

RETAIL – ENCLOSED SHOPPING CENTRE MODEL

IDENTIFICATION of MODEL AREA

The Retail – Enclosed Shopping Centre model is an income model that values the five large enclosed shopping centres in the city – Southland Mall, Golden Mile Shopping Centre, Northgate Mall, Cornwall Centre and Victoria Square Mall. All other smaller shopping centres and power centres are valued by the Retail – Global model.

The five enclosed shopping centres are located throughout the city with two in the south end of the city along South Albert Street, one on the north end along Albert Street North, one on the east side along Victoria Street East, and the largest centre located in the downtown core. These centres were constructed between 1971 and 1982 and range in approximate gross building size from 284,000 square feet to 975,000 square feet. The four suburban centres are zoned DSC (Designated Shopping Centre) whereas the downtown centre is zoned PUD (Planned Unit Development).

EXECUTIVE SUMMARY

Retail – Enclosed Shopping Centre Model

Appraisal Cycle Date – January 1, 2013 to December 31, 2016

Effective Date of Valuation – January 1, 2011

Date of Report – October 17, 2013

Rent Model

CW - refers to CornWall centre
 SL - refers to SouthLand mall
 NG - refers to NorthGate mall
 VS - refers to Victoria Square mall
 GM - refers to Golden Mile mall

Description	Rate (\$/sqft)
Base Rent - CRU Space less than 1700 sqft (at CW or SL)	\$39.80
Additional Adjustments to Base Rent:	
CRU Space less than 1700 sqft (at NG, VS or GM)	-\$14.83
CRU Space from 1700 to 6500 sqft (at CW or SL)	-\$12.09
CRU Space from 1700 to 6500 sqft (at NG, VS or GM)	-\$20.35
CRU Space greater than or equal to 6500 sqft (City-wide)	-\$24.87
NonCRU Space (at CW or SL) excluding basement space	-\$23.47
NonCRU Space (at NG, VS or GM) excluding basement space	-\$27.84
NonCRU Space located in the basement (City-wide)	-\$32.95
Interior Restaurant Space (City-wide)	-\$18.72
Food Court Space (at CW or SL)	\$87.29
Food Court Space (at NG, VS or GM)	\$28.80
Kiosk Space (at CW or SL)	\$167.31
Kiosk Space (at NG, VS or GM)	\$100.19
Anchor Space (City-wide)	-\$33.79
Exterior Mall Space (no access from mall interior) (City-wide)	-\$18.35
Designated Storage Space (City-wide)	-\$23.96

Vacancy and Shortfall:

Vacancy = 3.70%

Shortfall = 1.63%

Overall Capitalization Rates

Strata	Cap Rates
City-wide	7.76%

Assessment to Sales Summary Results

N/A – No Sales

SCOPE of DATA and ANALYSIS

Retail – Enclosed Shopping Centre Rent Model

Each year, the City Assessor requests copies of rent rolls for all non-residential properties in the City of Regina. The data for the development of the mass appraisal net rent model came from these returned rent rolls.

A total of 310 enclosed shopping centre net rents were analyzed using multiple regression analysis. The rent model is an additive model that predicts rents based on the lease area size, type of lease space and mall location. The following table provides a breakdown of these rents along with statistical measurements.

Retail – Enclosed Shopping Centre Rent Statistics

Strata	Count	Mean	Median	Minimum	Maximum
Overall	310	\$42.62	\$25.00	\$2.23	\$275.00
Anchor Space	8	\$6.01	\$5.36	\$2.23	\$11.33
CRU Space	187	\$28.94	\$27.00	\$6.00	\$91.06
Exterior Mall Space	5	\$21.45	\$25.00	\$14.00	\$27.00
Food Court Space	34	\$106.44	\$107.50	\$45.01	\$185.00
Kiosk Space	17	\$183.42	\$185.00	\$100.00	\$275.00
NonCRU Space	22	\$12.69	\$12.29	\$3.40	\$22.00
Restaurant Space	8	\$21.08	\$18.00	\$14.45	\$44.00
Storage Space	29	\$15.84	\$15.00	\$12.00	\$20.00

Vacancy and Shortfall

Typical 2011 base date vacancy and shortfall adjustments were estimated from the returned rent rolls from property owners. The estimates are as follow:

Rent_Type	N	Sum of Area (sqft)
OWNER	4	5,108
TENANT	375	1,740,413
VACANT	56	67,004
Total	435	1,812,525

$$\text{Vacancy} = 67,004 / 1,812,525 = 0.037 \text{ (3.70\%)}$$

The typical operational costs reported as a ratio to typical net rents for enclosed shopping centre properties is 50%. The typical ratio of costs associated with vacant space in comparison to costs associated with occupied space (dark space ratio) is approximately 88%. The shortfall adjustment is calculated as follows:

$$\begin{aligned} \text{Shortfall} &= (\text{op cost/net rent ratio}) \times (\text{dark space ratio}) \times (\text{typical Vacancy}) \\ &= 0.50 \times 0.88 \times 0.037 \\ &= 0.0163 \text{ (1.63\%)} \end{aligned}$$

Overall Capitalization Rates and Adjustments

There were no sales of enclosed shopping centres in the City of Regina during the sales period of January 1, 2008 through December 31, 2010.

A comparison review was undertaken to establish the best comparable cap rate for the shopping centre group. It was determined that comparable properties were receiving a cap rate of 7.76% based on the results of the Retail – Global cap rate analysis.

Economic Capitalization Rates were estimated by dividing the predicted base date net operating income (generated from the net rent model) by adjusted sale prices. Sales used in this analysis occurred between January 1, 2008 and December 31, 2010. These sales were verified by mailing questionnaires to both vendors and purchasers.

Sales were adjusted for non-realty items and other factors when warranted. Sales were also adjusted to the base date of January 1, 2011. The indicated time adjustment was approximately 4.8% per month for the first 10 months (January 2008 to October 2008) and no further adjustment for sales occurring after October 2008.

The comparable economic capitalization rate analysis that generated the 7.76% cap rate involved 58 sales, detailed in the following table:

Sales

Account	Address	mm	yy	Adjusted Sale Price	Predicted Income	Economic Cap Rate
10033673	604 12TH AVENUE	3	2008	\$333,220	\$22,642	6.79%
10027111	1220 SCARTH STREET	7	2008	\$328,035	\$20,300	6.19%
10026979	2235 8TH AVENUE	6	2008	\$182,746	\$9,900	5.42%
10026966	1350 LORNE STREET	3	2008	\$347,104	\$25,400	7.32%
10032118	1808 CAMERON STREET	7	2008	\$489,175	\$37,800	7.73%
10027739	1248 MCDONALD STREET	9	2008	\$303,914	\$29,400	9.67%
10027193	1320 ST JOHN STREET	10	2008	\$451,991	\$41,800	9.25%
10033337	1601 OTTAWA STREET	2	2009	\$254,995	\$28,309	11.10%
10032118	1808 CAMERON STREET	12	2009	\$598,988	\$35,674	5.96%
10027918	1015 WINNIPEG STREET	2	2010	\$337,593	\$28,995	8.59%
10027442	1201 WINNIPEG STREET	11	2009	\$83,998	\$7,400	8.81%
10026886	1120 BROAD STREET	11	2010	\$559,989	\$43,243	7.72%
10027065	1324 HAMILTON STREET	4	2008	\$397,448	\$30,900	7.77%
10089565	1602 WINNIPEG STREET	3	2008	\$242,973	\$20,379	8.39%
10027038	1350 SCARTH STREET	2	2008	\$270,496	\$25,500	9.43%
10121922	6175 ROCHDALE BOULEVARD	2	2008	\$1,760,625	\$124,000	7.04%
10033848	1944 MCARA STREET	12	2008	\$253,995	\$16,800	6.61%
10007956	20 HESSE BAY	4	2008	\$397,448	\$53,200	13.39%
10032129	3241 SASKATCHEWAN DRIVE	12	2008	\$629,987	\$50,600	8.03%

10001931	1023 N DEVONSHIRE DRIVE	5	2008	\$1,137,732	\$117,238	10.30%
10033880	1758 MCARA STREET	7	2008	\$230,200	\$14,700	6.39%
10133583	1355 LORNE STREET	6	2008	\$329,305	\$18,000	5.47%
10032548	1505 ALBERT STREET	12	2008	\$689,986	\$46,500	6.74%
10059449	145 HODSMAN ROAD	8	2008	\$190,003	\$10,678	5.62%
10055105	4371 ALBERT STREET	11	2008	\$1,299,973	\$89,800	6.91%
10059723	1131 E WEAVER STREET	5	2009	\$99,998	\$10,679	10.68%
10025853	1052 ALBERT STREET	4	2009	\$589,988	\$60,700	10.29%
10064962	1106 WINNIPEG STREET	9	2008	\$3,772,723	\$272,800	7.23%
10059718	1121 E WEAVER STREET	2	2009	\$141,997	\$10,600	7.46%
10018013	225 QUEBEC STREET	6	2009	\$557,989	\$52,320	9.38%
10018620	365 BROAD STREET	7	2009	\$314,694	\$32,100	10.20%
10059440	127 HODSMAN ROAD	9	2009	\$97,498	\$5,800	5.95%
10070879	1180 WINNIPEG STREET	10	2009	\$287,619	\$18,600	6.47%
10064937	107 ALBERT STREET	4	2009	\$4,399,910	\$258,800	5.88%
10039088	735 VICTORIA AVENUE	11	2009	\$169,997	\$20,603	12.12%
10025852	1066 ALBERT STREET	9	2009	\$383,992	\$30,800	8.02%
10033881	1750 MCARA STREET	9	2009	\$335,993	\$27,800	8.27%
10002025	1135 N LAKEWOOD COURT	4	2009	\$399,992	\$38,700	9.68%
10037803	2332 SCARTH STREET	11	2009	\$1,249,974	\$76,749	6.14%
10026906	1319 ALBERT STREET	11	2009	\$624,987	\$53,600	8.58%
10059722	1129 E WEAVER STREET	2	2010	\$149,997	\$10,679	7.12%
10017128	302 ALBERT STREET	4	2010	\$814,983	\$92,899	11.40%
10012315	318 N ALBERT STREET	5	2010	\$3,849,921	\$297,900	7.74%
10018737	651 HENDERSON DRIVE	4	2010	\$17,699,638	\$1,205,296	6.81%
10032034	1834 ANGUS STREET	5	2010	\$219,996	\$22,700	10.32%
10032408	2815 DEWDNEY AVENUE	5	2010	\$379,992	\$33,900	8.92%
10021959	870 ALBERT STREET	5	2010	\$4,599,906	\$452,000	9.83%
10032556	1929 ALBERT STREET	8	2010	\$1,324,973	\$106,583	8.04%
10207333	639 ADAMS STREET	8	2010	\$499,990	\$39,900	7.98%
10037922	2201 BROAD STREET	9	2010	\$834,983	\$68,800	8.24%
10204693	505 BROAD STREET	8	2010	\$809,983	\$55,900	6.90%
10027259	1011 OSLER STREET	12	2010	\$299,994	\$19,000	6.33%
10027216	1455 BROAD STREET	6	2008	\$921,573	\$55,700	6.04%
10087024	2275 BROAD STREET	3	2009	\$699,986	\$50,300	7.19%
10159064	405 MAXWELL CRESCENT	5	2009	\$1,299,973	\$91,700	7.05%
10091621	3419 PASQUA STREET	7	2009	\$919,981	\$70,400	7.65%
10091237	1170 N STOCKTON STREET	10	2010	\$1,459,970	\$140,189	9.60%
10070127	2710 E QUANCE STREET	12	2010	\$6,499,867	\$510,300	7.85%

The reconciliation process for determining economic capitalization rate strata primarily involved Multiple Regression Analysis, which was supported by a consultation process with individuals active in the Regina real estate market. Recognized published capitalization rate data were also reviewed. The economic capitalization rate for enclosed shopping centres is as follows:

Strata	Cap Rates
City-wide	7.76%

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 affecting the assessment of commercial properties in Saskatchewan is for the median ratio of a city-wide assessment-to-sales study to be within the range of 0.95 to 1.05.

The median assessment-to-sales ratio and Coefficient of Dispersion for the comparable sales group used for cap rate application in this Retail – Enclosed Shopping Centre model is provided below:

Number of Sales	58
Median Assessment-to-Sales Ratio (ASR)	1.000
Coefficient of Dispersion (COD)	17.80%