Accommodation Model

EXECUTIVE SUMMARY

Appraisal Cycle Date – January 1, 2021 to December 31, 2024
Effective Date of Valuation – January 1, 2019
Date of Report – November 30, 2020

Rent 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>5.4%</td>
</tr>
<tr>
<td>Hotel B:</td>
<td>$3,068</td>
<td>52.8%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Hotel CP:</td>
<td>$5,995</td>
<td>58.2%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Hotel C:</td>
<td>$10,588</td>
<td>62.9%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Motel:</td>
<td>$4,378</td>
<td>71.3%</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

Number of Sales: 3
Median Assessment-to-Sales Ratio (ASR) 0.999
Coefficient of Dispersion (COD) 9.4%
**ACCOMMODATION MODEL**

**IDENTIFICATION of MODEL AREA**

The Accommodation model is an income model that values all the hotel and motel properties in Regina. The Accommodation model is applied city-wide. There are some hotel and motel properties that also include a separate office, retail and/or restaurant component. In these situations, the additional components are valued using the Office and Commercial models.

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 determines 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 looks at the existing inventory of hotel and motel properties to determine if these categories require further stratification that would better reflect difference in physical characteristics and amenities. The information provided in the table below summarizes the information the Assessor uses in determining the following five (5) categories or stratifications as identified in the 2021 Accommodation 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

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

Motel

- Walk-up type accommodation properties, offering minimal services and amenities
<table>
<thead>
<tr>
<th>INCMOD</th>
<th>Median Year Built</th>
<th>Gross Building Area</th>
<th># of Room</th>
<th>Gross Bldg Area/Room</th>
<th># of Meeting Rooms</th>
<th>Conference Area Size Sf</th>
<th>Conf. space sf/ room</th>
<th>Max Capacity Banquet</th>
</tr>
</thead>
<tbody>
<tr>
<td>A (2)</td>
<td>1957</td>
<td>272,654</td>
<td>249</td>
<td>1081</td>
<td>17</td>
<td>19,418</td>
<td>77</td>
<td>775</td>
</tr>
<tr>
<td></td>
<td>1957</td>
<td>272,654</td>
<td>249</td>
<td>1081</td>
<td>17</td>
<td>19,418</td>
<td>77</td>
<td>775</td>
</tr>
<tr>
<td></td>
<td>1926</td>
<td>211,724</td>
<td>224</td>
<td>945</td>
<td>12</td>
<td>15,420</td>
<td>69</td>
<td>450</td>
</tr>
<tr>
<td></td>
<td>1988</td>
<td>333,585</td>
<td>274</td>
<td>1217</td>
<td>21</td>
<td>23,415</td>
<td>85</td>
<td>1100</td>
</tr>
<tr>
<td>B (6)</td>
<td>1970</td>
<td>122,557</td>
<td>179</td>
<td>689</td>
<td>9</td>
<td>9,143</td>
<td>53</td>
<td>228</td>
</tr>
<tr>
<td></td>
<td>1973</td>
<td>148,432</td>
<td>175</td>
<td>798</td>
<td>10</td>
<td>10,216</td>
<td>55</td>
<td>251</td>
</tr>
<tr>
<td></td>
<td>1963</td>
<td>64,628</td>
<td>105</td>
<td>608</td>
<td>5</td>
<td>3,954</td>
<td>25</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>1992</td>
<td>268,448</td>
<td>235</td>
<td>1142</td>
<td>16</td>
<td>18,673</td>
<td>93</td>
<td>350</td>
</tr>
<tr>
<td>C (14)</td>
<td>2008</td>
<td>56,668</td>
<td>100</td>
<td>525</td>
<td>1</td>
<td>353</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>55,549</td>
<td>99</td>
<td>551</td>
<td>1</td>
<td>646</td>
<td>6</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>1986</td>
<td>30,420</td>
<td>60</td>
<td>400</td>
<td>0</td>
<td>-</td>
<td>0</td>
<td>0</td>
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<tr>
<td></td>
<td>2014</td>
<td>109,810</td>
<td>147</td>
<td>747</td>
<td>3</td>
<td>3,862</td>
<td>33</td>
<td>200</td>
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<tr>
<td>CP (7)</td>
<td>2004</td>
<td>75,624</td>
<td>123</td>
<td>615</td>
<td>3</td>
<td>1,422</td>
<td>12</td>
<td>40</td>
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<tr>
<td></td>
<td>1992</td>
<td>76,607</td>
<td>120</td>
<td>658</td>
<td>2</td>
<td>1,768</td>
<td>15</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>1926</td>
<td>68,060</td>
<td>78</td>
<td>525</td>
<td>1</td>
<td>933</td>
<td>8</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>81,974</td>
<td>144</td>
<td>946</td>
<td>3</td>
<td>3,435</td>
<td>29</td>
<td>150</td>
</tr>
<tr>
<td>Motel (3)</td>
<td>1965</td>
<td>14,134</td>
<td>33</td>
<td>450</td>
<td>0</td>
<td>-</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>1965</td>
<td>14,564</td>
<td>35</td>
<td>410</td>
<td>0</td>
<td>-</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>1964</td>
<td>10,656</td>
<td>31</td>
<td>323</td>
<td>0</td>
<td>-</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>1967</td>
<td>18,901</td>
<td>42</td>
<td>456</td>
<td>0</td>
<td>-</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
2021 ACCOMMODATION STRATIFICATION PROCESS (32)

Identify Construction Style

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: 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+ (25-93; 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 valuation 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 four (4) years.

The financial statements of thirty-two (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:

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

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:

\[
\text{Potential Net Income per room} = \frac{\text{Net Income}}{\text{Occupancy Rate} \times \text{Number of Rooms}}
\]

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:
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 four (4 percent) 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 Price</th>
<th>Sale Price</th>
<th>NOI/Room Occupancy</th>
<th>Expense Ratio</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>$1,421,521</td>
<td>4.04%</td>
<td></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>
<td></td>
</tr>
<tr>
<td>10091545</td>
<td>1717 VICTORIA AVENUE</td>
<td>4</td>
<td>2018</td>
<td>$5,059,995</td>
<td>$273,245</td>
<td>5.40%</td>
<td></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 5.4% 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:

Assessment to Sales Summary Results

<table>
<thead>
<tr>
<th>Number of Sales:</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Assessment-to-Sales Ratio (ASR)</td>
<td>0.999</td>
</tr>
<tr>
<td>Coefficient of Dispersion (COD)</td>
<td>9.4%</td>
</tr>
</tbody>
</table>