2025 ASSESSMENT METHODOLOGY

COMMERCIAL - NEIGHBOURHOOD, POWER AND BOX RETAIL

A summary of the methods used by the City of Edmonton in determining the value of nieghbourhood shopping centres, power centres and box retail properties in Edmonton for assessment purposes.

edmonton.ca/assessment

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Scope

This guide explains how Neighbourhood, Power & Box Retail properties are valued for assessment purposes. The guide is intended as a tool and complements the assessor's judgement in the valuation process. **Valuation Date** refers to the legislated date of July 1, 2024.

Introduction

Property assessments in the City of Edmonton are prepared in accordance with the requirements of the *Municipal Government Act*, R.S.A. 2000, c. M-26, (hereinafter "MGA") and the *Matters Relating to Assessment and Taxation Regulation, 2018*, Alta Reg 203/17, (hereinafter "MRAT"). The MRAT regulation establishes the valuation standard to be used, defines the procedures to be applied, and proposes objectives for the quality to be achieved in the preparation of assessments. The legislation requires the municipality to prepare assessments that represent market value by application of the mass appraisal process. All assessments are expected to meet quality standards prescribed by the province in the MRAT regulation.

Property assessments represent:

- an estimate of the value;
- of the fee simple estate in the property;
- as the property existed on December 31, 2024
- reflecting typical market conditions;
- as if the property had been sold on July 1, 2024;
- on the open market;
- from a willing seller to a willing buyer.

The assessment is an estimate of the value that would result when those specific, defined conditions are met.

The legislation requires the City of Edmonton to assess the fee simple estate.

> "Fee simple interest [is] absolute ownership unencumbered by any other interest or estate… leased fee interest [is] the ownership interest held by the lessor, which includes the right to the contract rent specified in the lease plus the reversionary right when the lease expires… leasehold interest [is] the interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions."
>
> *Appraisal Institute of Canada,* ***The Appraisal of Real Estate Third Canadian Edition,*** *Vancouver, Canada, 2010, page 6.4*

Both *market value* and *property,* along with additional terms are defined in the *MGA* and *MRAT* :

s.284(1)(r) "**property**" means
(i) a parcel of land
(ii) an improvement, or
(iii) a parcel of land and the improvements to it

MGA *.s.284(1)(r)*

s.1(k) "**regulated property**" means
(i) land in respect of which the valuation standard is agricultural use value,
(ii) designated industrial property, or
(iii) machinery and equipment

MRAT *s.1(k)*

s.9(1) the **valuation standard** for the land and improvements is market value unless subsection (2)... applies

MRAT *s.9(1)*

s.1(1)(n) "**market value**" means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer

MGA *s.1(1)(n)*

s.5 An assessment of property based on **market value**
(a) must be prepared using mass appraisal,
(b) must be an estimate of the value of the fee simple estate in the property, and
(c) must reflect typical market conditions for properties similar to that property

MRAT *s.5*

s.289(2) Each assessment must reflect
(a) the characteristics and physical condition of the property on **December 31** of the year prior to the year in which a tax is imposed

MGA *s.289(2)(a)*

s.6 Any assessment prepared in accordance with the Act must be an estimate of the value of a property on **July 1** of the assessment year

MRAT *s.6*

s.1(g) "**mass appraisal**" means the process of preparing assessments for a group of properties using standard methods and common data and allowing for statistical testing

MRAT *s.1(g)*

Mass Appraisal

Mass appraisal is the legislated methodology used by the City of Edmonton for valuing individual properties, and involves the following process:

- properties are stratified into groups of comparable properties
- common property characteristics are identified for the properties in each group
- a uniform valuation model is created for each property group

> 31(c) **"valuation model"** means the representation of the relationship between property characteristics and their value in the real estate marketplace using a mass appraisal process
>
> ***MRAT*** *s.31(c)*

The following two quotations indicate how the International Association of Assessing Officers distinguishes between mass appraisal and single-property appraisal:

> "… single-property appraisal is the valuation of a particular property as of a given date: mass appraisal is the valuation of many properties as of a given date, using standard procedures and statistical testing."
>
> "Also, mass appraisal requires standardized procedures across many properties. Thus, valuation models developed for mass appraisal purposes must represent supply and demand patterns for groups of properties rather than a single property."
>
> ***Property Appraisal and Assessment Administration****, pg. 88-89*

For both mass appraisal and single-property appraisal, the process consists of the following stages:

	Mass Appraisal	Single Appraisal
Definition and Purpose	Mass appraisal is used to determine the assessment base for property taxation in accordance with legislative requirements	The client specifies the nature of the value to be estimated, this includes: rights to be valued, effective date of valuation, and any limiting conditions.
Data Collection	Mass appraisal requires a database of property characteristics and market information.	The extent of data collection is specific to each assignment and depends on the nature of the client's requirements.
Market Analysis	Mass appraisal is predicated on highest and best use.	Market analysis includes the analysis of highest and best use
Valuation Model	Valuation procedures are predicated on groups of comparable properties.	Subject property is the focus of the valuation. The analysis of comparable properties is generally six or less
Validation	The testing of acceptable analysis and objective criteria	The reliability of the value estimate is more subjective. Acceptability can be judged by the depth of research and analysis of comparable sales

Assessment Classification

Section 297 of the MGA requires that a property must be assigned one or more of the following assessment classes:

(a) class 1 - residential;
(b) class 2 - non-residential;
(c) class 3 - farm land;
(d) class 4 - machinery and equipment.

The different assessment classes are defined in section 297(4) of the MGA. The City of Edmonton Charter, 2018 Regulation, Alta Reg 39/2018 (Charter), except for the purposes of section 359 and Division 5 of Part 9 of the MGA, modifies the section 297(4) definitions for the different assessment classes.

Pursuant to section 297(2) of the MGA and Bylaw 19519, the residential class has been divided into subclasses. Bylaw 19519 defines the Residential, Mature Area Derelict Residential, and Other Residential subclasses.

Assigning assessment classes requires a consideration of the class and subclass definitions and related sections in section 297 of the MGA, the Charter, Bylaw 19519, and the Edmonton Zoning Bylaw No. 20001, including Overlays.

Valuation Model

A valuation model creates an equation of variables, factors and coefficients that explains the relationship between estimated market value and property characteristics. An assessed value is then calculated by applying the appropriate valuation model to individual properties within a property type.

s31 (a) **"coefficient"** means a number that represents the quantified relationship of each variable to the assessed value of a property when derived through a mass appraisal process

(b) **"factor"** means a property characteristic that contributes to a value of a property;

(d) **"variable"** means a quantitative or qualitative representation of a property characteristic used in a valuation model

***MRAT**, s.31 (a), (b) and (d)*

s.33 Information prescribed ... does not include coefficients

***MRAT**, s.33(3)*

Valuation Model

- variables are identified from property characteristics
- statistical analysis determines how variables affect market value
- factors and coefficients are determined
- the resulting valuation models are applied to property characteristics

Commercial Property Types

Shopping Centre properties are commercial establishments grouped into two formats: open air and enclosed format properties. Enclosed format properties are malls, which include super-regional, regional, and community shopping centres. Open air format properties are described below:

Power Centres are typically large shopping developments, with one or more Major Space Types and/or Shadow Anchor(s). Typically, these properties have direct exterior exposure and access. They are commonly situated along major arterial roads. Power Centres typically occur over large commercial areas that include more than one parcel and it is not a requirement that a Major Space Type be on each parcel. Refer to the definitions of *Shadow Anchor and Major Space Type below.

Neighbourhood Shopping Centres are anchored and/or shadow anchored by a Grocery Store or a Drugstore greater than 8,000 square feet. They typically provide for the sale of convenience goods and personal services for the day-to-day living needs of the immediate neighbourhood. Neighbourhood shopping centres typically occur over large commercial areas that include more than one legal parcel and it is not a requirement that a Grocery Store or Drugstore be on each parcel. Refer to the definitions of *Shadow Anchor and Major Space Types below.

Box Retail is typically a single site or stand-alone property and might not be directly abutted by other retailers. They are commonly junior anchor sized spaces.

***Shadow Anchors** are Major Space Types that are a draw to the area, but they exist on a different legal parcel. They can be seamlessly part of an adjacent shopping centre or in close proximity to a nearby centre. The overall concept is that nearby properties are not required to be on the same legal parcel as the Major Space Type to benefit (e.g. through performance) from the traffic draw generated to the area.*

***Major Space Types** are a draw to the area which benefits (e.g. increased traffic, performance of nearby properties) overall. Refer to the Anchor, Grocery Store, and Drugstores (greater than 8,000 square feet) space types.*

There are other commercial property types in the marketplace, however only the pertinent ones are summarized below:

Office buildings are designed for general commercial occupancy where the majority of the space type is office use. Some of the typical uses include the offices of lawyers, accountants, engineers, architects, real estate and insurance firms, health and government services, corporate uses, administration and similar office support services.

Downtown Office Buildings are office buildings that are located in the downtown districts. See 2025 Downtown Office Assessment Methodology.

Suburban Office Buildings are office buildings that are located in suburban districts. See 2025 Suburban Office Assessment Methodology.

Buildings within an open air shopping centre with two or more stories of office space are valued in a manner consistent with the suburban office inventory. Please refer to the 2025 Suburban Office Assessment Methodology for additional information.

Retail properties are typically **unanchored** freestanding buildings. Multiple freestanding buildings can be found on the same property. This includes street-front retail that may be abutting other retail properties. They are typically pedestrian-oriented. In conjunction with retail space, various uses on other floors can be found, such as residential and/or office space. Some will have on-street parking with pedestrian traffic.

Retail Plazas are properties that consist of 3 or more retail spaces or units often laid out in a continuous straight line (strip), a 'U' or 'L' shape configuration and are typically **unanchored**. Each individual unit may have outside signage which can be seen from the street. They are typically vehicle-oriented while some will have on-street parking with pedestrian traffic. Generally, each unit has a separate customer entrance, some may be accessed through a common corridor area. One or more retail orientated buildings may be on the parcel.

Additional details are available in the 2025 Downtown Office, 2025 Suburban Office and 2025 Retail and Retail Plaza Assessment Methodology guides, which are provided online at Edmonton.ca.

Approaches to Value

The approaches to determine market value are the direct comparison, income and cost approaches.

Direct Comparison Approach	Typical market value (or some other characteristic) is determined by referencing comparable sales and other market data. It is often used when sufficient sales or market data is available. It may also be referred to as the sales comparison approach.
Income Approach	This approach considers the typical actions of renters, buyers and sellers when purchasing income-producing properties. This approach estimates the typical market value of a property by determining the present value of the projected income stream. Often used to value rental or leased property.
Cost Approach	Typical market value is calculated by adding the depreciated replacement cost of the improvements to the estimated value of land. It is often used for properties under construction or when there is limited market data available.

Income Approach

For this property type, the assessment is determined using the income approach. The income approach best reflects the typical actions of buyers and sellers when purchasing income-producing properties. The City of Edmonton requests financial information from owners during the annual

Request for Information (RFI) process.

Annually, property owners are required to provide the following via the RFI process:

- A completed Commercial Tenant Roll Form including information about space types (office, retail, warehouse, storage); tenant location; lease term; lease rate; operating expenses; tenant inducements and type; landlord and tenant improvements; escalations; other rent (signage, percent rent) and vacant space.
- Year-end financial statements including the Income Statement, a Schedule of Income and Expenses, and Notes.
- A complete Parking Details form including parking location, the number and type of stalls and rate per stall.
- Yearly Expenses for owner occupied properties including power, water & sewer, gas, waste removal, insurance and structural repairs.
- For 2025 an Income Addendum requesting information on abatements and deferrals was sent to property owners. In addition, the Income Addendum also requested information on abandoned, breached or amended leases.

The Income model analyzes the relationship between the variables of income producing properties and their income. The City of Edmonton uses **triple net rent** in its income model. Unless noted specifically in the space type definition, for the 2025 valuation, income information from July 1, 2020 to July 1, 2024 was analyzed. The resulting model was then applied to the physical characteristics and attributes of every shopping centre property to estimate each property's market value assessment.

Sales information is received from the Land Titles Office. Sales are validated. Validation may include site inspections, interviews with involved parties, a review of land title documents, corporate searches, third party information and sales validation questionnaires. The resulting validated sales are used to develop capitalization rates to use in the income approach. The City of Edmonton uses the date the legal title transfer was registered at the Land Titles Office as the sale date of a property.

Sale price reflects the condition of a property on the sale date and may not be equal to the assessed value.

For the 2025 valuation, sales occurring from July 1, 2020 to July 1, 2024 were analyzed. Time adjustments are applied to sale prices to account for any market fluctuations occurring between the sale date and the legislated valuation date.

Income Approach Definitions

To provide a clear understanding of the terms used in the income approach, the following definitions are supplied.

Typical Market Rent is the rent currently prevailing in the market for properties comparable to the subject property (otherwise known as current economic rent). Current economic or market rents are used to form the basis of the valuation as opposed to actual rents, because in many cases actual rents reflect historical revenues derived from leases negotiated before the valuation date. In determining potential gross income, the assessor is not bound by the contractual rent between the landlord and tenant, but must determine rental income on the basis of what is typically paid in the market at the time of valuation.

Aside from the Anchor space type, only new leases and lease renewals commencing within a 4 year period prior to the valuation date were considered. Lease step ups have not been used to derive the market typical rents for the 2025 valuation as a large enough dataset is provided by the new and renewal leases.

Base Rent / Net Rent is the stipulated or contract rent exclusive of additional charges to the property (taxes, insurance, utilities and maintenance). Base and net rent do not include GST.

Triple Net Rent is the rental structure where the tenant (lessee) pays all charges to the property (e.g.: taxes, insurance, utilities, maintenance) in addition to the stipulated or contract rent. Structural repairs are excluded from the tenant responsibility.

Effective Rent, generally defined, is the rental amount in dollars per square foot net of financial concessions such as periods of free rent during the lease term. As explained below, the City does not adjust rental rates for Tenant Improvements. For the 2025 valuation, there were no types of tenant inducements that were found to be typical in the marketplace for Neighbourhood, Power Centre and Box Retail properties. Therefore, no adjustments were applied when determining typical market rent. Please see Tenant Improvement Allowances and Tenant Inducements below.

Lease types include gross leases, modified gross leases, single net leases, double net leases and triple net leases. These may not always mean the same thing in different markets. The expenses that are included in each type of rent vary from market to market. In general, the following distinctions can be made:

- *Gross lease* - tenant pays the rent and property owner pays expenses
- *Modified gross lease (sometimes semi-gross)* - tenant and property owner share expenses
- *Single net lease* - tenant pays utilities and taxes or insurance, and property owner pays structural repairs, property maintenance and property taxes or insurance
- *Double net lease* - tenant pays utilities, taxes insurance and property owner pays structural repairs and property maintenance
- *Triple net lease* - tenant pays utilities, taxes, insurance, maintenance and property owner pays for structural repairs only
    - **New** is a new lease agreement of a tenant occupying a space that was vacant or occupied by a previous tenant, may include tenant expansion.
    - **Renewal** is when a new lease agreement occurs with an existing tenant, where the rents and terms are negotiated based on market conditions at the time of renewal. Renewals typically are not included in the analysis where terms and conditions were predetermined.
    - **Step-Up** is a scheduled change to the rental rate within the term of the existing lease.

Tenant Improvement Allowances is a dollar amount or allowance provided to the tenant by the landlord for the renovation or completion of the interior finish, which may or may not equal the full cost of construction or remodelling.

The City of Edmonton does not adjust for tenant improvement allowances. As the City is mandated through legislation to assess the *Fee Simple interest* of each property, it is inherent that the estimated

market rent reflects fully finished space. When a tenant and landlord negotiate a base rental rate with a tenant improvement allowance as part of the rental agreement, they have agreed upon the rent that they believe the space can achieve as fully finished, not the rent it would achieve in its current state.

Tenant Inducements are incentives provided by landlords either to attract new tenants or retain existing tenants. Described below are the most common forms of tenant inducements:

- *Common area expense* or *operating expense reimbursement* is a form of tenant inducement where operating expenses in excess of a predetermined base amount are reimbursed.
- *Relocation allowance* is a credit offered by a landlord to cover relocation expenses incurred by tenants.
- A *buyout* is a termination of an existing lease whereby the landlord agrees to pay the remainder or terminate the original lease on behalf of the tenant.
- *Cash payments* are a signing bonus paid to tenants that enter into a new lease agreement.
- *Free rent or discounted rent* is an abatement of rent during some period of the lease term. Free rent is a reduction in the face rental rate, the amount appearing on the face of the lease, for a stated period of time. This adjustment is generally applied at the beginning of the lease term. For example, a lease is signed with free rent for the first three months of a five year lease.

Based on the information provided by the City of Edmonton through the RFI process, for the 2025 valuation, tenant inducements were not typical in the marketplace for Shopping Centre Properties. Therefore, no adjustments were applied when determining typical market rent.

Operating Expenses (OE) are the periodic expenditures necessary to maintain the real property and continue the production of the effective gross income; these are accounted for by the vacancy shortfall and structural allowances in the Assessment Detail Report.

Common Area Maintenance (CAM) are the charges that reflect the costs of operating the interior and exterior common areas of a commercial property, and therefore include expenses for cleaning, utilities, heating, insurance, garbage & snow removal and management fees.

Potential Gross Income (PGI) is the total current market rent for all space types that would be collected if the property were fully occupied at the date of valuation. In estimating PGI, the assessor distinguishes between market rent and contract rent. Market rent is the rate prevailing in the market for comparable properties and is used in calculating market value by the income approach. Contract rent is the actual amount agreed to by the landlord and tenant.

Potential gross income is derived by multiplying all Gross Leasable Areas (GLA) in the building by the current market rent for each particular space type.

Vacancy and Collection Loss Allowance is a deduction from the potential gross income for typical vacancy and collection losses, assuming typical market conditions and typical management. Vacancy losses are best described as an allowance for vacant space as of the valuation date. Collection losses

are considered unpaid rents that the landlord is unlikely to recover. For the 2025 assessment, both a vacancy and collection loss study were developed. The vacancy allowance is weighted; it is the total vacant space compared to total space in the market, not the percent vacancy of individual properties. The average of the three years is applied. The results of these studies were then added together in order to form the vacancy and collection loss allowance. The raw data for these studies came from tenant rolls, the Income Addendum, and year end financial statements. Deferrals were not considered as part of collection loss because these are unpaid contractual rents that were agreed to be paid at a future date. These allowances are usually expressed as a percentage of potential gross income.

The breakdown of vacancy and collection loss allowance is as follows:

Space	Vacancy Allowance	Collection Loss Allowance	Vacancy and Collection Loss Allowance
Anchor, Grocery, Drugstore	**2.00%**	**0.00%**	**2.00%**
CRU	**5.00%**	**1.00%**	**6.00%**

Should a property demonstrate a history of higher than typical vacancy, the City may apply an adjusted stabilized vacancy and collection loss allowance (chronic vacancy). Chronic vacancy is intended to recognize site specific issues causing a property to not perform at typical market levels. In order to qualify for chronic vacancy all of the following criteria must be met:

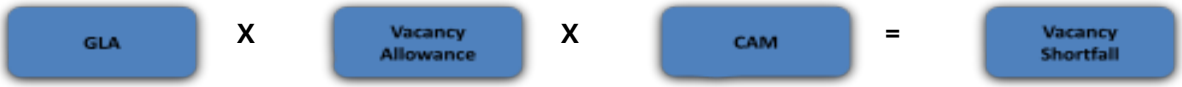
- 3 consecutive years (36 months) of rent rolls immediately preceding the valuation date must be provided during the RFI process;
- All 3 years (36 months) of rent rolls must show that the property has experienced a vacancy rate greater than the current typical vacancy allowance range - For example, if the typical vacancy allowance is 6% then each year's vacancy must be at least 10%;
- The vacant space must have been actively marketed (visible for lease signage, listed through a broker, online listing) during the chronically vacant period;
- Storage space is not included in the vacancy allowance calculation;
- Chronic vacancy does not apply to buildings under construction. Chronic vacancy may be applied when building construction is completed and has remained shell space for a minimum of three years.
- Chronic vacancy for Major Space Types is capped at 25%

If the preceding criteria is met, then the average of the 3 years will determine which stabilized vacancy and collection loss allowance is applied. The ranges and the corresponding stabilized vacancy and collection loss allowances are demonstrated in the chart below.

Actual Vacancy Range (over three years)	Stabilized Vacancy and Collection Loss Allowance
0% to <10%	Apply typical allowance
≥ 10% to <20%	10%
≥ 20% to < 30%	15%
≥ 30% to < 40%	20%
≥ 40% to < 50%	25%
≥ 50% to < 60%	30%
≥ 60% to < 80%	35%
≥ 80% to < 100%	40%

Effective Gross Income (EGI) is the anticipated income from all operations of real property adjusted for vacancy and collection loss.

Vacancy Shortfall is an expense related to the cost of carrying vacant space. Though the space is vacant there are still costs associated that the owner must pay, such as operating expenses, heating, security, property taxes, etc. Storage space is not included in the vacancy shortfall calculation.



Net Operating Income (NOI) is the actual or anticipated (before income tax) net income from the operation of the property after deducting all expenses from the effective gross income but before debt servicing costs. The term is often abbreviated to net income and sometimes stated as net income before recapture.

Structural Allowance is an allowance provided to cover items which require periodic replacement because they wear out more rapidly than the building itself. Typically, under the terms of conventional triple net leases, all operating expenses and property taxes are fully recouped by the landlord from the tenant. The only exception relates to items of a structural and or capital nature, which are normally excluded from such recoveries. ***Rather than lump sum deductions, a structural***

allowance is applied annually over the economic life of the property regardless of whether any expenses were incurred in any given year.

Overall Capitalization Rate (Cap Rate) reflects the relationship between the anticipated net operating income from a single year (or a median of several years) and the total price or value of the property. The Cap Rate converts net operating income into an indication of property value. The Cap Rate, in its basic formula, is found by dividing net operating income by the sale price. ***The City of Edmonton derives the typical cap rate by time-adjusting the sale prices of similar shopping centres from the past 3 years to the valuation date; deriving a net operating income for each of these sales using typical market rents, vacancy and collection loss allowances and operating costs; and then dividing the estimated NOI's by the time-adjusted sale prices.***

Sample Assessment Detail Report

Assessment Detail Report

2025 SHOPPING CENTRE VALUATION SUMMARY

Roll Number:	1234567 - Sample	Valuation Date:	July 1, 2024
Name:		Format:	Open Air Anchored
Address:	12345 67 STREET NW	Condition:	Average
Study Area:	NORTHEAST1 Effective Zc CG	Legal Description:	Plan: 1234567 Block: X
Lot Size (ft²):	42,286 Actual Zoni CG	Investment Class:	B
Year Built:	1985		
Effective Year Built:	1985		

Property Assessment: $11,778,500

Space Types		Gross Leasable Area (ft²)	Market Rent/ft²	Total
Anchor Tenant			$0.00	$0
Anchor Tenant Upper Level			$0.00	$0
Grocery Store	Effective Year Built ≤ 1989	23,688	$13.50	$319,788
Drug Store			$0.00	$0
Major - Other			$0.00	$0
CRUs < 1,001 ft²			$0.00	$0
CRUs 1,001 to 3,000 ft²		9,772	$21.00	$205,212
CRUs 3,001 to 5,000 ft²			$0.00	$0
CRUs 5,001 to 10,000 ft²		1,000	$14.50	$14,500
CRU - Junior Anchor 10,001 to 20,000 ft²			$0.00	$0
CRU - Junior Anchor 20,001 ft² to 59,999 ft²			$0.00	$0
CRU - Auto Service			$0.00	$0
CRU - Banks			$0.00	$0
CRU - Restaurants ≤ 3,000 ft²		1,434	$22.00	$31,548
CRU - Restaurants ≥ 3,001 ft²			$0.00	$0
CRU - Restaurants Fast Food			$0.00	$0
CRU - Theatre			$0.00	$0
CRU - Other			$0.00	$0
CRU - Other 2			$0.00	$0
Office Space			$0.00	$0
Storage			$0.00	$0
Land Lease			$90,000.00	$90,000
Parking Stall Count:			$0.00	$0

Total Gross Leasable Area (ft²): 35,894

Potential Gross Income $661,048

Less: Vacancy and Collection Loss Allowance

Majors (Anchor, Grocery, Drug Store)	2.0%	$6,396
CRU	7.5%	$18,845
Office	5.0%	$0

Effective Gross Income $635,808

Less: Expenses

Structural Allowance	2.0%	$12,716

Less: Vacancy Shortfall

Majors (Anchor, Grocery, Drug Store)	474	$12.00	$5,685
CRU	915	$15.00	$13,732
Office	0	$14.00	$0

Net Operating Income $603,675

Stabilized Value

Capitalization Rate	6.50%

Value Subtotal $9,287,303

Other Value Adjustments

Additional Building	$0
Associated Lots	$0
Building Under Construction	$0
Construction Allowance / Shell Space Allowance	-$508,500
Contamination	$0
Excess / Surplus Land	$0
Parking Adjustment	$0
Road Allowance	$0
Service Station Equipment (SSE)	$3,000,000

2025 Market Value Estimate (Rounded) $11,778,500

COMMENTS

GROCERY GLA x MARKET RENT = GROCERY PGI
Example: (23,688 ft² x $13.50) = $319,788

RATIO METHOD CALCULATION
CRUs 5,001 to 10,000 ft² RATE = CRUs 1,001 to 3,000 ft² RATE X 0.7
RATE = $21.00 X 0.7 = $14.70 ROUNDED TO $14.50
CRUs 5,001 to 10,000 ft² PGI = 1,000 ft² X $14.50 = $14,500

RATIO METHOD CALCULATION
RESTAURANT SMALL RATE = CRUs 1,001 to 3,000 ft² X 1.05
RATE = $21.00 X 1.05 = $22.05 ROUNDED TO $22.00
CRU - Restaurants ≤ 3,000 ft² PGI = 1,434 ft² X $22.00 = $31,548

LAND LEASE MARKET RENT = LAND LEASE PGI
EXAMPLE: $90,000 PER ANNUM

TOTAL POTENTIAL GROSS INCOME(PGI): GROCERY PGI + CRUs 1,001 to 3,000 ft² PGI + CRUs 5,001 to 10,000 ft² PGI + CRU - Restaurants ≤ 3,000 ft² PGI + LAND LEASE PGI
TOTAL PGI: $319,788 + $205,212 + $14,500 + $31,548 + $90,000 = $661,048

ANCHOR PGI x TYPICAL VACANCY RATE
EXAMPLE: $319,788 x 0.02 = $6,396
CRU PGI x TYPICAL VACANCY RATE
EXAMPLE: $70,000 x 0.075= $18,845
EFFECTIVE GROSS INCOME= TOTAL PGI - STABILIZED VACANCY LOSS
EXAMPLE: $661,048 - ($6,396+$18,845+$0) = $635,808

STRUCTURAL ALLOWANCE = EGI x 2.0%
EXAMPLE: $635,808 x 0.02 = $12,716

ANCHOR VACANCY SHORTFALL = (TOTAL ANCHOR GLA x TYPICAL VACANCY RATE) x TYPICAL VACANCY SHORTFALL
EXAMPLE: (23,688 ft² x 0.02) x $12.00 = $5,685
CRU VACANCY SHORTFALL =(TOTAL CRU GLA x TYPICAL VACANCY RATE) x TYPICAL VACANCY SHORTFALL
EXAMPLE: (12,206 ft² x 0.02) x $15.00 = $13,732
NOI = EGI - STRUCTURAL ALLOWANCE - VACANCY SHORTFALL
EXAMPLE: $635,808 - $12,716 - ($5,685+$13,732+$0) = $603,675

VALUE SUBTOTAL = NET OPERATING INCOME / CAPITALIZATION RATE
EXAMPLE: $603,675 / 0.0650 = $9,287,303

CONSTRUCTION ALLOWANCE
ASSUMING 6,000 ft² UNFINISHED LEASABLE SPACE
CRU VACANCY SHORTFALL IS 915 ft²
CONSTUCTION ALLOWACE = (UNFINISHED LEASABLE SPACE - CRU VACANCY SHORTFALL) X $100
EXAMPLE: (6,000 ft² - 915 ft²) X $100 = $508,500

FINAL MARKET VALUE ESTIMATE = VALUE SUBTOTAL - CONSTRUCTION ALLOWANCE + SERVICE STATION EQIPMENT (SEE)
EXAMPLE: $9,287,303 - $508,500 + $3,000,000 = $11,778,500

Variables

Not all variables affect market value. Below is the list of variables that affect the assessment of Neighbourhood, Power Centre and Box Retail for 2025

Investment Classification	Location
Condition	Size
Effective Year Built	Space Type

Investment Classification

Investment classification is based on **best fit** using the following criteria:

Class A
Part of a development that

- Includes one or more Major Space Type
- Attracts national and premier occupants
- Located in new and/or desirable areas
- Effective year built is typically 1998 and newer

Class B
Part of a development that

- Includes one or more Major Space Type
- Includes a wide range of occupants and may include some national occupants
- Located in proximity to fully-developed areas
- Effective year built is typically 1974 and newer

Class C

- Generally no Major Space Type
- Compete for occupants seeking functional space
- Located in less desirable areas
- Effective year built is typically 1958 and newer

Capitalization rates are based on the investment class.

Condition

The overall property condition has been rated using the following categories, generally described as:

Good:
- well maintained with high desirability for the effective age of the improvement
- may have slight evidence of deterioration in minor components;
- often components are new or as good as new;
- high utility and superior condition.

Average:
- moderate maintenance, typical for the effective age of the improvement
- minor repairs or rehabilitation of some components required;
- within established norm for the era;
- normal deterioration for age.

Fair:
- below average maintenance, typical for the effective age of the improvement;
- deferred maintenance requiring rehabilitation and/or replacement;
- discernible deterioration;
- reduced utility with signs of structural decay.

Poor:
- borderline derelict;
- far below average maintenance for the buildings effective age
- major repairs and/or replacements are required.

All properties are evaluated as being in average condition unless proven otherwise.

Effective Year Built

Effective Year Built is the original year of construction of a property adjusted to reflect an addition or significant renovation that extends the improvement's remaining economic life. Effective age is the current assessment year minus the effective year. Components that impact a property's remaining economic life when replaced or renovated include the roof, building envelope (windows, doors, siding, walls, insulation, vapor barrier), foundation, and mechanical systems (electrical, plumbing, HVAC). Additions to existing buildings also affect the property's effective age.

Location

Open air format shopping centre properties are stratified based on geographic areas referred to as study areas (see Study Area maps attached). Study areas typically encompass a group of properties that are more or less equally subject to similar economic forces. Economic forces are affected by location, traffic influence (vehicular and/or transit and/or pedestrian), effective year built and/or proximity to a particular population demographic. The study area affects rental rates for certain space types (see Space Types description).

Size

Gross Building Area (GBA) is the total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. Parking spaces and parking garages are excluded.

Gross Leasable Area (GLA) is the total area designed for the occupancy and exclusive use of the tenants, including basements and mezzanines; measured from the centre of joint partitioning to the outside wall surface. For shopping centres, typically the GLA reported by owners on their returned Request for Information (RFI) documents, is the size used. Size affects rental rates for certain space types.

Space Types

The following space types have city-wide rental rates:

Anchor space typically has a gross leasable area of at least 60,000 square feet on the main floor, has exterior access and is often occupied by national retailers. Anchor space is considered a Major Space Type. Anchors increase the attraction of neighbouring commercial retail unit spaces. Rents occurring within eight years of the valuation date were used to derive the Anchor rate. Anchors have been stratified based on Effective Year Built as follows:

2014 and Newer
Between 2005 and 2013
Between 1998 and 2004
1997 and Older

Auto Service is an unfinished main floor space designed for vehicles to enter the structure and generally there are large bay doors. They may contain service pits or lifts. Typically, it consists of automobile service bays, auto body repair and detailing, muffler, glass, oil, tire, or mechanical repair services. Auto service space is stratified by main floor size as follows:

Greater than or equal to 3,001 ft^2
Less than or equal to 3,000 ft^2

CRU - Bank and Bank Pads is space that has advanced security measures such as: reinforcement of walls, safes and electronic deterrents and other features to keep the space secure. Where sufficient rents were available, study area specific rates were used.

CRU - Restaurants Fast Food is a food or beverage service establishment that has one or more drive-thru windows and may include a pick-up area. May also contain a commercial kitchen area with improved ventilation, electrical & plumbing, public washroom facilities and dining area. Restaurants with a drive-thru window greater than 6,250 ft^2 receive the Restaurant Large rate.

CRU - Junior Anchors are not as large as Anchor space but are still large enough to be considered a draw for the shopping centre. They are stratified by Investment Classification and gross leasable area as follows:

Between 20,001 ft^2 and 59,999 ft^2

Between 10,001 ft^2 and 20,000 ft^2

CRU - **Other** space has miscellaneous uses not identified under a space type category. Specific to Shopping Centre properties, this commercial retail unit space could include basement, finished mezzanine, cold storage, shed or lumber yard space. Mezzanine space is an intermediate floor between floors of a building and usually smaller than the main floor. A mezzanine typically has a low ceiling and projects in the form of a balcony.

Drugstores are specialized spaces for medical service. Their construction will include secured areas for controlled pharmaceuticals and may include a drive through window, and clinic & retail areas. Drugstores range from 3,500 to 20,500 square feet. Drugstore space greater than 8,000 square feet is a Major Space Type. Rents occurring within five years of the valuation date were used to derive the applied rental rate.

A parcel containing only a drugstore, located outside of a power or neighbourhood centre is not considered part of the shopping centre inventory. These types of drugstores are found in the retail valuation group. See 2025 Retail and Retail Plaza Assessment Methodology.

As well, drugstores found within office or multi-residential parcels are not considered part of the shopping centre inventory. See 2025 Multi-Residential Assessment Methodology and 2025 Office Assessment Methodology.

Grocery Stores, also known as food stores, are self-service shops offering a wide variety of food and household products, organized into aisles. Grocery stores must comprise all of the major departments including: meat, fresh produce, dairy, baked goods along with shelf space reserved for canned and packaged goods. As well, grocery stores may include various non-food sections such as kitchenware, household cleaners, pharmacy products, and pet supplies. Grocery Store space is a Major Space Type. Rents occurring within five years of the valuation date were used to derive the applied rental rate. Grocery stores are typically 18,000 to 60,000 square feet and are stratified by effective year built as follows:

Land lease is a lease for a specific portion of land subject to specified terms. Land lease rates are stratified by Investment Class. On the shopping centre Assessment Detail Report, land leases are typically used for gas stations or car washes that may include convenience stores. The improvements are valued based on their depreciated cost to construct under service station equipment (SSE). Five years of leases were used to develop the land lease rate.

Major - Other space has miscellaneous uses associated with the Major Space Types. This could include garden centre, basement, cold storage or mezzanine space.

Parking Stall Count is applied to properties with underground parkades when the stalls are not required to satisfy the operation of the property.

Storage: Unfinished space that does not offer utility for other uses due to its small size, low ceiling height, lack of windows, lack of loading access or its location within the structure. Storage space offers less utility than warehouse space.

Theatres are spaces dedicated for film viewing, projection and supporting retail. Theatres typically contain multiple screens located in purpose designed buildings.

The following space types have rental rates that vary by study area:

Commercial Retail Units (CRUs) are finished spaces designed to offer utility to an array of commercial users. These units are typically located on the main floor with direct exterior or common area access. They have been stratified based on Gross Leasable Area as follows:

CRUs less than or equal to 1,000 ft^2
CRUs 1,001 ft^2 to 3,000 ft^2
CRUs 3,001 ft^2 to 5,000 ft^2
CRUs 5,001 ft^2 to 10,000 ft^2

CRU - Restaurant is a food or beverage service establishment that contains dedicated food or beverage preparation areas and may include a pick-up area. May also contain a commercial kitchen area with improved ventilation, electrical & plumbing, public washroom facilities and dining area. This space type is stratified based on gross leasable area as follows:

- **Less than or equal to 3,000 ft^2 (Restaurant Small)**
- **Greater than or equal to 3,001 ft^2 (Restaurant Large)**

Office is space that is utilized, designed or intended for office use. Office space within a two storey building receives a rental rate and vacancy and collection loss allowance similar to that found in the suburban office inventory. Note that main floor office space that experiences similar access and exposure as retail units is treated as a Commercial Retail Unit for the purpose of valuation.

Upper Level Retail is finished space that is accessed only from within the main floor of the same unit or tenant. Upper level retail space cannot be leased independently of the main floor and does not have a separate entrance or utility metering. Upper level retail space receives a lower rental rate than the main floor.

Other Value Adjustments

Additional Building is the assessed value added for other buildings situated on the subject parcel.

Associated Lots is a reduction to a primary improved property based upon a separate but related associated parcel(s). This adjustment is applied when all, or part, of the land from the associated parcel(s) is required to satisfy the parking requirement of the primary property. The associated parcel(s) must be owned by the same individual/corporation as the primary improved property or have a lease in place with the primary improved property. The Edmonton Zoning Bylaw 12800 in effect on July 1, 2020, prior to Open Option parking coming into effect, outlined the requirements to satisfy the operations of the primary property.

Buildings Under Construction are improvements that are not complete as of the condition date. The adjustment is based on the cost rates from the Marshall & Swift manual, for the portion completed (also called percent complete).

Construction Allowance (Shell Space Allowance) is an allowance provided for leasable space that is without dividing walls, floor coverings, ceiling, heating, ventilation ductwork, electrical systems or other finishes. The adjustment is based on the cost rates from the Marshall & Swift manual. The construction allowance will be applied to the difference when the amount of unfinished leasable space is greater than the vacancy shortfall area applied (typical or chronic). If the amount of unfinished leasable space is less than the vacancy shortfall area, an adjustment for shell space will not be made.

Contamination: Contamination refers to property that has been affected by environmental contamination which includes adverse conditions resulting from the release of hazardous substances into surface water, groundwater or soil.

Excess Land on an improved parcel is the area of land not needed to meet the legal requirements for the existing improvement. It is also the area of the parcel not needed to accommodate the parcel's primary highest and best use. Excess land may be separated from the larger parcel (subdivided) and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement. Excess land value is derived from assessed commercial land values. Please refer to the 2025 Commercial Land Assessment Methodology.

Each property undergoes a site specific analysis to determine the amount, if any, of excess land not required for the property's primary highest and best use. This includes an analysis of required

setbacks, access to adjacent roadways, space for drive-thru access, traffic flow within the property, building placement, developer future site plan, registered caveats and right of ways.

Road Allowance is the deduction for the private road that services the development. It is prorated based on a portion of the total assessment for the development it serves. Higher vacancy shortfall might be applied in association of the private road.

Service Station Equipment (SSE) is the cost value of the service station equipment, including pumps, underground tanks, canopy structures, car wash structures and equipment. The cost value is based on the Marshall & Swift Manual. Assessment parcels with only service station equipment are fully valued on the cost approach.

Surplus Land is the land not necessary to support the highest and best use of the existing improvement but, because of physical limitations, building placement, or neighbourhood norms, cannot be sold off separately. Surplus land may or may not contribute positively to value, and may or may not accommodate future expansion of an existing or anticipated improvement. *For the 2025 assessment, a 50% discount to the excess land rate was applied.*

Warehouse is unfinished space located on the main floor that contains one or more bay doors, and is typically utilized for storage, light manufacturing or product distribution.

Other Definitions

Actual Year Built is the year the property was constructed and is also known as the chronological age of a property.

Property Use-(Land Use Code) defines the use of a property. Property Use also includes a percentage representing the assessed value of the area for each use relative to the total assessed value of the property.

Lot size: Lot size is the area of a specific parcel determined through a Geographic Information System (GIS). Survey plans are validated with geometric-based mathematical calculations to each lot corner, registering these locations back to the survey control network established by the province. More information on the survey control network can be found on the Government of Alberta's website (https://www.alberta.ca/geodetic-control-unit.aspx).

Actual zoning is set by the Edmonton Zoning Bylaw No. 20001 and regulates the development of a parcel. Edmonton Zoning Bylaw No. 20001 is available online at Edmonton.ca.

Effective zoning is applied to reflect the current use and development of a parcel. The effective zoning may differ from the actual zoning when current use differs from the actual zoning according to Edmonton Zoning Bylaw No. 20001 (i.e. legal nonconforming use).

Zoning

Zoning regulates the use and development of a property and is set by the Edmonton Zoning Bylaw No. 20001.

> **Zone** means a specific group of listed Uses and Development Regulations that regulate the Use and development of land within specific geographic areas of the city.
>
> ***Zoning Bylaw 20001**, 2024, s. 8.20*

See the appendix for the Zone Summary. For further information see City of Edmonton Zoning Bylaw No. 20001 available online at edmonton.ca.

The actual zoning of a property may affect the property's classification; however, not all property conforms to the zoning set out in the Zoning Bylaw. In these cases, an effective zoning is applied to reflect the current use and development of the property. The effective zoning may differ from the actual zoning when the current use differs from the Zoning Bylaw (e.g., a legal nonconforming use).

> 643(1) If a development permit has been issued on or before the day on which a land use bylaw or a land use amendment bylaw comes into force in a municipality and the bylaw would make the development in respect of which the permit was issued a nonconforming use or nonconforming building, the development permit continues in effect in spite of the coming into force of the bylaw.
>
> ***MGA**, s.643(1)*

In cases where a legal non-conforming use is discontinued for six (6) or more months, any future use must conform to the Zoning Bylaw.

> 643(2) A non-conforming use of land or a building may be continued but if that use is discontinued for a period of 6 consecutive months or more, any future use of the land or building must conform with the land use bylaw then in effect.
>
> ***MGA**, s.643(2)*

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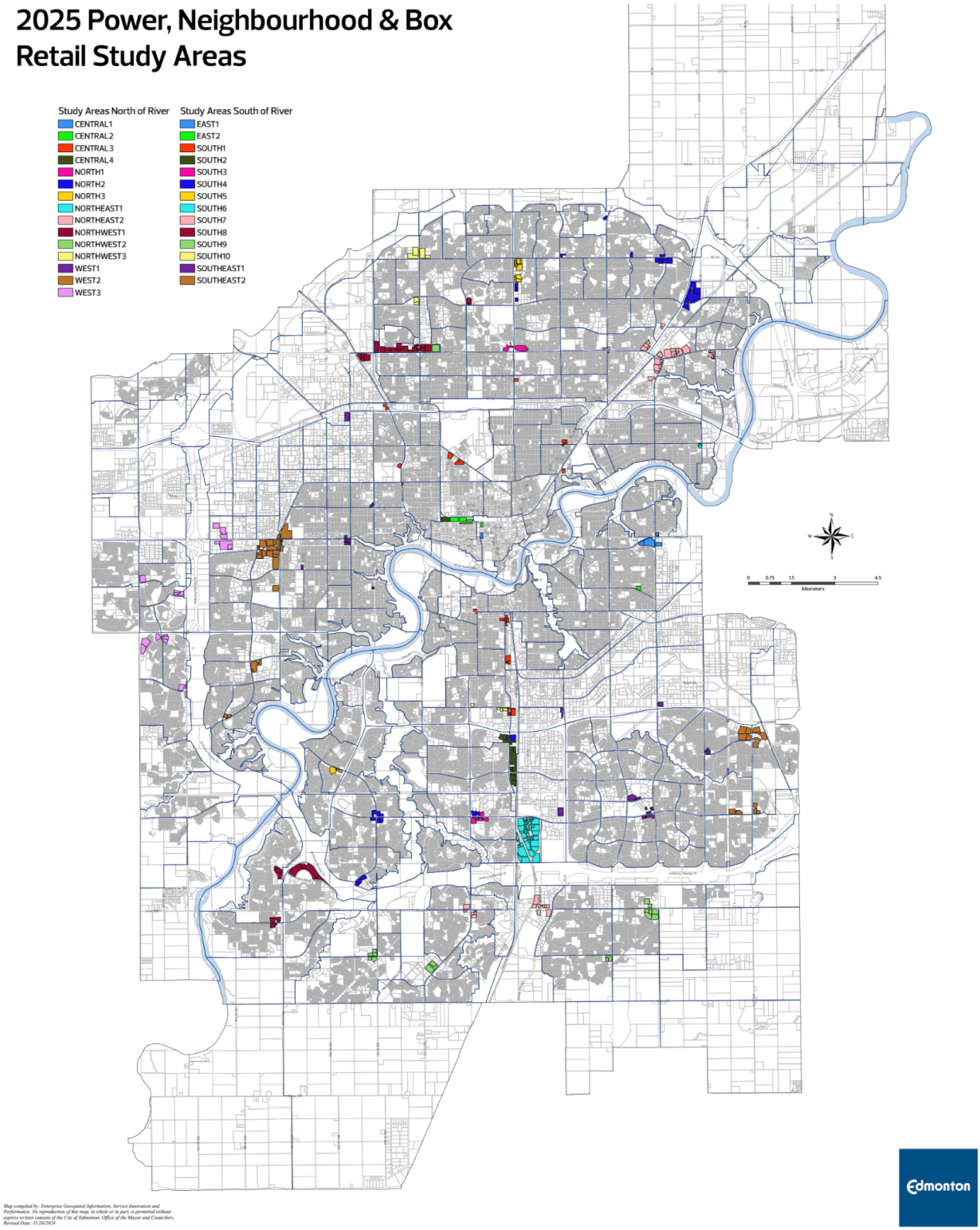
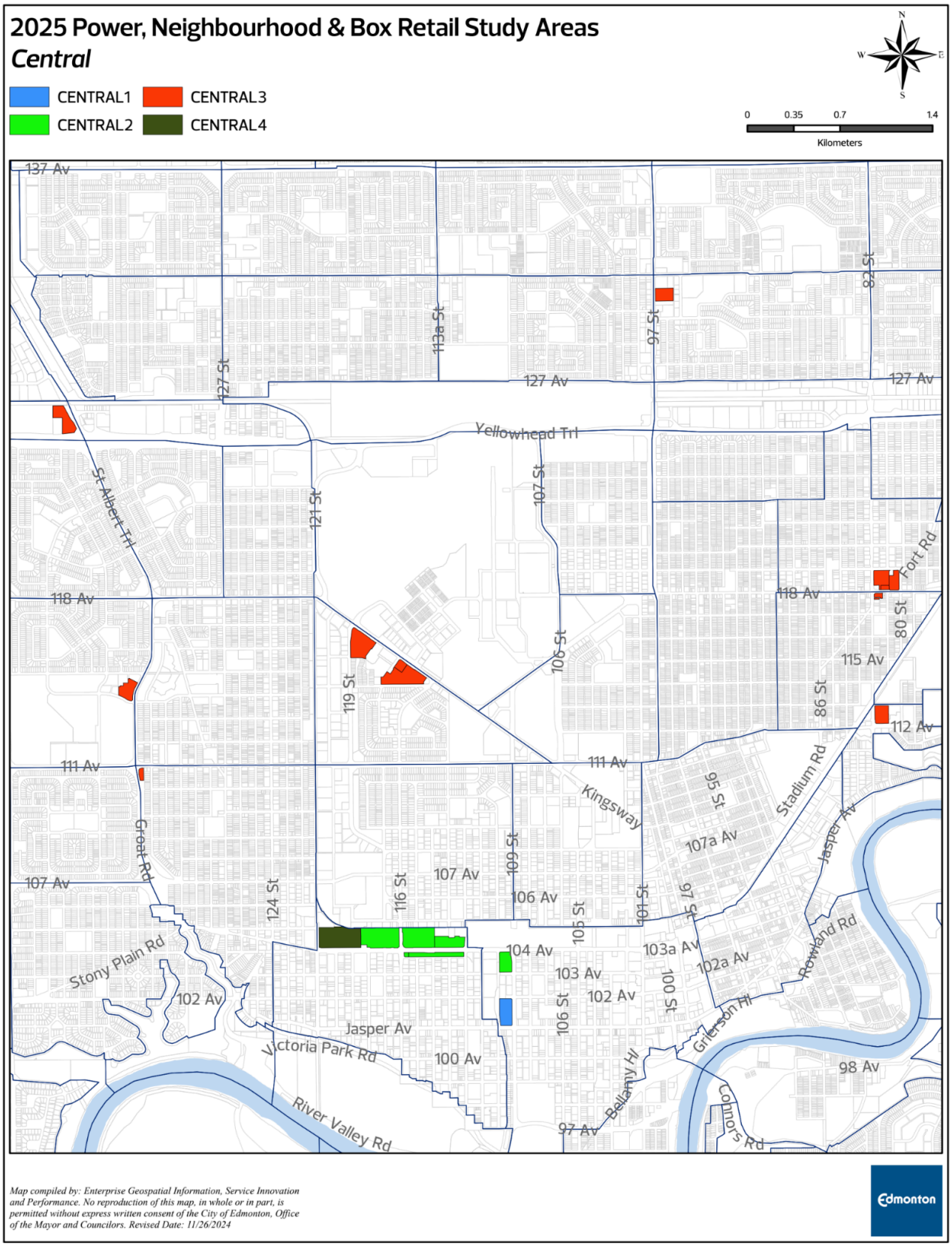
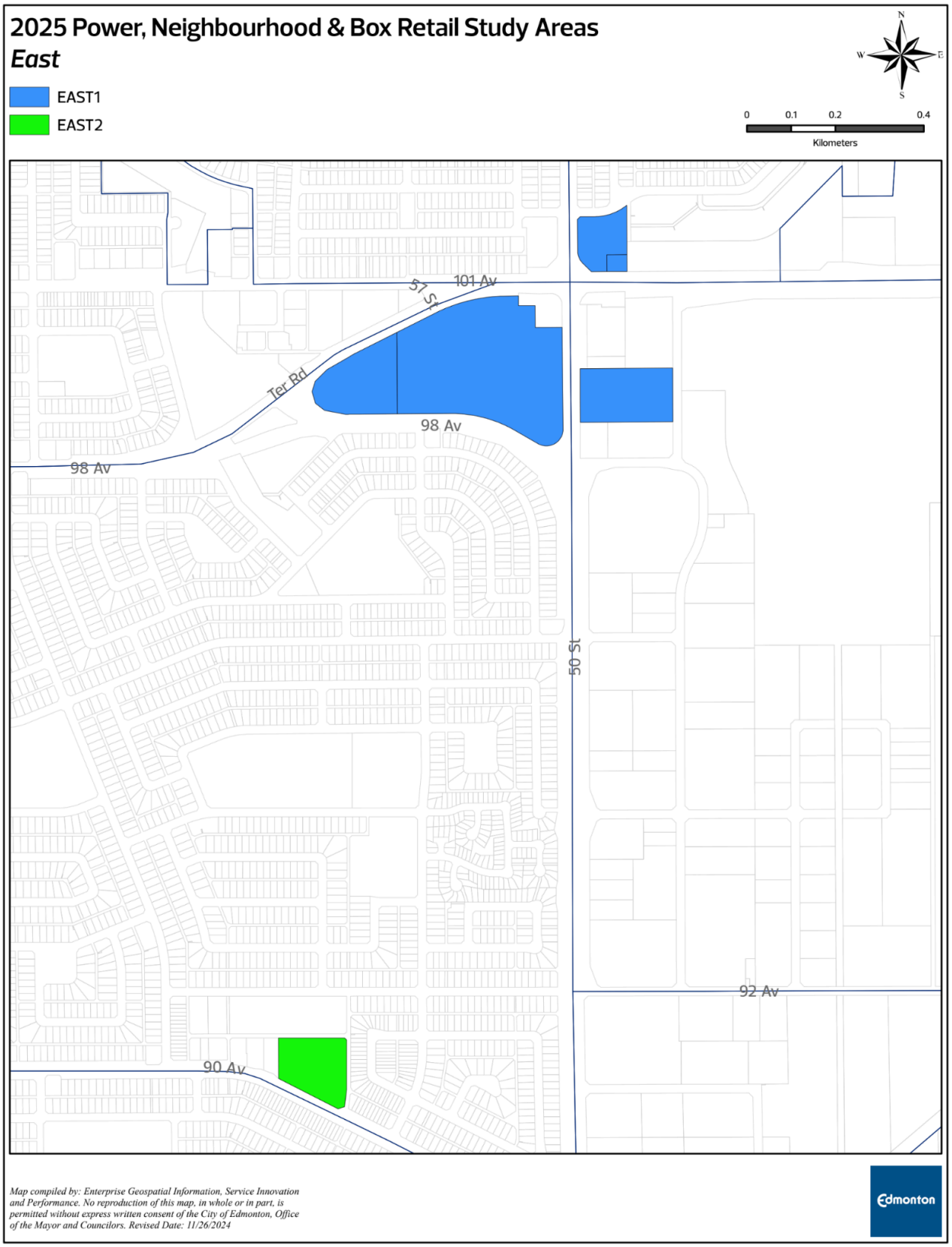
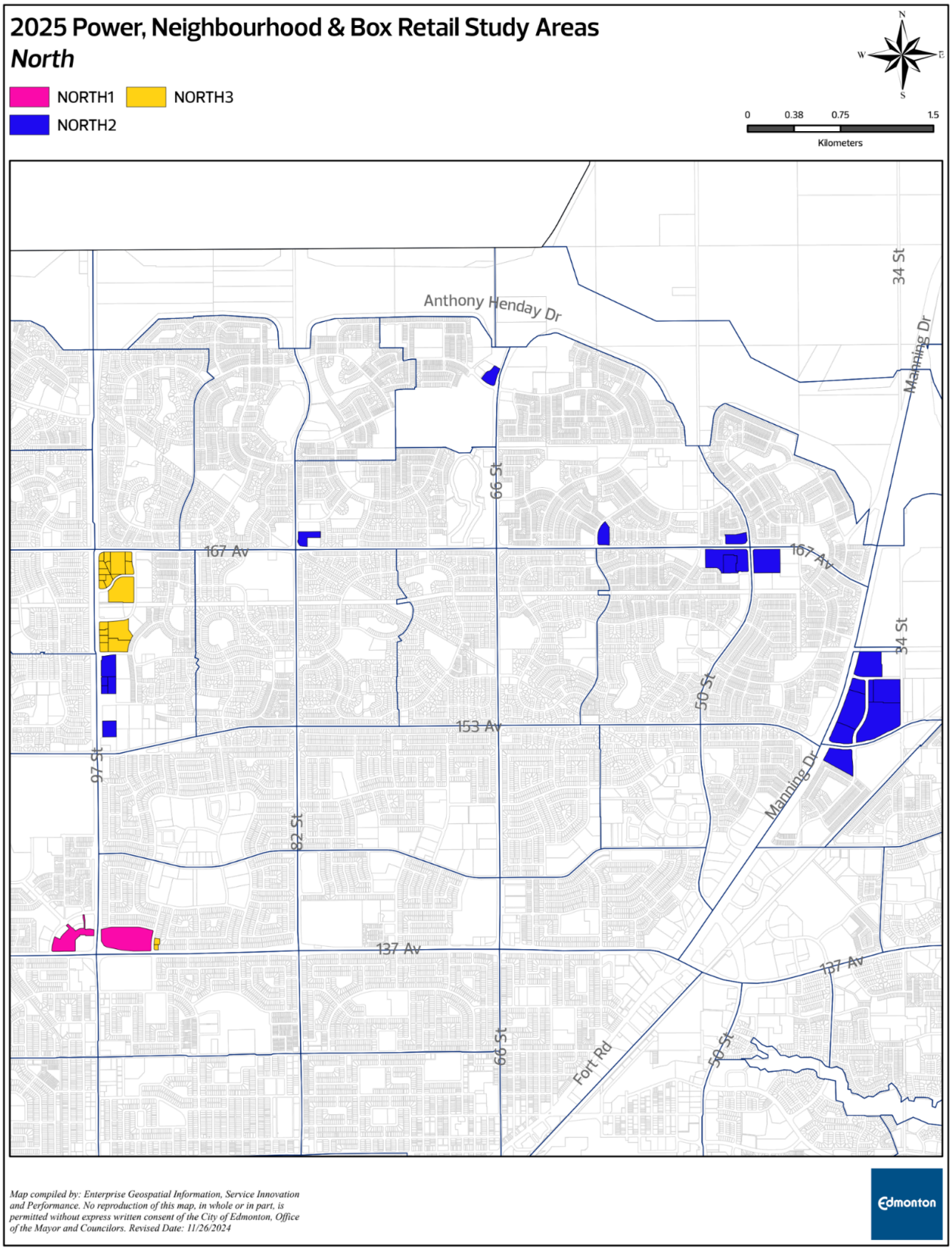
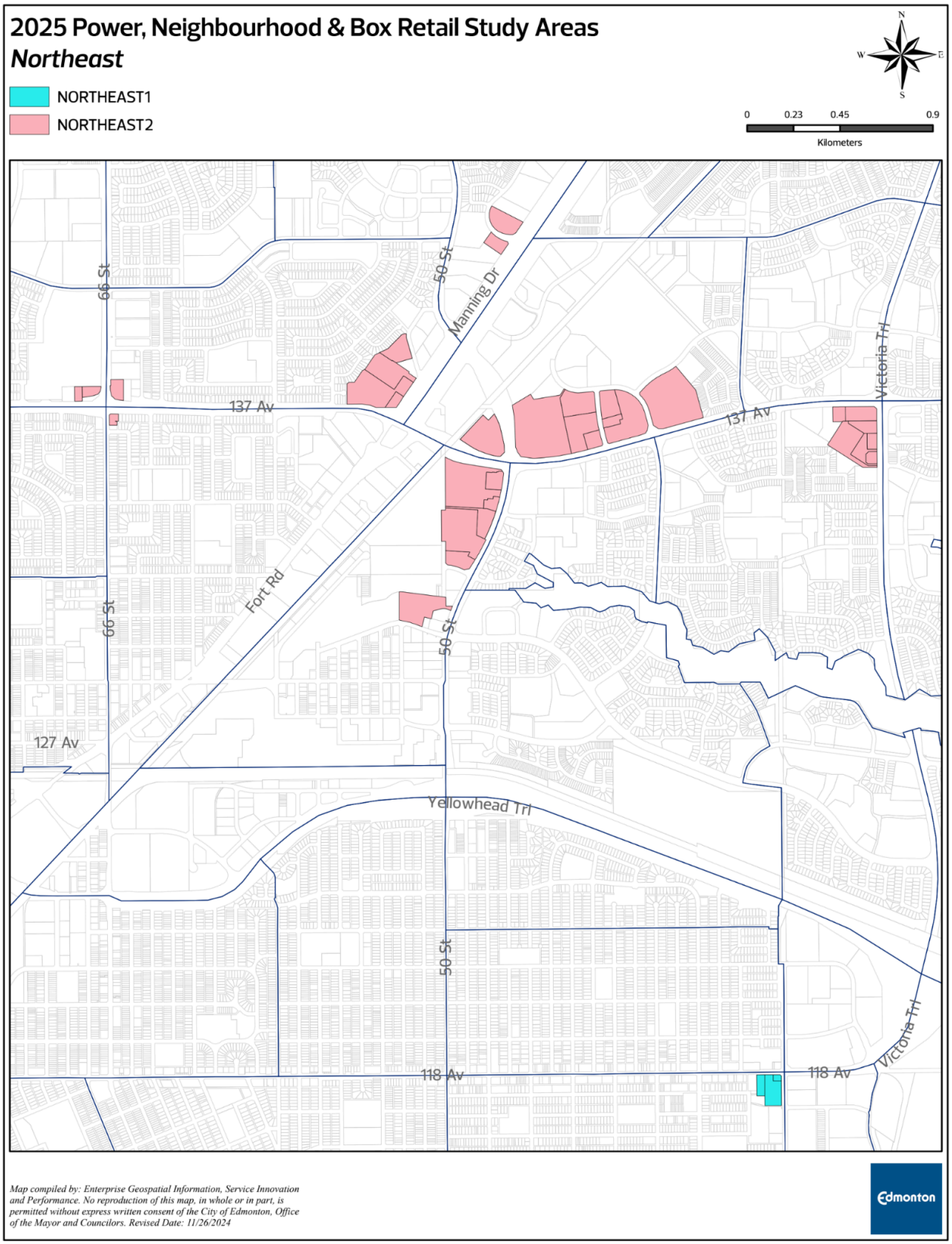
Study Area Maps

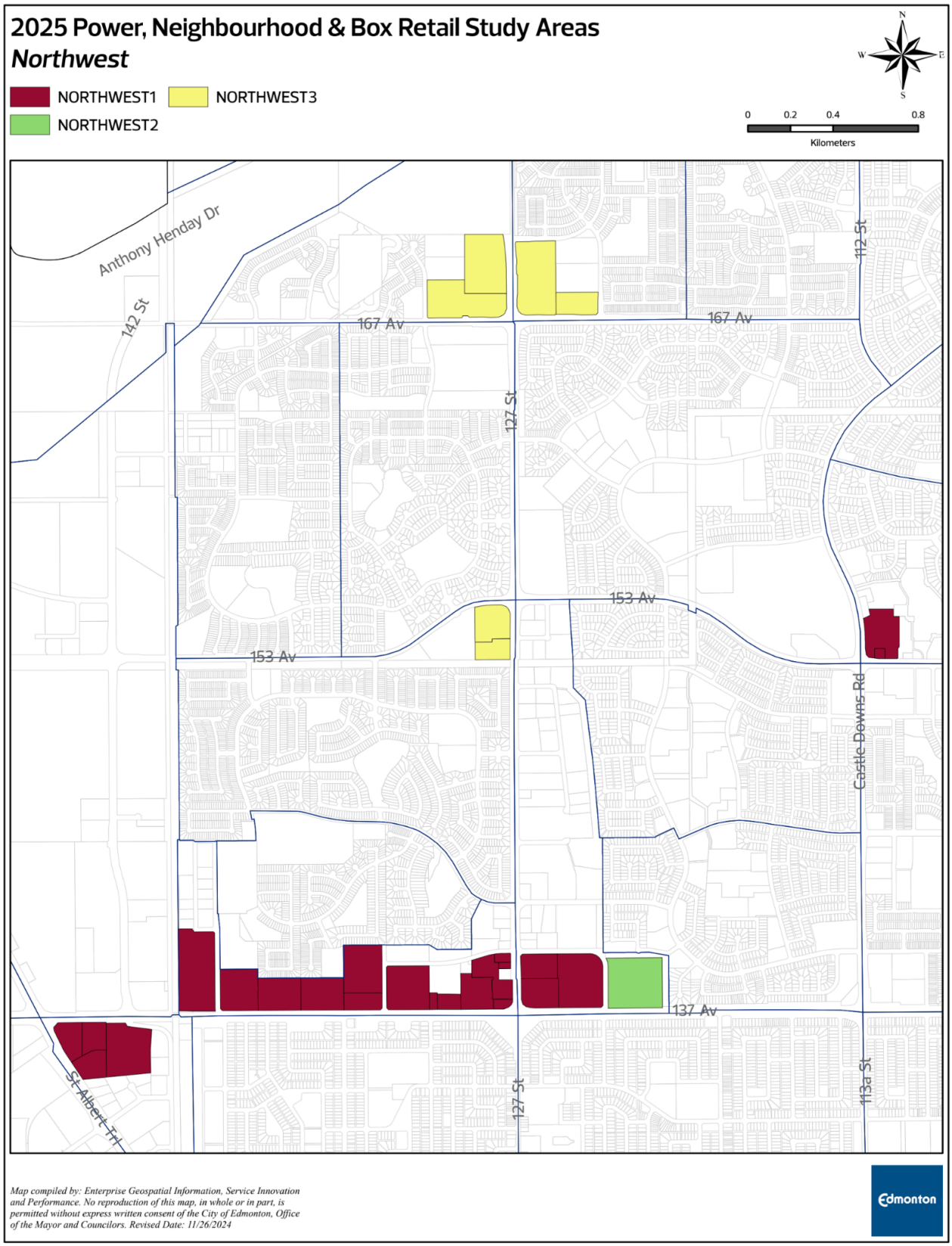


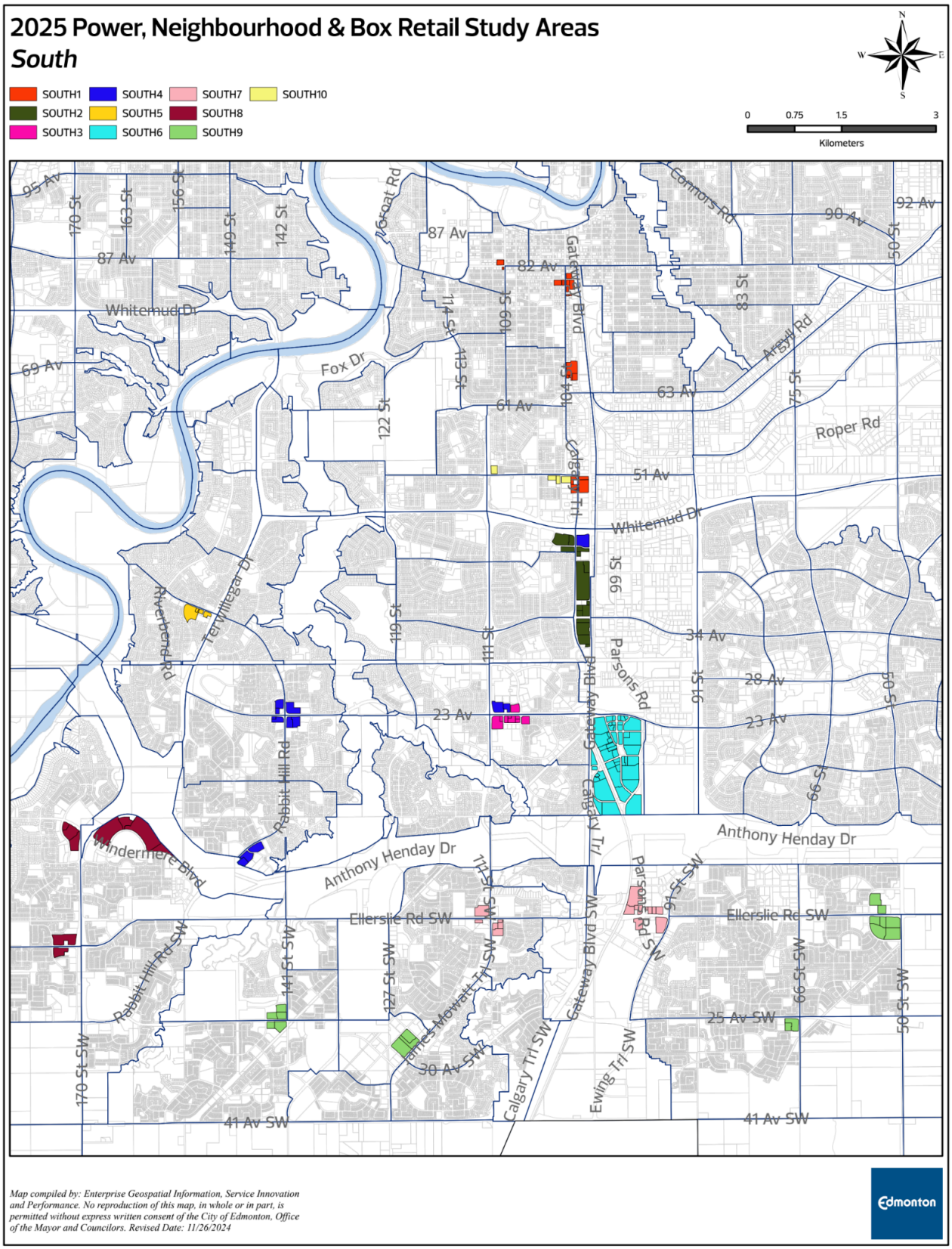


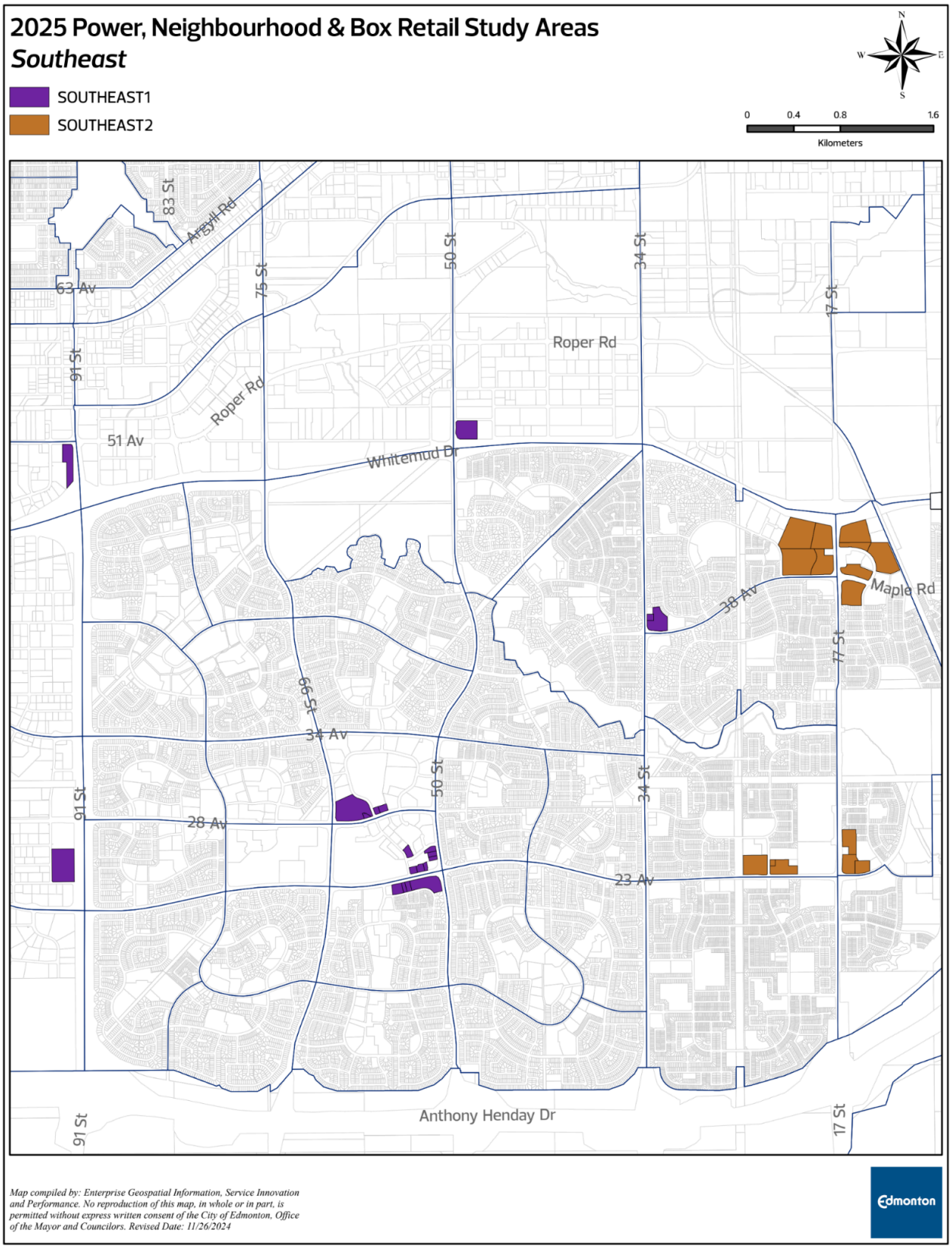


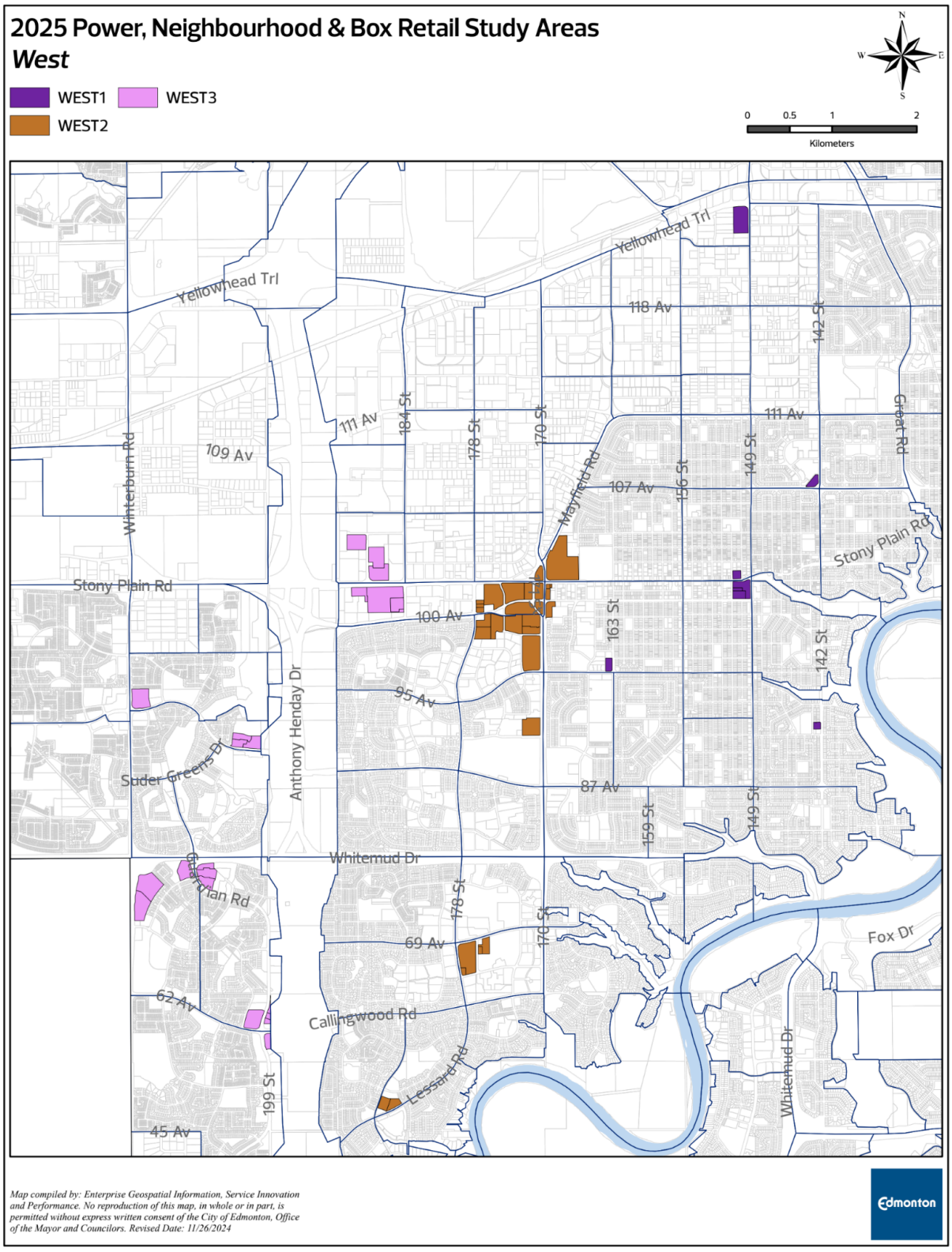












Time Adjustment Factors

YEAR	MONTH	ADJUSTMENT	YEAR	MONTH	ADJUSTMENT
2019	Jul	0.7953	2022	Jan	0.8778
2019	Aug	0.8038	2022	Feb	0.8677
2019	Sep	0.8124	2022	Mar	0.8578
2019	Oct	0.8211	2022	Apr	0.8481
2019	Nov	0.8300	2022	May	0.8384
2019	Dec	0.8389	2022	Jun	0.8498
2020	Jan	0.8479	2022	Jul	0.8614
2020	Feb	0.8570	2022	Aug	0.8732
2020	Mar	0.8661	2022	Sep	0.8851
2020	Apr	0.8754	2022	Oct	0.8972
2020	May	0.8848	2022	Nov	0.9094
2020	Jun	0.8943	2022	Dec	0.9219
2020	Jul	0.9039	2023	Jan	0.9344
2020	Aug	0.9136	2023	Feb	0.9472
2020	Sep	0.9234	2023	Mar	0.9601
2020	Oct	0.9333	2023	Apr	0.9732
2020	Nov	0.9433	2023	May	0.9865
2020	Dec	0.9535	2023	Jun	1.0000
2021	Jan	0.9637	2023	Jul	1.0000
2021	Feb	0.9740	2023	Aug	1.0000
2021	Mar	0.9845	2023	Sep	1.0000
2021	Apr	0.9733	2023	Oct	1.0000
2021	May	0.9622	2023	Nov	1.0000
2021	Jun	0.9512	2023	Dec	1.0000
2021	Jul	0.9403	2024	Jan	1.0000
2021	Aug	0.9296	2024	Feb	1.0000
2021	Sep	0.9190	2024	Mar	1.0000
2021	Oct	0.9085	2024	Apr	1.0000
2021	Nov	0.8981	2024	May	1.0000
2021	Dec	0.8879	2024	Jun	1.0000