EXECUTIVE SUMMARY
Accommodation Model

Appraisal Cycle Date – January 1, 2021 to December 31, 2024
Effective Date of Valuation – January 1, 2019
Date of Report – April 25, 2022

Model Summary

<table>
<thead>
<tr>
<th>Group</th>
<th>Net Income per Room</th>
<th>Occupancy Rate</th>
<th>Overall Capitalization Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel A:</td>
<td>$ 10,160</td>
<td>57.0%</td>
<td>5.79%</td>
</tr>
<tr>
<td>Hotel B:</td>
<td>$ 5,301</td>
<td>57.7%</td>
<td>5.79%</td>
</tr>
<tr>
<td>Hotel CP:</td>
<td>$ 5,995</td>
<td>56.1%</td>
<td>5.79%</td>
</tr>
<tr>
<td>Hotel CP:</td>
<td>$ 5,995</td>
<td>62.6%</td>
<td>5.79%</td>
</tr>
<tr>
<td>Hotel C:</td>
<td>$ 10,588</td>
<td>57.5%</td>
<td>5.79%</td>
</tr>
<tr>
<td>Hotel C:</td>
<td>$ 10,588</td>
<td>66.6%</td>
<td>5.79%</td>
</tr>
<tr>
<td>Motel:</td>
<td>$ 4,378</td>
<td>71.3%</td>
<td>5.79%</td>
</tr>
</tbody>
</table>

Number of Sales: 3
Median Assessment-to-Sales Ratio (ASR) 0.982
Coefficient of Dispersion (COD) 27.4%
ACCOMMODATION MODEL

IDENTIFICATION of MODEL AREA

The Accommodation model is an income model that values all the hotel and motel properties in the City of Regina. Hotel and motel properties that also include separate office, retail and/or restaurant components; these components valued by the Office and Commercial models. The Accommodation model is a city-wide model in application.

Hotel/motel properties are classified and grouped according to generally accepted Accommodation Industry practices, including motels, limited service hotels, select service hotels, and full-service hotels, among others. These are generalized definitions; a hotel/motel property may not meet an exact definition however is placed in the classification that best fits the individual property.

After analyzing all available market information, the Assessor determined the following three broad categories of hotel/motel properties. These categories are described as:

- Full Service
  - Conference capable facilities offering full food and beverage services for guests and groups; abundant meeting and banquet space to accommodate large groups and conferences
- Limited and Select Service
  - Non-conference capable facilities offering a select number of services and amenities; limited meeting space for small groups
- Motel
  - Walk-up type accommodation properties, offering minimal services and amenities

Based on these broad categories, the Assessor then looked to the existing inventory of hotel and motel properties to determine if these categories required further stratification that would better reflect difference in physical characteristics and amenities. The information provided in the table below summarizes the information the Assessor used in determining the following 5 categories, stratifications, as indicated in the 2021 Hotel/Motel Stratification Process:

- Hotel A – Full-Service Conference Capable
  - Conference capable facilities offering full food and beverage services for guests and groups; abundant meeting and banquet space to accommodate large groups and conferences
  - The Hotel A model values the two premier full-service hotels in the City’s downtown core
- Hotel B – Full-Service Conference Capable
- Conference capable facilities offering full food and beverage services for guests and groups; abundant meeting and banquet space to accommodate large groups and conferences
  - The Hotel B model values the remaining full-service hotels in the city.
- Hotel CP – Limited Service Hotel
  - Non-conference capable facilities offering full food and beverage services for guests and groups, limited meeting space for small groups or banquets
  - The Hotel CP model is sub-stratified for occupancy based on year built
- Hotel C – Select Service Hotel
  - Non-conference capable facilities, without full food and beverage services for guests and groups, very limited if any, meeting space or very small groups and without ability to service even small banquets
  - The Hotel C model is sub-stratified for occupancy based on year built
- Motel
  - Walk-up type accommodation properties, offering minimal services and amenities

| INCMOD | Median Year Built Gross Building Area # of Room Gross Bldg Area/Room # of Meeting Rooms Conference Area Size Sf Conf. space sf/ room Max Capacity Banquet |
|--------|---------------------------------|----------------|-----------------|----------------|----------------|----------------|-----------------|
| A (2)  | Median 1957 272,654 249 1081 17 19,418 77 775 |
| Mean   | 1957 272,654 249 1081 17 19,418 77 775 |
| Minimum| 1926 211,724 224 945 12 15,420 69 450 |
| Maximum| 1988 333,585 274 1217 21 23,415 85 1100 |
| B (6)  | Median 1970 122,557 179 689 9 9,143 53 228 |
| Mean   | 1973 148,432 175 798 10 9,586 51 251 |
| Minimum| 1963 64,628 105 608 5 3,954 25 150 |
| Maximum| 1992 268,448 235 1142 14 16,252 74 350 |
| C (14) | Median 2008 56,668 100 525 1 353 3 20 |
| Mean   | 2003 55,549 99 551 1 646 6 35 |
| Minimum| 1986 30,420 60 400 0 - 0 0 |
| Maximum| 2014 109,810 147 747 3 3,862 33 200 |
| CP (7) | Median 2004 75,624 123 615 3 1,422 12 40 |
| Mean   | 1992 76,607 120 658 2 1,768 15 55 |
| Minimum| 1926 68,060 78 525 1 933 8 28 |
| Maximum| 2015 81,974 144 946 3 3,435 29 150 |
| Motel (3) | Median 1965 14,134 33 450 0 - 0 0 |
| Mean   | 1965 14,564 35 410 0 - 0 0 |
| Minimum| 1964 10,656 31 323 0 - 0 0 |
| Maximum| 1967 18,901 42 456 0 - 0 0 |
### Hotel (29)
- **Full Service Hotel**
  - Full Service Restaurant on Site/leased or owner occupied
  - Conference Capable: # of meeting rooms 5+ (5-21 Med. 12)
  - Large Banquet Capacity 100+ (150-1100 Med. 382)
  - # of Rooms: Less than 5 (1 to 3)

### Hotel A (2)
- Full Service Conference Capable
  - Full-service restaurant on site – typically owner occupied
  - Direct Access to restaurant
  - Franchised
  - # of Rooms: 200+ (224–274; Med. 249)
  - # of Meeting/Conference rooms: 10+ (12-21; Med. 17)
  - Conference Space sf/Room: 50+ (69-85; Med.77)
  - Banquet Capacity: 450+ (450-1100; Med. 775)

### Hotel B (6)
- Full Service Hotel
  - Full- service restaurant on site – typically leased but may be owner occupied
  - Direct access to restaurant
  - Typically Franchised
  - # of Rooms: 100+ (105-235 Med. 179)
  - # of Meeting/Conference rooms: 5+ (5-16; Med. 9)
  - Conference Space sf/Room: 20+ (25-74; Med. 53)
  - Banquet Capacity: 100+ (150 to 350; Med. 228)

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### Hotel CP (7)
- Limited Service Hotel
  - Full- service restaurant on site – typically leased but may be owner occupied
  - May or may not have direct access to the restaurant
  - # of Rooms: Less than 150 (78-144; Med. 123)
  - # of Meeting rooms: Less than 5 (1-3; Med. 3)
  - Meeting Space sf/Room: Less than 30 (8-29; Med. 12)
  - Limited banquet capacity: Up to 150 (28 to 150; Med. 40)

### Hotel C (14)
- Select Service Hotel
  - No Restaurant on Site
  - May or may not have meeting rooms (1 to 3) available (0 to 33 sf/per room; Med. 3 sf)
  - # of Rooms: Less than 150 (60 to 147; Med. 100)
  - Typically include hot breakfast with room

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### Limited and Select Service Hotel
Non-conference capable facilities offering a select number of services and amenities; limited meeting space for small groups

### Motel (3)
- 2-storey, walk-up style motels offering minimal services and amenities

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### Motel 6 Regina – 2050 E Victoria Ave
- Super 8 by Wyndham Regina – 2730 E Victoria Ave
- Country Inn & Suites by Radisson Regina – 3321E Eastgate Bay
- Hampton Inn & Suites by Hilton – 3830E Eastgate Dr
- Days Inn by Wyndham – 3875E Eastgate Dr
- Travel Inn Regina – 1810E Argan Dr
- Best Wester Plus Eastgate – 3840E Eastgate Dr

### Limited and Select Service Hotel
- Executive Royal Hotel Regina – 4025 Albert St
- Quality Inn – 1717 Victoria Avenue
- Best Western 7 Oaks -777 Albert St

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### Hotel Regina
- 6 by Wyndham Regina – 2730 E Victoria Ave
- Country Inn & Suites by Radisson Regina – 3321E Eastgate Bay
- Hampton Inn & Suites by Hilton – 3830E Eastgate Dr
- Days Inn by Wyndham – 3875E Eastgate Dr
- Travel Inn Regina – 1810E Argan Dr
- Best Wester Plus Eastgate – 3840E Eastgate Dr

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### Hotel Regina
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- Travel Inn Regina – 1810E Argan Dr
- Best Wester Plus Eastgate – 3840E Eastgate Dr
SCOPE of DATA and ANALYSIS

Net Income Model Development

Prior to the January 1st, 2019 base date, the City Assessor requested copies of financial statements prepared in accordance with standard accounting practiced for all hotel and motel properties. The data for the development of the mass appraisal net income model came from these returned financial statements. Four years of data (2015, 2016, 2017 and 2018) were analyzed to understand valuation trends in the marketplace; the final model is based upon median values of the 4 years.

The financial statements of 32 hotel/motel properties were analyzed. The net income model predicts net incomes based on the number of rooms and the typical net rent per room. The development of typical hotel/motel net incomes is a three-step process:

1. Develop net incomes from individual hotel/motel properties
2. Develop potential net income per room from individual hotel/motel properties
3. Develop typical net incomes per room for different hotel/motel property groups

The first step in the development of hotel/motel net incomes is to review the revenue and expense statements for each individual hotel/motel property that provided information. The net income for each individual property is derived through the following formula:

\[ \text{Operating Revenue} - \text{Departmental Expenses} - \text{Undistributed Operating Expenses} - \text{Fixed Expenses} = \text{Net Income} \]

The second step is to develop the potential net income per room from the total net income for each individual property. This process considers the occupancy rate of the individual hotel/motel property and its number of rooms to determine the potential income the individual property could earn if it was fully occupied, as follows:

\[ \text{Net Income} \div \text{Occupancy Rate} \div \text{Number of Rooms} = \text{Potential Net Income per Room} \]

The third and final step of developing typical hotel/motel net incomes is to analyze the market trends for the various stratifications to determine if different typical potential net incomes and occupancy rates are applicable to different groups or classifications of hotel/motel properties. These typical figures will be required in the application of the net income model to the inventory of hotel/motel properties in the city.
The following market trends were observed:

<table>
<thead>
<tr>
<th>Stratification</th>
<th># of Obs.</th>
<th>Annual Occupancy (%)</th>
<th>ADR</th>
<th>RevPAR</th>
<th>NOI/Room 100% Occupancy</th>
<th>Expense Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall:</td>
<td>115</td>
<td>60.6</td>
<td>$118.00</td>
<td>$69.00</td>
<td>$8,373</td>
<td>80.5%</td>
</tr>
<tr>
<td>Hotel A:</td>
<td>8</td>
<td>57.0</td>
<td>$159.83</td>
<td>$88.56</td>
<td>$10,160</td>
<td>88.5%</td>
</tr>
<tr>
<td>Hotel B:</td>
<td>20*</td>
<td>57.7</td>
<td>$118.86</td>
<td>$67.27</td>
<td>$5,301</td>
<td>90.5%</td>
</tr>
<tr>
<td>Hotel CP:</td>
<td>25</td>
<td>58.2</td>
<td>$115.86</td>
<td>$65.70</td>
<td>$5,995</td>
<td>86.7%</td>
</tr>
<tr>
<td>Hotel C:</td>
<td>51</td>
<td>62.9</td>
<td>$118.37</td>
<td>$73.49</td>
<td>$10,588</td>
<td>74.0%</td>
</tr>
<tr>
<td>Motel:</td>
<td>7</td>
<td>71.3</td>
<td>$61.99</td>
<td>$44.20</td>
<td>$4,378</td>
<td>73.9%</td>
</tr>
</tbody>
</table>

*24 original observations were reviewed

**Rent Model Application**

The second step in the valuation process is to apply the typical potential net incomes and occupancy rates against the hotel/motel inventory in the city to arrive at typical total net incomes for all hotel/motel properties.

An allowance of 4% is made to the predicted total net income for each hotel/motel property to recognize the industry standard for reserves for replacement.

**Overall Capitalization Rates and Adjustments**

Economic Capitalization Rates were estimated by dividing the predicted base date net operating income (generated from the net income model) by adjusted sale prices. Sales used in this analysis occurred between January 1, 2015 and December 31, 2018. These sales were verified by mailing questionnaires to both vendors and purchasers.

Land Titles information and the Assessor’s verification process both showed that the sale prices of these properties excluded amounts for furniture, fixtures and equipment (FF&E). The sale prices reflected in the table below reflect the sale of land and buildings only. Therefore, adjustments for FF&E are not required in this valuation model and calculations.

The capitalization rate analysis involved three sales, detailed in the following table:

<table>
<thead>
<tr>
<th>Account</th>
<th>Address</th>
<th>Sale Month</th>
<th>Sale Year</th>
<th>Adjusted Sale Price</th>
<th>Predicted Income</th>
<th>Economic Cap Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>10037724</td>
<td>2125 VICTORIA AVENUE</td>
<td>9</td>
<td>2015</td>
<td>$35,200,000</td>
<td>1,392,258</td>
<td>3.96</td>
</tr>
<tr>
<td>10064984</td>
<td>1919 SASKATCHEWAN DRIVE</td>
<td>10</td>
<td>2015</td>
<td>$41,996,900</td>
<td>2,432,350</td>
<td>5.79</td>
</tr>
<tr>
<td>10091545</td>
<td>1717 VICTORIA AVENUE</td>
<td>4</td>
<td>2018</td>
<td>$5,059,995</td>
<td>437,171</td>
<td>8.64</td>
</tr>
</tbody>
</table>
Application of Capitalization Rate

The final step in the valuation process is to capitalize a property’s net income by applying the median economic cap rate of 5.79% to determine its total value.

MODEL TESTING

In mass appraisal, the most effective means of evaluating the accuracy of appraisals is a ratio study. A ratio study compares the appraised values produced by the valuation models to arm’s length sale transactions in the marketplace.

The legislated statistical requirement governing the assessment of commercial properties in Saskatchewan is for the median ratio of a city-wide assessment-to-sale study to be within the range of 0.95 to 1.05.

The primary measure of appraisal uniformity in ratio studies is the Coefficient of Dispersion (COD). Low CODs tend to be associated with good appraisal uniformity. The COD also indirectly measures the quality of the appraisal process by which mass appraisal modelled values are developed.

The median assessment-to-sale ratio and Coefficient of Dispersion for this model is provided below:

<table>
<thead>
<tr>
<th>Number of Sales:</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Assessment-to-Sales Ratio (ASR)</td>
<td>0.982</td>
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<tr>
<td>Coefficient of Dispersion (COD)</td>
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