

SELF-STORAGE MODEL

Revaluation Cycle – January 1, 2025 to December 31, 2028
Base Date: January 1, 2023

Self-Storage Model

Model Identification

The Self-Storage Model is an income model that values self-storage properties.

The Self-Storage Model is a city-wide model in application.

There are a number of Assessment Office Neighborhoods [AO NBHDs] located throughout the city. They are combined into market areas.

Revaluation Cycle – January 1, 2025 to December 31, 2028

Effective Date of Valuation – January 1, 2023

Date of Report – January 1, 2025



Market Rent Model Summary

	Coefficient (\$/ft ²)	Count
Constant	14.50	244
Site Characteristics		
Effective Age	0	244
Market Area 1 (30001, 30017, 30023, 30029, 30032)	0	115
Market Area 2 (30007)	3.63	49
Market Area 3 (30026, 30103)	-4.78	30
Market Area 4 (30114)	5.98	50
Unit Characteristics		
Heated Unit	4.42	115
Size 0 - 25 ft ²	35.71	19
Size 26 - 50 ft ²	13.12	38
Size 51 - 100 ft ²	5.87	67
Size > 301 ft ²	-4.71	21

Market Vacancy

The Market Vacancy for self-storage is 12%.

Market Effective Gross Income Multiplier (E.G.I.M.)

The market E.G.I.M. for self-storage is 5.02%.

Sales

Roll	Address	AO NBHD	Sale Date	Mini Area	Adjusted Sale Price	Modelled E.G.I.	E.G.I.M.	Market E.G.I.M
445105345	830 48th St E	30023	Nov-20	28,505	\$2,934,000	\$401,233.10	7.31	5.02
444906250	2505 Koyl Ave	30007	Sept-19	11,240	\$812,300	\$180,444.18	4.50	5.02
495602440	302 105 th St E	30114	Nov-20	54,835	\$6,000,000	\$1,232,898.75	5.53	5.02
454914330	801 45 th St W	30007	May-21	37,171	\$2,302,740	\$785,087.15	3.33	5.02

Scope of Data and Analysis

Valuation Approach

The appraisal method employed for self-storage properties is the Effective Gross Income Multiplier (E.G.I.M.) method. The E.G.I.M. method is widely used in mass appraisal and achieves good results while being relatively straightforward.

The analysis starts with estimating the market rents and vacancies for each property. Typical rental agreements for self-storage properties are gross rents. The tenant is not responsible for paying all the costs associated with occupying the property such as property taxes, insurance, utilities, routine maintenance, property management, etc.

Once market rents and vacancies are determined, an effective gross income (EGI) is derived for each property. The EGI is then compared to fully adjusted sale prices, and the sale price is expressed as a multiplier of the effective gross income.

Each valid sale is analyzed in this manner; then market groups are defined, and a typical E.G.I.M. is determined for each market stratification. Market rents and vacancies are an integral part of the process. E.G.I.M.s may vary when different market rents and vacancies are employed. The E.G.I.M. accounts for expenses. This is different from a cap rate which has a specific adjustment for expenses.

Excluded from the analysis are partly completed buildings and buildings with significant amount of deferred maintenance. There are typically limited sales so it is imperative to focus the analysis on all available sales that can be used to develop E.G.I.M.s.

Once typical E.G.I.M.s are determined, they are used to value a self-storage property where realistic market rents and vacancies can be estimated.

Rent Model

Contract rents in Saskatoon are typically negotiated on a per unit basis. Request for Information forms are sent annually requesting property owners and managers to report income information.

Unlike other commercial or industrial property which typically rent on a net lease basis, mini-warehouses typically rent on a gross lease basis.

Gross leases include some operating charges (ie. landlord pays taxes or operating expenses). Typically, the tenant only pays the contract or base rent plus any business tax and late rent fees, if applicable. The contract rent is a base rent amount plus a contribution towards the landlord's costs of providing the space, including insurance, repairs and maintenance, utilities, etc. Normally, this contract rent remains fixed for the term of the lease and favours the tenant with the provision of certainty over all costs of building occupancy and the protection from unforeseen escalation in expenses that may occur over the term.

Net leases typically reflect the tenant's share of real estate taxes, operating costs, and other costs directly related to the tenants' occupancy of the space. Therefore, net rent

plus additional rent represents the total payable by the tenant to the landlord for occupation of space.

The distinction between markets operating with either gross or net leases is imperative because standard mass appraisal methods requires that all figures used in the analysis reflect the same basis.

Gross income models can produce accurate results. Such models have the advantage that gross income data is usually easier to obtain and more reliable than net income data. Either potential gross income (P.G.I.) or effective gross income (E.G.I.) can be used as long as use is consistent.

If one compares two amounts such as income and value to reach a factored relationship through either an E.G.I.M. or cap rate, the two amounts should represent the same interests. In non-technical terms, it is unreasonable to take the income from a “black” asset and try to predict its selling price by looking at the combined sales of “black” and “white” assets.

Property owners and managers were asked to provide rental information for the years 2019, 2020, 2021, and 2022. The data was analyzed using Multiple Regression Analysis (MRA). When sample sizes are relatively large, MRA is the most commonly used analytical tool in the mass appraisal of real estate. MRA is a statistical technique that allows the user to predict one value (rent) from the known values of other multiple variables simultaneously such as location, age, size, et cetera.

While all four years were considered, there was a robust data set in 2022. It was, therefore, concluded the rental data from 2022 was representative of the rental market as of January 1, 2023 (the base year).

A total of 244 gross rents was used for analysis.

Vacancy

Annual vacancy information was requested on the 2019 to 2022 Request for Information forms mailed to the self storage owners. Although annual vacancy numbers were requested, not all self storages reported these figures.

A total of 12 properties had vacancies reported for December 2022. The annual vacancies for each individual property were highly variable ranging from a low of 1% to a high of 30%. The resulting median vacancy is 12%.

Sales

There were four sales between 2019 and 2022. They are summarized below:

Roll	Address	AO NBHD	Sale Date	Mini Area	Adjusted Sale Price	Modelled E.G.I.	E.G.I.M.	Market E.G.I.M
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Ratio Study

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 warehouse and automotive 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 median assessment-to-sale ratio and Coefficient of Dispersion for this Self-Storage Model is provided below:

Number of Sales	4
Median Assessment to Sale Price Ratio (ASR)	1.01
Coefficient of Dispersion (COD)	25.37%