 24 Street.
ComArea 133	North of 137 Ave and east of 50th Street/Manning Drive, as well as properties abutting Manning drive north of 140th avenue.
ComArea135	North of 137 Avenue, on 127 Street, South of 175 Avenue, West of 97 Street.
ComArea 136	Yellowhead to 137 Between 82 and St Albert Trail.
ComArea138	North of 109a Avenue, East of 142 Street, West of 97 Street, South of 122 Avenue.
ComArea139	North of 104 Avenue, East of 129 Street, West of 181 Street, South of 108 Avenue.
ComArea 140	Properties located along 50 Street North of the Yellowhead Trail and South of the railway tracks just off Manning Dr.
ComArea144	On Winterburn Road, South of Yellowhead Trail, North of Stony Plain Road.
ComArea146	East of 190 Street, North of Whitemud Drive, West of 142 Street, South of Stony Plain Road.
ComArea 147	South of Whitemud Drive, East of Anthony Henday Drive, and Northwest of the River Valley.
ComArea149	North of 78 Avenue, East of 111 Street, West of 98 Street, South of Sask Drive. Not directly on Whyte Avenue.
ComArea 152	North of Whitemud drive, west of Calgary Trail, and Southeast of the River Valley, excluding properties in ComArea149, ComArea 182, ComArea190, ComArea166, or ComArea201.

ComArea 153	Calgary Trail West to River between Whitemud and 23 Avenue.
ComArea 154	Calgary Trail West to River between 23 Ave NW and Henday.
ComArea 156	South of Whitemud Drive, North of 23rd Avenue, East of Gateway Boulevard and West of 91st Street. Includes one property on the north side of whitemud drive and one property south of 23 Avenue.
ComArea 157	Millwoods: East of 91 Street, South of Whitemud Drive, North of 12th Avenue and West of the Anthony Henday
ComArea160	On Stony Plain Road, East of 178 Street, North of 95 Avenue, West of 170 Street, South of 102 Avenue.
ComArea 161	Abutting 170 Street between Stony Plain Road and 114 Avenue, excluding properties in ComArea151 or ComArea160.
ComArea 162	North of Whitemud Drive, South of Argyll Road and Sherwood Park Freeway, East of 99 Street and West of 34 Street, excluding properties in ComArea300, or ComArea290.
ComArea 163	South of River to Argyll Road; East of 99 Street to 34 Street
ComArea 164	Properties located along the Yellowhead Corridor between 156th Street and West of 54th street
ComArea170	On 137 Avenue, Between 66 Street and 58 Street.
ComArea 180	Properties located on Whyte Avenue, east of Gateway Boulevard and West of 98 street
ComArea 181	Abutting 82 Avenue between Gateway Blvd and 106 Street, as well as abutting either Gateway Blvd or Calgary Trail between 83 Avenue and 81st Avenue.
ComArea 182	Abutting 82 Avenue between 106 Street and 110 Street.
ComArea 190	Between Calgary Trail and Gateway Blvd and Abutting Calgary Trail between 81st Avenue and 51st Avenue, excluding properties in ComArea270.
ComArea 200	Properties along 109 Street, South of 89 Avenue and North of 82 Avenue.
ComArea 210	Abutting either Calgary Trail or Gateway Blvd between 51st Avenue and 23 Avenue
ComArea250	On St. Albert Trail, between Yellowhead Trail and 156 Street.
ComArea 260	Abutting Mayfield Road between 103a Avenue and 111th Avenue.
ComArea 270	Abutting Gateway Blvd between 81st Avenue and 51st Avenue. Also includes properties that are between Gateway Blvd and Calgary Trail, but are closer to Gateway Blvd than they are to Calgary trail.
ComArea 290	Between 39 Avenue and 79 Avenue and within 500 feet of 99 Street.
ComArea 300	Abutting 51st Avenue between 97a Street and 89 Street.
ComArea 310	Properties along Argyll Road, East of 99th street and just south of Sherwood Park Freeway.
ComArea350	Retail properties located in MacEwan, Rutherford and Chappelle.
HighStreet	Retail properties located in Highstreet.

Lot Location

Lot location specifies whether a lot is located on an interior lot or a corner lot. Corner lots are a parcel abutting 2 or more public roadways (excluding alleyways), where at least 2 of the roadways intersect.

Traffic Influence

Traffic influence is based on average annual weekday traffic volume counts as reported on the 2015 AAWDT Report: Average Annual Weekday Traffic Volumes Report. This report can be found on the City's website at http://www.edmonton.ca/transportation/traffic_reports/traffic-reports-flow-maps.aspx

None	< 1,500 vehicles
Minor	1,500 – 5,000
Moderate	5,001 – 15,000
Major	15,001 – 50,000
Extreme	> 50,000

Space Types

- **Auto Service** is unfinished space designed for vehicles to enter the structure and generally there are large bay doors. They may contain service pits or lifts. Typically, it consists of automobile service bays, auto body repair and detailing, muffler, glass, oil, tire or mechanical repair services.
- **Apartment** is a self-contained housing unit that occupies only part of a building. Such a building may be called an apartment building if it consists of many apartments.
- **Convenience Store**, or corner store, is a small store that stocks a range of everyday items such as toiletries, soft drinks and tobacco products. Convenience Store space is defined by having either built-in refrigeration units or improved electrical to allow for non-built-in refrigeration units.
- **Commercial Retail Units (CRUs)** are general retail spaces that do not fall under any other space types. They have been stratified based on gross leasable area as follows:

Size:	Size Category:
CRU < 1,001 ft ²	CRU LESS
CRU 1,001 to 3,000 ft ²	CRU MED (Medium)
CRU 3,001 to 5,000 ft ²	CRU MAX (Maximum)
CRU 5,001 to 10,000 ft ²	CRU MEG (Mega)
CRU > 10,000 ft ²	CRU EXT (Extreme)

- **Banks** are spaces that are typically CRU's or a stand alone building that provides a financial service. Banks generally have advanced security measures such as; reinforcement of walls, safes and electronic deterrents and other features to keep the space secure.
- **CRU-Other** is miscellaneous uses not identified under a space type category. (E.g.: CRU Space in the basement).
- **Drug stores** are specialized controlled space for the distribution of pharmaceuticals and related products. This will include special construction for secured areas for the storage of pharmaceuticals.
- **Office Space** is designed or intended for typical office use. Office space is typically located on the second floor and/or higher.
- **Restaurants** are food serving establishments that contain dedicated food preparation, kitchen, and sitting areas. Restaurants generally have a higher level of finish than most CRU's, and have improved electrical, plumbing and venting. Restaurants have been stratified as follows:
 - **Restaurant (Average)** – Restaurants typically have average or below average quality finish and are generally local tenants.
 - **Restaurant (Good)/Restaurant (Fast Food)** – Restaurants that typically have above average levels of finish, maintenance and condition. They are generally national tenants, including fast food franchises, which most often have drive-thrus. Based on their similar performance, Restaurant Good and Fast Food spaces have been grouped together.
- **Theatre** space is dedicated for film viewing, projection and supporting retail.
- **Storage Space** is typically bare minimum finish including limited mechanical with no wall finish, floor or ceiling finish and it does not offer utility for other uses.
 - **Upper Storage** is unfinished space located on an upper floor, includes mezzanine space.
 - **Mezzanine** is an intermediate floor between main floors of a building and usually smaller than the main floor. A mezzanine has a low ceiling and projects in the form of a balcony. Generally mezzanine level cannot be leased or sold separately from the unit.
 - **Basement Storage** is unfinished space located below grade.
- **Upper Non-Storage** is finished space located on an upper floor (excluding Apartment space). This space typically commands a lower rent than main floor retail space.
- **Basement Non-Storage** is finished space located below grade. This space typically commands a lower rent than main floor retail space.
- **Warehouse** is unfinished space that contains one or more bay doors, and would typically be utilized for storage, light manufacturing or product distribution.
- **Land lease** is a lease for a specific portion of land subject to specified terms. On the Retail and Retail Plaza pro forma, land leases are used exclusively for gas stations. The improvements are valued based on their depreciated cost to construct under service station equipment (SSE).

Gross Building Area (GBA) is measured from the exterior of the wall, including below-grade space but excluding unenclosed areas. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. Parking garages are included in the gross building area. Exterior parking spaces are excluded.

Gross Leasable Area (GLA) is the total area designed for the occupancy and exclusive use of the tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surface. The gross leasable area is a percentage of the gross building/floor area. From analysis of reported rental information it was found that the typical ratio of gross leasable area to gross floor area for the general retail inventory was as follows:

Main floor	95% of gross bldg area
Upper floors	90% of gross bldg area
Basement	90% of gross bldg area

For purposes of assessment, gross leasable area is used on all retail properties.

All retail plaza properties are assessed using the gross leasable area as reported on the tenant rolls provided through the annual request for information process.

Adjustments

Adjustments may also be made for the following.

Additional Building is the assessed value added for other buildings situated on the subject parcel.

Associated Lots is a reduction to a primary improved property based upon a separate but related associated parcel(s). This adjustment is applied when all, or part, of the land from the associated parcel(s) is required to satisfy the operation of the primary property.

Buildings Under Construction are improvements that are not complete as of the condition date. The adjustment is based on the cost rates from the Marshall & Swift manual, for the portion completed (also called percent complete).

Construction Allowance (Shell Space Allowance) is an allowance provided for leasable space that is without dividing walls, floor coverings, ceiling or other finishes. The adjustment is based on the cost rates from the Marshall & Swift Manual. The construction allowance will be applied to the difference when the amount of unfinished leasable space is greater than the vacancy shortfall area applied (typical or chronic). If the amount of unfinished leasable space is less than the vacancy shortfall area, an adjustment for shell space will not be made.

Contamination Please refer to the City of Edmonton Assessment Valuation Procedures in Relation to Contaminated Properties.

Excess Land is the portion of land on a parcel not needed to serve or support the existing improvement. It is also the portion of the parcel not needed to accommodate the site's primary highest and best use. Excess land can be separated from the larger parcel (sub-divided) and have its own highest and best use, or it may allow for anticipated improvement. Typically, a Retail property with less than 15% site coverage may experience a site specific adjustment. Retail Plaza properties with less than 25% site coverage may experience a site specific adjustment. Stand alone restaurants on their own site with less

than 5% site coverage may experience a site specific adjustment. Excess land value is typically derived from assessed commercial land values. Please refer to the 2018 Commercial Land Methodology Guide.

Service Station Equipment (SSE) is the cost value of the service station equipment, including pumps, underground tanks, canopy structures, car wash structures and equipment. The cost value is based on the Marshall & Swift Manual.

Surplus Land is the land not necessary to support the highest and best use of the existing improvement but, because of physical limitations, building placement, or neighborhood norms, cannot be sold off separately. Surplus land may or may not contribute positively to value, and may or may not accommodate future expansion of an existing or anticipated improvement. For the 2018 assessment, a 50% discount to the excess land rate was applied.

Other Definitions

Actual zoning is set by the Edmonton Zoning Bylaw 12800 and regulates the use of land and the development of a parcel.

Effective zoning is applied to reflect the current use and development of a parcel. The effective zoning may differ from the actual zoning when current use differs from that which is permitted by the actual zoning as subsequently amended by Edmonton Zoning Bylaw 12800 (ie. legal nonconforming use). Neither effective zoning nor actual zoning impact Retail values.

Land Use Code (LUC) defines the use of a property. The amount of a property subject to any specific LUC will be expressed as a percentage (%). LUC's may be used for administrative reasons and are not used in the valuation of retail properties.

Market Building Class (MBC) indicates the class or type of the primary building structure on the parcel.

Quality refers to the methods and materials used in the construction and design of a property (workmanship, complexity of the structure, use of high end or low end materials). Consideration must be given to the fit and finish of the building in relation to its functional requirements.

- **01 Poor** is the minimum standard of construction and falls far short of meeting building requirements.
- **02 Economy** is a low cost building that seldom meets building requirements.
- **03 Substandard** is a low to moderate cost building where building requirements are only occasionally satisfied.
- **04 Fair** is a moderate cost building that typically meets building requirements but has little or no attention given to decorative features.
- **05 Standard** is an average project building that meets building requirements for the era.
- **06 Semi-Custom** is an above average building exceeds building requirements for the era. Finishes are generally upgraded with a mixture of standard and better quality materials with decorative features.
- **07 Custom** is a good building exceeding building requirements for the era. Finishes are good quality materials and workmanship.
- **08 Good Custom** is a very good building exceeding building requirements for the era. Finishes are very good materials with more than average decorative features.

- **09 Expensive** is a good building far exceeding building requirements for the era. Finishes are expensive materials and attention to detail is evident.
- **10 Luxurious** is the ultimate in building far exceeding building requirements for the era. Finishes are of luxurious quality materials and may be imported. Decorative features and workmanship is the highest quality with elaborate detail.

Site Coverage is the relationship, expressed as a ratio, between the building footprint and the amount of land associated with it.

Provincial Quality Standards

The assessment models, the process utilized, and the results are submitted annually to the Assessment Services Branch of the Department of Municipal Affairs for audit purposes. This audit determines the accuracy of our predictions relative to the marketplace, and is a direct reflection on the accuracy of our models. The results indicated that the assessments meet Provincial Quality Standards as set out in *MRAT*.

References

- Appraisal Institute of Canada (2010). *The Appraisal of Real Estate Third Canadian Edition*. Vancouver, Canada.
- Eckert, J., Gloudemans, R., & Almy, R. (1990). *Property Appraisal and Assessment Administration*. Chicago, Illinois: International Association of Assessing Officers.
- International Association of Assessing Officers [IAAO]. (1997). *Glossary for Property Appraisal and Assessment*. Chicago IL.
- Province of Alberta. (2018). *Matters Relating to Assessment and Taxation Regulation*. Retrieved from Service Alberta, Queen's Printer: <http://www.qp.alberta.ca>
- Province of Alberta. (2018). *Municipal Government Act*. Edmonton, AB: Queen's Printer. Retrieved from Service Alberta, Queen's Printer: <http://www.qp.alberta.ca>

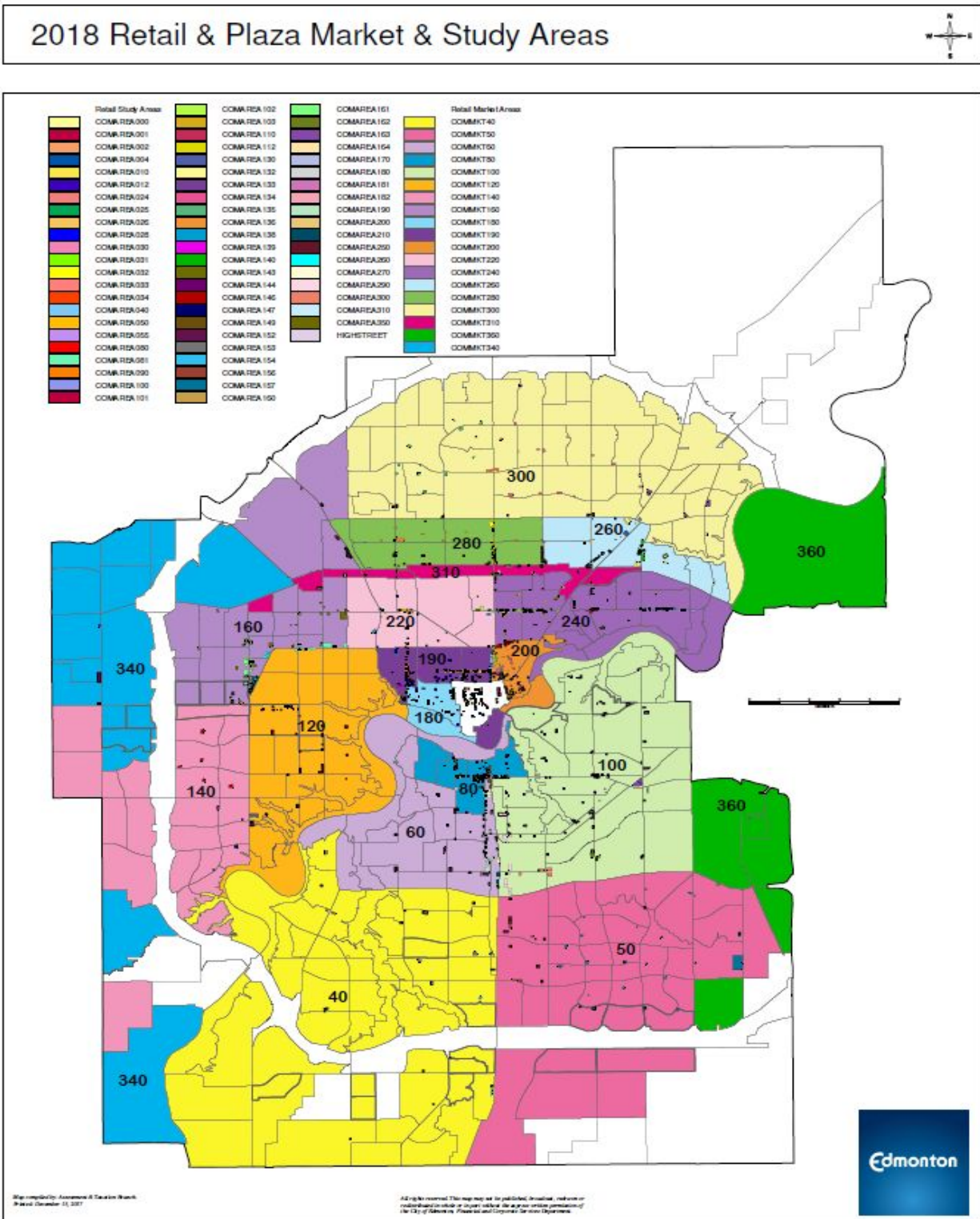
Revision History

Jan 22, 2018 - Revised:

- Tenant Improvement Allowances - pg 11
- Tenant Inducements - pg 11
- Vacancy Allowance - pg 12
- Sample Assessment Detail Report - pg 14
- Retail Plaza Proforma - pg 16
- Variables - pg 17
- Lot Location - pg 21
- Traffic Influences - pg 21
- Space Types - pg 21
- Other Definitions - pg 24
- Time Adjustment Factors - pg 27

February 20, 2018 - Revised: Traffic Influence - pg 21

Market and Study Area Map



Time Adjustment Factors



Time Adjustment Factor's 2018 RETAIL, RETAIL PLAZA AND SHOPPING CENTRES			
DATE	TAF	DATE	TAF
12-Jul	1.0976	15-Jan	1.0698
12-Aug	1.0976	15-Feb	1.0674
12-Sep	1.0976	15-Mar	1.0649
12-Oct	1.0976	15-Apr	1.0624
12-Nov	1.0976	15-May	1.0599
12-Dec	1.0976	15-Jun	1.0575
13-Jan	1.0976	15-Jul	1.055
13-Feb	1.0976	15-Aug	1.0526
13-Mar	1.0976	15-Sep	1.0501
13-Apr	1.0976	15-Oct	1.0477
13-May	1.0976	15-Nov	1.0452
13-Jun	1.0976	15-Dec	1.0404
13-Jul	1.0976	16-Jan	1.038
13-Aug	1.0976	16-Feb	1.0355
13-Sep	1.0976	16-Mar	1.0331
13-Oct	1.0976	16-Apr	1.0307
13-Nov	1.0976	16-May	1.0283
13-Dec	1.0976	16-Jun	1.0259
14-Jan	1.0976	16-Jul	1.0236
14-Feb	1.0976	16-Aug	1.0212
14-Mar	1.095	16-Sep	1.0188
14-Apr	1.0925	16-Oct	1.0164
14-May	1.09	16-Nov	1.0141
14-Jun	1.0874	16-Dec	1.0117
14-Jul	1.0849	17-Jan	1.0094
14-Aug	1.0824	17-Feb	1.007
14-Sep	1.0798	17-Mar	1.0047
14-Oct	1.0773	17-Apr	1.0023
14-Nov	1.0748	17-May	1.0026
14-Dec	1.0723	17-Jun	1