

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



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 Rent Model Results

Number of rents	244
Median	1.05

Vacancy

Vacancy for self-storage is 12%.

Stratification

Roll	Address	AO NBHD	Side of City	No. of properties			
485006000	901 1st Ave N	30001	West	1			
444906250	2505 Koysl Ave	30007		West	4		
454907800	102 Gyles Pl	30007					
454914330	801 45th St W	30007					
464913510	431 Circle Pl	30007					
425102400	823 60th St E	30017			West	3	
435101500	843 52nd St E	30017					
435202200	3014 Millar Ave	30017					
445105345	830 48th St E	30023					
455005480	507 45th St E	30023				3	
455101480	2301 Millar Ave	30023					
405301130	3915 Wanuskewin Rd	30026				West	2
405313250	118 Piggott Cres	30026					
514605500	3010 11th St W	30029					
445108200	815 51st St E	30032					
555111850	345 Portage Ave	30103	East	1			
495602440	302 105th St E	30114		4			
495606650	331 103rd St E	30114					
495608930	138 Jessop Ave	30114					
495640900	119 Aspen Pl	30114					

AO NBHD	Median (\$/ft ²)
30001, 30017, 30023, 30029, 30032	18.00
30007	19.25
30026,30103	14.65
30114	23.66

Sales

There were no sales of self-storage in the current cycle.

Ratio Study

Heat

Ratio Section				
Heat	Count	Median	PRD	COD
No	129	1.04	1.11	27.53
Yes	115	1.05	1.05	13.45
Total	244	1.05	1.08	20.76

Market Area

Ratio Section				
MKT	Count	Median	PRD	COD
30001, 30017, 30023, 30029, 30032	115	1.05	1.07	17.98
30007	49	1.06	1.12	25.89
30026,30103	30	0.94	0.93	21.84
30114	50	1.05	1.12	20.72
Total	244	1.05	1.08	20.76

Size

Ratio Section				
Size_Label	Count	Median	PRD	COD
X0_25	19	1.12	1.10	19.86
X26_50	38	1.00	1.06	17.90
X51_100	67	1.03	1.08	19.36
X101_200	68	1.01	1.09	22.80
X201_300	31	1.12	1.11	22.40
X301_larger	21	1.06	1.03	21.03
Total	244	1.05	1.08	20.76

Scope of Data and Analysis

Valuation Approach

For the 2025 Reassessment, no self-storage warehouse sales were available. 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.

In the 2025 Reassessment, warehouse sales were used to establish a cap rate for self-storage properties. The income of the gross rents is modified to estimate an N.O.I.

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%.

Expense

The 2022 annual operating expenses from 11 properties were used in the operating expense analysis. Only properties where all the improvements were mini-warehouses were included in the analysis. There are some mixed building type properties that contain mini warehouse spaces, but use of that data could distort the expenses attributable to only mini warehouses. All the properties included in the expense analysis are owner-managed so there is no data on “arm’s length” management fees on mini- warehouses. An expense ratio was used. Expense ratio looks at all the expenses as a percentage of their revenue.

Roll Number	Expense Ratio
425102400	48.95%
455005480	57.87%
495602440	36.02%
464913510	22.89%
555111850	25.90%
405301130	48.33%
454907800	62.22%
495640900	37.87%
445105345	33.17%
514605500	27.94%
495606650	59.81%

City of
Saskatoon

The median Expense Ratio is 37.87%.

Stratification

Grouping by AO NBHD is necessary because individual AO NBHDs cannot exist with only one landlord as it would not properly reflect two sides of the market for that area (ie. lessors and lessees).

The table below shows the grouped median for each of the AO NBHDs by Rent_ft2.

Summary List		
AO NBHD	Rent/sf Count	Rent/sf Median
30001	58	21.60
30007	49	19.25
30017	11	14.40
30023	16	16.73
30026	14	14.65

30029	27	21.36
30032	3	18.60
30103	16	14.70
30114	50	23.66

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Stratifications as of the 2023 base date are summarized below:

AO NBHD	Median (\$/ft ²)
30001, 30017, 30023, 30029, 30032	18.00
30007	19.25
30026, 30103	14.65
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Sales

There were no mini-warehouse sales in this revaluation cycle, therefore, the warehouse cap rates were used.

Ratio Study

An appraisal (or sales) ratio study measures the accuracy and equitability of mass appraisals. It compares the appraised value to the market value - measured by sales price or contract rent - by creating the ratio of the two. These ratios, computed for each parcel that is sold or contract rent, are compared across geographic areas (such as neighborhoods) to assess its level (central tendency) and uniformity (variation).

An Assessment-to-Sale Ratio is a calculation comparing the assessment to the sale price for a particular property.

$$\text{Assessment} \div \text{Sale Price} = \text{Assessment to Sale Ratio}$$

The median Assessment-to-Sale ratio is found within a group. It is the middle value of the ratios when arrayed in order of magnitude. It divides the ratios into two equal groups and is, therefore, only minutely affected by extreme ratios. The closer this value is to 1.00, the better. The assessment-to-sales ratio (ASR) study is a common statistical measure used to review the results of mass appraisal.

The goal is to achieve an ASR at or near 1.00. The IAAO Standard on ASRs is a range from 0.95 to 1.05. If the ASR falls within that range, the ASR is acceptable, and the goal is achieved.

If a grouping has produced an acceptable ASR close to 1.0, the same results may not necessarily be achieved by stratifying that same group differently.

Ratio Study Results

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