OFFICE MODEL

EXECUTIVE SUMMARY
Office Model

Appraisal Cycle Date – January 1, 2021 to December 31, 2025

Effective Date of Valuation (Base Date) – January 1, 2019

Date of Report – November 3, 2021

Rent Model

Description:	Rate ($/sqft)
Base Rent - Rentable space on upper floors in a Class B building	$19.79
Additional Adjustments to base Rent:	
Rentable space in a Class A office building	$2.75
Rentable space in the basement level (Office)	-$1.87
Rentable space in the basement level (Other - retail/storage)	-$9.09
Buildings with an effective year built of 2005 or newer	$3.24
Buildings with an effective year built prior to 2005 (Rate/yr/sf)	-$0.16

Parking Rents

Description	$/month/stall	Eff Rate/month/stall
Base Rent - Parking "Stall" in the downtown area	$235	$235
Additional Adjustments to base rent:		
Parking "Stall" in TAR area (Study area 4540)	-$85	$150
Parking "Stall" outside the downtown area and TAR	-$100	$135
Parking "Space" in the downtown area	-$85	$150
Parking "Space" in the transitional area (Study areas 4540)	-$110	$125
Parking "Space" outside the downtown & transitional areas	-$165	$70
Parking "Stall" - refers to parking that is covered (typically parkade or underneath a building structure)		
Parking "Space" - refers to surface parking		

Vacancy and Shortfall:

Vacancy (Class A) = 9.36%
Vacancy (Class B) = 10.60%
Shortfall (Class A) = 5.00%
Shortfall (Class B) = 6.30%

Overall Capitalization Rates

Base Cap Rate	6.966
Adjustments to Cap Rate	
Site Coverage < 30%, Per Percentage, to 10%	-.133

February

Assessment to Sales Summary Results

Number of Sales	143
Median Assessment to Sale Price Ratio (ASR)	0.965
Coefficient of Dispersion	20.0

IDENTIFICATION of MODEL AREA

The Office model values the larger, more significant office properties in Regina. The Assessment Branch classifies these properties in the same manner as the local commercial office market; this model uses the descriptions provided in local industry publications and classifies these properties accordingly. The Office model typically applies to office properties in Regina classified as A and B as described in the 2015 Regina Office Market Report published by Avison Young Commercial Real Estate (Sask) Inc. Avison Young describes these buildings as follows:

> **Class A**: Buildings that are at least 100,000 square feet, located in the central business district, with surrounding amenities and high visibility. Class A buildings located in suburban areas are 75,000 square feet or greater. These buildings are either new construction, have excellent tenant improvements or are high quality. On-site parking, elevators, unique design and build, steel and concrete construction and first-rate maintenance care are some of the qualifications Class A buildings would provide. Due to these factors, Class A buildings are able to ask for premium rental rates and high quality tenants.
>
> **Class B**: Buildings greater than or equal to 20,000 square feet that may not provide the same prime locations and building quality as Class A or B+ buildings. These buildings can be located in other areas than the central business district and may also be older structures. On-site parking, good quality upgrades and a satisfactory level of upkeep and maintenance are normally provided; however, these buildings may lack indoor parking or elevators and the overall quality of care is lower than a higher class building.

In 2016 the major commercial real estate companies amended the office classifications in Regina by eliminating the B+ classification. Building from B+ and B were reclassified to the new B and C categories. In October of 2017 the Regina Assessment department surveyed Colliers, Avison Young and Harvard Developments on their new classifications of the Regina Office inventory. The City of Regina has aligned the Office inventory to the new office market classification standards.

The Office model is a city-wide model in application. The majority of the properties valued by this model are located in the downtown central business district of Regina, generally bounded by Albert Street (west), College Avenue (south), Broad Street (east) and Saskatchewan Drive (north). A small number of existing properties and buildings under construction are located in suburban areas, including Harbour Landing, Grasslands and Albert Street South in southwest Regina, and Blackfoot Drive and the Research Park (located at the University of Regina) in south Regina.

All of these properties are located on commercial-zoned land with various zoning classifications depending on location. The majority of the downtown core properties are zoned DCD-D (Downtown) or DCD-CS (Centre Square), with a few zoned MH (Mixed High Rise). The suburban properties are zoned, depending on location, MH (Mixed High

Rise), ML (Mixed Low Rise, OA(Office Area), IP (Prestige Industrial Service Zone) and WC (Wascana Centre).

SCOPE of DATA and ANALYSIS

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 195 office net rents were analyzed using multiple regression analysis. The rent model is an additive model that predicts rents based on the Class of office space, lease space location within the building and effective age of building. The following table provides a breakdown of these rents along with some statistical measurements.

Office Rent Statistics

Strata	Count	Mean	Median	Minimum	Maximum
Overall	195	$18.32	$18.00	$4.08	$36.50
Rental space in a Class A Building	100	$19.88	$19.95	$5.55	$36.50
Rental space in a Class B Building	95	$16.69	$16.00	$4.08	$28.00
Buildings with an effective year built of 2005 or newer	33	$23.43	$24.00	$10.61	$36.50
Buildings with an effective year built of 2004 or earlier	162	$17.28	$16.92	$4.08	$33.99

Vacancy and Shortfall

Typical 2019 base date vacancy and shortfall adjustments were estimated from the returned rent rolls from property owners and Regina office inventory reports from various commercial real estate firms (Avison Young, Colliers, Harvard, etc.). The estimates are as follow:

Office Class	Building Count	Vacant (Sqft)	Rentable (Sqft)	Vacancy
Class A	19	144,430	1,542,991	9.36%
Class B	15	174,048	1,641,930	10.60%

The typical operational costs reported as a ratio to typical net rents is approximately 80% for Class A office and 90% for Class B office. The typical ratio of costs associated with vacant space in comparison to costs associated with occupied space (dark space ratio) is approximately 66%. The shortfall adjustments are calculated as follows:

Shortfall = (op cost/net rent ratio) x (dark space ratio) x (typical Vacancy)
Class A = 0.80 x 0.66 x 0.0936 = 0.04942, say 5.00%
Class B = 0.90 x 0.66 x 0.1060 = 0.0629, say 6.30%

Overall Commercial Capitalization Rates and Adjustments

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, 2013 and December 31, 2018. 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 used between January 1, 2013 and December 31, 2018 did not warrant a time adjustment to the base date of January 1, 2019.

Commercial Capitalization Model

The economic capitalization rate analysis involved 143 sales, detailed in the table below:

ADDRESS	Account	Sale Year	Sale Month	Adjusted Sale Price	Proposed Income	Indicated Cap
2965 GORDON ROAD	10065069	2017	10	119850000	7711000	6.43
1717 PARK STREET	10034188	2015	10	760000	62200	8.18
353 N ALBERT STREET	10012831	2013	7	61000000	5377900	8.82
1914 HAMILTON STREET	10087977	2018	2	16200000	1286018	7.94
2220 COLLEGE AVENUE	10113778	2017	4	9825000	868624	8.84
2445 13TH AVENUE	10037578	2017	4	2375000	292897	12.33
2400 COLLEGE AVENUE	10037756	2017	4	8024999	575384	7.17
2208 SCARTH STREET	10037844	2017	4	5125000	369603	7.21
1920 BROAD STREET	10032592	2018	5	32000000	2482400	7.76
2125 11TH AVENUE	10032629	2018	6	9600000	472700	4.92
2075 HAMILTON STREET	10037676	2013	10	1500000	83900	5.59
2102 11TH AVENUE	10108298	2013	2	218282000	10347400	4.74

1455 BROAD STREET	10027216	2015	8	1550000	68400	4.41
3698 E VICTORIA AVENUE	10069971	2015	3	6800000	408100	6.00
3115 E QUANCE STREET	10040680	2013	5	4982000	263100	5.28
775 BROAD STREET	10022162	2018	6	3650000	199800	5.47
1060 N PASQUA STREET	10087724	2014	5	3000000	166800	5.56
260 N ALBERT STREET	10012318	2016	1	5845000	228235	3.90
3100 13TH AVENUE	10037048	2018	9	324000	12800	3.95
1051 N ARNASON STREET	10001788	2013	2	1339270	72800	5.44
3259 E EASTGATE DRIVE	10060205	2015	8	800000	56100	7.01
3655 E QUANCE STREET	10069374	2017	10	2050000	102100	4.98
135 N ALBERT STREET	10012935	2013	7	775000	50000	6.45
2810 E QUANCE STREET	10040670	2013	5	8583000	561600	6.54
2020 PARK STREET	10039676	2018	3	9649992	474800	4.92
3710 E QUANCE STREET	10070077	2013	5	17513000	1289600	7.36
1920 PRINCE OF WALES DRIVE	10246874	2015	11	6150000	374400	6.09
2505 4TH AVENUE N	10017620	2017	1	580000	34200	5.90
1501 11TH AVENUE	10033030	2015	3	950000	76600	8.06
2201 BROAD STREET	10037922	2013	6	1799999	76000	4.22
1850 1ST AVENUE	10022111	2018	1	2600000	311740	11.99
1441 ALBERT STREET	10026918	2018	9	610000	35900	5.89
3801 ALBERT STREET	10053309	2014	3	4330000	302700	6.99
230 N WINNIPEG STREET	10013758	2017	1	715000	51500	7.20
4520 ALBERT STREET	10054871	2014	7	9974000	595500	5.97
3010 E QUANCE STREET	10070076	2013	5	3892000	277800	7.14
2230 LORNE STREET	10037874	2014	9	1100000	67500	6.14
10 HESSE BAY	10007955	2016	7	2660556	201500	7.57
1711 E DEWDNEY AVENUE	10101037	2013	4	5750000	562700	9.79
3434 13TH AVENUE	10036164	2018	11	866000	59100	6.82
4501 ROCHDALE BOULEVARD	10087127	2018	9	4975000	368100	7.40
2820 AVONHURST DRIVE	10017122	2015	7	1125000	76100	6.76
3110 E QUANCE STREET	10070075	2013	5	10500000	734300	6.99
3870 E EASTGATE DRIVE	10087363	2016	8	1500000	113500	7.57
3040 5TH AVENUE	10025988	2013	10	389998	24400	6.26
605 ARCOLA AVENUE	10033674	2018	5	423000	26200	6.19
310 GARDINER PARK COURT	10044479	2017	10	965000	52600	5.45
777 BROAD STREET	10022161	2018	6	3095000	184400	5.96
1840 CORNWALL STREET	10032640	2015	6	426500	21800	5.11
1925 OSLER STREET	10032681	2017	9	388000	21900	5.64

3615 PASQUA STREET	10112833	2017	4	5810000	495000	8.52
1504 ALBERT STREET	10032491	2016	7	1800000	172300	9.57
1600 OSLER STREET	10069315	2016	11	750000	55700	7.43
229 E VICTORIA AVENUE	10039689	2016	1	590000	36000	6.10
2330 ALBERT STREET	10037547	2014	8	540000	21000	3.89
320 GARDINER PARK COURT	10044480	2016	8	1320000	65900	4.99
100 ALBERT STREET	10016612	2018	11	5375000	365900	6.81
1957 ELPHINSTONE STREET	10031655	2015	6	567500	27000	4.76
2424 DEWDNEY AVENUE	10026947	2014	7	1450000	65200	4.50
1651 PARK STREET	10034196	2013	3	961497	90100	9.37
1245 PARK STREET	10028461	2018	5	780000	48200	6.18
2333 ALBERT STREET	10037738	2015	9	479000	27200	5.68
1375 BROAD STREET	10091139	2016	5	5563970	364800	6.56
2410 DEWDNEY AVENUE	10026948	2014	10	5700000	361000	6.33
2150 SCARTH STREET	10037654	2017	12	2156250	115700	5.37
438 E VICTORIA AVENUE	10087849	2018	12	2199996	209300	9.51
1954 ANGUS STREET	10032014	2013	11	655000	44400	6.78
640 ALBERT STREET	10021964	2014	8	563334	37900	6.73
2244 ALBERT STREET	10037543	2015	12	850000	55200	6.49
628 ALBERT STREET	10021963	2014	9	281666	12100	4.30
1-1456 11TH AVENUE	10284228	2018	3	180000	10600	5.89
5-1456 11TH AVENUE	10284232	2018	3	193000	20100	10.41
4561 PARLIAMENT AVENUE	10233275	2017	4	14350000	841449	5.86
4561 PARLIAMENT AVENUE	10233275	2013	5	15300000	841449	5.50
400-4010 PASQUA STREET	10062855	2015	8	705000	38900	5.52
500-4010 PASQUA STREET	10062856	2017	12	675100	42000	6.22
2241 ALBERT STREET	10037732	2013	8	765000	73800	9.65
9 COVENTRY ROAD	10065655	2013	12	490000	32200	6.57
1779 ROSE STREET	10091551	2017	3	500000	33600	6.72
1450 BROAD STREET	10163123	2016	6	4300000	313300	7.29
2510 3RD AVENUE N	10017615	2016	6	1149666	132500	11.53
1335 ALBERT STREET	10026908	2016	10	710000	52500	7.39
1965 HAMILTON STREET	10032585	2014	1	810000	46600	5.75
3104 13TH AVENUE	10065752	2015	6	800000	43400	5.43
428 VICTORIA AVENUE	10033658	2015	12	674998	51200	7.59
1459 RETALLACK STREET	10026638	2014	2	280000	11300	4.04
1459 RETALLACK STREET	10026638	2017	9	315000	11300	3.59
1311 SASKATCHEWAN DRIVE	10033165	2017	9	375000	26800	7.15

348 VICTORIA AVENUE	10033664	2014	9	415000	29200	7.04
348 VICTORIA AVENUE	10033664	2018	7	418475	29200	6.98
2135 ALBERT STREET	10037553	2014	12	618000	56300	9.11
2135 ALBERT STREET	10037553	2016	9	500000	56300	11.26
2135 ALBERT STREET	10037553	2018	10	450000	56300	12.51
1440 BROADWAY AVENUE	10042138	2013	8	2075000	279200	13.46
1763 HALIFAX STREET	10033091	2014	6	315000	14200	4.51
2275 ALBERT STREET	10037735	2017	2	3200000	194100	6.07
1757 HALIFAX STREET	10033089	2018	4	230000	14500	6.30
410 VICTORIA AVENUE	10033661	2015	3	440000	29600	6.73
1670 ANGUS STREET	10032483	2015	11	550000	31800	5.78
1568 ANGUS STREET	10032476	2015	8	245000	20200	8.24
104-2300 BROAD STREET	10275743	2014	8	106195	8400	7.91
104-2300 BROAD STREET	10275743	2017	5	132500	8400	6.34
105-2300 BROAD STREET	10275744	2014	9	236510	16800	7.10
105-2300 BROAD STREET	10275744	2017	4	260000	16800	6.46
106-2300 BROAD STREET	10275745	2014	9	333325	23600	7.08
1845 SCARTH STREET	10108278	2015	6	350000	15400	4.40
2425 11TH AVENUE	10065704	2014	9	600000	57200	9.53
2425 11TH AVENUE	10065704	2017	2	750000	66800	8.91
1846 SCARTH STREET	10032625	2016	11	2699999	137600	5.10
1838 SCARTH STREET	10032626	2017	11	969999	49400	5.09
1614 14TH AVENUE	10038333	2018	10	218000	11000	5.05
1522 11TH AVENUE	10033092	2016	4	375000	25800	6.88
2510 13TH AVENUE	10037569	2017	12	550000	28200	5.13
2520 DEWDNEY AVENUE	10026921	2013	1	295000	29400	9.97
1843 HAMILTON STREET	10032610	2014	6	1100000	78900	7.17
1834 SCARTH STREET	10087841	2014	4	650000	28700	4.42
1828 SCARTH STREET	10032628	2015	5	1090000	57900	5.31
2323 11TH AVENUE	10032648	2017	7	830000	62200	7.49
1135 N LAKEWOOD COURT	10002025	2016	4	750000	30000	4.00
4426 ALBERT STREET	10054869	2017	2	4960000	303600	6.12
681 ALBERT STREET	10022099	2014	12	1700000	86100	5.06
681 ALBERT STREET	10022099	2015	2	2222000	86100	3.87
1960 PRINCE OF WALES DRIVE	10246875	2015	11	2250000	102200	4.54
1960 PRINCE OF WALES DRIVE	10246875	2017	10	2400000	102200	4.26
420 ALBERT STREET	10123913	2017	12	5100000	235700	4.62
3605 E QUANCE STREET	10144824	2015	2	800000	76800	9.60

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3605 E QUANCE STREET	10144824	2017	11	1505000	76800	5.10
655 BROAD STREET	10022149	2014	8	9000000	634947	7.05
4041 ALBERT STREET	10322197	2018	9	7000000	428600	6.12
4410 ALBERT STREET	10054868	2016	5	1600000	78400	4.90
6320 ROCHDALE BOULEVARD	10001936	2013	9	1050000	98600	9.39
921 ALBERT STREET	10022096	2016	7	7100000	499300	7.03
2500 12TH AVENUE	10032662	2016	6	835000	70700	8.47
2500 12TH AVENUE	10032662	2017	3	1100000	70700	6.43
1440 11TH AVENUE	10033115	2014	1	810000	65700	8.11
1463 ALBERT STREET	10026920	2017	6	1550000	100200	6.46
2224 14TH AVENUE	10037629	2018	9	1175000	104900	8.93
1200 ALBERT STREET	10026487	2016	5	1000000	68800	6.88
1701 PARK STREET	10034187	2013	2	500000	47700	9.54
135 ALBERT STREET	10017623	2018	4	2730000	150500	5.51
1734 OSLER STREET	10112115	2018	2	12747450	1107000	8.68
108-2300 BROAD STREET	10275747	2014	8	727620	48700	6.69
108-2300 BROAD STREET	10275747	2018	4	690000	48700	7.06

The reconciliation process for developing the economic capitalization rate and adjustments to the rate 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 and adjustments are as follow:

Base Cap Rate	6.966
Adjustments to Cap Rate	
Site Coverage < 30%, Per Percentage, to 10%	-.133

MODEL VALIDATION

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 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-sale ratio 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, however CODs can be impacted by the nature of the jurisdiction, appraised properties, and observed data.

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

Number of Sales	143
Median Assessment to Sale Price Ratio (ASR)	0.965
Coefficient of Dispersion	20.0

Additional statistical analysis can be performed, subject to sufficiency of available data, to ensure uniformity among characteristics found throughout the analyzed properties. The most common tools used are the Kruskal-Wallis test and the scatterplot.

The Kruskal-Wallis test examines whether different classifications of a physical characteristic, such as building classification, are assessed at equal percentages of market value. If the distribution of the ratio is the same among the different classifications, the model is assumed to be unbiased. A scatterplot is a graphical analysis used to display the dispersion of an entire array of ASR ratio results for non-categorical, or linear, characteristics such as net leasable area.

Location

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of ASR_RATIO is the same across categories of STUDY_GROUP.	Independent-Samples Kruskal-Wallis Test	.306	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .050.

*The above testing demonstrates that the ASR ratio is not affected by location. Testing indicated a lower capitalization rate could be applied in Study Area 4470. A lower capitalization rate equates to higher value. It would not make appraisal sense to apply a lower capitalization rate to Study Area 4470. It should also be noted that for location testing, Study Areas 4510, 4520, 4530 and 4540 are combined, as they are in the Rent Model.
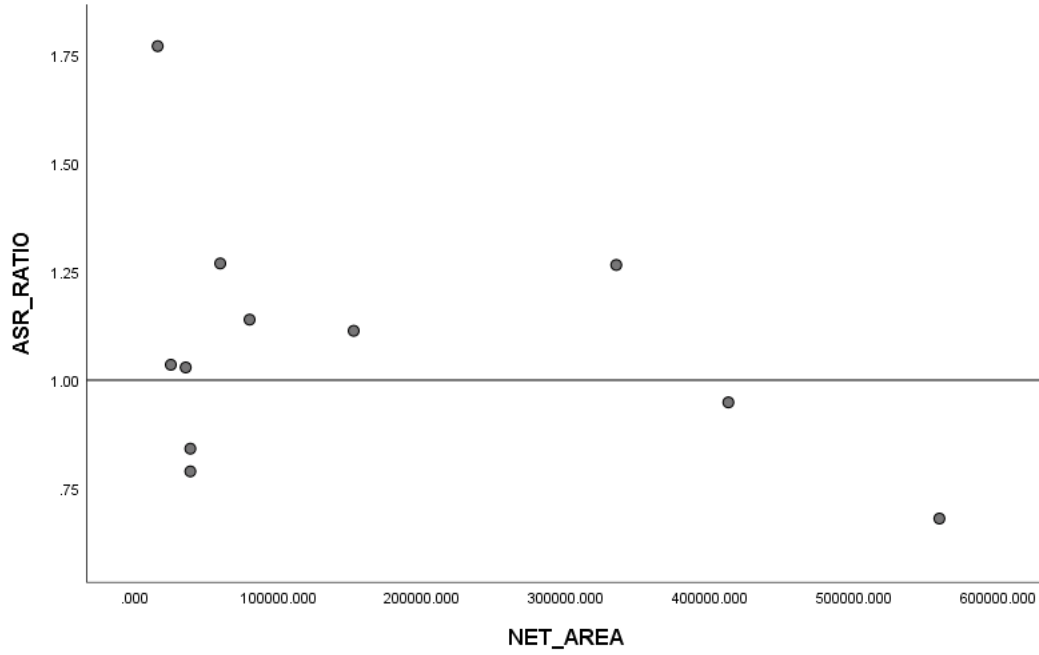
Building Type

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of ASR_RATIO is the same across categories of Income Model Category.	Independent-Samples Kruskal-Wallis Test	.540	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .050.
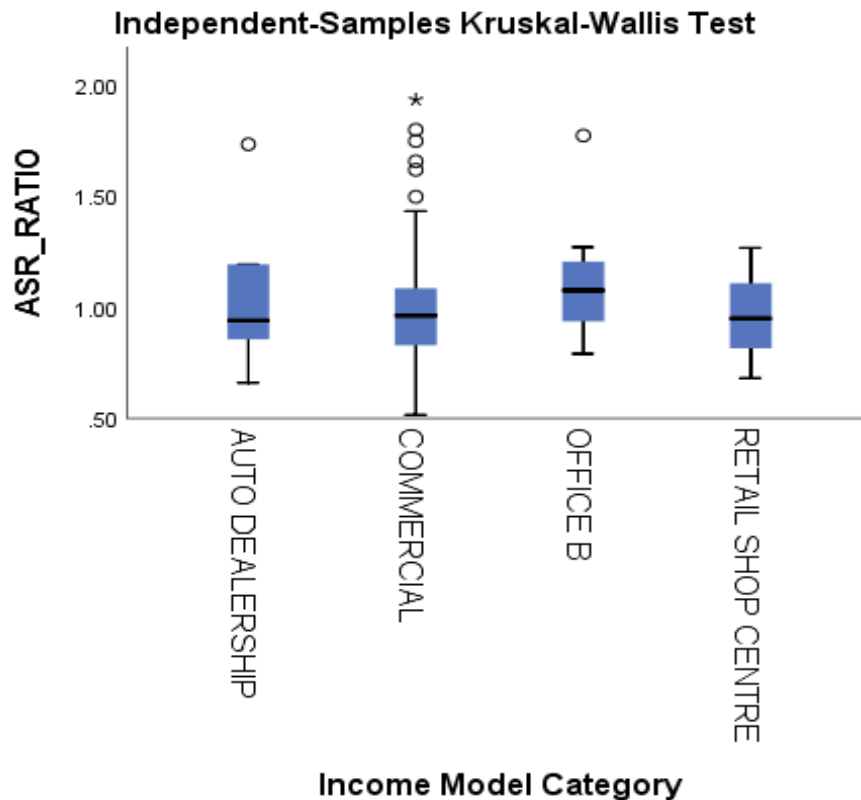
Net Leaseable Area

*Data includes sales of Office High Rise properties and Enclosed Malls

Age