

2026

ASSESSMENT

METHODOLOGY

FREE-STANDING PARKADE

A summary of the methods used by the City of Edmonton in determining the value of free-standing parkade properties in Edmonton for assessment purposes.

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Table of Contents

Table of Contents	1
Scope	2
Introduction	2
Mass Appraisal	4
Assessment Classification	6
Valuation Model	7
Commercial Property Types	8
Approaches to Value	8
Income Approach	8
Sales Information	9
Free Standing Parkade Valuation	9
Free Standing Parkade Operating Revenue	9
Free Standing Parkade Expenses	9
Undistributed Operating Expenses	9
Fixed Expenses	10
Non-Allowable Expenses	10
Stabilization	11
Industry Norms	11
Normalization	11
Sample Assessment Detail Report	13
Additional Commercial Building or Commercial Space Types Within A Free Standing Parkade	15
Other Commercial Space Income Approach Definitions	15
Other Value Adjustments	19
Other Definitions	19
Zoning	20
References	22
Maps	23
Time Adjustment Factors	24

Scope

This guide explains how Free-Standing Parkade properties are valued for assessment purposes. The guide is intended as a tool and complements the assessor's judgment in the valuation process. In this guide, the term **Valuation Date** refers to the legislated date of July 1, 2025.

Introduction

Property assessments in the City of Edmonton are prepared in accordance with the requirements of the *Municipal Government Act*, R.S.A. 2000, c. 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 *MRAT* regulation.

Property assessments represent:

- an estimate of the value;
- of the fee simple estate in the property;
- as the property existed on December 31, 2025;
- reflecting typical market conditions;
- as if the property had been sold on July 1, 2025;
- on the open market;
- from a willing seller to a willing buyer.

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

The legislation requires the City of Edmonton to assess the fee simple estate.

"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 *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 properties;
- 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, this includes: rights to be valued, effective date of valuation, and any limiting conditions.
Data Collection	Mass appraisal requires a 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.

Assessment Classification

Section 297 of the MGA requires that a property must be assigned one or more of the following assessment classes:

- (a) class 1 - residential;
- (b) class 2 - non-residential;
- (c) class 3 - farm land;
- (d) class 4 - machinery and equipment.

The different assessment classes are defined in section 297(4) of the MGA. The *City of Edmonton Charter, 2018 Regulation, Alta Reg 39/2018* (Charter), except for the purposes of section 359 and Division 5 of Part 9 of the MGA, modifies the section 297(4) definitions for the different assessment classes.

Pursuant to section 297(2) of the MGA and Bylaw 19519, the residential class has been divided into subclasses. Bylaw 19519 defines the Residential, Mature Area Derelict Residential, and Other Residential subclasses.

Assigning assessment classes requires a consideration of the class and subclass definitions and related sections in section 297 of the MGA, the Charter, Bylaw 19519, and the Edmonton Zoning Bylaw No. 20001, including overlays.

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.

s31 (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 Information prescribed ... does not include coefficients

MRAT, s.33(3)

Valuation Model

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

Commercial Property Types

Free-Standing Parkades (Parkades) are structures designed primarily to accommodate the parking of motor vehicles and offer public utility to commercial and non-commercial users in the area. Stalls within the parkade can be rented on a monthly, daily or hourly basis. Free Standing Parkades are all located in the Downtown Financial district. For Assessment purposes, Free Standing Parkades are not Associated Lots. *See definition for Location and Associated Lots.*

Approaches to Value

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

Direct Comparison 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 City of Edmonton requests financial information from owners during the annual Request for Information (RFI) process.

Obtaining Information about Suburban Office Properties

The City of Edmonton requests financial information from owners during the annual Request for Information (RFI) process.

Annually, property owners are required to provide the following information to the City via the RFI process:

- A completed Free Standing Parkade survey including information about the parkade such as number and type of stalls, occupancy levels, and operating expenses.
- Year-end financial statements that include the Income Statement, a Schedule of Income and Expenses, and Notes.

- A completed Commercial Tenant Roll Form including information about space types (office, retail, warehouse, storage); tenant location; lease term; lease rate; operating expenses; tenant inducements and type; landlord and tenant improvements; escalations; other rent (signage, percent rent) and vacant space.
- For 2026 tax year valuation, an Income Addendum requesting information on abatements, deferrals and payments was sent to property owners. In addition, the Income Addendum also requested information on abandoned, breached, or amended leases.

Sales Information

Sales information is received from the Land Titles Office. Sales are validated. Validation may include site inspections, interviews with involved parties, a review of land title documents, corporate searches, third party information, and sales validation questionnaires. The resulting validated sales are used to develop capitalization rates to use in the income approach. The City of Edmonton uses the date the legal title transfer was registered at the Land Titles Office as the sale date of a property.

Sale price reflects the condition of a property on the sale date and may not be equal to the assessed value.

For 2026 tax year valuation, sales occurring from July 1, 2020 to July 1, 2025 were analyzed.

Free Standing Parkade Valuation

Free Standing Parkades are income-producing properties that trade based on their income generating capabilities. For the purpose of assessment, these properties are valued on the Income Approach via Direct Capitalization Method. Below is the list of variables that affect the assessment value for 2026.

Free Standing Parkade Operating Revenue	Free Standing Parkade Expenses	Capitalization Rate
--	-----------------------------------	---------------------

Free Standing Parkade Operating Revenue

Free Standing Parkade Operating Revenue is the sum of the annual income returned from tenants and public use of the parkade. Examples of the types of parking revenue reported include: *yearly contracted parking stalls, monthly contracted parking stalls, daily parking and hourly parking*.

Free Standing Parkade Expenses

The expenses of a Free Standing Parkade are typically allocated to one of two categories that reflects the nature of the expense: ***Undistributed Operating Expenses*** and ***Fixed Expenses***. These categories are then further categorized into a number of categories.

Undistributed Operating Expenses

These expenses are considered applicable to the entire property and may be essential for the overall operation.

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Administration: Fees include expenses that cannot be attributed to a particular department.

Management Fee: The contract agreement expense between a third-party management company (Operator) and the Free Standing Parkade property owner (investor or Landlord). Typically, the operator assumes complete responsibility for managing the Free Standing Parkade. Management fees are typically based on a prescribed formula such as a percentage of a Free Standing Parkades total gross income or on a base fee, plus incentives structure

Repairs & Maintenance: Includes the expenses incurred to maintain the Free Standing Parkade so that it can continue operating effectively and generate income. These expenses do not include capital expenditures.

Sales and Marketing: Expenses include all expenses associated with advertising, sales and promotion for the parkade that are designed to obtain new customers and retain existing ones. For 2026, no free standing parkade reported expenses in this category.

Services: Includes the expenses incurred to provide access and maintain safety standards for the Free Standing Parkade. These expenses include: snow removal, security and janitorial services.

Utilities: Includes electricity, water and heating. Electricity expenses are influenced by the type of Parking (Underground, Above-Ground or Rooftop) and the hours of operation.

Fixed Expenses

This category includes fixed expenses that do not change with an increase or decrease in the amount of goods or services produced, parking volume or income and expenses that are not related to the property's core operation.

Property Insurance: Expenses include premiums relating to insuring the Free Standing Parkade for liability and fire.

Property Tax: Taxes specifically for the Free Standing Parkade portion assessed against real property by a Government or Public Agency. When ascribing the Property Tax expense for the Free Standing Parkade portion to be included on the proforma, the City of Edmonton retrieves the property's 2025 assessment and multiplies the assessment by the City of Edmonton's 2025 Mill Rate for Free Standing Parkades.

Non-Allowable Expenses

These are expenses that often appear on financial statements but do not form part of property valuation:

- **Capital Expenditures** – Capital Expenditures are excluded because they provide additions or major improvements to the Free Standing Parkade that typically increase value and economic life.
- **Debt Service/Mortgage interest payments** – Interest and principal required to amortize a loan; are excluded because they are a financing expense and not an operating expense.
- **Income Tax** – Income Tax is excluded because it is a tax on income which may be affected by things other than the subject property.

- **Depreciation and Amortization** – Depreciation and Amortization is excluded because it is recaptured in the capitalization.
- **Expenses not required to maintain the property income** – Certain other expenses may be excluded because these are not related to the property. Examples of this include donations, litigation, bank charges, amortization, etc.

Stabilization

Reported actual revenues and expenses are stabilized over the three preceding years and the expenses are also normalized in order to capture performance and adjust for unforeseeable or atypical events that may significantly interrupt normal operations within the property.

Free Standing Parkades operate with mixed parking stall type and mixed parking arrangements such as: yearly agreement, monthly agreement, daily parking and hourly parking. Therefore, the operating performance is sensitive and tends to fluctuate from year to year.

Stabilization accounts for the periodic life cycles of a Free Standing Parkade such as growth, maturation and declines. It may also mitigate or adjust for extraordinary events deemed temporary or non-recurring, impacting revenues or expenses outside of the Free Standing Parkade's normal operations.

The City of Edmonton uses a 33.3% - 33.3% - 33.3% allocation to equally weigh the Revenue and Expenses from the financial statements over a period of three years prior to the valuation date as of July 1st 2025.

If a property did not submit **complete** or **usable** financial statements during the Request for Information (RFI) period for any of the prior three years, a projected revenue is ascribed based on the City of Edmonton's parking rate and parking vacancy study from returned RFI's of other Free Standing Parkades.

Industry Norms

Once expenses have been collected from property owners through the RFI process, the appropriate data is analyzed according to operating expense categories to derive the **Industry Norms** (or **Typical Expense Ratios**), so that consistent valuation parameters and other statistical measures can be developed across each Free Standing Parkade. An expense ratio is calculated by dividing the stabilized expense by the Free Standing Parkade revenue.

In cases where a financial statement has not been provided or is incomplete, the industry norms will be used.

Normalization

Once the Industry Norms percentages are established, the actual expenses will be compared to the **+/- 10%** range from the Industry Norm percentage; this process is called **Normalization**. If actual expenses ratios fall inside this range, then the actual expense ratio calculated from the building is used.

If actual expense ratios fall outside the **+/- 10%** range, then either the high end or low end of the Industry Norm is applied. For example, when the actual expense ratio is lower than the -10% variance, then the low end of the industry norm range is used. When the actual expense ratio is higher than the +10% variance, then the high end of the Industry Norm range is used.

	Typical	Actual	Factor Used	-10%	10%
Utilities Example 1	10.0%	9.5%	9.5%	9.0%	11.0%
Utilities Example 2	10.0%	12.0%	11.0%	9.0%	11.0%
Utilities Example 3	10.0%	8.5%	9.0%	9.0%	11.0%

Application of normalization for allowable expenses is applied to all expense categories except Property Tax. See Property Tax for calculation method.

Overall Capitalization Rate (Cap Rate)

The 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. ***The Cap Rate applied to any commercial spaces within a parkade will be consistent with that applied to the entirety of the property.***

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

The Capitalization Rate applied to Free Standing Parkades was derived by analyzing other similarly located, lower risk, income-producing commercial properties. Free Standing Parkades are a lower risk investment when compared to other types of income-producing properties in Downtown Edmonton. Free Standing Parkades are generally lower risk because they are not typically encumbered by long-term rental agreements and they typically feature low-maintenance construction comprised primarily of concrete. Furthermore, the downtown location provides a limited supply of developable land sites. Hence, land values are typically greater on a per unit basis in downtown than in other areas of the city. These characteristics reduce the overall investment risk in Free Standing Parkades.

Sample Assessment Detail Report



ASSESSMENT DETAIL REPORT

2026 FREE-STANDING PARKADE VALUATION SUMMARY

Roll Number:	1234567 Sample	Valuation Date:	July 1, 2025
Name:	Sample Parkade	Year Built:	1987
Address:	Sample Avenue	Effective Year Built:	1991
District:	F	Lot Size (ft ²):	15,000
Classification:	FREE STANDING PARKADE	Property Assessment:	\$2,742,000

Legal Description: Sample Plan: 1 Sample Block: A Sample Lot: 1

Operating Revenue			Total	THREE YEAR AVERAGE PARKING REVENUE
Parking Revenue		Parkade Revenue	\$500,000	
Less: Undistributed Operating Expenses				
Management Fee	3.43%		\$17,140	
Administration	2.79%		\$13,948	
Services	11.42%		\$57,093	
Utilities	8.64%		\$43,208	
Repairs & Maintenance	19.37%		\$96,838	
Total Undistributed Operating Expenses	45.65%		\$228,227	
Less: Fixed Expenses				
Property Taxes	10.00%		\$50,000	
Property Insurance	3.22%		\$16,106	
Total Fixed Expenses	13.22%		\$66,106	
Net Operating Income			\$205,667	
Stabilized Value				
Capitalization Rate			7.50%	
		Value Subtotal	\$2,742,224	
Other Value Adjustments				
Additional Buildings			\$0	
Associated Lots				
Construction Allowance (Shell Space Allowance)				
Excess Land				
Surplus Land				
2026 Market Value Estimate (Rounded)			\$2,742,000	

COMMENTS

Sample Parkade

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Assessment Detail Report

2026 DOWNTOWN OFFICE VALUATION SUMMARY

Roll Number:	1234567 Sample	Valuation Date:	July 1, 2025
Name:	Sample Building	Number of Stories:	10
Address:	Sample Avenue	Actual Zoning:	CCA
District:	F	Year Built:	1970
Classification:	AA	Effective Year Built:	1980
Lot Size (ft ²):	7,526	Connectivity:	NO
Legal Description:	FAA	Property Assessment: \$2,242,000	
Space Types		Gross Leasable Area (ft²)	Market Rent/ft²
Office Space		1,000	\$20.00
Office - Other		500	\$10.00
CRU - 1 to 1,000 ft ²		0	\$0.00
CRU - 1,001 to 3,000 ft ²		2,000	\$15.00
CRU - 3,001 to 5,000 ft ²		0	\$0.00
CRU - 5,001 to 10,000 ft ²		0	\$0.00
CRU - greater than or equal to 10,000 ft ²		0	\$0.00
CRU - Bank		0	\$0.00
CRU - Drug Store		0	\$0.00
CRU - Food Court		0	\$0.00
CRU - Restaurant Small 1 to 3,000 ft ²		0	\$0.00
CRU - Restaurant Large over 3,000 ft ²		0	\$0.00
CRU - Restaurant Fast Food		0	\$0.00
CRU - Warehouse		0	\$0.00
CRU - Other		0	\$0.00
Storage		500	\$5.00
Underground Parking Stalls	100	\$100.00	\$120,000
Aboveground Parking Stalls	0	\$0.00	\$0
Covered Parking Stalls	0	\$0.00	\$0
Surface Parking Stalls	0	\$0.00	\$0
Total Gross Leasable Area (ft²):	4,000	Potential Gross Income	\$177,500
Less: Vacancy and Collection Loss Allowance			
Office		5.0%	\$7,250
CRU		18.5%	\$5,550
		Effective Gross Income	\$164,700
Less: Expenses			
Structural Allowance		2.0%	\$3,294
Less: Vacancy Shortfall			
Office	75	\$10.00	\$750
CRU	370	\$10.00	\$3,700
		Net Operating Income	\$156,956
Stabilized Value			
Capitalization Rate		7.00%	
		Value Subtotal	\$2,242,229
Other Value Adjustments			
Additional Buildings			\$0
Associated Lots			
Buildings Under Construction			
Construction Allowance (Shell Space Allowance)			
Excess Land			
Surplus Land			
2026 Market Value Estimate (Rounded)	\$2,242,000		

COMMENTS

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OFFICE GLA x MARKET RENT = OFFICE PGI

Example: (1,000 ft² x \$20) + (500 ft² x \$10) = \$25,000

CRU GLA x MARKET RENT = CRU PGI

Example: 2,000 ft² x \$15 = \$30,000

STORAGE GLA x MARKET RENT = STORAGE PGI

Example: 500 ft² x \$5 = \$2,500

(PARKING STALLS x MARKET RENT PER MONTH) x 12 = PARKING PGI

Example: 100 stalls x \$100 = \$10,000/month x 12 months = \$120,000/year

TOTAL OFFICE PGI + TOTAL CRU PGI + TOTAL STORAGE PGI +

TOTAL PARKING PGI = TOTAL PGI

Example: \$25,000 + \$30,000 + \$2,500 + \$120,000 = \$177,500

(OFFICE PGI + PARKING PGI) x TYPICAL VACANCY RATE

Example: (\$25,000 + \$120,000) = \$145,000 x 0.05 = \$7,250

CRU PGI x TYPICAL VACANCY RATE

Example: \$30,000 x 0.185 = \$5,550

PGI LESS VACANCY LOSS = EGI

Example: \$177,500 - (\$7,250 + \$5,550) = \$164,700

EGI LESS STRUCTURAL ALLOWANCE

Example: \$164,700 x 0.02 = \$3,294

(TOTAL OFFICE GLA x TYPICAL VACANCY RATE) x TYPICAL VACANCY

SHORTFALL = OFFICE VACANCY SHORTFALL

Example: (1,500 ft² x 0.05) = 75 x \$10 = \$750

(TOTAL CRU GLA x TYPICAL VACANCY RATE) x TYPICAL VACANCY

SHORTFALL = CRU VACANCY SHORTFALL

Example: (2,000 ft² x 0.185) = 370 x \$10 = \$3,700

EGI LESS STRUCTURAL ALLOWANCE LESS VACANCY SHORTFALL = NOI

Example: \$164,700 - (\$3,294 + \$750 + \$3,700) = \$156,956

NOI / CAP RATE = MARKET VALUE SUBTOTAL

Example: \$156,956 / 0.07 = \$2,242,229

FINAL MARKET VALUE ESTIMATE UTILIZING THE INCOME APPROACH

(Rounded down to the nearest 500)

Additional Commercial Building or Commercial Space Types Within A Free Standing Parkade

Additional Commercial Building(s) any additional stand-alone commercial building where the use of the Stand-Alone Building is completely independent of the use of the free standing parkade building.

Commercial Space Type(s) any enclosed unit within the free standing parkade that operates independently from the free standing parkade's operation.

Both of the above properties are valued based upon the relevant valuation model.

- Please refer to *2026 Assessment Methodology - Downtown/Suburban Office* for more Office valuation details.

Other Commercial Space Income Approach Definitions

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 Rent, generally defined, is the rental rate net of financial concessions such as periods of free rent during the lease term.

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 or 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 Structural Repairs only
 - **New** is a new lease agreement of a tenant occupying a space that was vacant or occupied by a previous tenant, may include tenant expansion.
 - **Renewal** is when a lease expires and the existing tenant signs a new lease term.
 - **Step-Up** is 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 remodeling.

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 reflects 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 to the City of Edmonton through the RFI process, for 2026 valuation, there were no types of tenant inducements that were found to be typical in the marketplace for Hotel Motel ancillary spaces. 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 the 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 and Collection Loss Allowance is a deduction from the potential gross income for typical vacancy and collection losses, assuming typical market conditions and typical management. Vacancy losses are best described as an allowance for vacant space as of the valuation date. Collection losses are considered unpaid rents that the landlord is unlikely to recover. The vacancy allowance is weighted; it is the total vacant space compared to total space in the market, not the percent vacancy of individual properties. The average of the three years immediately preceding the valuation date is applied. The raw data came from tenant rolls, the Income Addendum, and year end financial statements. For the 2026 tax year valuation, no collection loss was applied because it was not found to be typical in the marketplace for Downtown Office properties.

Should a property demonstrate a history of higher than typical vacancy, the City may apply an adjusted stabilized vacancy and collection loss allowance (chronic vacancy). Chronic vacancy is intended to recognize site specific issues causing a property to not perform at typical market levels. Chronic vacancy is applied on a CRU or office basis. In order to qualify for chronic vacancy all of the following criteria must be met:

- Three consecutive years of rent rolls immediately preceding the valuation date must be provided during the RFI process;
- All three years of rent rolls must show that the property has experienced a vacancy rate greater than the current typical vacancy allowance range - For example, if the typical vacancy allowance is 6% then each year's vacancy must be at least 10%;
- The vacant space must have been actively marketed (visible for lease signage, listed through a broker, online listing,) during the chronically vacant period;
- Storage space is not included in the vacancy allowance calculation;
- Chronic vacancy does not apply to buildings under construction. Chronic vacancy may be applied only after building construction is completed for a minimum of three years.

If the preceding criteria are met, then the average of the three years vacancy for the property will determine which stabilized vacancy and collection loss allowance is applied. The ranges and the corresponding stabilized vacancy and collection loss allowances are contained in the chart below.

Actual Vacancy Range (over three years)	Stabilized Vacancy and Collection Loss Allowance
0% to <10%	Apply typical allowance
≥ 10% to <20%	10%
≥ 20% to < 30%	15%
≥ 30% to < 40%	20%
≥ 40% to < 50%	25%
≥ 50% to < 60%	30%
≥ 60% to < 80%	35%
≥ 80% to < 100%	40%

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, such as operating expenses, heating, security, property taxes, etc. Storage space is not included in the vacancy shortfall calculation.

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 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.***

Vacant Space is empty and or unoccupied leasable space. A vacancy percentage should not be considered to be the same as a vacancy allowance, which is what a prudent investor or owner would

budget for in their income stream on an ongoing basis.

Other Value Adjustments

Additional Building is the assessed value added for any commercial space component of a Parkade.

Lot size is the area of a specific parcel determined through a Geographic Information System (GIS). Survey plans are validated with geometric-based mathematical calculations to each lot corner, registering these locations back to the survey control network established by the province. More information on the survey control network can be found on the Government of Alberta's website (<https://www.alberta.ca/geodetic-control-unit.aspx>).

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 permitted uses 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 in effect on July 1, 2020, prior to Open Option parking coming into effect, outlined the requirements to satisfy the operations of the primary property. Parkades do not qualify as associated lots.

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, heating, ventilation ductwork, electrical systems and 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). To avoid a double deduction, an adjustment for shell space will not be made when the amount of unfinished leasable space is less than the vacancy shortfall area.

Other Definitions

District

The geographic areas where a Free Standing Parkade is located.

Classification

Properties are stratified into groups that are comparable to one another. Free Standing Parkade is the only classification.

Type of Parking Stalls

Refers to the type of parking stalls contained within a parkade structure. Types of parking stalls include:

- *Underground*: Parking located in a parking structure that is fully enclosed and protected from the outside elements.
- *Aboveground*: Parking located in a parking structure that has limited protection from the outside elements. There is overhead coverage, but the limited protection could be a partial wall height or a perforated wall.

- **Rooftop:** Parking located on top of a parking structure that has no protection from the outside elements.
- **Tandem Parking:** refers to the placement of one parking space behind another parking space, such that only one parking space has unobstructed access to a driveway, road, alley, etc. A tandem stall is assessed as a single stall.

Effective Year Built is the original year of construction of a property adjusted to reflect an addition or significant renovation that extends the improvement's remaining economic life. Effective age is the current assessment year minus the effective year. Components that impact a property's remaining economic life when replaced or renovated include the roof, building envelope (windows, doors, siding, walls, insulation, vapor barrier), foundation, and mechanical systems (electrical, plumbing, HVAC). Additions to existing buildings also affect the property's effective age.

Land Use Code 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 Free-Standing Parkades Inventory.

Land Thresholding is when the land value plus \$500 improvement value is greater than the income approach value and as such the land value is used in the assessment. It is based on the principle of highest and best use as vacant. For Free Standing Parkades, land thresholding was used where applicable for the 2026 tax year valuation. For information on the land valuation, please see the City's *2026 Commercial Land Methodology Guide*.

Year Built is the year the property was constructed also known as the chronological age of a property. If construction spanned over several years, this is the first year of construction.

Actual Zoning is set by the Edmonton Zoning Bylaw No. 20001 and regulates the development of a parcel. Edmonton Zoning Bylaw No. 20001 is available online at [Edmonton.ca](http://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 the actual zoning according to Edmonton Zoning Bylaw No. 20001 (i.e. legal nonconforming use).

Zoning

The rules and regulations for land development within Edmonton are contained in the Zoning Bylaw 20001.

Zone means a specific group of listed Uses and Development Regulations that regulate the Use and development of land within specific geographic areas of the city.

Zoning Bylaw 20001, 2024, s. 8.20

See the appendix for the Zone Summary. For further information see City of Edmonton Zoning Bylaw No. 20001 available online at edmonton.ca.

The actual zoning of a property may affect the property's classification; however, not all property conforms to the zoning set out in the Zoning Bylaw. In these cases, an effective zoning is applied to reflect the current use and development of the property. The effective zoning may differ from the actual zoning when the current use differs from the Zoning Bylaw (e.g., a legal nonconforming use).

643(1) If a development permit has been issued on or before the day on which a land use bylaw or a land use amendment bylaw comes into force in a municipality and the bylaw would make the development in respect of which the permit was issued a nonconforming use or nonconforming building, the development permit continues in effect in spite of the coming into force of the bylaw.

MGA, s.643(1)

In cases where a legal non-conforming use is discontinued for six (6) or more months, any future use must conform to the Zoning Bylaw.

643(2) A non-conforming use of land or a building may be continued but if that use is discontinued for a period of 6 consecutive months or more, any future use of the land or building must conform with the land use bylaw then in effect.

MGA, s.643(2)

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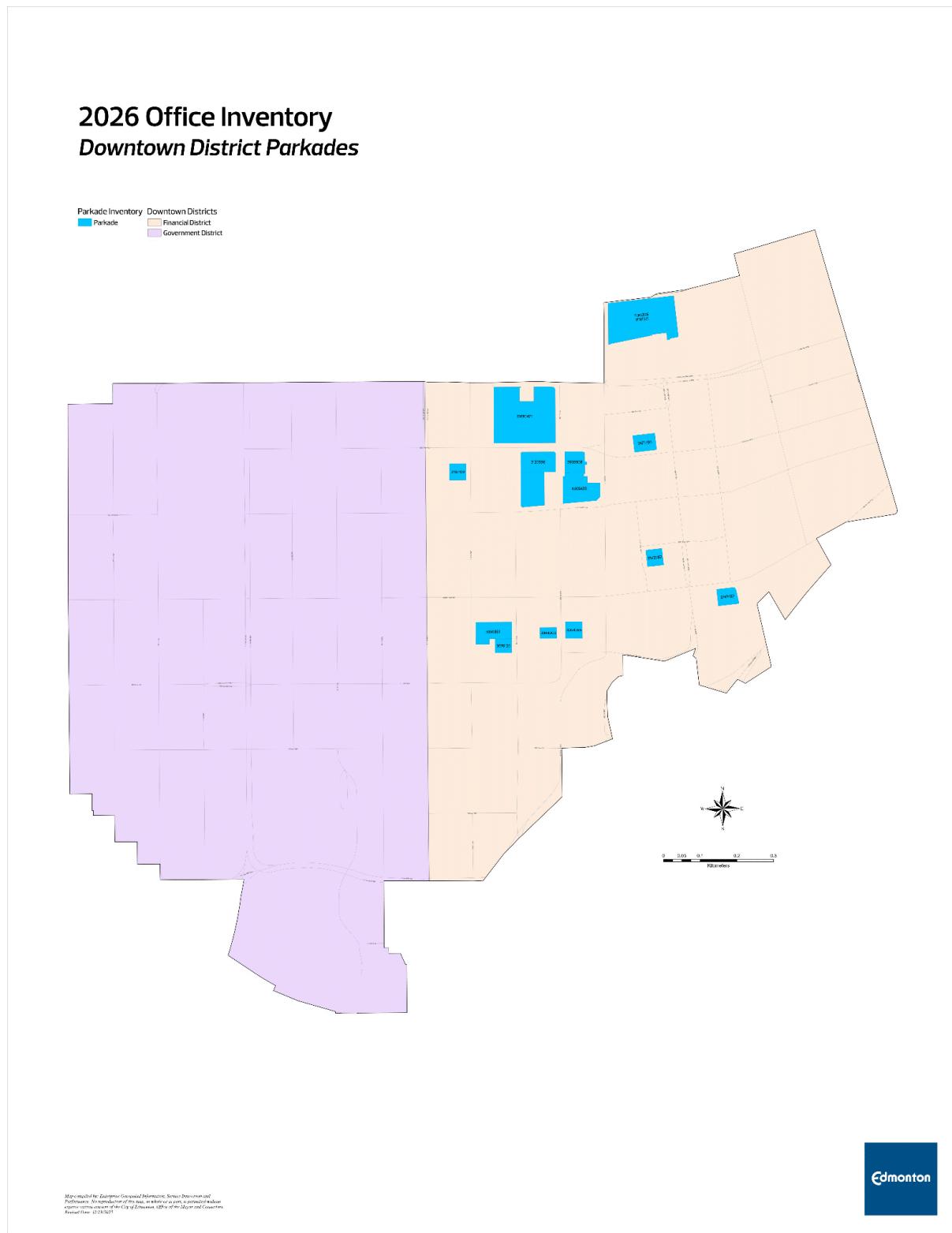
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Maps



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Time Adjustment Factors

YEAR	MONTH	ADJUSTMENT	YEAR	MONTH	ADJUSTMENT
2020	Jul	0.7168	2023	Jan	1.0000
2020	Aug	0.7284	2023	Feb	1.0000
2020	Sep	0.7400	2023	Mar	1.0000
2020	Oct	0.7516	2023	Apr	1.0000
2020	Nov	0.7638	2023	May	1.0000
2020	Dec	0.7760	2023	Jun	1.0000
2021	Jan	0.7884	2023	Jul	1.0000
2021	Feb	0.8011	2023	Aug	1.0000
2021	Mar	0.8138	2023	Sep	1.0000
2021	Apr	0.8268	2023	Oct	1.0000
2021	May	0.8400	2023	Nov	1.0000
2021	Jun	0.8535	2023	Dec	1.0000
2021	Jul	0.8671	2024	Jan	1.0000
2021	Aug	0.8807	2024	Feb	1.0000
2021	Sep	0.8943	2024	Mar	1.0000
2021	Oct	0.9091	2024	Apr	1.0000
2021	Nov	0.9238	2024	May	1.0000
2021	Dec	0.9386	2024	Jun	1.0000
2022	Jan	0.9536	2024	Jul	1.0000
2022	Feb	0.9688	2024	Aug	1.0000
2022	Mar	0.9844	2024	Sep	1.0000
2022	Apr	1.0000	2024	Oct	1.0000
2022	May	1.0000	2024	Nov	1.0000
2022	Jun	1.0000	2024	Dec	1.0000
2022	Jul	1.0000	2025	Jan	1.0000
2022	Aug	1.0000	2025	Feb	1.0000
2022	Sep	1.0000	2025	Mar	1.0000
2022	Oct	1.0000	2025	Apr	1.0000
2022	Nov	1.0000	2025	May	1.0000
2022	Dec	1.0000	2025	Jun	1.0000