2019 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

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Edmonton

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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 the *Municipal Government Act* Revised Statutes of Alberta 2000 Chapter M-26 (hereinafter "MGA") and the *Matters Relating to Assessment and Taxation Regulation,* 2018, Alta Reg 203/17*,* (hereinafter "*MRAT*"). The MRAT 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.

Commercial property assessments represent:

- an estimate of the value;
- of the fee simple estate in the property;
- as it existed on December 31, 2018;
- would have realized if it had been sold on July 1, 2018;
- 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 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

Commercial Property Types

Retail properties are typically unanchored 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.

Retail Plazas are stratified into three types of unanchored properties:

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 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.

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.

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 typically 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 properties, and can be bought and sold separately. These properties may be of mixed use consisting of retail, commercial, and residential units.

Office buildings are designed for general commercial occupancy where the majority of the space type is office use. 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 air and enclosed format properties. Enclosed format properties are malls, which include super-regional, regional, and community shopping centres. Open air format properties are described below:

> **Power centres** are typically large shopping developments, with one or more anchor(s) and/or shadow anchor(s). Typically, these properties 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 parcel and it is not a requirement that an anchor be on each parcel. Refer to definition of shadow anchor below.
>
> **Neighbourhood shopping centres** are anchored and/or shadow anchored by a grocery store. They typically provide for the sale of convenience goods and personal services for the day-to-day living needs of the immediate neighbourhood. Neighbourhood shopping centres typically occur over large commercial areas that include more than parcels and it is not a requirement that the anchor(s) be on each parcel. Refer to definition of shadow anchor below.
>
> **Box retail** is typically a single site or stand-alone property and might not be directly abutted by other retailers. They are commonly junior anchor sized spaces.

Anchor space typically has a gross leasable area of at least 60,001 square feet on the main floor, has exterior access, and is often occupied by national retailers. They increase the attraction of neighbouring commercial retail unit spaces. Anchor units have been further stratified based on effective age. Older anchor spaces (1997 and older) have a lower rental rate than newer (1998 and newer) anchor spaces. If upper level retail space is present for anchor space, it may be reflected on a separate line on the Assessment Detail Report and receive a lower rental rate than the main floor, based on 70% of the main floor rental rate.

Shadow Anchors are anchors that are a draw to the area, but they exist on a different legal parcel. They can be seamlessly part of an adjacent shopping centre or in close proximity to a nearby centre. The overall concept is that nearby properties are not required to be on the same legal parcel as the anchor to benefit (e.g. through performance) from the traffic draw that the anchor generates to the area.

Additional details are available in the 2019 Downtown Office, 2019 Suburban Office and 2019 Neighbourhood, Power & Box Retail Assessment Methodology guides, which are provided online at Edmonton.ca.

Approaches to Value

The approaches to determine market value are the direct sales, income, and cost approaches.

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, lease rate, space type (office, retail, warehouse, storage), tenant location, lease term, operating expenses, tenant inducements, improvements, vacant space, and/or escalations.
- Year-end financial statements should include the Income Statement, a Schedule of Income and Expenses, and Notes.
- A completed Parking Detail form including parking location, the number of stalls and rate per stall.
- Yearly Expenses for owner occupied properties including power, water & sewer, gas, waste removal, insurance and structural repairs.

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 2019 valuation, income information from July 1, 2013 to June 30, 2018 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 validated. Validation may include; conducting site inspections and interviews, reviewing land title, title transfers (change of ownership), corporate searches, other land titles documents, sales validation questionnaires, and secondary data collection. The resulting validated sales are used to develop capitalization rates to use 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 2019 valuation of Retail properties, sales occurring from July 1, 2013 to June 30, 2018 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 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 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 common forms of tenant inducements:

- *Common area expense* or *operating expense reimbursement* is a form of tenant inducement 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 2019 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 Assessment Detail Report.

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.

GLA X Market Rent for Space = 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 basis. Note: the same space must be vacant for 3 consecutive years and must be actively marketed. Storage space is not included in the vacancy allowance calculation. A typical vacancy allowance is 5% for retail and retail plazas.

Actual Vacancy (over three years) Retail & Plaza	Stabilized Vacancy
Less than or equal to 10%	5%
Greater than 10% and less than 20%	10%
20% and less than or equal to 30%	15%
Greater than 30% and less than or equal to 50%	20%
Greater than 50% and less than equal to 75%	25%
Greater than 75% up to 100%	30%

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

PGI - Vacancy Allowance = 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.

GLA X Vacancy Allowance X CAM = 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.

EGI - OE = NOI

Structural Allowance (Structural Repair Percentage) 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.

NOI ÷ CAP RATE = MARKET VALUE ESTIMATE

Sample Assessment Detail Report

Property Assessment Detail Report
Assessment and Taxation

Account **123456789**

Edmonton

Report Date	December 20, 2018	page 1 of 2
2019 Assessed Value	**$2,365,500**	
Date of Issue	January 2, 2019	
Property Address	12345 Street	
Legal Description	Plan: Sample Legal Plan	
Neighbourhood	Sample Neighbourhood	
Assessment Class	NON-RESIDENTIAL	
Land Use	100% Mixed-use retail building	
Zoning	CB2 - General Business District	
Effective Zoning	CB2 - General Business District	
Taxable Status	January 1 - December 31, 2019; FULLY TAXABLE	
Unit of Measurement	IMPERIAL (feet, square feet)	

Factors Used to Calculate Your 2019 Assessed Value

	MARKET VALUE APPROACH	INCOME
VARIABLE	**FACTOR**	**TYPE**
Valuation Group	RETAIL PLAZA	Account
Study Area	SAMPLE STUDY AREA	Account
Traffic	MINOR	Account
Corner	1	Account
Site Coverage (%)	70	Account
Lot Size	8,000	Site
Year Built	1990	Building - 1
Effective Year Built	2000	Building - 1
Total Main Floor Area	6,437	Building - 1
Condition	AVERAGE	Building - 1
Crumed Main Area	4,037	Building - 1
Crumed Main Rent ($)	26.25	Building - 1

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Property Assessment Detail Report
Assessment and Taxation

Account

		MARKET VALUE APPROACH	INCOME
VARIABLE	**FACTOR**		**TYPE**
Office Main Area	2,400		Building - 1
Office Main Rent ($)	26.25		Building - 1
Vacancy Main (%)	5		Building - 1
Effective Gross Income-Main		160,523	Building - 1
Total Effective Gross Income		160,523	Building - 1
Structural Repair (%)	2	-3,210	Building - 1
Vacancy Shortfall ($)	11	-3,540	Building - 1
Net Operating Income		153,772	Building - 1
Capitalization Rate (%)	6.5		Building - 1
Total Building Value		2,365,733	Building - 1

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Sample Manual Assessment Detail Report

Edmonton

Assessment Detail Report

2019 RETAIL PLAZA VALUATION SUMMARY

Roll Number:	**123456789**	Valuation Date:	**July 1, 2018**
Address:	**12345 Street**	Valuation Group:	**RETAIL**
Building Number:	**1**	Year Built:	**1970**
Study Area:	**Sample Study Area**	Effective Year Built:	**1989**
Neighbourhood:	**1090**	Lot Size (ft²):	**50000**
Conditon:	**AVERAGE**	Corner:	**0**
Actual Zoning:	**CHY**	Traffic:	**MAJOR**
Effective Zoning:	**CHY**	Legal Description:	**Plan: Sample**

Space Types	**Gross Leasable Area (ft²)**	**Market Rent/ft²**	**Total**
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 ft2	0	$0.00	$0
CRUs 1,001 to 3,000 ft2	0	$0.00	$0
CRUs 3,001 to 5,000 ft2	4,600	$16.25	$74,744
CRUs 5,001 to 10,000 ft2	0	$0.00	$0
CRUs > 10,001 ft2	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
Storage/Whse Main	0	$0.00	$0
Bsmt Storage	226	$1.00	$226
Bsmt Non-Storage	0	$0.00	$0
Storage/Whse Main	0	$0.00	$0
Upper Non-Storage	0	$0.00	$0
Upper Apartment	0	$0.00	$0
Upper Storage/Mezz	0	$0.00	$0
Total Gross Leasable Area (ft²):	**4,826**		
		Potential Gross Income	**$74,969**
Less: Vacancy Allowance			
CRU		5.0%	$3,737
Upper		0.0%	$0
Basement		20.0%	$0
		Effective Gross Income	**$71,232**
Less: Expenses			
Structural Allowance		2.0%	$1,425
Less: Vacancy Shortfall			
Cru	230	$9.00	$2,070
Upper	0	$9.00	$0
Basement	0	$0.00	$0
		Net Operating Income	**$67,738**
Stabilized Value			
Capitalization Rate			6.50%
		Value Subtotal	**$1,042,119**
Other Value Adjustments			
Additional Buildings			$148,629
Additional deductions/additions			$0
Excess Land or Surplus Land			$0
		2019 Market Value Estimate (Rounded)	**$1,190,500**

COMMENTS

Variables

Not all variables affect market value. Below is the list of variables that affect the assessment value for 2019.

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

The rates displayed on the Detail Report are determined based on one or more of the above variables. For example; the valuation rates will vary based on space type, lot location, condition, space type size, effective year built, traffic influence 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.

Year Built

The year the property was constructed also known as the chronological age of a property.

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.

- **Study Areas:** Retail and retail plaza properties are stratified into study areas. Each study area constitutes a geographic area exhibiting similar valuation characteristics. There are 38 distinct study areas. Detailed study area maps can be found at the end of the methodology guide.

- **Neighbourhoods** are geographic areas delineated in the City's Neighbourhood Maps found at http://maps.edmonton.ca. Neighbourhoods do not directly impacting the assessment values but typically neighbourhoods make up parts of the study areas as defined above.

Lot Location

Lot location specifies whether a parcel of land is located on a interior lot or a corner lot. Refer to Part I, Section 6.1(18) of the Edmonton Zoning Bylaw 12800 for further details regarding lot location.

- **Corner Lot**: Generally, a parcel of land located at the intersection of two public roadways or abutting a public roadway, other than lanes.
- **Interior Lot**: Interior lot is any parcel of land other than a corner lot.

Traffic Influence

Traffic influence is based on average annual weekday traffic volume counts as reported on the 2016 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.
- **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 space that has 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 utilized, designed, or intended for typical office use, and typically located on the second floor or higher levels of a structure. Main floor office that experiences similar access and exposure as retail units may be treated as a CRU space for the purpose of valuation.
- **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)** – generally have a higher level of finish than most other CRUs, and have improved electrical, plumbing and venting. They are generally national tenants, including fast food franchises, which often have drive-thrus. Based on their similar performance, Restaurant Good and Restaurant Fast Food have been grouped together.

- **Theatre** space is dedicated for film viewing, projection and supporting retail.
- **Storage Space** typically has minimal finish including limited mechanical with no wall finish, floor or ceiling finish and it does not typically offer utility for other uses.
  - **Upper Storage** is storage 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 typically has a low ceiling and may project in the form of a balcony. Generally mezzanine level cannot be leased or sold separately from the unit.
  - **Basement Storage** is storage 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 Assessment Detail Report, 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 the total floor area of a building, 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 information reported through the RFI process, it was found that the typical ratio of gross leasable area to gross building area for the general retail inventory was as follows:

Main floor	**95% of gross building area**
Upper floors	**90% of gross building area**
Basement	**90% of gross building 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 (RFI) process.

Other Value 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. The associated parcel(s) must be owned by the same individual/corporation as the primary improved property or have a lease in place with the primary improved property. The *Edmonton Zoning Bylaw No.12800* outlines the requirements to satisfy the operations 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: Site contamination refers to a property that has been affected by environmental contamination which includes adverse conditions resulting from the release of hazardous substances into the air, surface water, groundwater, or soil. Refer to *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 may 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 2019 Commercial Land Methodology Guide.

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 2019 assessment, a 50% discount to the excess land rate was applied.

Service Station Equipment (SSE) service station equipment, including pumps, underground tanks, canopy structures, car wash structures and equipment. The SSE is valued using the cost approach. In addition, small free standing buildings may be on site, such as a service garage.

Other Definitions

Actual zoning is set by the Edmonton Zoning Bylaw No. 12800 and regulates the use and development of a parcel. Edmonton Zoning Bylaw No.12800 is available online at Edmonton.ca.

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).

Land Use defines the use of a property. The amount of a property subject to any specific Land Use will be expressed as a percentage (%). Land Uses may be used for administrative reasons and are not used in the valuation of Retail and Retail Plaza Inventory. Below are a list of Land Uses for the Retail and Retail Plaza Inventory.

Land Use	Land Use
Auto dealership	Mixed-use retail building
Auto sales	Mobile home park
Auto service	Multistorey office building
Banquet hall	Museum/archive
Car wash without gas station	Neighbourhood shopping centre
Commercial building converted from residential	One-storey office building
Commercial greenhouse	Paved/fenced parking lot for non-residential use
Cultural centre	Plaza
Daycare centre	Religious facility (other)
Derelict building on non-residential land	Residence on commercial property (four units or more)
Free-standing bank/financial institution	Residence on commercial property (up to three units)
Free-standing liquor store	Retail condominium
Free-standing restaurant/bar	Retail in recreation centre

Free-standing veterinary clinic	Self-storage facility
Full-service hotel	Single-family
Gas station with car wash	Small warehouse
Gas station without car wash	Telephone transmission tower/station
Highrise apartment building (five floors or more)	Three-storey office building
Indoor motion picture theatre	Three-storey retail building
Industrial garage	Two-and-a-half-storey office with half storey below grade
Limited-service hotel	Two-storey office building
Lowrise apartment building (four floors or fewer)	Two-storey retail building
Medical and health service	Undeveloped non-residential land
Medium warehouse	Warehouse/storage facility (other)

Site Coverage is the relationship, expressed as a ratio, between the total footprint area of the improvement(s) and the amount of land associated with it. Site coverage is used to determine if excess or surplus land exists.

Type specifies whether the variable applies to the account, unit, site, or building.

1. Account - An adjustment that is applied to the property on the account. The property on the account includes the parcel of land and the improvements.
2. Unit - An adjustment that is applied to a condominium unit.
3. Site - An adjustment that is applied to the land.
4. Building - An adjustment that is applied to the building.

Revision History

February 21, 2019 - removed Provincial Quality Standards section

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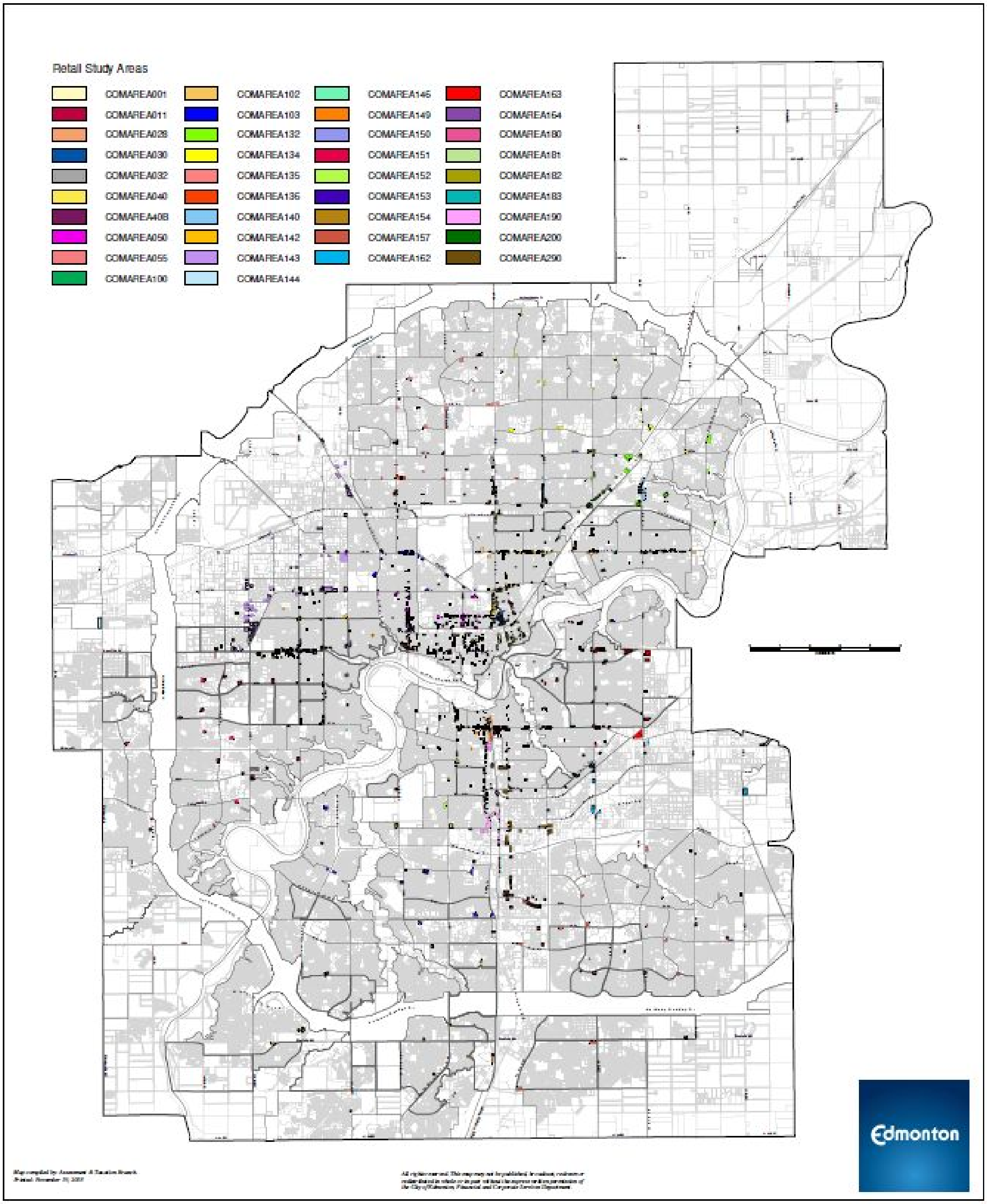
Study Area Maps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COMAREA030
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COMAREA408
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COMAREA100
COMAREA102
COMAREA103
COMAREA132
COMAREA134
COMAREA135
COMAREA136
COMAREA140
COMAREA142
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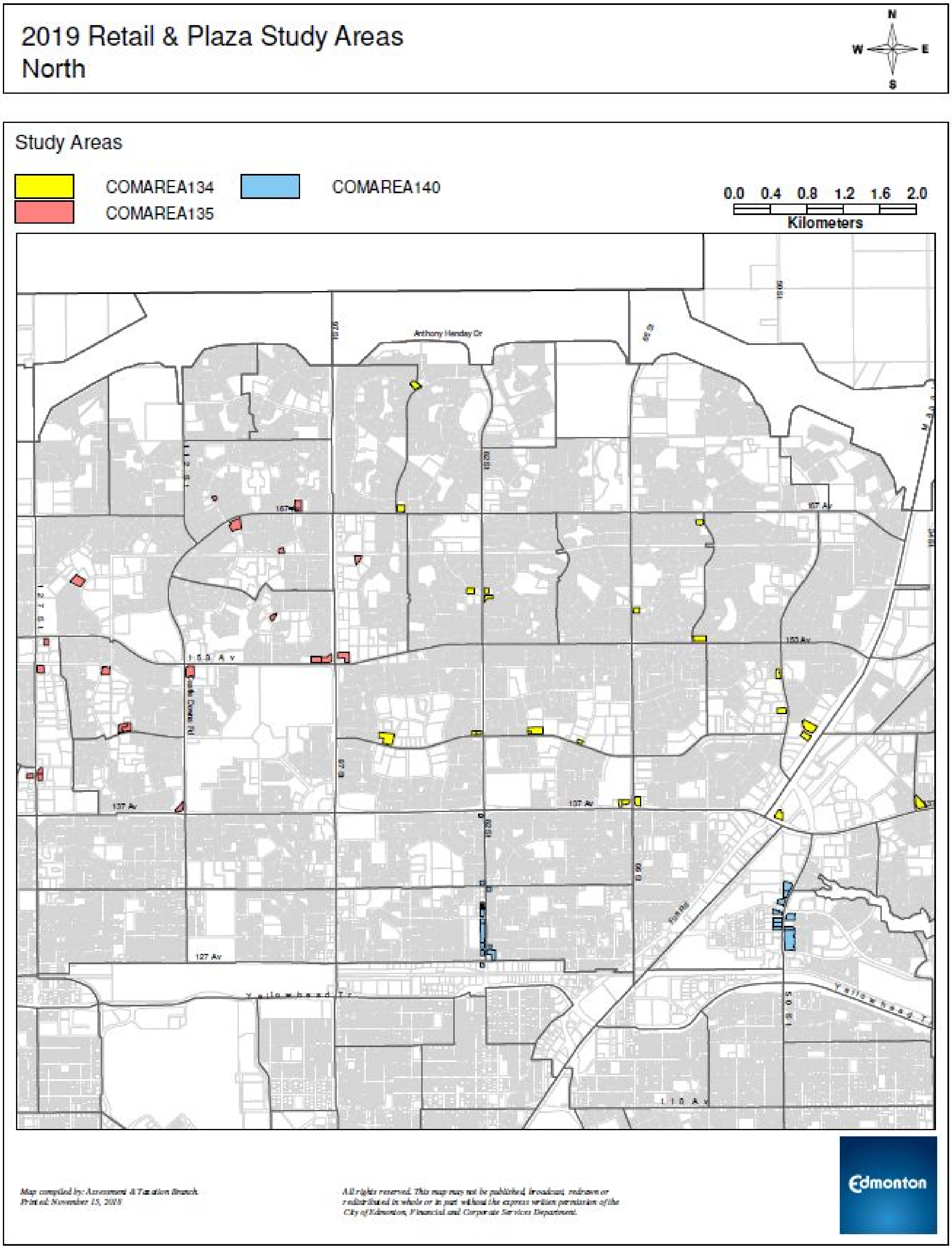
Edmonton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E
S
Study Areas
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COMAREA140
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Kilometers
Anthony Henday Dr
167 Av
153 Av
137 Av
127 Av
Yellowhead Tr
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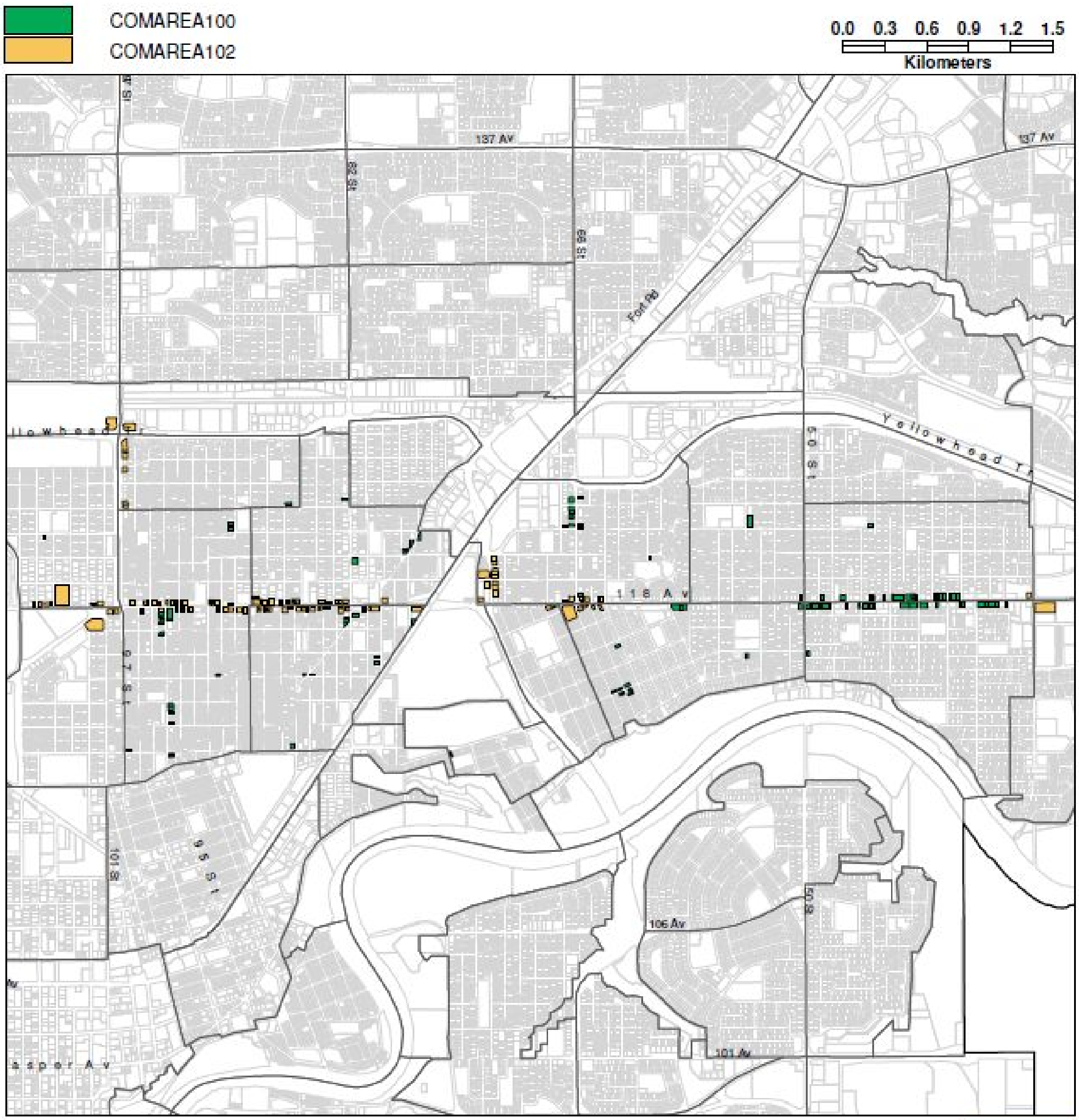
2019 Retail & Plaza Study Areas
118th Avenue and surrounding

Study Areas



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Edmonton

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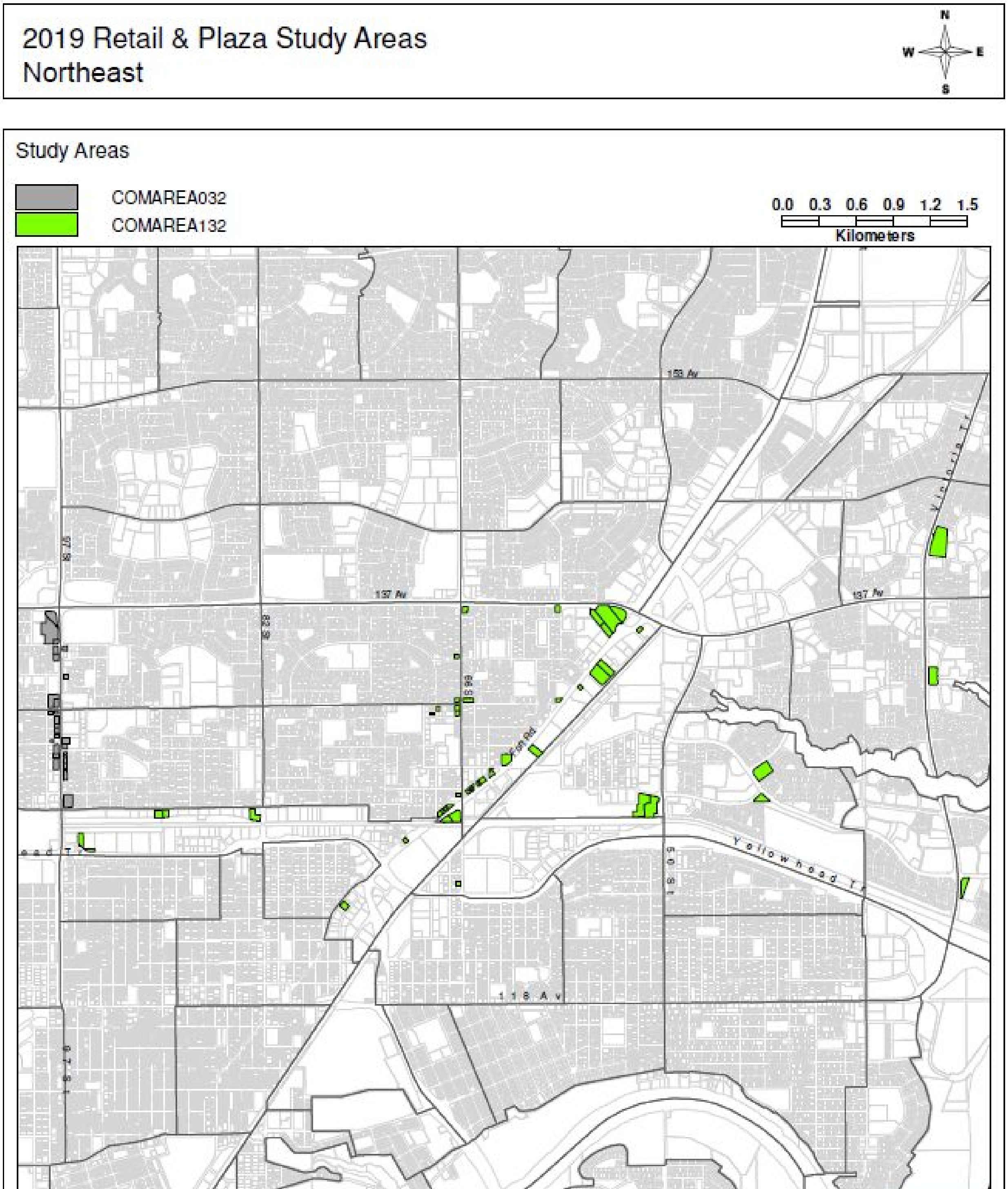
Northeast



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Edmonton

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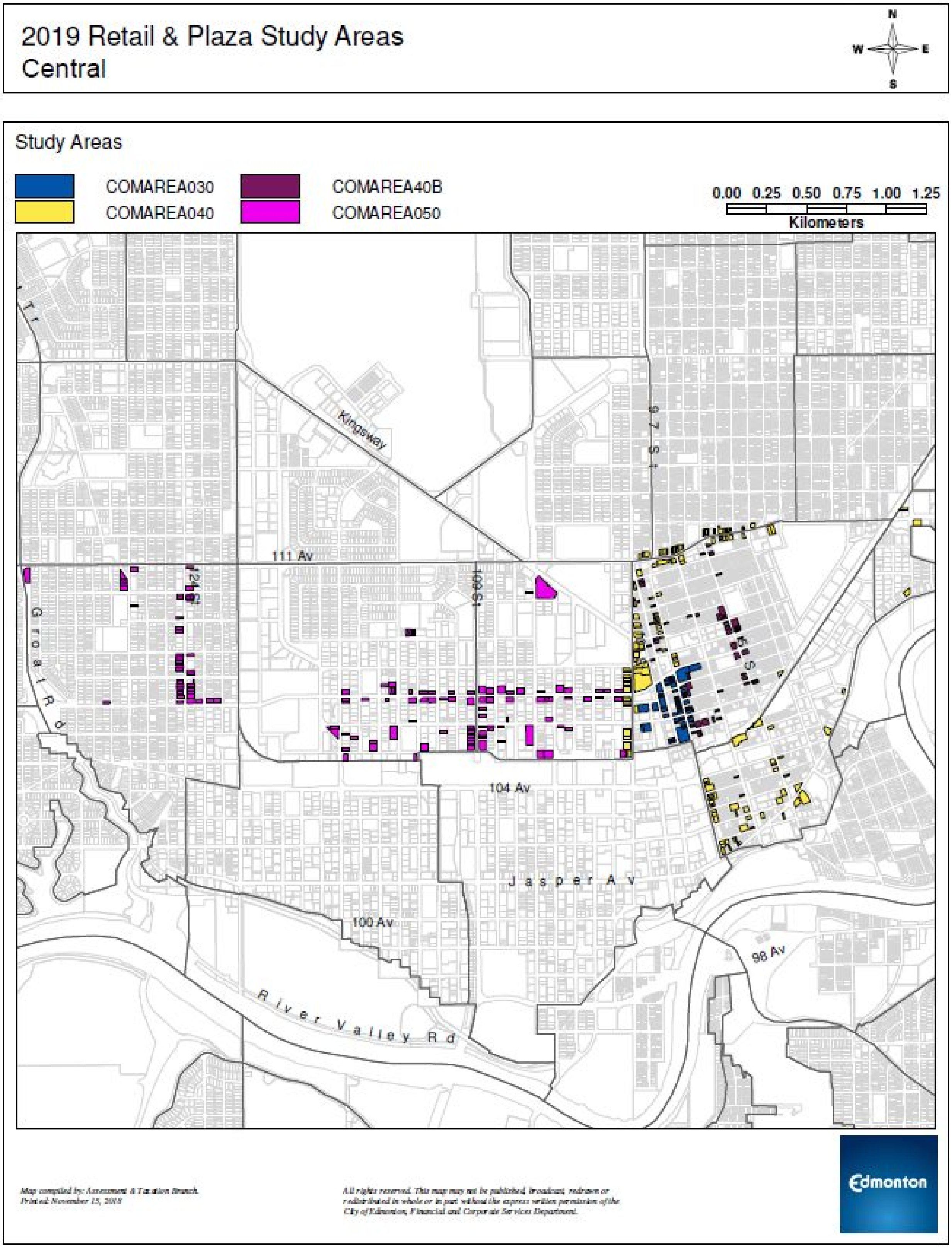

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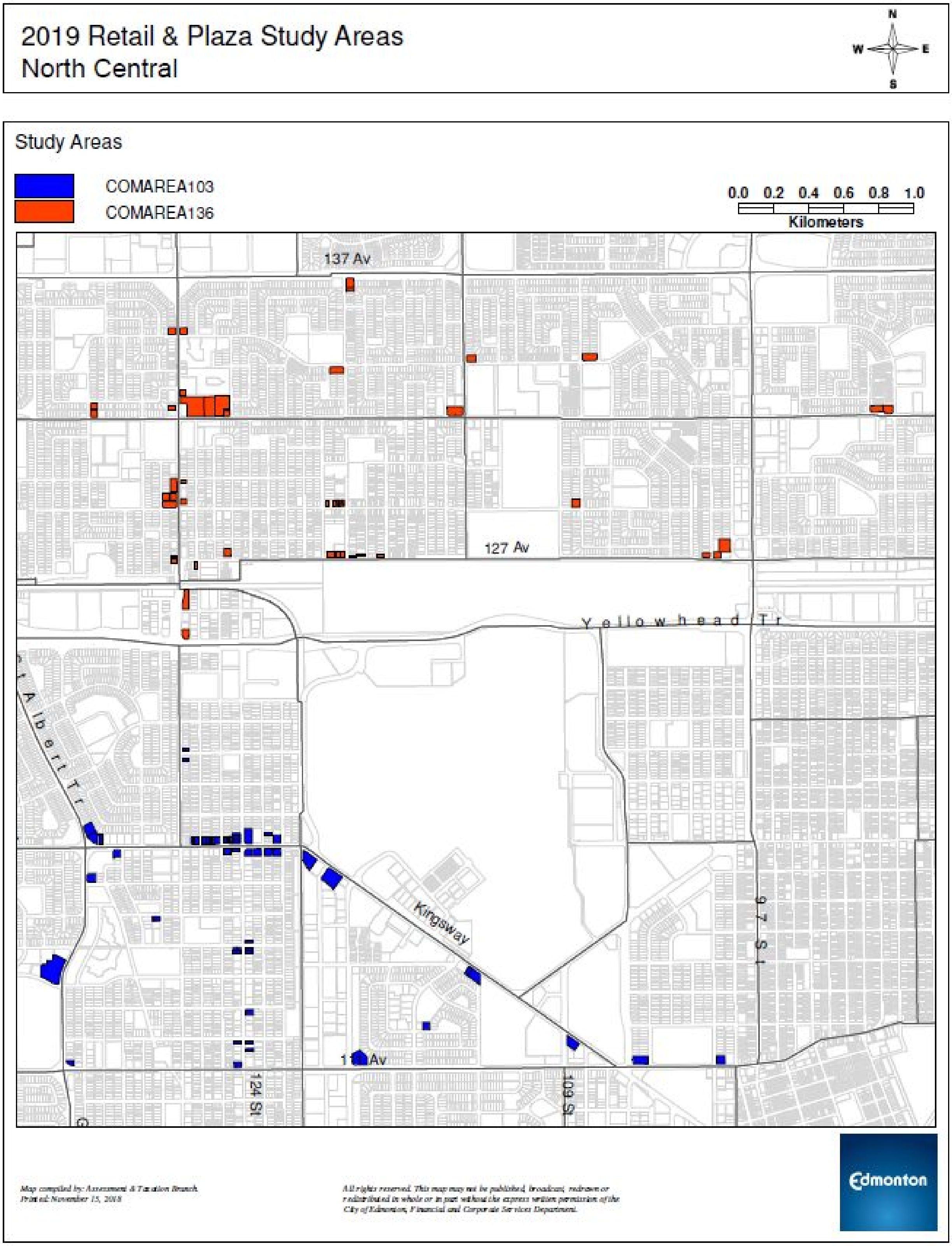

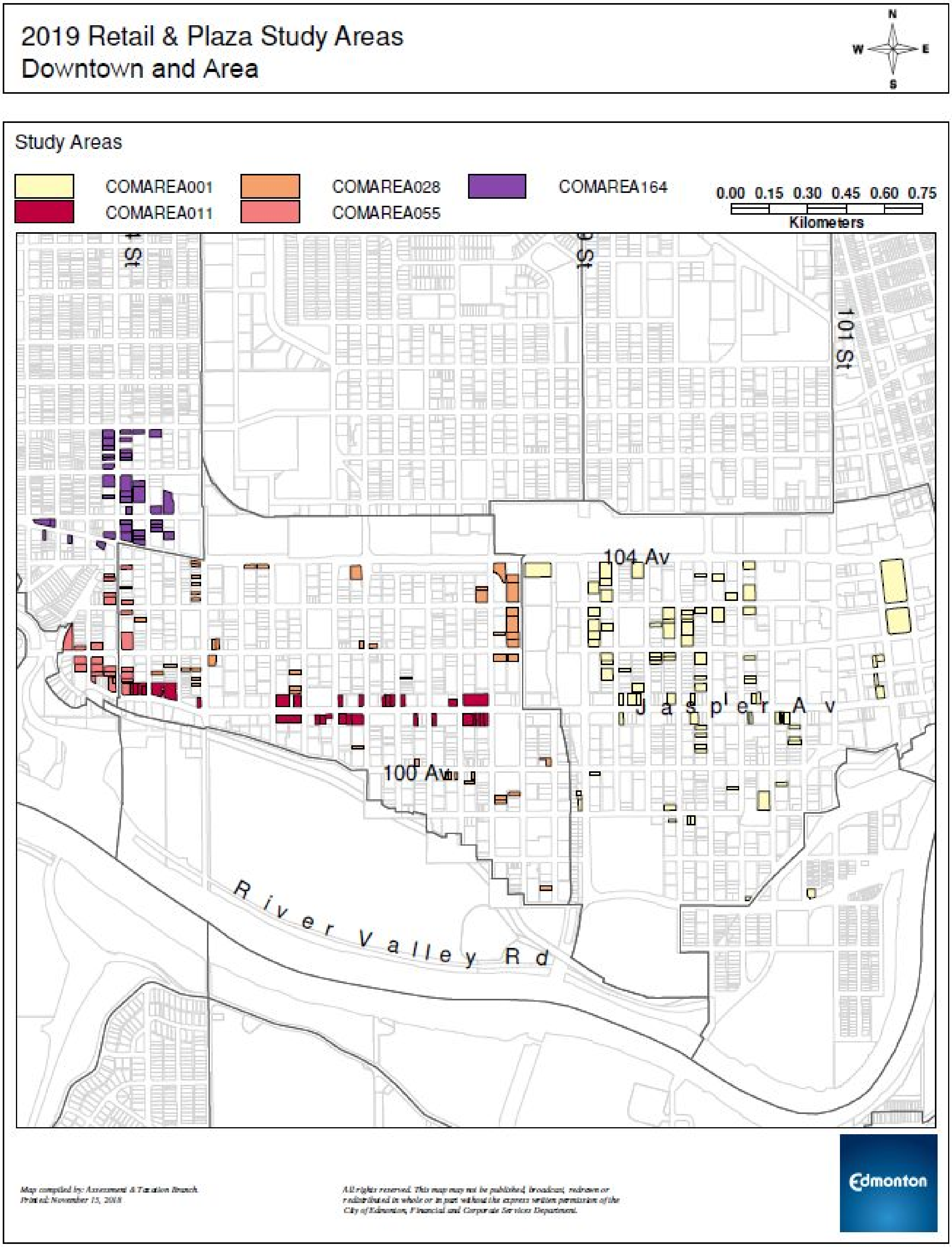
2019 Retail & Plaza Study Areas
Downtown and Area
N
W
E
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Study Areas
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COMAREA011
COMAREA028
COMAREA055
COMAREA164
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Kilometers
101 St
104 Av
Jasper Av
100 Av
River Valley Rd
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2019 Retail & Plaza Study Areas
Northwest

Study Areas

COMAREA143

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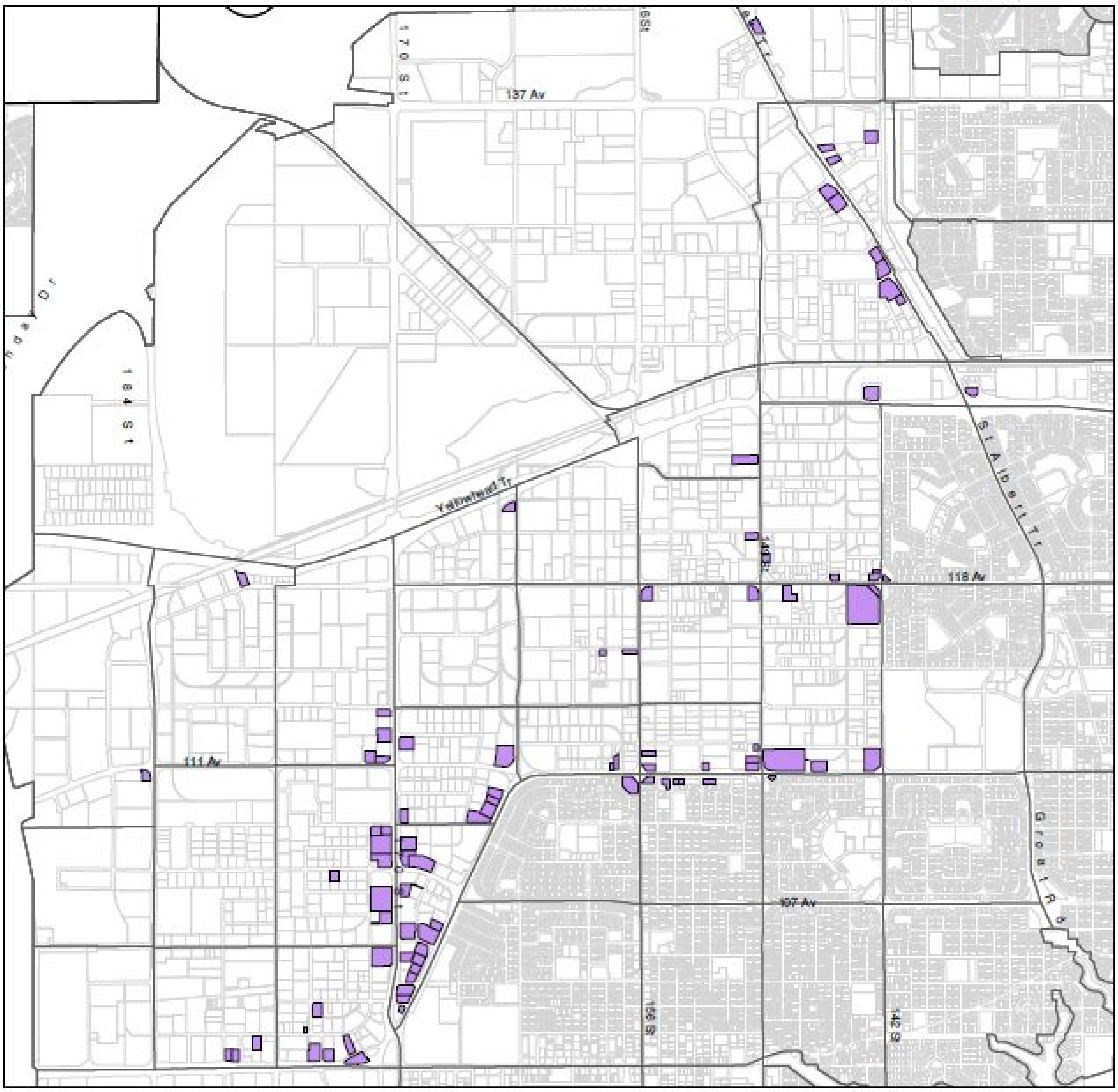
Kilometers



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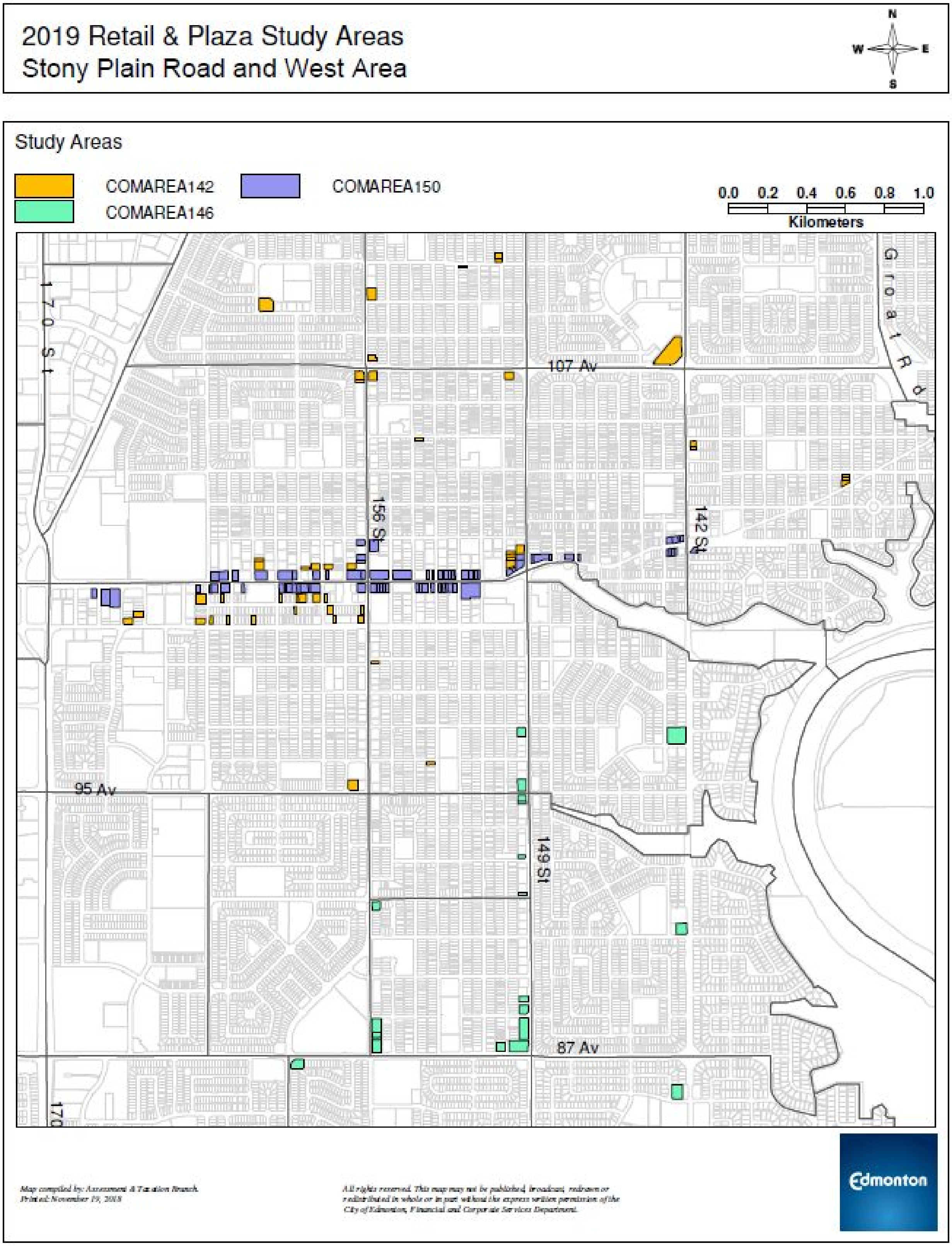
2019 Retail & Plaza Study Areas
Stony Plain Road and West Area



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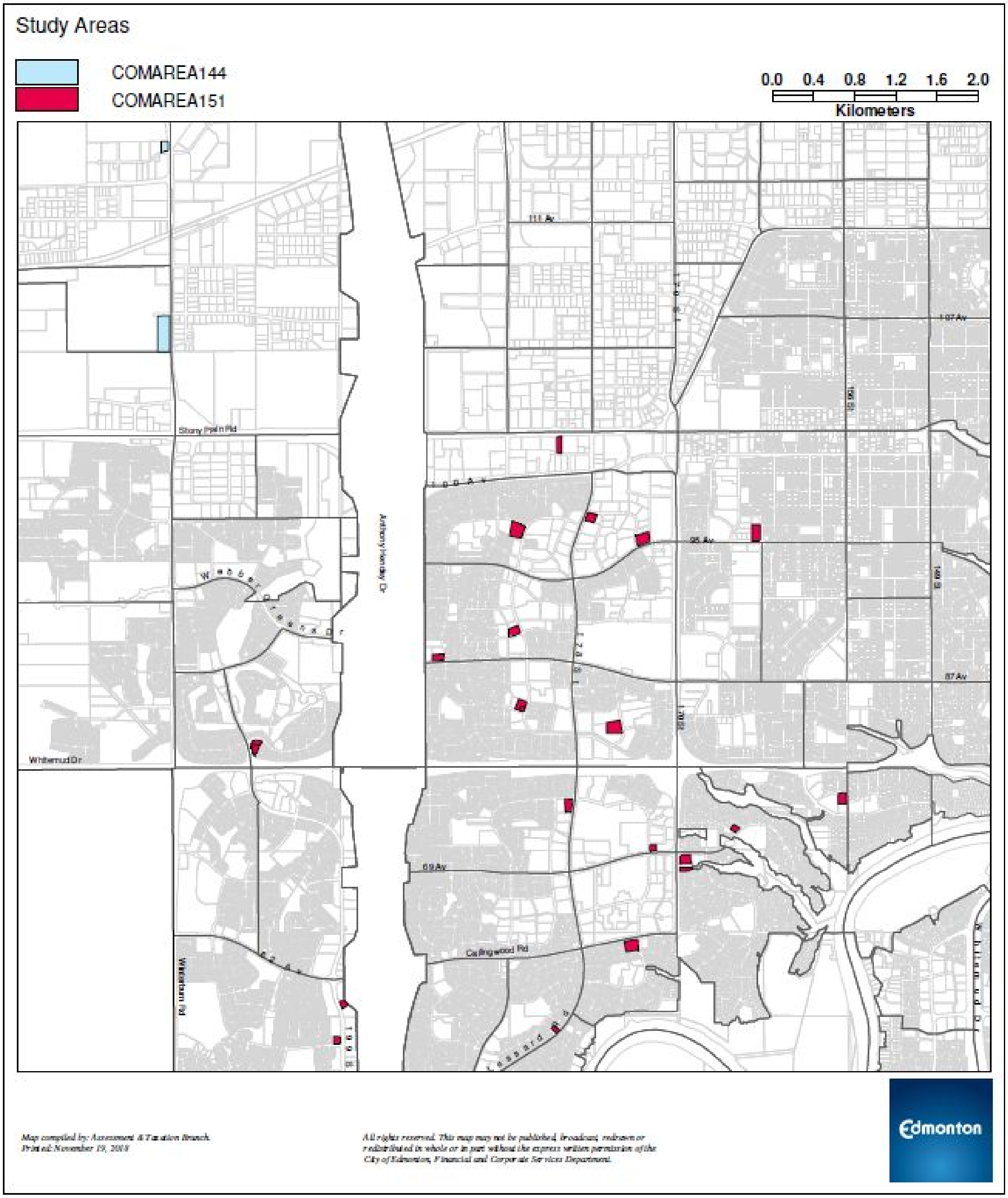
West



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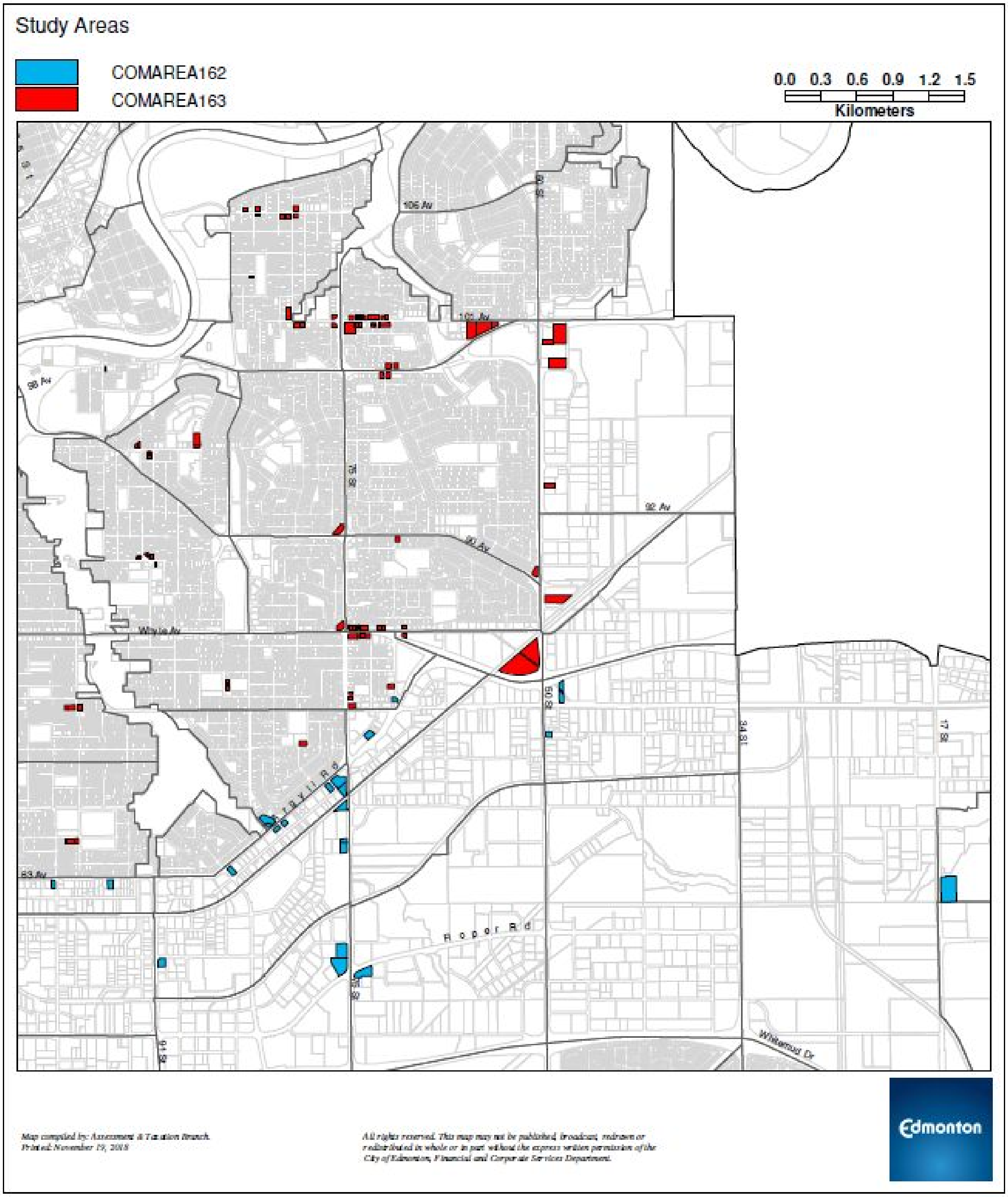
East



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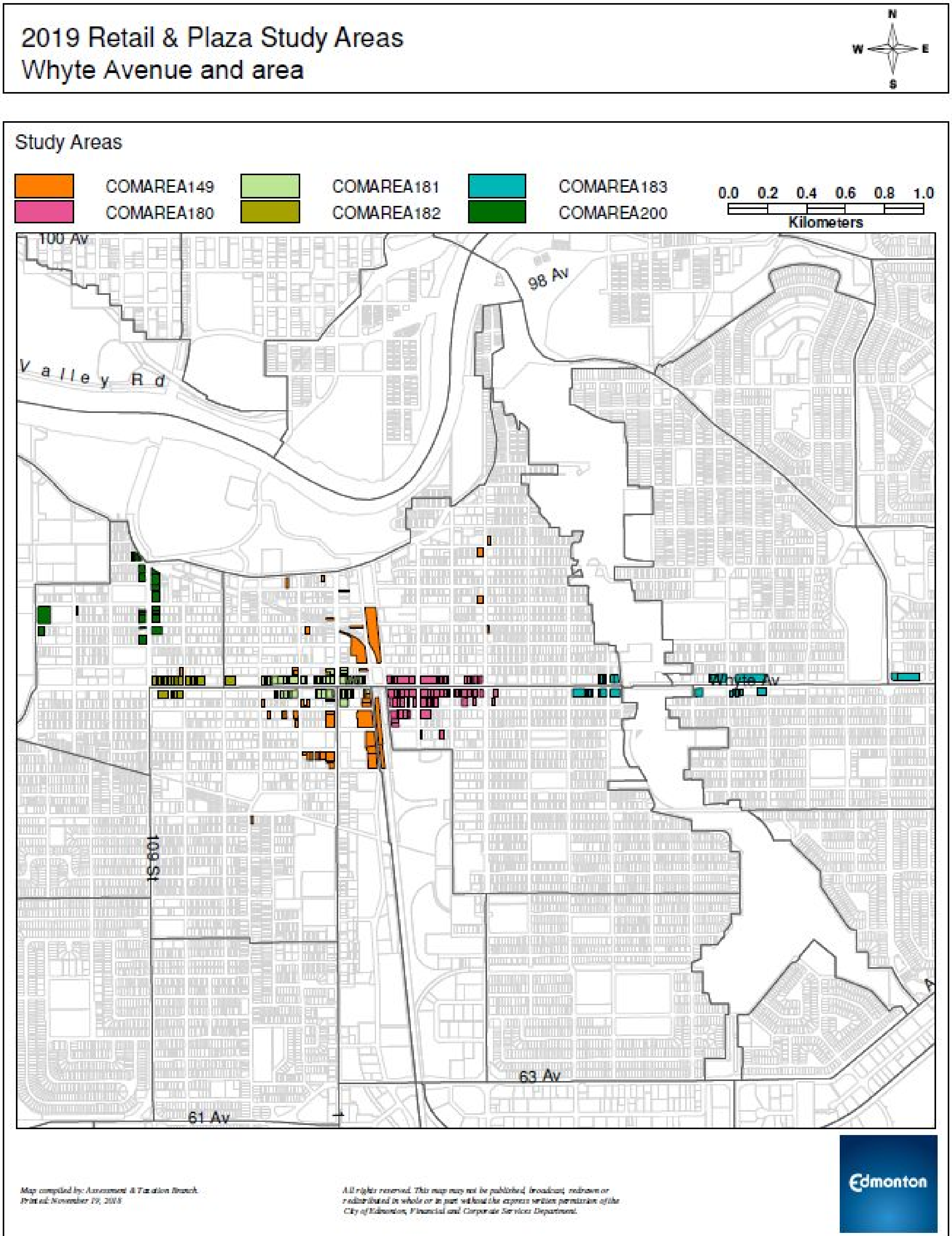

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2019 Retail & Plaza Study Areas
South

N
W E
S

Study Areas

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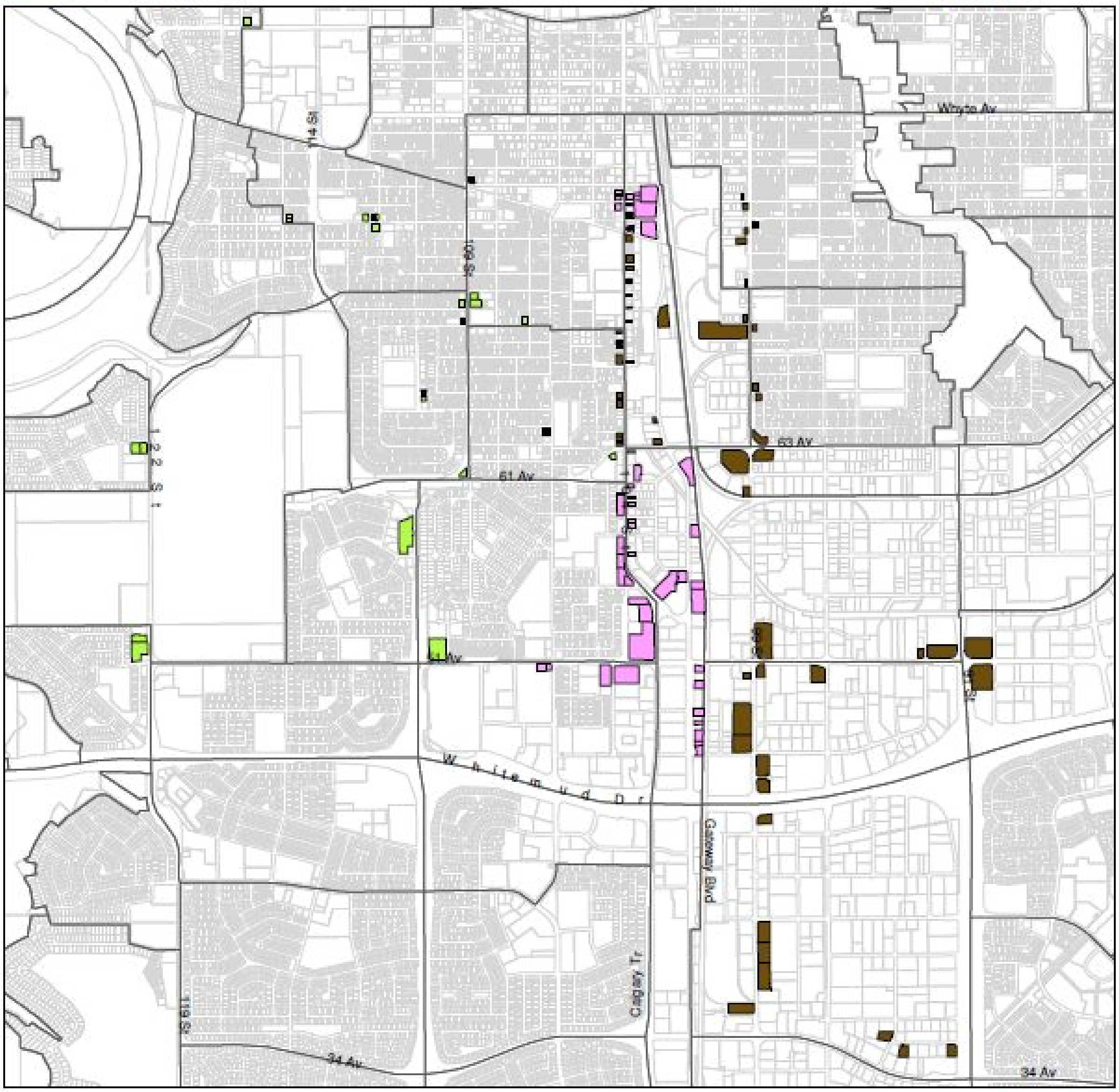
COMAREA190
COMAREA290

0.00 0.25 0.50 0.75 1.00 1.25
Kilometers



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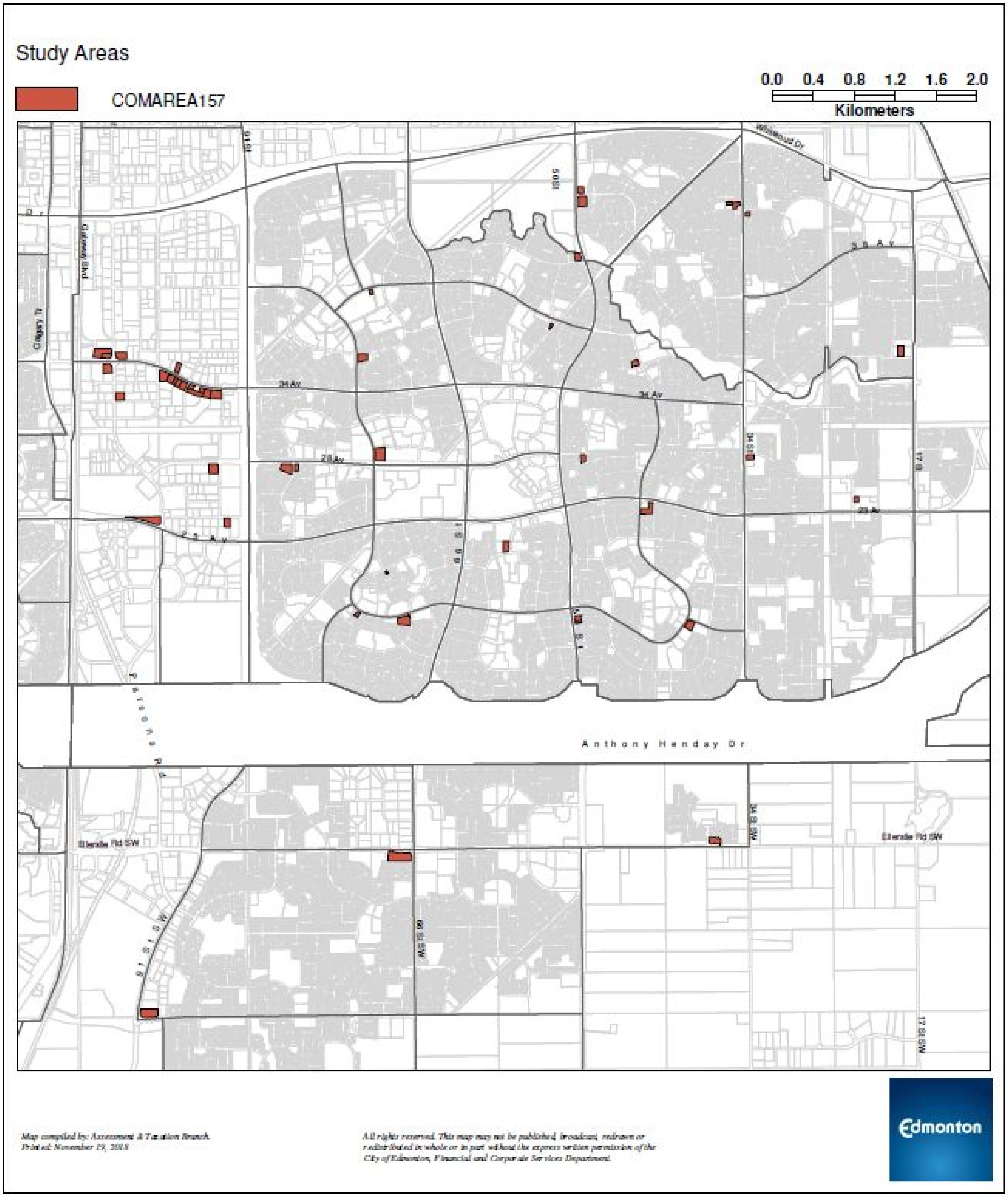
2019 Retail & Plaza Study Areas
Southeast



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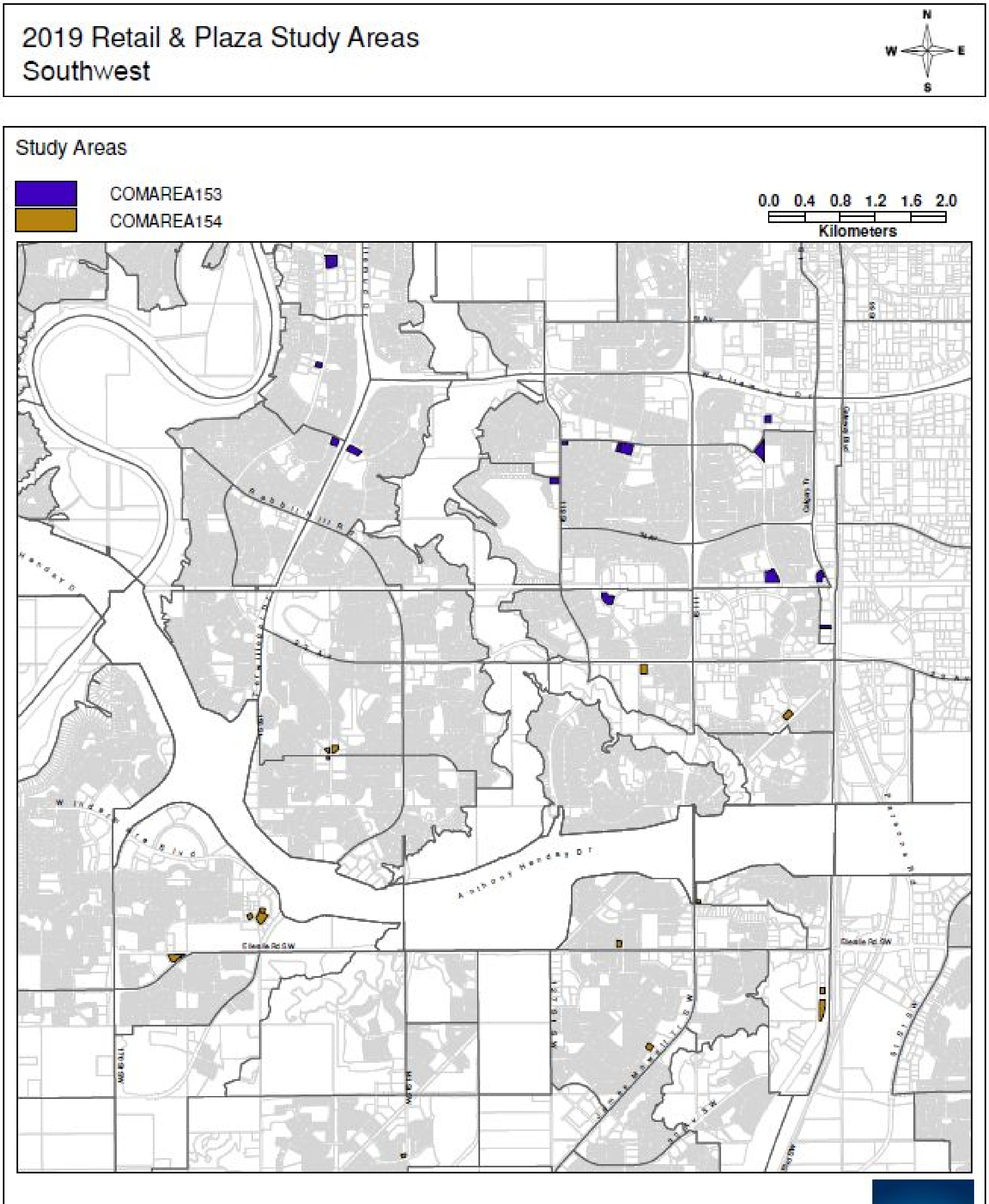
Southwest



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Time Adjustment Factors

Time Adjustment Factor's
2019
RETAIL & RETAIL PLAZA

DATE	TAF	DATE	TAF
Jul-13	1.1200	Jan-16	1.1200
Aug-13	1.1200	Feb-16	1.1200
Sep-13	1.1200	Mar-16	1.1154
Oct-13	1.1200	Apr-16	1.1109
Nov-13	1.1200	May-16	1.1064
Dec-13	1.1200	Jun-16	1.1020
Jan-14	1.1200	Jul-16	1.0975
Feb-14	1.1200	Aug-16	1.0931
Mar-14	1.1200	Sep-16	1.0887
Apr-14	1.1200	Oct-16	1.0843
May-14	1.1200	Nov-16	1.0799
Jun-14	1.1200	Dec-16	1.0755
Jul-14	1.1200	Jan-17	1.0712
Aug-14	1.1200	Feb-17	1.0669
Sep-14	1.1200	Mar-17	1.0626
Oct-14	1.1200	Apr-17	1.0583
Nov-14	1.1200	May-17	1.0540
Dec-14	1.1200	Jun-17	1.0497
Jan-15	1.1200	Jul-17	1.0455
Feb-15	1.1200	Aug-17	1.0413
Mar-15	1.1200	Sep-17	1.0371
Apr-15	1.1200	Oct-17	1.0329
May-15	1.1200	Nov-17	1.0287
Jun-15	1.1200	Dec-17	1.0246
Jul-15	1.1200	Jan-18	1.0204
Aug-15	1.1200	Feb-18	1.0163
Sep-15	1.1200	Mar-18	1.0122
Oct-15	1.1200	Apr-18	1.0081
Nov-15	1.1200	May-18	1.0041
Dec-15	1.1200	Jun-18	1.0000