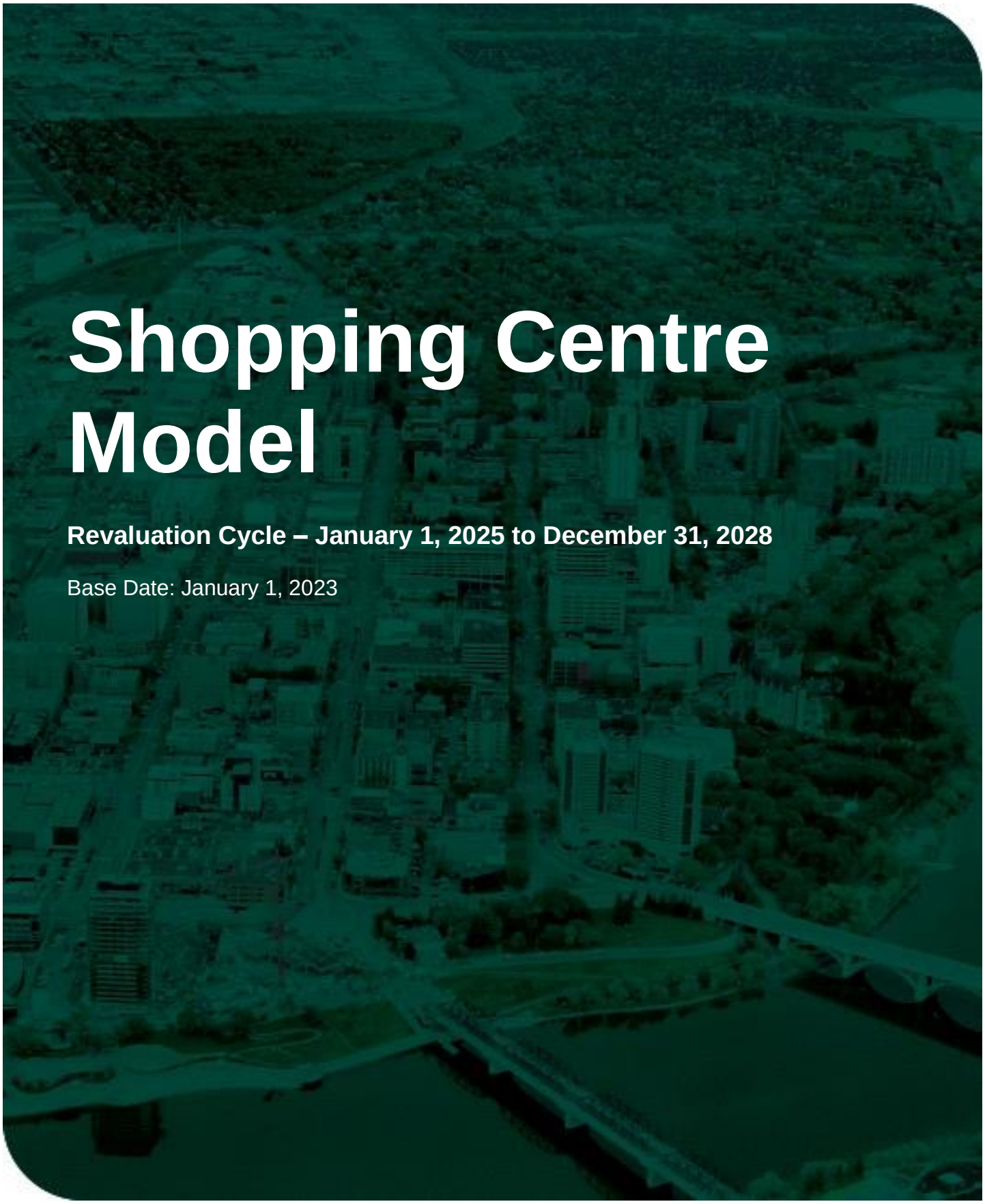

Shopping Centre Model

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

Base Date: January 1, 2023

City of Saskatoon

Shopping Centre Model

Model Identification

The Shopping Centre Model is an income model that values shopping centre properties.

The Shopping Centre Model is a city-wide model in application.

There are a number of Assessment Office Neighborhoods [AO NBHDs] located throughout the city. Typically, commercial property types group these AO NBHDs into market areas; however, they were grouped into one market area for the Shopping Centre Model due to the quantity of data available for analysis. The shopping centre model rents, expenses, vacancies, etc. were then stratified by comparability on an item- by-item basis.

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

Effective Date of Valuation – January 1, 2023

Date of Report – January 1, 2025

Model Summary

Rent Model

Occupancy Types	Midtown Plaza	Lawson Heights & The Centre	Confederation & Market
Anchor - Dept. Store	Power Curve[1]		
Anchor – Secondary	$19.50		
Anchor – Supermarket	$10.26		
Anchor – Theatre	Power Curve[2]		
Retail CRU < 1,400 ft^2	$68.15		
Retail CRU ≥ 1,400 to < 5,800 ft^2	$24.33		
Retail CRU ≥ 5,800 ft^2	$11.95		
Retail CRU <1,615 ft^2		$30.47	
Retail CRU ≥ 1,615 ft^2		$20.69	
Retail CRU < 850 ft^2			$28.00
Retail CRU ≥ 850 ft^2			$18.46
Restaurant CRU	Retail CRU		
Food Court	$149.16	$84.00	$73.00
Kiosk	$277.37	$158.80	$172.62
Freestanding C-Store	$35.11[3]		
Freestanding Restaurant	$30.50		
Freestanding Bank	$34.01[4]		

[1] Comparable Neighbourhood Method - Retail Model
[2] Comparable Neighbourhood Method - Retail Model
[3] Comparable Neighbourhood Method - Retail Model
[4] Comparable Neighbourhood Method - Retail Model

Department Store – CNM

Tenant Type	Department Store
Constant	22.54
Market Area	0.00
Size Adj.	Power Curve[5]
Floor Adj. – 2nd	-4.27
Floor Adj. – Basement	-5.75
Total Market Rent	Tenant Specific[6]

Theatre – CNM

Tenant Type	Freestanding Restaurant
Constant	22.54
Market Area	0.00
Size Adj.	Power Curve[7]
Total Market Rent	Tenant Specific[8]

Freestanding Convenience Store – CNM

Tenant Type	Freestanding C-Store
Constant	22.54
Market Area	0.00
C-Store Adj.	6.25
Pad Site Adj.	6.32
Total Market Rent	35.11

Freestanding Bank – CNM

Tenant Type	Freestanding Bank
Constant	22.54
Market Area	0.00
Bank Adj.	11.47
Total Market Rent	34.01

[5] See Retail Tenant Size Power Curve Adjustment
[6] Total market rent dependent upon the tenant's floor location and leasable area.
[7] See Retail Tenant Size Power Curve Adjustment
[8] Total market rent dependent upon the tenant's leasable area.

Vacancy

Vacancy (%)	Midtown Plaza	Lawson Heights & The Centre	Confederation & Market
CRU Space	13.70%		18.78%
Anchors	11.37%		

Expenses

Occupancy Costs

Occupancy Costs	Parking BSMT	No Parking BSMT
Retail Space	$38.11	$29.74
Anchor	$2.76	

Structural Allowance

Structural allowance is applied at 0.30 per square foot city wide.

Sales

Rent Market Area	Size:<23,000	Size:>/=23,000	NBHD's
1,2,3,4,7	6.56%		30001, 30002, 30003, 30004, 30005, 30006, 30007, 30013, 30014, 30015, 30016, 30017, 30018, 30019, 30021, 30022, 30023, 30024, 30026, 30027, 30028, 30029, 30030, 30031, 30032, 30102, 30104, 30105, 30106, 30108, 30110, 30112, 30113, 30114, 50000, 50001, 50002, 50100, 60000, 60100, 70100, 70101, 70102, 80000, 80002, 80004, 80100
5,6,8	5.53%		30008, 30009, 30010, 30020, 30033, 30034, 30035, 30100, 30101, 30103, 30107, 30109, 30111, 30115, 30116, 30117, 80105
All		6.74%	All

Each of the 5 enclosed shopping centres in Saskatoon are larger than 23,000 leasable square-feet. As a result, the 6.74% cap rate would be applicable.

Ratio Study

Number of Sales	79
Median Assessment to Sale Price Ratio (ASR)	1.00
Coefficient of Dispersion (COD)	30.90%

Scope of Data and Analysis

Valuation Approach

The appraisal method employed for shopping centre properties is the direct capitalization of market net operating income. Direct capitalization is widely used in mass appraisal and achieves acceptable results while being relatively straightforward.

The analysis starts with estimating the market rents and vacancies for each property. Typical rental agreements for shopping centre properties are net rent. The tenant is responsible for paying all the costs associated with occupying the property such as property taxes, insurance, utilities, routine maintenance, property management, etc.

The only expenses the tenant is not responsible for are the costs associated with periodic replacement of major building components (such as roof cover or replacement of heating equipment) and costs that cannot be passed on to tenants due to vacancy. In valuation terminology, the first is a “structural allowance”, and the second is a “non-recoverable expense”.

The comparable neighbourhood method was applied as there were fewer than two shopping centre sales prior to the base date. Of the available property types – warehouse, office, or retail – retail was selected as the most comparable for the application of the comparable neighbourhood method.

Once market rents, vacancies, and expenses are determined, they are used to derive a stabilized estimate of net operating income (NOI) for each property. The NOI is then expressed as a percentage of the retail property sale’s price. The resulting percentage is the estimated capitalization rate (cap rate) of the sale. The relationship between the NOI and sale price captures a number of factors including risk and economic conditions.

Each valid retail property sale is analyzed in this manner. The market groups are then defined, and a typical capitalization rate is determined for each retail market segment. Market rents, vacancies, and expenses are an integral part of the process; retail capitalization rates may vary when different market rents, vacancies, or expenses are employed.

Excluded from the analysis are partially completed buildings and those where there is a significant amount of deferred maintenance. There are a relatively large number of sales; therefore, it is more practical to focus the analysis on those sales that are least likely to provide a distorted indication of capitalization rates.

Once typical retail capitalization rates are determined for each market group, they are used to value retail property where realistic market rents, vacancies, and expenses can be estimated.

Using retail direct capitalization rates in mass appraisal is straightforward when net rents are typical in the marketplace. When net rents are used, the influence of expenses in estimating net operating income is small. Retail direct capitalization rates are a widely accepted method used within the commercial real estate industry to reflect the rates of return negotiated by buyers and sellers. Sales transactions ultimately determine the capitalization rates.

Rent Model

Contract rents in Saskatoon are typically negotiated on a per square foot per year basis. The Assessor's annual Request for Information forms request property owners and managers to report based on the amount of leasable area.

Property owners and managers were asked to provide rental information for the years 2019, 2020, 2021, and 2022.

There were 175 Retail CRU rents used to determine the stratification groupings of the shopping centres based on rent levels. The rents included in this analysis had the following characteristics:

- Net rents
- Leases were negotiated in 2019, 2020, 2021 and 2022.
- Retail CRU (Commercial Retail Unit) tenant space types

The best measure of comparison between shopping centres is the Retail CRU rents because they are the largest tenancy group in shopping centres. Rents from other types of occupancies, such as restaurants, food courts, anchors, and kiosks, were not included in the shopping centre rent stratification.

This stratification resulted in the following shopping centre rent model groupings:

- Midtown Plaza
- Lawson Heights and Centre Mall
- Confederation Mall and Market Mall

Comparable Neighbourhood Method

Several tenant types within the Shopping Centre Model did not have a sufficient quantity of rents to establish a market rental rate; therefore, the comparable neighbourhood method was utilized. Tenant types which required the application of the comparable neighbourhood method included department stores, freestanding convenience stores, theatres, and freestanding banks. The comparable neighbourhood method groups

properties with similar investment characteristics. The general retail property grouping was chosen based upon its similar investment characteristics.

The Retail Model Market Area 6 was selected to represent the shopping centres because it is comprised of retail properties that tend to be larger power centres in desirable retail locations. From an investment perspective, these types of retail developments tend to attract similar tenants to shopping centres. They also both have numerous tenants, some of which are larger in scale, such as department store and supermarket tenant types which are also located in shopping centres.

Vacancy

Vacancies are stabilized to reflect the short- to mid-term expectations of buyers. Vacancy rates are deducted from the potential gross income in order to arrive at an estimate of net operating income in the income approach.

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

A point in time vacancy was calculated using the rent rolls provided for each of the five malls. Because point in time vacancy rates were more consistently and reliably reported, point in time vacancy rates were used for the 2025 Reassessment analysis.

Based on the analysis of each mall's vacancy rates from 2019 to 2022, the following conclusions were made:

Vacancy rates have increased substantially from the 2021 Revaluation model. This is expected to be in part due to COVID, which negatively impacted retail tenants.

As we move away from the impacts of COVID, it appears that vacancy rates are slowly reverting back to a more historically normal rate, with each Mall exhibiting a lower vacancy in 2022 than the median rate for that mall from 2019 to 2022. As a result, 2022 rates have been adopted as being the best reflection of the market at Jan 1, 2023.

Midtown Plaza, The Centre, and Lawson Heights Mall have historically been grouped together, as has Market Mall and Confederation Mall. These groupings best reflect the comparability of malls in Saskatoon.

Annual vacancy data is more poorly reported than point in time data and has resulted in some gaps in data therefore less reliance was placed on annual vacancy rates.

Anchor vacancy information was analyzed separately from the other vacancy rates as anchor spaces typically have longer lease terms than all other shopping centre tenant space types. Department store anchors and supermarket anchors were both included in the vacancy analysis for anchor tenants. A number of malls undertook major capital projects prior to the 2021 Revaluation. These changes have largely been implemented at the time of the 2025 Revaluation.

Shopping Centre Group	Vacancy Rate (%)
Midtown Plaza, The Centre, and Lawson Heights Mall	13.70
Market Mall and Confederation Mall	18.78
Anchor tenant spaces – city-wide	11.37

Expenses

Occupancy Costs

A study of the occupancy costs found that operating costs amongst shopping centres were similar with the exception of shopping centres that had parking basements. Anchor tenants were charged a fraction of the occupancy costs of other tenant spaces; therefore, they were separately analyzed. In order to ensure that actual costs were not understated, only data where the stated amount was greater than zero were included in the analysis.

	With Parking Basement	Without Parking Basement
Occupancy Cost (/ft^2)	38.11	29.74
Anchor Occupancy Cost (/ft^2)	2.76	

Structural Allowance

A structural allowance is typically provided in real estate valuations to account for periodic replacement of major building components. An allowance of 0.30/ft^2 per year is applied.

Sales

Once market rents, vacancies, and expenses are determined, they are used to derive a stabilized estimate of net operating income (NOI) for each property. The NOI is then expressed as a percentage of the sales price. The resulting percentage is the estimated capitalization rate (cap rate) of the sale. The relationship between the NOI and sale price captures a number of factors including risk and economic conditions.

Each valid sale is analyzed in this manner, then market groups are defined, and a typical cap rate is determined for each market segment. Because market rents, vacancies, and expenses are an integral part of the process, cap rates may vary when different market rents, vacancies, or expenses are employed.

No shopping centre sales occurred within the timeframe of 2019-2022, therefore capitalization rates from another property grouping with similar investment characteristics had to be relied upon. The general retail property grouping was chosen based upon its similar investment characteristics and appeal precedent. The retail cap rate analysis resulted in the following groupings:

There was a total of 79 retail sales that occurred between 2019 and 2022 that were used in the cap rate analysis. The 79 sales represent approximately 10% of the retail inventory.

Unlike the previous revaluation, the cap rates for the 2025 revaluation cycle required a time adjustment.

The capitalization rate analysis involved 79 sales and is detailed in the following table:

Group	Roll	Address	Effective Year Built	Sale Date	AO NBHD	Size	Fully Time Adjusted Sale Price	NOI	Cap Rate
1	435122200	710 51st St E	1978	Jul-19	30032	20,000	2,923,697.14	99,485.49	3.40
1	435201000	2950 Millar AVE	1980	Oct-19	30017	8,400	1,104,504.54	71,587.49	6.48
1	435431250	330 Silverwood Rd	1988	Feb-22	30024	2,400	605,935.70	49,840.63	8.23
1	454911790	2302 Ave C N	1977	Jan-22	30007	4,246	533,154.41	51,290.20	9.62
1	454912000	2333 Ave C N	1977	Feb-19	30007	21,120	2,247,938.64	92,527.31	4.12
1	474915350	1515 Idylwyld Dr N	1953	Jul-21	30018	1,501	335,074.24	17,229.31	5.14
1	474917650	1231 Idylwyld Dr N	1940	Aug-22	30018	800	349,084.59	10,781.20	3.09
1	474918550	216 33rd St W	1980	Aug-20	30005	6,000	851,207.94	74,568.10	8.76
1	474918950	402 33rd St W	1973	Mar-19	30005	3,090	455,892.33	41,642.39	9.13
1	475001150	1640 Saskatchewan Ave	1975	May-21	30019	3,786	448,723.94	35,183.75	7.84
1	475945366	135 412 Willowgrove Sq	2014	Apr-22	30108	1,287	427,975.62	25,386.89	5.93
1	475945368	127 412 Willowgrove Sq	2014	Sep-19	30108	783	243,431.74	15,445.17	6.34
1	475945372	125 412 Willowgrove Sq	2014	Oct-22	30108	753	198,475.57	14,853.41	7.48
1	475945374	105 412 Willowgrove Sq	2014	Jul-21	30108	893	252,545.46	17,615.00	6.97
1	475945382	109 412 Willowgrove Sq	2014	Jul-21	30108	829	213,609.83	21,274.74	9.96
1	475945622	133 412 Willowgrove Sq	2014	Mar-19	30108	926	268,325.20	20,447.59	7.62
1	475958750	106 419 Willowgrove Sq	2016	Mar-22	30108	732	154,183.60	11,643.87	7.55
1	484900750	601 33rd St W	1926	Mar-20	30005	4,230	358,880.85	51,383.29	14.32
1	484901910	301 33rd St W	1968	May-22	30005	1,558	463,054.84	20,996.39	4.53
1	484902250	203 33rd St W	1957	Oct-20	30005	3,280	184,107.89	44,202.92	24.01
1	484902340	119 33rd St W	1977	Mar-22	30005	2,823	884,288.28	52,365.24	5.92
1	485009200	615 2nd Ave N	1949	Apr-22	30004	4,256	820,210.23	56,980.18	6.95
1	485009550	701 2nd Ave N	1986	May-19	30004	13,465	3,895,290.34	188,881.97	4.85
1	485103950	506 Duchess St	1984	Jul-19	30001	4,200	688,483.52	56,230.44	8.17
1	485602290	1305 Central Ave	1995	Jan-19	30114	10,516	1,943,980.95	188,494.32	9.70
1	485602400	815 Gray Ave	1995	Jun-22	30114	9,574	2,339,974.42	157,839.26	6.75
1	494506050	100 Confederation Dr	2012	Aug-21	30015	3,722	2,452,706.48	98,114.50	4.00
1	494709220	1601 29th St W	1959	Nov-20	30028	19,875	2,648,220.08	284,662.66	10.75
1	494821040	904 22nd St W	1981	Oct-21	30003	9,744	1,246,150.08	143,051.72	11.48
1	494917070	125 Idylwyld Dr N	1964	Aug-22	30018	4,300	1,429,812.24	62,524.15	4.37
1	494918650	201 Ave B N	1912	Feb-20	30030	2,688	377,546.96	37,558.89	9.95
1	495603480	119 105th St E	1981	Nov-20	30114	16,200	2,176,146.07	140,004.86	6.43
1	495608540	205 Central Ave	2009	Sep-22	30102	2,535	1,229,901.89	65,406.61	5.32
1	504500790	3419 22nd St W	1980	Oct-22	30015	16,838	2,229,085.94	204,538.21	9.18
1	504818700	910 20th St W	1959	Jun-22	30002	3,108	395,455.68	41,884.96	10.59
1	504819950	1410 20th St W	1981	Sep-21	30002	2,934	337,327.36	39,540.05	11.72
1	504820400	1516 20th St W	1929	Apr-19	30002	2,400	370,106.79	25,024.80	6.76

Group	Roll	Address	Effective Year Built	Sale Date	AO NBHD	Size	Fully Time Adjusted Sale Price	NOI	Cap Rate
1	504901800	334 20th St W	1926	Feb-22	30002	2,750	673,261.89	51,011.13	7.58
1	504902280	228 20th St W	2003	Sep-22	30002	12,000	2,973,330.32	194,959.12	6.56
1	504905162	113 123 Ave B S	2016	Nov-21	30030	1,798	614,018.73	36,436.95	5.93
1	504915200	617 20th St W	1940	Jun-20	30002	1,961	191,144.08	26,427.42	13.83
1	504916110	343 20th St W	1954	Jul-21	30002	5,988	1,298,412.70	73,127.85	5.63
1	504917250	117 20th St W	1970	Dec-21	30002	9,900	1,508,653.21	98,293.00	6.52
1	504918790	312 Ave B S	1919	Sep-22	30030	2,496	530,364.77	32,444.01	6.12
1	504918940	319 Ave B S	1965	Dec-21	30030	6,880	1,187,569.58	70,157.13	5.91
1	504919464	221 19th St W	2016	Jan-21	30030	1,184	520,817.52	23,994.08	4.61
1	504919466	408 Ave C S	2016	Aug-19	30030	624	236,149.19	12,645.52	5.35
1	504919468	101 410 Ave C S	2016	Aug-19	30030	611	397,935.48	12,382.08	3.11
1	505004100	130 Idylwyld Dr N	1949	Dec-19	30018	6,111	1,231,777.77	85,064.29	6.91
1	505004320	116 Idylwyld Dr N	1987	Jul-21	30018	5,464	1,947,619.04	76,544.00	3.93
1	515024990	822 Victoria Ave	2006	Jun-21	30110	4,306	1,211,878.48	76,039.51	6.27
1	515117150	629 Main St	1999	Apr-21	30110	3,630	908,404.54	51,522.03	5.67
1	525313190	1110 Grosvenor Ave	1973	Nov-20	30105	9,580	4,104,539.64	161,236.19	3.93
1	525416880	2414 8th St E	1973	Jun-19	30105	22,680	6,428,652.57	281,166.38	4.37
1	534909240	1944 St George Ave	1979	Aug-21	30113	8,190	711,306.02	86,596.69	12.17
1	535100050, 535100100	610 Taylor St E & 1909 Broadway Ave	1992	Dec-19	30105	10,596	5,416,440.22	139,416.83	2.57
1	545000270	110 Ruth St E	1980	Dec-20	30105	10,593	1,979,178.23	178,611.81	9.02
2	445228400	101 Cree Cres	1984	Oct-21	30020	3,728	1,127,100.92	86,059.33	7.64
2	455843002	211 Evergreen Sq	2019	Dec-19	30117	11,284	5,416,440.22	300,107.42	5.54
2	494209830	30 279 Kensington Blvd	2018	Jun-22	30033	1,250	526,494.24	31,851.82	6.05
2	494209835	40 279 Kensington Blvd	2018	Jun-22	30033	1,250	526,494.24	31,851.82	6.05
2	495005195	102 14 23rd St E	1982	Mar-22	30008	2,643	739,174.30	34,940.46	4.73
2	495014510	122 23rd St E	1970	Dec-22	30009	1,666	580,000.00	22,024.52	3.80
2	495014790	301 2nd Ave N	1985	Apr-20	30009	17,556	7,018,306.85	223,957.22	3.19
2	505001700	123 Auditorium Ave	1958	Dec-20	30009	6,560	1,432,194.94	96,177.19	6.72
2	505012250	227 2nd Ave S	1971	Mar-19	30009	5,375	864,024.52	77,333.46	8.95
2	505016350	144 2nd Ave N	1912	Feb-21	30009	2,500	680,862.66	37,682.75	5.53
2	515008855, 515008905	702 & 704 Broadway Ave	1928	Jul-19	30101	6,226	2,216,351.06	116,436.96	5.25
2	515009250	720 Broadway Ave	1975	Jan-19	30101	2,967	1,085,839.03	57,609.65	5.31
2	515114940	1005 Broadway Ave	1961	Nov-20	30101	10,861	3,223,920.10	189,107.16	5.87
2	525419820	2508 8th St E	1985	Jun-19	30100	6,463	2,399,425.71	128,524.28	5.36
2	525420210	2404 8th St E	1966	Jun-19	30100	9,836	4,029,225.94	216,487.69	5.37
2	556101650	3010 Meadows Pky	2018	Feb-22	30117	5,100	2,867,646.82	156,644.74	5.46
2	556101665	3030 Meadows Pky	2018	Feb-22	30117	11,860	5,273,884.83	302,210.07	5.73
2	556101670	3028 Meadows Pky	2018	Feb-22	30117	5,564	4,179,160.99	160,642.49	3.84
2	556101675	3026 Meadows Pky	2018	Feb-22	30117	7,871	2,930,933.44	214,487.89	7.32
3	475831140	515 Nelson Rd	2008	Aug-19	30115	37,848	16,857,369.93	1,040,711.77	6.17
3	494507700	15 Worobetz Pl	1982	Apr-22	30015	41,041	8,706,752.43	586,940.97	6.74

Group	Roll	Address	Effective Year Built	Sale Date	AO NBHD	Size	Fully Time Adjusted Sale Price	NOI	Cap Rate
3	556101660	3020 Meadows Pky	2018	Feb-22	30117	83,990	26,984,336.69	1,830,164.66	6.78

Sale Stratification

Rent Market Area	Size:<23,000	Size:>/=23,000	NBHD's
1,2,3,4,7	6.56%		30001, 30002, 30003, 30004, 30005, 30006, 30007, 30013, 30014, 30015, 30016, 30017, 30018, 30019, 30021, 30022, 30023, 30024, 30026, 30027, 30028, 30029, 30030, 30031, 30032, 30102, 30104, 30105, 30106, 30108, 30110, 30112, 30113, 30114, 50000, 50001, 50002, 50100, 60000, 60100, 70100, 70101, 70102, 80000, 80002, 80004, 80100
5,6,8	5.53%		30008, 30009, 30010, 30020, 30033, 30034, 30035, 30100, 30101, 30103, 30107, 30109, 30111, 30115, 30116, 30117, 80105
All		6.74%	All

Each of the 5 enclosed shopping centres in Saskatoon are larger than 23,000 leasable square-feet. As a result, the 6.74% cap rate would be applicable.

Sales Time Adjustment

Sales over four years were used to develop market cap rate. The data was reviewed, and a time adjustment factor was assigned to each sale month. The following time adjustment factors in the chart are applied to the sale prices.

Sale Month (#)	Time Adj Factor	Sale Month (#)	Time Adj Factor	Sale Month (#)	Time Adj Factor
1	0.838	17	1.229	33	0.862
2	0.855	18	1.265	34	0.870
3	0.872	19	1.305	35	0.878
4	0.891	20	1.323	36	0.887
5	0.910	21	1.259	37	0.895
6	0.930	22	1.200	38	0.904
7	0.951	23	1.147	39	0.913
8	0.973	24	1.098	40	0.922
9	0.996	25	1.053	41	0.931
10	1.020	26	1.012	42	0.940
11	1.045	27	0.974	43	0.949
12	1.072	28	0.938	44	0.959
13	1.100	29	0.905	45	0.969
14	1.130	30	0.875	46	0.979
15	1.161	31	0.847	47	0.989
16	1.194	32	0.854	48	1.000

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 retail 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 the Retail Model is provided below:

Number of Sales	79
Median Assessment to Sale Price Ratio (ASR)	1.00

Coefficient of Dispersion (COD)	30.90%