

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

Group		Net Income per Room	Occupancy Rate	Overall Capitalization Rate
Hotel A:		\$ 10,160	57.0%	5.79%
Hotel B:		\$ 5,301	57.7%	5.79%
Hotel CP:	Year Built Pre-2000	\$ 5,995	56.1%	5.79%
Hotel CP:	Year Built 2000+	\$ 5,995	62.6%	5.79%
Hotel C:	Year Built Pre-2000	\$ 10,588	57.5%	5.79%
Hotel C:	Year Built 2000+	\$ 10,588	66.6%	5.79%
Motel:		\$ 4,378	71.3%	5.79%

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

2019 Base Year Accommodation Stratification									
INCMOD		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

2021 ACCOMMODATION STRATIFICATION PROCESS (32)

Identify Construction Style

Hotel (29)

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

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: Over 100 (105 to 274 Med. 212)

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)

The Hotel Saskatchewan - 2125 Victoria Avenue
Delta Hotel & Convention Centre - 1919 Saskatchewan Dr

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)

Ramada Plaza by Wyndham - 1818 Victoria Ave
Double Tree by Hilton – 1911 Broad St
The Atlas (Travel Lodge) – 4177 Albert St
Best Western 7 Oaks -777 Albert St
Quality Inn Hotel – 1717 Victoria Avenue
Executive Royal Hotel Regina – 4025 Albert St

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

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)

Holiday Inn & Suites – 1800 Prince of Wales Dr
Sandman Hotel & Suites – 1800E Victoria Ave
Fairfield Inn & Suites – 3915 Albert St
Chateau Regina Hotel & Suites – 1110E Victoria Ave
Four Points by Sheraton – 2415 Dewdney Ave
Wingate by Wyndham Regina – 1700 Broad St
Holiday Inn Express Hotel & Suites Downtown – 1907 11th Ave

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

Motel 6 Regina – 2050 E Victoria Ave
Super 8 by Wyndham Regina – 2730 E Victoria Ave
Comfort Inn Regina – 3221E Eastgate Bay
Country Inn & Suites by Radisson Regina – 3321E Eastgate Bay
Home Suites Regina East – 3841E Eastgate Dr
Home Inn & Suites Regina Airport – 4801 Harbour Landing Dr
Days Inn by Wyndham – 3875E Eastgate Dr
Days Inn Regina Airport West - 4899 Harbour Landing Dr
Hampton Inn & Suites by Hilton – 3830E Eastgate Dr
Residence Inn by Marriott Regina – 1506 Pasqua St
Comfort Suites – 4300 Diefenbaker Dr
Holiday Inn Express & Suites - 4255 Albert St
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:

Market Trends (Medians) 2015 to 2018						
Stratification:	# of Obs.	Annual Occupancy (%)	ADR	RevPAR	NOI/Room 100% Occupancy	Expense Ratio
Overall:	115	60.6	\$ 118.00	\$ 69.00	\$ 8,373	80.5%
Hotel A:	8	57.0	\$ 159.83	\$ 88.56	\$ 10,160	88.5%
Hotel B:	20*	57.7	\$ 118.86	\$ 67.27	\$ 5,301	90.5%
Hotel CP:	25	58.2	\$ 115.86	\$ 65.70	\$ 5,995	86.7%
Hotel C:	51	62.9	\$ 118.37	\$ 73.49	\$ 10,588	74.0%
Motel:	7	71.3	\$ 61.99	\$ 44.20	\$ 4,378	73.9%

*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:

Account	Address	Sale Month	Sale Year	Adjusted Sale Price	Predicted Income	Economic Cap Rate
10037724	2125 VICTORIA AVENUE	9	2015	\$35,200,000	1,392,258	3.96
10064984	1919 SASKATCHEWAN DRIVE	10	2015	\$41,996,900	2,432,350	5.79
10091545	1717 VICTORIA AVENUE	4	2018	\$ 5,059,995	437,171	8.64

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:

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