SCOPE OF WORK

Classification

[34] The classification of properties into groups with similar physical and value-driven characteristics is an important step in the mass appraisal valuation process. Classification involves a six-step process:

1. Identify valuation parameters
2. Collect appropriate data
3. Analyze collected data
4. Develop guidelines for applying valuation parameters
5. Apply valuation parameters
6. Test results

[35] Valuation parameters are important elements in the valuation process that determines property assessments. Every valuation process employs one or more valuation parameters. The value of every type of property is guided by and relates to a number of variables. These include: physical variables, such as building size, construction style, condition, site size and location; supply and demand conditions in the marketplace; and legal restrictions such as zoning. Valuation parameters are guides as to what variables are pertinent at any given time and should be considered in the analysis of values. Parameters in the three approaches to value include costs of construction, rents and other income, operating expenses, capitalization rates and sale prices, among other things.

[36] The Assessor collects data pertinent to the properties being assessed and the valuation approaches being used. These data are collected from existing assessment records, property owners, property inspections, and government and industry publications. These collected data are analyzed through sorting and classifying, tabulating and refining through use of statistical techniques. Once this analysis is complete, guidelines are developed in order to determine how to apply these parameters across the inventory of properties being assessed. This is done to ensure flexibility to enable adjustment to market realities while at the same time ensuring that similar properties are assessed similarly. The final step is to apply the valuation parameters to the inventory of properties and to test the final results against recent sale prices.

[37] The objectives of this classification process are to:

1. enable the assessment of a large number of properties easily and efficiently;
2. stratify properties into classes so that comparisons are meaningful;
3. provide a broad enough definition of classes so that there are sufficient numbers within groups to establish valuation parameters and assessments; and
4. achieve large classes that have similar characteristics in order to assess similar properties similarly using mass appraisal, and resulting in equitable results.

Income Approach

[38] The income approach entails, for the most part, three steps:

1. determine market rents;
2. determine market capitalization rates (cap rate) or market Gross Income Multipliers (GIM); and
3. estimate the assessed value.

1. Determine Market Rents

[39] In preparation for the income approach to value for 2013, the Assessor requested the rent rolls (detailed description of the actual rents being charged to the specific tenants of the property) and income expense statements (detailed description of all income and expenses relating to the property) for all commercial, industrial and multi-family properties covering the years of 2008, 2009 and 2010. A copy of the request form is attached as Appendix D to this submission.

[40] Legislation requires that the value of a property is to be based on the current facts and conditions as if they existed on the retrospective base date of January 1, 2011. Therefore, the purpose of the rent analysis is to establish what typical rents were as of the base date. The rent analysis includes the review of the 2008, 2009 and 2010 rents rolls. However, the final rent models are developed from the 2010 rent rolls as this best reflects typical market rents for the base date. It is useful to have previous rent rolls because this information assists the Assessor in determining the rents under typical market conditions.

[41] When valuing income-producing properties, as mentioned earlier, there are two basic rent

models that can be developed: a gross income model and a net income model.

Gross Income Model

[42] A gross income model is typically developed for multi-family properties, the gross income being the potential gross income of the property prior to the deduction of applicable expenses. The reason a gross income model is developed for these properties is that these types of properties typically rent on a gross rent basis, and expenses related to these properties vary greatly from year to year and property to property.

Net Income Model

[43] A net income model is typically developed for commercial properties, the net income being the potential net income of the property after deducting all allowable expenses. The reason a net income model is developed for these properties is that the properties in this group are typically rented on a net dollar per square foot basis. The operating expenses (snow removal, heat, electrical, property taxes, etc.) are also passed on to the tenant, on a percentage basis, in addition to the base rent.

[44] It is standard appraisal practice that, for commercial properties, the value is based on the potential net earnings of the property. In determining value, the industry uses a mathematical formula for overall capitalization rates that reflects the relationship between net income and sale price.

[45] Based on the rent rolls returned, the Assessor found that most owners reported either the actual net rent per tenant, or a gross rent per tenant and the operating costs for each tenant. From the latter, the Assessor was able to determine the net rent for each tenant. If a property owner provided gross rents per tenant but did not include any indication of the operating costs per tenant, then those rents were not included in the Assessor's analysis. In Regina, the majority of rent rolls and financial statements were reported as net figures.

[46] Seven net rent models were developed for the various types of properties. The various models are Auto Dealership, Hotel/Motel, Office, Parking, Retail Enclosed Shopping Centres, Retail Global and Warehouse. These models comply with the Market Valuation Standard and follow accepted valuation industry practices as indicated by the Handbook, appraisal and assessment textbooks, or local practices.

[47] The subject property is valued using a net rent model.

2. Determine Capitalization Rates or GIMs

[48] Along with rent rolls and income and expense information, the Assessor also reviewed all transfers of titles received from the Information Services Corporation (ISC). Relying on transfers of properties registered at ISC between January 1, 2008 and December 31, 2010, the Assessor screened the transfers based on the potential relationship between the vendor and purchaser. If it was found that there was no indication of any relationship, then sales verification forms were sent to both the purchaser and vendor. The purpose of the verification process is to flesh out the details of the transfer. At the same time, requests were made for the sale agreement, mortgage documents and appraisals of the property, if any, from the purchaser and vendor. A copy of the sales verification form is attached in Appendix E.

[49] After receiving the verification forms, the Assessor reviewed these forms to further filter out any transfer that appeared not be to a sale. If a verification form had not been returned, the Assessor mailed follow-up questionnaires to the purchaser and vendor encouraging the return of the forms.

[50] Once the transfers were reviewed and the Assessor established that the transfers were a result of valid arm's length sales, then these sales were adjusted to reflect only the value of the real estate. Adjustments are necessary as some transfers include personal property, partial interests or other factors that may be considered atypical conditions. With all the sales in hand, the Assessor completed an analysis of the sale prices to determine if, over time, sale prices were increasing, decreasing or not changing at all. The Assessor's analysis established that sale prices of both multi-family and commercial properties were typically increasing over time and generally increasing in most neighbourhoods in Regina. Therefore, sale prices were adjusted to reflect what the sale price would have been had the property sold on the base date of January 1, 2011.

[51] Finally, the Assessor compared the income and sale price components of different properties in order to determine a multiplier that measures the relationship between the two. The potential *net* income establishes a multiplier known as a capitalization rate, which is represented in the following formula:

$$\text{Capitalization Rate} = \frac{\text{Potential Net Income}}{\text{Value (or Sale price)}}$$

3. Estimate Assessed Value

[52] Once the typical rent for a property type is determined, the Assessor applies this rent back to the subject property to determine the typical rental income. For a multi-family property, the potential *gross* rent is applied and for other commercial properties, the potential *net* rent is applied. The Assessor determines the potential gross or net income by multiplying the rent by the appropriate unit of comparison (e.g., number of units, square feet, etc.) and makes any other necessary adjustments.

[53] For properties with net rents, the Assessor capitalizes the net income into an estimate of value by applying a mathematical formula. The value is determined by dividing the potential net income by the capitalization rate:

$$\text{Value} = \frac{\text{Potential Net Income}}{\text{Capitalization Rate}}$$

[54] Finally, other adjustments may be applied to arrive at the final estimate of value. These adjustments are typically based on assessment-to-sale ratio (ASR) studies. Other adjustments can include a deduction for personal property, which is not a part of the real estate. Personal property, such as furniture, fixtures and equipment (FF&E), is not assessable and must be removed from the property value.

[55] The Assessor analysed 176 rents to derive the rent model for warehouse properties. As well, the Assessor analysed 21 sales to derive the capitalization rates to be used to capitalize the model's rents into estimates of value. This model values the majority of the warehouse and industrial properties in Regina.

FACTS

Assessed Person

[56] The Assessed Person, ACKLANDS-GRAINGER INC., is the owner of the Property.

Assessed Value

[57] The total assessed value of the Property is $4,424,200 for 2015. The primary land use code (LUC) is 3720 (Storage and Warehousing) and the assessed value was arrived at using the Income Approach to Value.

[58] The primary building on the property is DISTWHSE (Distribution Warehouse) and the valuation model used to value the property is the Warehouse model. The building is a one-storey distribution warehouse constructed in 1977. The quality of the building is average.

Regulated or Non-Regulated Property

[59] The property that is the subject of this appeal is a non-regulated property that is valued pursuant to the Market Valuation Standard.

[60] In the valuation of properties for assessment purposes, the Assessor is required by legislation to achieve the Market Valuation Standard as detailed in paragraphs [18] through [23] of this submission. In doing so, the Assessor must use one of the three standardized approaches to property valuation as noted in paragraphs [26] through [30] of this submission. The subject property under appeal is a warehouse property and was valued using the Income Approach to Value.

Valuation Model

[61] The application of the Income Approach to Value for this group of properties resulted in the development of the Warehouse Model, which was applied to the subject property. This model is summarised as follows:

Appraisal Cycle Date – January 1, 2013 to December 31, 2016

Effective Date of Valuation – January 1, 2011

Date of Report – October 16, 2014

Rent Model

Description:	Rate ($/sqft)
Base Rent	$6.28
Additional Adjustments to Base Rent:	
Single-tenant Warehouse lease space >= 100,000 sqft	-$2.52
Bldgs built in 1990 or newer	$1.25

Additional Adjustments to Net Rent:	
Shell warehouse space (unheated, uninsulated)	-50%
Upper floor space (above main floor)	-17%

Vacancy and Shortfall:

Vacancy = 0.43%
Shortfall = 0.12%

Overall Capitalization Rates

Strata	Cap Rate
Buildings < 25,000 sqft with eff year built 1970 or newer	6.77%
Buildings < 25,000 sqft with eff year built pre1970	10.18%
Buildings >= 25,000 sqft	9.43%

Additional Adjustments:

Strata	Adjustment (%)
Loft Warehouse	-28%
Unheated Adj (25% of area or more must be unheatable)	-16%

Assessment to Sales Summary Results

Number of Sales	21
Median Assessment-to-Sales Ratio (ASR)	1.00
Coefficient of Dispersion (COD)	9.60%

[62] Please refer to Appendix B for the Income (SPSS) Detail Report for the application of this valuation model to the subject property.

ISSUES

[63] The Appellant makes this appeal on the following grounds:

A. The applied CAP Rate of 9.43% for Warehouse properties greater than or equal to 25,000 square feet is too low.

B. Equity has not been maintained as the assessment does not bear a fair and just proportion to the market value of similar properties.

C. The Market Valuation Standard has not been achieved for the subject property.

[64] The Appellant provides the following material facts in support of the above grounds:

A. **Cap Rate Issue**

- The Warehouse Model is an income model that values the majority of warehouse and industrial properties in Regina. The Warehouse model is a city-wide model in application. There are several distinct warehouse neighbourhoods located within the City of Regina boundaries.

- The sale of 144 Henderson Drive has to be further adjusted. The City calculated 4000 building square feet of the property as heated warehouse instead of valuing it correctly as unheated warehouse. The property having gone under renovation since 2001 should no longer be valued with an Effective Age of 1988 and instead should account for the change in condition through an Effective Age of 1990 or greater. Lastly, the City has erred in the application of the Effective Age of the 1977 original building, 1988 addition and 1992 addition; once corrected the building will show an Effective Age greater than 1990.

- The City of Regina has not accounted for the office mezzanine in the time of sale net operating income for 1135 8th Avenue, Regina.

- The City of Regina has incorrectly applied a 16% obsolescence factor for unheated warehouse area through the improper application of the 290 Henderson Drive sales. The unheated warehouse at 290 Henderson Drive was not Estate in Fee Simple.

- In development of the -16% obsolescence factor for unheated warehouse; the City removed three sales from the large warehouse sales array. Two sales being 290 Henderson Drive and the third being 1500 5th Avenue. Since there is insufficient evidence to support a -16% obsolescence factor, 1500 5th Avenue should be returned to the large warehouse sales array.

B. **Equity**

- Section 165 states that equity is maintained by applying the market valuation standard so that the assessments bear a fair and just proportion to the market value of similar properties. Section 163 also states that the assessment must also reflect typical market conditions for similar properties in order to achieve the market valuation standard. The current assessment value, which is based on a significantly lower cap rate, does not reflect the typical market conditions for similar warehouse properties.

C. **Market Value Standard**

- Using a higher cap rate for the subject results in an assessment that reflects typical conditions for warehouse properties that are 25,000 square feet or greater on the base date. The Assessor has not achieved the market value of the subject with the current assessment.

[65] In summary, the following are the issues raised in this appeal:

1. Sale of 1135 8th Avenue:

   - The Mezzanine space was not included in the area used by the Assessor to calculate the potential Net Operating Income (NOI) for this sale. With the correction to the NOI, the calculated Capitalization Rate (CAP rate) will change.

2. Sale of 144 Henderson Drive:

   - The area used by the Assessor to calculate the potential NOI for this sale included 4,000 sq.ft. of unheated space. The Assessor treated this area as heated space; as a result, the potential NOI is incorrect. With the correction to the NOI, the calculated CAP rate will change.

   - This property has undergone many renovations over the years and the sale should be treated as a property built in 1990 or newer. If this is the case, the potential NOI of the property would change and in turn the CAP rate would change.

3. Sales of 290 Henderson Drive:

   - At the time of both the 2008 and 2010 sales, the purchaser did not purchase the 100% fee simple interest in the property; one of the buildings on the site – a 7,600 sq.ft. unheated warehouse – was not part of the sale.

   - Both sales were used by the Assessor to calculate a -16% adjustment for

properties with more than 25% of their space being unheated.

- Since the 100% fee simple interest did not sell, both sales should be removed from the analysis.

4. Sale of 1500 5th Avenue:

   - This sale, along with the two sales of 290 Henderson, was used by the Assessor to calculate the -16% adjustment for properties with more than 25% of their space being unheated.

   - With the removal of the two sales of 290 Henderson, this would be the only sale of a property with unheated warehouse space. With only one sale, the Assessor cannot calculate the -16% adjustment; this adjustment should be removed (this would increase the assessments of some properties not under appeal).

   - Since the Assessor cannot use one sale to set an adjustment, this sale should be returned to the stratification used to calculate the CAP rate and, as a result, the median economic CAP rate for this stratification would change.

ASSESSOR'S EVIDENCE

Legislation, Manuals and Theory

[66] As detailed in paragraph [18] of this document, the Assessor is required to follow the Market Valuation Standard as dictated in clause 163(f.1) of *The Cities Act*. Subclause 163(f.1)(iii) of this standard mandates that the Assessor reflect typical market conditions for similar properties.

[67] Paragraph [34] of this document notes the steps that the Assessor follows in achieving the requirements of the Market Valuation Standard, two of which are to properly identify valuation parameters and analyse market data. Paragraph [35] further notes that one of the factors that affect the value of property is physical variables.

Issues in this Appeal

[68] The issues being raised in this appeal are ones of the proper identification of physical variables, in this instance missing mezzanine area (1135 8th Avenue) and unheated warehouse space (144 Henderson Drive), and their effect on resulting net rents and calculated capitalization rates that lead to the proper valuation of a group of warehouse properties.

[69] In addition, the Appellant is requesting the inclusion of a sale (1500 5th Avenue) in the analysis.

[70] The Appellant's requested remedy in this appeal is to apply a higher capitalization rate (not identified) to the subject property, instead of the currently applied 9.43%.

Issue #1 – Sale of 1135 8th Avenue (Missing Mezzanine Space)

1135 8th

[71] It is alleged that the CAP rate produced by the sale of 1135 8th Avenue is incorrect since the Assessor had not included the office mezzanine in the calculation of the potential NOI.

[72] The economic CAP rate for the sale of 1135 8th Avenue is 10.41%, based on the adjusted sale price of $2,449,939 and a predicted NOI of $255,000. The $255,000 was established in the following manner:

Space	Size		Rate		Value
Main Floor	18,526	x	6.28	=	116,343
Main Floor	22,297	x	6.28	=	140,025
Total	40,823				256,368
Vacancy			-0.43%	=	-1,102
Shortfall			-0.12%	=	-306
Total Rent					254,900
CAP Rate					10.41%

[73] On an annual basis, the Assessor requests rental information from all property owners. This information includes the income and expenses of the property as well as a detailed "rent roll". The rent roll includes detailed line-by-line information regarding the various tenants on the property. This information includes such things as, but not limited to, the type of space (office, warehouse, etc.), the location of the space (main floor, basement, surface, etc.), and both the net rents and gross rents being charged to the tenants.

[74] At the time of sale, the owners, in their rent roll supplied to the Assessor, chose to report the mezzanine space as main floor space and part of an overall lease for one tenant. However, when reviewing the previous year's rent roll, the owners in 2008 did break apart the rent for the main floor of 22,297 square feet and 3,050 square feet of mezzanine.

[75] The rent roll at the time of sale for the subject property lists the following lease sizes:

Lease Location	Size
Main	2,960
Main	3,860
Main	2,600
Main	1,056
Main	5,000
Main	25,347
Total	40,823

[76] The 2008 rent roll for the subject property lists the following lease sizes:

Lease Location	Size
Main	2,960
Main	3,860
Main	2,600
Main	1,056
Main	5,000
Mezzanine	3,050
Main	22,297
Total	40,823

[77] The allegation is that the Assessor failed to include the mezzanine space in the CAP rate analysis. As shown above, the Assessor did include the space but has mistakenly listed the space

as main floor instead of mezzanine. When the space is corrected to mezzanine space, the following total rent and CAP rate are established:

Space	Size		Rate		Value
Main Floor	15,476	x	6.28	=	97,189
Main Floor	22,297	x	6.28	=	140,025
Mezzanine	3,050	x	5.21	=	15,890
Total	40,823				253,104
Vacancy			-0.43%	=	-1,088
Shortfall			-0.12%	=	-302
Total Rent					251,714
CAP Rate					10.27%

[78] With the correction to the space details, the economic CAP rate produced by the sale drops from 10.41% to 10.27%. This change has no impact on the median CAP rate, as demonstrated below:

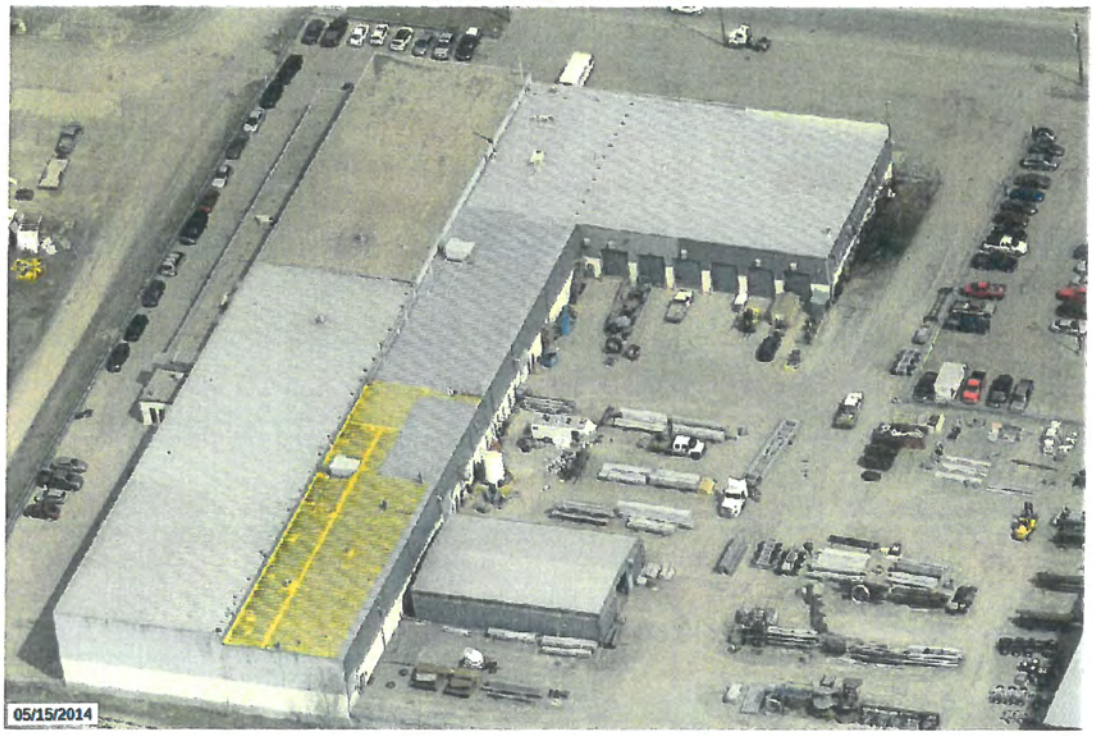
Address	Adj Sale Price	Predicted NOI	CAP
1735 Francis Street	$2,474,939	$222,600	8.99%
144 Henderson Drive	$4,399,891	$415,000	9.43%
1135 8th Avenue	$2,449,939	$251,714	10.27%

Issue #2(a) – Sale of 144 Henderson Drive (Unheated Warehouse Area)

[79] It is alleged that the CAP rate produced by the sale of 144 Henderson Drive is incorrect because the Assessor had not identified 4,000 square feet as unheated warehouse in the calculation of the potential NOI.

144 Henderson

144 Henderson



[80] The economic CAP rate for the sale of 144 Henderson Drive is 9.43%, based on the adjusted sale price of $4,399,981 and a predicted NOI of $415,000. The $415,000 was established in the following manner:

Space	Size		Rate		Value
Main Floor	66,446	x	6.28	=	417,281
Total	66,446				417,281
Vacancy			-0.43%	=	-1,794
Shortfall			-0.12%	=	-499
Total Rent					414,988
CAP Rate					9.43%

[81] The allegation is that the Assessor failed to reduce the rent for the 4,000 square feet of unheated warehouse. When the space is corrected to unheated, the following total rent and CAP rate are established:

Space	Size		Rate		Value
Main Floor	62,446	x	6.28	=	392,161
Main Floor (unheated)	4,000	x	3.14	=	12,560
Total	66,446				404,721
Vacancy			-0.43%	=	-1,740
Shortfall			-0.12%	=	-484
Total Rent					402,497
CAP Rate					9.15%

[82] With the correction to the space details, the economic CAP rate produced by the sale drops from 9.43% to 9.15%. This change impacts the median CAP rate, which should be corrected to 9.15%, as noted below:

Address	Adj Sale Price	Predicted NOI	CAP
1735 Francis Street	$2,474,939	$222,600	8.99%
144 Henderson Drive	$4,399,891	$402,497	9.15%
1135 8th Avenue	$2,449,939	$251,714	10.27%

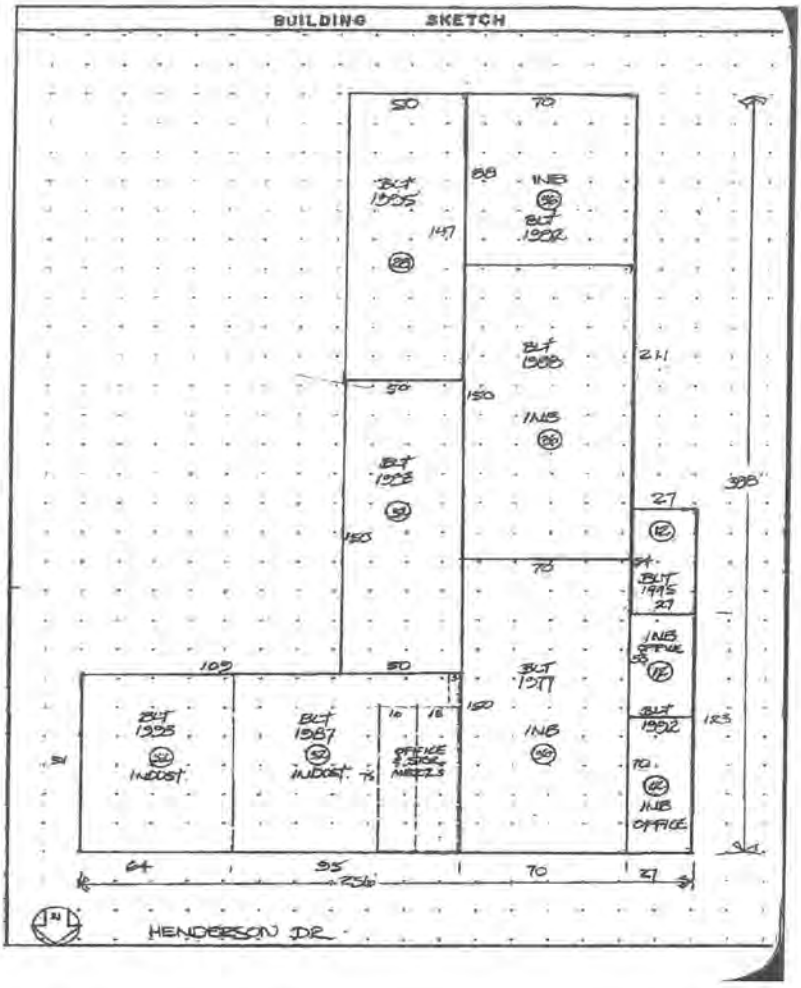
Issue #2(b) – Sale of 144 Henderson Drive (Effective Age Calculation)

[83] It is alleged that, due to recent renovations, the sale of 144 Henderson drive should not be considered as 1988 effective year built, but rather something newer than 1990.

[84] The subject property was originally built in 1977. It has had many additions over the years, as noted in the following table:

Structure	Year Built	Area	RCN	Additions
1	1988	10,500	2,438,599	Industrial Heavy Manufacturing
2	1977	10,500	2,438,599	Industrial Heavy Manufacturing
3	1993	7,500	1,693,913	Industrial Heavy Manufacturing
4	1987	8,645	364,993	Service Repair Garage
5	1992	6,160	1,507,467	Industrial Heavy Manufacturing
6	1995	7,350	1,610,969	Industrial Heavy Manufacturing
7	1993	5,824	496,862	Service Repair Garage
8	1977	1,890	136,316	Office
9	1995	1,458	208,977	Office
10	1992	1,431	205,107	Office
11	2001	1,188	164,417	* Office
12	2003	4,000	127,749	* Stand-Alone Storage Warehouse
20	1987	2,572	134,042	Mezzanine

* Not shown on sketch



[85] The *Market Value Assessment in Saskatchewan Handbook* (The Handbook) discusses calculating effective age in Tab 3 at page 16 under Calculating Effective Age (see Appendix G), noting that two common methods are to weight using either size or value.

[86] Using a weighting of all the various building ages, the effective year built ranges from 1988 to 1989 (see following table). One calculation is based on the weight of the sections using *area* (% of year – column 4) and the second is based on the weight of the *replacement cost new (RCN)* of the sections (% of RCN – column 6):

Weighting of Building Ages – All Structures on Site						
Structure	Year Built	Area	% of Year	RCN	% of RCN	Additions
1	1988	10,500	302.44284	2,438,599	420.5353	Industrial Heavy Manufacturing
2	1977	10,500	300.76936	2,438,599	418.2084	Industrial Heavy Manufacturing
3	1993	7,500	216.57394	1,693,913	292.8492	Industrial Heavy Manufacturing
4	1987	8,645	248.88602	364,993	62.91121	Service Repair Garage
5	1992	6,160	177.79014	1,507,467	260.4851	Industrial Heavy Manufacturing
6	1995	7,350	212.45545	1,610,969	278.7891	Industrial Heavy Manufacturing
7	1993	5,824	168.17688	496,862	85.89912	Service Repair Garage
8	1977	1,890	54.138486	136,316	23.37756	Office
9	1995	1,458	42.144223	208,977	36.16488	Office
10	1992	1,431	41.301574	205,107	35.44178	Office
11	2001	1,188	34.443015	164,417	28.53905	* Office
12	2003	4,000	116.08566	127,749	22.19648	* Stand-Alone Storage Warehouse
20	1987	2,572	74.046828	134,042	23.10385	Mezzanine
		69,018	1989	11,528,010	1988	

* not shown on sketch

[87] Using a slightly modified approach of weighting the various building ages using the same two calculation methods, but excluding the stand-alone warehouse because it does not add to the age of the main warehouse, the effective year built is 1988:

Weighting of Building Ages – Excluding Stand-Alone Warehouse						
Structure	Year Built	Area	% of Area	RCN	% of RCN	Additions
1	1988	10,500	321.04956	2,438,599	425.2477	Industrial Heavy Manufacturing
2	1977	10,500	319.27312	2,438,599	422.8947	Industrial Heavy Manufacturing
3	1993	7,500	229.89787	1,693,913	296.1308	Industrial Heavy Manufacturing
4	1987	8,645	264.19784	364,993	63.61618	Service Repair Garage
5	1992	6,160	188.72804	1,507,467	263.404	Industrial Heavy Manufacturing
6	1995	7,350	225.52601	1,610,969	281.9131	Industrial Heavy Manufacturing
7	1993	5,824	178.52336	496,862	86.86169	Service Repair Garage
8	1977	1,890	57.469162	136,316	23.63952	Office
9	1995	1,458	44.736996	208,977	36.57014	Office
10	1992	1,431	43.842505	205,107	35.83893	Office
11	2001	1,188	36.561998	164,417	28.85885	* Office
12			0		0	* Stand-Alone Storage Warehouse
20	1987	2,572	78.602295	134,042	23.36275	Mezzanine
		65,018	1988	11,400,261	1988	

* not shown on sketch

[88] Using an additional slight modification of excluding the mezzanine, because it also does not add to the age of the main warehouse, the effective year built again calculates to 1988:

Weighting of Building Ages – Excluding Stand-Alone Warehouse and Mezzanine						
Structure	Year Built	Area	% of Area	RCN	% of RCN	Additions
1	1988	10,500	334.27281	2,438,599	430.3072	Industrial Heavy Manufacturing
2	1977	10,500	332.42321	2,438,599	427.9262	Industrial Heavy Manufacturing
3	1993	7,500	239.36681	1,693,913	299.6541	Industrial Heavy Manufacturing
4	1987	8,645	275.07951	364,993	64.37307	Service Repair Garage
5	1992	6,160	196.5013	1,507,467	266.5379	Industrial Heavy Manufacturing
6	1995	7,350	234.81488	1,610,969	285.2672	Industrial Heavy Manufacturing
7	1993	5,824	185.87631	496,862	87.89515	Service Repair Garage
8	1977	1,890	59.836178	136,316	23.92078	Office
9	1995	1,458	46.579605	208,977	37.00524	Office
10	1992	1,431	45.648272	205,107	36.26533	Office
11	2001	1,188	38.067899	164,417	29.2022	* Office
12			0		0	* Stand-Alone Storage Warehouse
20			0		0	Mezzanine
		62,446	1988	11,266,219	1988	

* not shown on sketch

[89] Five of the six calculation methods demonstrated above result in an effective year built of 1988 for the property addressed at 144 Henderson Drive; the sixth calculation yields an effective year built of 1989. The Assessor currently reflects an effective year built of 1988 on this property record.

[90] This method is also supported by the American Society of Appraisers (see Appendix H), where it is suggested that when trying to establish the effective age of a commercial or industrial property where various sections are younger than other parts of the facility, an effective age can be based on the *effective gross floor area usage*. This is calculated by multiplying the square footage of an area by its age in years to determine the gross square footage used, then dividing the gross square footage used by the total square feet to determine the effective age of the building, shown in the following three paragraphs and tables.

[91] Using all the structures on the property results in an effective age of 1989.

Effective Floor Usage – All Structures on Site				
Base Date 2011			**Effective Age 21.75**	
Structure	Year built	Area	Actual Age	Square footage Used
1	1988	10,500	23	241,500
2	1977	10,500	34	357,000
3	1993	7,500	18	135,000
4	1987	8,645	24	207,480
5	1992	6,160	19	117,040
6	1995	7,350	16	117,600
7	1993	5,824	18	104,832
8	1977	1,890	34	64,260
9	1995	1,458	16	23,328
10	1992	1,431	19	27,189
11	2001	1,188	10	11,880
12	2003	4,000	8	32,000
20	1987	2,572	24	61,728
Total		69,018		1,500,837
Effective Year Built		1989		

[92] Removing the stand-alone warehouse, which does not add to the age of the main plant, yields the following calculation:

Effective Floor Usage – Excluding Stand-Alone Warehouse				
Base Date 2011			**Effective Age 22.59**	
Structure	Year built	Area	Actual Age	Square footage Used
1	1988	10,500	23	241,500
2	1977	10,500	34	357,000
3	1993	7,500	18	135,000
4	1987	8,645	24	207,480
5	1992	6,160	19	117,040
6	1995	7,350	16	117,600
7	1993	5,824	18	104,832
8	1977	1,890	34	64,260
9	1995	1,458	16	23,328
10	1992	1,431	19	27,189
11	2001	1,188	10	11,880
12				0

20	1987	2,572	24	61,728
Total		65,018		1,468,837
Effective Year Built		1988		

[93] Finally, removing both the stand-alone warehouse and the mezzanine, because neither add to the effective age of the main warehouse, yields the following:

Effective Floor Usage – Excluding Stand-Alone Warehouse and Mezzanine				
Base Date 2011			Effective Age 22.53	
Structure	Year built	Area	Actual Age	Square footage Used
1	1988	10,500	23	241,500
2	1977	10,500	34	357,000
3	1993	7,500	18	135,000
4	1987	8,645	24	207,480
5	1992	6,160	19	117,040
6	1995	7,350	16	117,600
7	1993	5,824	18	104,832
8	1977	1,890	34	64,260
9	1995	1,458	16	23,328
10	1992	1,431	19	27,189
11	2001	1,188	10	11,880
12				0
20				0
Total		62,446		1,407,109
Effective Year Built		1988		

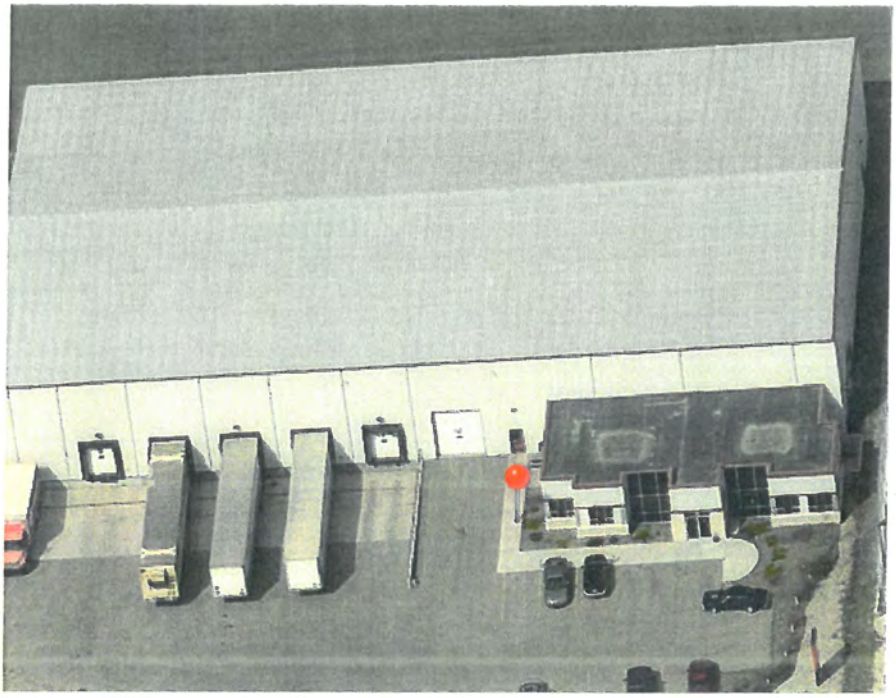
[94] These three calculations produce the same effective years built as determined in the prior calculations in paragraphs [86] through [88].

[95] *Marshall Valuation Service* (section 97, page 1) indicates that the effective age of the property is a matter of judgement. The following are photographs that distinguish the subject as a pre-1990 building from other large, leased warehouses that have effective ages of post-1990.

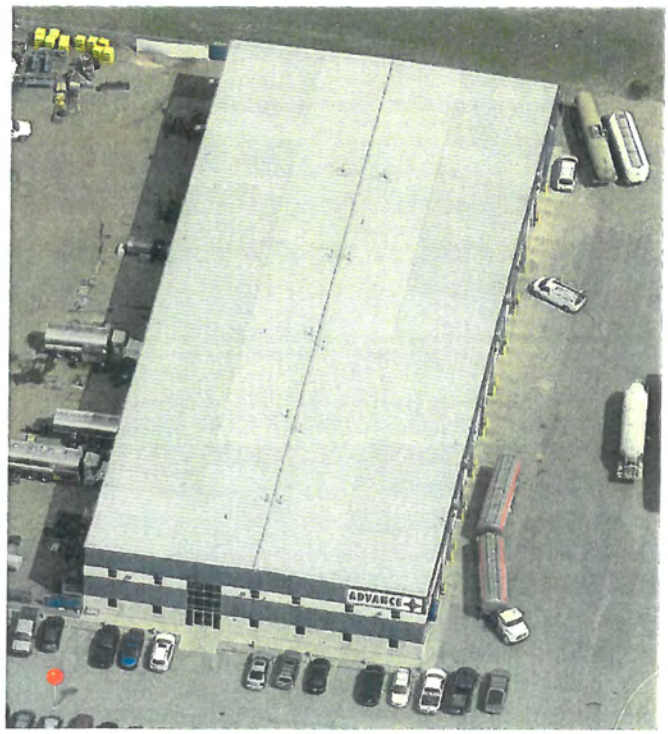
Subject – Constructed 1977 (with Additions in 1987 through 2003)

950 Bower Crescent – Constructed 2007

480 Hoffer Drive – Constructed 2008



195 Henderson Drive – Constructed 2006



Issue #3 – Sales of 290 Henderson Drive

[96] The Appellant alleges that both the 2008 sale and 2010 sale of 290 Henderson Drive did not include the 100% fee simple interest. This property is 99,852 sq.ft. in land size and contains two warehouses: a masonry frame warehouse 20,000 sq.ft. in size constructed in 1976; and an unheated shell warehouse 7,600 sq.ft. in size constructed in 1996. It is alleged that the 7,600 sq.ft. warehouse was not owned by either vendor in these two transactions, but was owned by a tenant who was leasing space on the property. This building was not included in either sale; as such, the sales were not sales of 100% of the fee simple interest.

[97] As a result of this appeal, the Assessor followed up with the purchaser involved in the 2010 sale. On February 2, 2015 the Assessor spoke to Chris Fluter (owner and property manager) regarding both the sale and the 2011 rent return. The following is a summary of this discussion:

- The 2010 sale did not include the 7,600 sq.ft. unheated warehouse
- The 7,600 sq.ft. warehouse was owned by the tenant

- The lease to the tenant was set to expire at the end of the lease; the owners had the right to either purchase the warehouse or have the tenant demolish it
- In 2014 after the lease expired, the owners purchased the warehouse for $64,000
- The 2011 rent roll included a lease rate of $3.38 per sq.ft. for the unheated warehouse
- The $3.38 per sq.ft. was based on the size of the unheated warehouse
- The $3.38 included $2.50 per sq.ft. that was charged for operating cost (op costs) recovery. This figure was supported by the rent roll where $1,250 per month was charged ($1,250 x 12 months) / 6,000 sq.ft. (size of lease) = $2.50 per sq.ft.
- The monthly lease rate of $542 reflected what the tenant paid (not including any op costs); taken out to 12 months, this equals $6,504 per year
- This works about to approximately $0.88 per square foot of building size
- The $0.88 plus the $2.50 closely matched the $3.38 rent rate provided on the 2011 rent roll.

[98] Is the Appellant correct in its assertion that the two sales of this property do not reflect 100% of the fee simple interest in the property? The Assessor's opinion is no, the Appellant is not correct.

[99] At date of sale, the property at 290 Henderson Drive consisted of the following:

- A bare land site (owned by the former property owner);
- A large warehouse building approximately 20,000 sq.ft. in size (owned by the former property owner);
- A smaller unheated warehouse approximately 7,600 sq.ft. in size (owned by the tenant); and
- A land lease between the former property owner and the tenant.

[100] The current owner entered into an agreement of purchase and sale with the former owner for 100% of the property that the former owner owned; specifically the entire land site, partially subject to an existing land lease, and the larger 20,000 sq.ft. warehouse. Lease payments payable on the land lease were redirected to the new owner starting October 1, 2010. The lease contract contained a stipulation that the 7,600 sq.ft. warehouse was to be removed, at the tenant's

expense, from the land site at the end of the lease term. The 7,600 sq.ft. warehouse remained the property of the tenant during the lease and at the lease's termination date. This was the contract that the former owner and current owner entered into in 2010.

[101] As such, the sale price of $1,500,000 represented consideration paid for 100% of the fee simple interest owned by the prior owner. No adjustment to the sale price is needed.

[102] If the Board is of the opinion that this sale did not reflect 100% of the fee simple interest, then it must be determined if the sale price can be adjusted.

[103] In order to calculate an economic CAP rate for assessment purposes, the Assessor must follow the dictates of the Market Valuation Standard, specifically that the CAP rate must reflect typical market conditions. In order to reflect typical market conditions, the Assessor must impute typical rates for this property as of the base valuation date of January 1, 2011. The Assessor can do this because ample market data is available for determining typical market rents for warehouse space.

[104] Standard appraisal practice includes adjusting a sale price to reflect a sale of 100% of the fee simple interest. In the present case, if the Board determines that the sale price also should have reflected the unheated 7,600 sq.ft. warehouse, there are two possible ways in which this sale price can be adjusted: (1) assume that the unheated warehouse does not exist and remove the excess land on which this warehouse sits; or (2) impute a value for the unheated warehouse and add to the stated sale price, then apply typical lease rates to the two buildings on site.

[105] Under the first scenario, the stated sale price does not change. Under the second scenario, the stated sale price must be adjusted upward to reflect the missing value of the unheated warehouse. This can be accomplished by imputing a typical lease rate applicable to the unheated warehouse building, along with applicable deductions to determine a typical net income obtainable from this building. This imputed typical net income is then added to the typical net income obtainable from the main warehouse building to calculate an economic CAP rate (as is done for all other improved warehouse sales in the Warehouse model). Finally, the capitalized value of the land lease must be deducted because it is already reflected in the rents imputed in the unheated warehouse calculation. This option can be accomplished with available market evidence.

[106] In summary, it is the Assessor's opinion that the sales of 290 Henderson Drive reflect

100% of the fee simple interest in the property sold. If the Board does not agree with the Assessor's opinion, the sale price can be adjusted.

Issue #4 - Sale of 1500 5th Avenue

1500 5th - 2008

[107] In the previous issue, the Appellant opined that the two sales of 290 Henderson Drive should be removed from the Assessor's obsolescence analysis, leaving just a single sale of an atypical property addressed at 1500 5th Avenue. In the Appellant's opinion, since this is the only remaining sale of an atypical (predominantly unheated) property, this latter sale should be returned to the analysis to determine the appropriate CAP rate for the typical warehouse properties.

[108] Unheated warehouse space is considered to be an atypical building characteristic in Regina's current market. A typical warehouse building in Regina, at the date of valuation, comprises mostly heated space (75% or more of space). The Assessor analyses market data that contain atypical characteristics, in this instance sales that produce capitalization rates, by following a five-step process:

1. remove sales from the analysis that feature the atypical characteristic;
2. calculate capitalization rates from the sales of properties reflecting typical characteristics and test the results;
3. apply the capitalization rates developed under step 2 to the atypical sales and test the

results;

4. develop an appropriate obsolescence factor, if indicated, for the atypical group and apply to all properties in that group; and

5. bring the sales from the atypical group (with obsolescence applied) back into the typical group and test the results in aggregate.

[109] In the current assessment cycle, the Assessor completed this type of analysis and applied obsolescence adjustments to residential properties (severely cracked basements) and bare land (corner influence, non-exposure). The Assessor, as a result of a appeal 2014-27620, analysed the atypical factor of unheated warehouse space (raised as an issue by the Appellant in appeal 2014-27620) in the same manner and established an obsolescence adjustment of -16%.

Analysis of Atypical Factor – Unheated Warehouse Space

[110] Pursuant to the issue raised by the Appellant in appeal 2014-27620, the Assessor completed a review of the sales available for the Warehouse model. Twenty-seven sales were qualified and verified as being valid arm's-length sales, five of which were initially filtered from the analysis because they provided calculated capitalization rates of less than 5.00% and greater than 16.00%. The remaining 22 sales were analysed in the Warehouse model and produced the capitalization rates currently applied by the model for all warehouse assessments. Upon review, the Assessor discovered three more of the 27 available sales that warranted the application of unheated warehouse space rents. Once these rents were corrected, the resulting capitalization rate calculations brought the capitalization rates of two of these three sales within the allowable range of 5.00% to 16.00%.

[111] At this point, the five-step, atypical factor process is undertaken to remove the effect of the atypical properties containing unheated warehouse space to determine the appropriate capitalization rates for typical heated warehouse properties, and then to determine if an obsolescence factor should be applied to the atypical properties.

[112] As noted above, four of the available warehouse sales are identified as reflecting unheated warehouse space. These sales are:

Address	% Unheated	Calculated Capitalization Rate Reflecting % Unheated	ASR
335 E Dewdney Avenue	13.50%	6.68%	0.99
290 Henderson Drive	27.53%	9.75%	1.07
1500 5th Avenue	81.78%	11.20%	1.22
290 Henderson Drive	27.53%	15.73%	1.60

[113] One sale – 335 E Dewdney Avenue – has a calculated assessment-to-sale ratio (ASR) of 0.99, showing that the applied capitalization rate developed from the typical (heated) warehouse sales is appropriate, and indicating that a small amount unheated space (13.50%) is not seen as atypical in the current market place. The remaining three sales in the above table show significantly higher ASRs, indicating that these properties are over-assessed using the applied capitalization rate developed from the typical (heated) warehouse sales, indicating that an amount of unheated space greater than 25% is considered to be significant. Therefore, these three remaining sales are removed from the list of 24 warehouse sales because they are considered atypical (unheated) warehouse properties. This leaves 21 sales of only typical (heated) warehouse properties which, when re-analysed, produces the following results:

Strata (Grouping)	Capitalization Rate Using 21 Sales
Buildings <25,000 sqft with eff. year built 1970 or newer	6.77%
Buildings <25,000 sqft with eff. year built pre-1970	10.18%
Buildings >25,000 sqft	9.15%

[114] The three remaining sales that reflect atypical warehouse space containing significant amounts of unheated warehouse space are now compared against the capitalization rates for typical (heated) warehouse space to determine if an adjustment is warranted for the atypical characteristics of unheated warehouse space. If the resulting median assessment-to-sale ratio (ASR) of the three atypical (unheated) warehouse sales is close to 1.00, then no adjustment for their atypical feature is warranted; if the median result is not close to 1.00, then an adjustment for unheated warehouse space may be required. The results of this analysis are presented in the

following table:

Group	Median ASR
Heated	1.00
Unheated	1.22
Overall	1.004

[115] The first row of the above table provides the results for the 21 typical (heated) sales, showing a median ASR of 1.00 (2nd column). These results indicate that the capitalization rates applied by the Warehouse model to the typical (heated) sales are very accurate.

[116] The second row of the above table shows the results for the three atypical (unheated) sales, showing a median ASR of 1.22 (2nd column). These results indicate that the capitalization rate applied to the atypical (unheated) sales results in an over-assessment of these atypical properties which, in turn, indicates that an adjustment for this atypical feature is warranted. This adjustment is determined to be 18%.

[117] The Appellant, in the present appeal, alleges that two of the sales (both 290 Henderson Drive), which had previously been found to be atypical, did not include the unheated warehouse building in the sales. It is accepted that the property does have unheated warehouse space.

[118] If it is determined by the Board that the sales of 290 Henderson did not reflect 100% of the fee simple interest, this does not preclude them from being used as long as the sale prices can be adjusted to reflect the 100% fee simple interest. The Assessor has demonstrated how the sale prices can be adjusted and, as such, the sales should be used to establish the -18% adjustment.

[119] If the Board is of the opinion the two sales of 290 Henderson cannot be adjusted to reflect sales of 100% fee simple interests, the two sales must be removed from the analysis.

[120] The two sales of 290 Henderson were not used in establishing the current CAP rate of 9.15%. These two sales were used in conjunction with the sale of 1500 5th Avenue to calculate an abnormal obsolescence for atypical warehouses that have more than 25% of their space as unheated warehouse space. As such, if the sales are removed, this would have no impact on the current CAP rate of 9.15%.

[121] Since the two sales of 290 Henderson were used in the calculation of the -18% adjustment, if they are removed from the entire analysis the Assessor is left with only one sale of an atypical property (1500 5th Avenue – 85.8% unheated). Based on mass appraisal principles, one sale is insufficient to calculate an adjustment. Therefore, for 2015, unless further sales evidence is discovered, the -18% obsolescence for atypical warehouse properties with more than 25% unheated space must be removed.

[122] If this allegation is accepted and there are insufficient sales to calculate an adjustment, this leaves the property sale of 1500 5th Avenue as the single remaining atypical sale, which by itself cannot support an adjustment under mass appraisal. Under this premise, this sale must be discarded because it is a sale of an atypical property and cannot be used to establish a "typical" CAP rate. The Assessor is required to follow the market valuation standard, which requires both mass appraisal and "typical" market conditions.

[123] The following are the statistics of all the properties in Regina that are valued using warehouse income:

Group	Count	Percent
All Warehouse Income Approach	519	100%
100% heated space	471	91%
90% or more heated space	483	93%
75% or more heated space	492	95%
25% or more unheated space	27	5%
80% or more unheated space	10	2%
100% unheated space	6	1%

[124] As noted in the above table, 95% of the warehouses in Regina have 75% or more of their total warehouse space as heated; these are the typical warehouses in Regina. A warehouse that has less than 25% of its space as heated is considered atypical. The property sale at 1500 5th Avenue has 14.2% of its space as heated; making it an atypical warehouse.

[125] The following are the statistics of only the warehouses that are greater than or equal to 25,000 sq.ft., which matches the stratification used by the Assessor to establish the typical CAP

rate of 9.15%.

Group	Count	Percent
All Warehouses greater than 25,000 sqft	126	100%
100% heated space	108	86%
90% or more heated space	116	92%
75% or more heated space	119	94%
25% or more unheated space	7	6%
80% or more unheated space	3	2%
100% unheated space	1	1%

[126] The IAAO's publication, *Fundamentals of Mass Appraisal*, at pages 75, 266 and 267 (see Appendix I) discusses standard appraisal practice and supports the idea of removing sales that are not representative of the population when establishing typical market conditions, noting that:

- Some outliers are physically dissimilar from most properties in their stratum (p.75)
- Including outliers in the sample of sales used in mass appraisal modelling … can distort the results, especially when the sample is small (p.75)
- It is desirable to exclude outliers from analysis when they provide misleading indicators … (p.75)
- It can also be prudent to flag or remove properties with extreme or unrepresentative data (p.266)
- It is good practice to develop a base model using those property characteristics of prime importance (p.267)

[127] The only sales available to calculate a "typical" cap rate are the three sales used by the Assessor. As well, with the changes identified previously in paragraph [82], the revised CAP is 9.15% based on the following sales:

Address	Adj Sale Price	Predicted NOI	CAP
1735 FRANCIS STREET	$2,474,939	$222,600	8.99%
144 HENDERSON DRIVE	$4,399,891	$402,497	9.15%
1135 8TH AVENUE	$2,449,939	$251,714	10.27%

[128] The following are the statistical results of this analysis:

Ratio Statistics for MED_VALUE / TASP			
Group	Applied Cap	Median ASR	Coefficient of Dispersion
GE25K	.0915	1.000	.047
LT25K_GE1970	.0677	1.000	.116
LT25K_LT1970	.1018	1.000	.006
Overall		1.000	.096

[129] The following are the statistical results of using the Appellant's proposed grouping by including the sale of the atypical warehouse property at 1500 5th Avenue:

Ratio Statistics for MED_VALUE / TASP			
Group	Applied Cap	Median ASR	Coefficient of Dispersion
GE25K	.0971	1.000	.086
LT25K_GE1970	.0677	1.000	.116
LT25K_LT1970	.1018	1.000	.006
Overall		1.000	.100

[130] By including a sale that is atypical, the resulting statistics worsen and demonstrate how the inclusion of an atypical property distorts the resulting CAP rates.

CERTIFICATION

I certify to the best of my knowledge and belief that:

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions;
- I have no present or prospective interest in the property that is the subject of this report and I have no personal interest with respect to the parties involved;
- I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation for completing this assignment is not contingent upon the reporting of a predetermined assessment or direction in assessment that favours the cause of the client, the amount of the value opinion, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this report;
- The analyses, opinions and conclusions were developed, and this report has been prepared in conformity with:
    - the relevant Provincial laws and regulations of the Province of Saskatchewan and Bylaws of the City of Regina;
    - the Code of Ethics of the Saskatchewan Assessment Appraisers' Association, the International Association of Assessing Officers and the Appraisal Institute of Canada;
    - the Canadian Uniform Standards of Professional Appraisal Practice; and
    - the Uniform Standards of Professional Appraisal Practice.
- I have not made a personal inspection of the properties that are the subject of this report.

_____ Date: _____

Robert Schultze
Manager, Commercial Assessment

Appendix A

NOTICE OF ASSESSMENT
2015 DUPLICATE

000001

ACKLANDS-GRAINGER INC.
C/O REAL ESTATE DEPT.
90 WEST BEAVER CREEK ROAD
RICHMOND HILL ON L4B 1E7

Property Information
Account Number
10018652
Property Address
680 MCLEOD STREET
Assessed Parcel
Plan: 65R29319 Block: 9 Lot: 14-16
Property Type
IMPROVED PARCEL

Mail Date: Nov. 7, 2014
Appeal Deadline: Dec. 8, 2014

Assessment Information

Assessed Person(s) ACKLANDS-GRAINGER INC.

School Support **Public** 70 % **Separate** 30 %

Current Assessed Value **4,424,200**

Subclass (Provincial Percent)	Taxable Assessment	Exemptions
Commercial (100%)	4,424,200	Taxable(100%) From Jan-Dec

Total Taxable Assessment: 4,424,200

If you would like more information about your property characteristics, or to learn more about your Assessment Notice, please visit **Regina.ca** or call **306-777-7000.**

This notice was mailed on **November 7, 2014**. If you wish to appeal your assessment, your appeal should be made on the enclosed form. Your appeal must be filed with the Secretary of the Board of Revision, no later than **December 8, 2014**.

This is <u>not</u> a tax bill. This statement shows the assessment on this property upon which taxes are to be levied. An official tax bill will be forwarded to you or your agent in due course.

E.&O.E.

Assessment, Tax and Real Estate Department
Queen Elizabeth II Court | 2476 Victoria Avenue
PO Box 1790 | REGINA SK S4P 3C8
P: 306-777-7000 | F: 306-777-6822
Regina.ca

Appendix B

Date: 17-Dec-2014
Time: 10:49:34

City of Regina - Production v5.52 - Taxation and Assessment Suite
Income (SPSS) Detail Report

Report Name: GMR0055
Page: 1

Account: 10018652 **Nbhd:** 1999 - Ross Industrial **Asmt Period:** 2003 / **Type:** REGULAR **As of:** Nov. 07, 2014

Filing #: 475301400 **Zoning:** IB **EVZ:** IB **LUC1:** **LUC2:** **For:** 2015

Land Use: 3720: (100%) Storage and Warehousing ; TAXABLE (100%)

Mkt Area: **Master:** N **Bldg Only:** N **Reinspect:** 2008 **Approach:** INCOME

Study Area: 5203 **Lease:** N **Mobile Home:** N **Lot Size:** 112,314.633 **UOM:** IMP

Address: 680 MCLEOD STREET
REGINA SK
S4N 4Y1

Legal: Plan: 65R29319 Block: 9 Lot: 14
Plan: 65R29319 Block: 9 Lot: 15
Plan: 65R29319 Block: 9 Lot: 16

Parcel: Plan: 65R29319 Block: 9 Lot: 14-16

SPSS Calculation Output

Building - 1	Main floor 25,000 to 99,999sf	66,800.96476	419,512
Vacancy - 1	Vacancy Adjustment	-0.43000	-1,803
Shortfall - 1	Shortfall Adjustment	-0.12000	-501
Building - 1	Total Rent		417,207
Building - 1	Value	9.43000	4,424,258
Building - 1	Total Building Value		4,424,258

Final Assessment: 4,424,200

Appendix C

680 MCLEOD STREET 10018652

January 14, 2015

1:2,400

0 0.02 0.04 0.08 ft

0 0.0325 0.065 0.13 m

Map by: City of Regina Corporate GIS

P298

Appendix D

REGINA | City of Regina
Infinite Horizons

2013 Commercial Property Information Request Form

The information for the **2013 calendar year** requested on this form can be submitted in one of two ways: either (1) complete this form in its entirety; or (2) submit all of the requested information in your own format.

OWNER CONTACT AND CERTIFICATION FORM	
Account Number:	
Property Address:	
Assessed Parcel:	
Property Owner:	**Phone Number:**
Building Name:	

Company Representative: *(Please print)*			
Name:			
Position:			
Company Name:			
Phone Number:		Fax Number:	
E-Mail Address:			
Follow-Up Contact Person: *(If different from above)*			
Name:			
Phone Number:		Fax Number:	
E-Mail Address:			

In 2013 this property was: *(Please check one)*	
☐	Leased
☐	Partially Leased/Partially Owner Occupied
☐	Entirely Owner Occupied (*Proceed to Section C1: 2013 Commercial Annual Expense Statement)*
☐	Vacant Entire Year

Was this property professionally managed in 2013?
☐ No
☐ Yes – Company Name: _____

CERTIFICATION: I hereby certify that the attached information is true and correct.	
Signature and Initials:	
Date:	

In addition to completing this form, the company representative must initial and date each of the attached forms. (If you wish to submit any comments or notes, please attach under separate sheet.)

For Office Use Only.
Data Entered By: _____ Date: _____

Reviewed By: _____ Date: _____

☐ Attributes
☐ Rent Roll
☐ I&E Survey

Assessment, Tax and Real Estate Department
Queen Elizabeth II Court | 2476 Victoria Avenue
PO Box 1790 | REGINA SK S4P 3C8
P: (306) 777-7929 | F: (306) 777-6822
E: assessmentinfo@regina.ca
Regina.ca

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Section A
Commercial Rent Roll

As of: January 1, 2014 (*Please Note Date Change.*)

Account Number:

Property Address:

A	B		Space Description				Lease Term		Annual Lease Details						
			C	D	E	F	G	H	I	J	K	L	M	N	O
Business Name(s) and Legal Entity	**Business Address (es)**														
	Unit #	**Street Address**	**Floor** *(B, M, Mez, 2, etc)*	**Occupant Type** *(Owner, Tenant, Vacant)*	**Space Type** *(Office, Retail, Warehouse)*	**Rentable Area** *(Square Footage)*	**Most Recent Renewal or Commencement Date** *(DD/MMM/YY)*	**Expiry Date** *(DD/MMM/YY)*	**Net Rental Rate** *($/Sq Ft)*	**Net Rent ($/Month)** *Do not include GST.*	**Gross Rent ($/Month)** *Do not include GST.*	**Recoverable Operating Costs ($/Month)** *(e.g Utilities, Taxes, etc) Do not include GST.*	**Other Rent** *($/Month)*	**Description of Other Rent** *(e.g. Sign, etc)*	**Months of Free Rent** *(For next 12 months)*
EXAMPLE: ABC Company	101	12345 Anywhere Street	Main	Tenant	Office	2000	01 Jan 02	30 Jan 09	10	$1,665	$2,690	$1,000	$25	Sign	2

Miscellaneous Income - Parking Details

# of Surface Electrified Stalls:_____ Rent/Stall: $_____ # of Covered Stalls:_____ Rent/Stall: $_____

# of Surface Non-Electrified Stalls:_____ Rent/Stall: $_____ # of Underground Stalls:_____ Rent/Stall: $_____

# of Stalls for Unrestricted Public/Visitor parking (not included above)_____

Initial: _____ **Date:** _____

Assessment, Tax and Real Estate Department
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Section B
2013 Expense Breakdown Summary
(Expenses not recovered from tenants – by Unit)

Account Number:						Property Address:		
Unit #	Items paid for by Owner (not charged back to tenants) *(Please check)*							
	Electricity	Water and Sewer	Heat, HVAC	Utilities	Janitor	Insurance	Taxes	Other
Example: Unit #1	√					√	√	

Initial: _____ **Date:** _____

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SECTION C
2013 Commercial Annual Income Statement

12 Month Fiscal Period Ending: _____

For partial year please provide: Start Date: _____ **End Date:** _____ **# of Months:** _____

Account Number:	**Property Address:**

ANNUAL REPORTED INCOME

	INCOME ($)
Rental Income	
Miscellaneous Income:	
Parking Income	
Percentage Rent	
Sign Rental	
Yard Rental	
Land Lease Income	
Other Income *(Specify)*	
Total Income	
Expense Recovery:	
Operating Cost Recovery	
Utilities	
Repairs & Maintenance	
Outside Maintenance & Security	
Administrative Costs (Legal, Advertising, Leasing, etc.)	
Insurance	
Property Tax Recovery	
Common Area Cost Recovery	
Prior Year Adjustments/Recoveries	
Other Recoveries *(Specify)*	
Total Expense Recovery	
Yearly Vacancy (%)	
Yearly Vacancy Dollar Loss Amount ($)	
Shortfall Dollar Amount ($) Non-recovered expenses related only to the cost of carrying ***vacant*** space. i.e. utilities, security, taxes, etc.	

Initial: _____ **Date:** _____

Assessment, Tax and Real Estate Department
Queen Elizabeth II Court | 2476 Victoria Avenue
PO Box 1790 | REGINA SK S4P 3C8
P: (306) 777-7020 | F: (306) 777-6822

REGINA Infinite Horizons | City of Regina

SECTION C1
2013 Commercial Annual Expense Statement

12 Month Fiscal Period Ending: _____

For partial year please provide: Start Date: _____ **End Date:** _____ **# of Months:** _____

Account Number:	**Property Address:**

ANNUAL REPORTED EXPENSE

	Total Recoverable ($)	**Total Non-recoverable ($)** *(Items not included in lease)*
Property Taxes		
Insurance		
Utilities:		
Water and Sewer		
Electricity		
Heat, HVAC		
Other *(Specify)*		
Total Utilities		
Administration (Real Estate Related Only):		
Professional Management Fees		
Advertising		
Accounting/Legal		
Leasing Costs		
Other *(Specify)*		
Total Administrative		
Maintenance and Repairs:		
Mechanical		
Structural Repairs		
Exterior Finish		
Surface Parking		
Parkade		
Roof		
Repair Contract		
Site Maintenance		
Janitorial		
Snow Removal		
Security		
Miscellaneous		
Other *(Specify)*		
Total Maintenance and Repairs		
Total Operating Costs		

Do you maintain a replacement reserve fund?

☐ No

☐ Yes – 2013 contribution $ _____

Capital Expenditure $ _____ Please specify: _____

Initial: _____ **Date:** _____

All Personal Information Collected on this form is handled and maintained in accordance with the City of Regina's Customer Privacy Policy which is available on our website at Regina.ca

Assessment, Tax and Real Estate Department
Queen Elizabeth II Court | 2476 Victoria Avenue
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Regina.ca

Appendix E

REGINA | City of Regina
Infinite Horizons

Sales Validation Questionnaire
Commercial Property (Purchaser)

Mailing Date: Account Number:

Assessed Parcel:

Civic Address:

Sale Date: Value on title(s):

Please indicate your response by marking an "✓" in the appropriate box.

PLEASE INDICATE WHETHER THIS MARKET TRANSACTION REPRESENTS:

- ☐ IMPROVED PARCEL – LAND AND BUILDING VALUE
- ☐ VACANT PARCEL
- ☐ BUILDING ONLY

SECTION A: ALL PROPERTY TYPES - COMPLETE THIS SECTION:

1. Please indicate how the property was marketed (check all that apply).

☐ Listed with an agent ☐ Displayed "For Sale" sign ☐ Newspaper Ad
☐ MLS ☐ Word of mouth ☐ Other _____

2. Please indicate the asking price. $_____

3. Please indicate the type of financing (if any) that was used to complete this transaction:

☐ Assumed Mortgage Amount $_____ Term: _____ Rate: _____ Holder: _____
☐ Vendor Financed Amount $_____ Term: _____ Rate: _____ Holder: _____
☐ Conventional Mortgage Amount $_____ Term: _____ Rate: _____ Holder: _____

Please attach a copy of your mortgage documentation.

4. Did the type of financing influence the sale price?

☐ No ☐ Yes – by what amount? $ _____

5. Title documents indicate a transfer date of . Please indicate the date of the **acceptance** of the Sale Agreement. _____

Please attach a copy of your sales agreement.

6. Title documents indicate a value of . Would you confirm that this was the price paid?

☐ Yes ☐ No – Please indicate the correct price: $_____

Does the price include the net GST paid?

☐ Yes ☐ No

Continued on Back ...

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7. Please indicate if there was an appraisal made on the property.

☐ Yes – Please indicate the appraised value and effective date: $_____ Date: _____
Please attach a copy of your appraisal report.
☐ No

8. Does the sale price reflect the fee simple market value for the real estate only?

☐ Yes
☐ No – Please explain. _____

_____

9. Please indicate any special factors and how it affected the selling price.

☐ Multiple parcels, trade or exchange of properties. Properties included _____
☐ Between relatives
☐ Involved corporate affiliates
☐ Partial interest
☐ Involved charitable, religious or educational institutions
☐ Involved financial institution (foreclosure)
☐ To correct title defects or create a joint or common tenancy
☐ Auction or judicial order
☐ Contamination or environmental issues _____
☐ Any other atypical market conditions _____
☐ NONE OF THE ABOVE

10. Please indicate if the sale price included any of the following, and the amount if allocated:

☐ Land	Amount _____
☐ Building	Amount _____
☐ Inventory or supplies	Amount _____
☐ Fixtures, furniture, equipment	Amount _____
☐ Business, goodwill, or franchise	Amount _____
☐ Shares in a corporation	Amount _____
☐ Other non-realty _____	Amount _____

11. At the time of the sale, was there significant maintenance or renovations required (exclude work required due to a change in occupancy or a change in use of the property)?

☐ No ☐ Yes – Please estimate the cost of the required work: $_____

12. Is this value reflected in your answer to question 4?

☐ Yes ☐ No

Please describe in general terms. _____

_____

13. Have any changes been made to the property since the sale?

☐ No ☐ Yes – Please identify: ☐ New Construction ☐ Demolition ☐ Remodeling ☐ Addition

14. Did a professional perform the work? ☐ Yes ☐ No

Date completed: _____ Estimated total cost: $_____

Continued on Back ...

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SECTION B: VACANT PARCEL – LAND ONLY VALUE

1. Were there any special factors such as demolition, slope of the land, soil contamination, etc. which caused you to incur additional cost to make the site usable?
   - ☐ No
   - ☐ Yes: Factor: _____ Cost of the required work: $_____

2. Did the price paid include a fully serviced parcel?
   - ☐ Yes ☐ No – Please indicate what services were missing (street, sewer, water, pavement).

_____

I declare that the information provided is complete, true and accurate to the best of my knowledge.

Completed by: (Please print) _____ On behalf of: _____

Company name: _____ Position: _____

Email address: _____ Daytime phone: _____

Signature: _____ Date: _____

Complete this form and return it to:

City of Regina
Assessment, Tax & Real Estate Department
4th Floor, City Hall - 2476 Victoria Avenue
PO Box 1790 I REGINA SK S4P 3C8
Phone: (306) 777-7072 I Fax: (306) 777-6822

Assessment, Tax & Real Estate Department
Queen Elizabeth II Court | 2476 Victoria Avenue
PO Box 1790 | REGINA SK S4P 3C8
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Regina.ca

Appendix F

WAREHOUSE MODEL

IDENTIFICATION of MODEL AREA

The Warehouse model is an income model that values the majority of the warehouse and industrial properties in Regina. Properties that are considered special purpose in nature for which there is little or no available market data (rents or sales), and properties where there is a substantial amount of excess land, are valued outside of this model using the Cost Approach to Value. As well, very small warehouse buildings that are typically used for general commercial purposes such as retailing and small service shops (as opposed to warehousing or manufacturing) are valued using the Retail – Global model.

The Warehouse model is a city-wide model in application. There are seven distinct warehouse neighbourhoods located within the City of Regina municipal boundaries, each with varying types and ages of warehouse buildings, land sizes and locational characteristics. These neighbourhoods are defined on the enclosed map and are individually described below.

Zoning Descriptions

Properties valued by the Warehouse model reflect numerous zoning classifications. The following are the predominant zonings located throughout the various warehouse neighbourhoods in Regina. These are cursory generalized descriptions only and not meant to reflect complete details concerning these classifications:

- IA, IA1 – Light Industrial: manufacturing of finished products or parts, predominantly from previously prepared materials
- IB, IB1 – Medium Industrial: manufacturing, processing, assembly, distribution, service and repair that require outdoor storage
- IC, IC1 – Heavy Industrial: industrial uses which, due to appearance, noise, odour, risk of emission, etc., are incompatible with commercial, residential and other land uses
- IP – Prestige Industrial Service: industrial and related business service uses that incorporate high standards of design, landscaping and open space
- IT – Industrial Tuxedo Park: light to medium industrial uses, including commercial and service, in existing properties in Tuxedo park
- LP – Logistics Park: specialized industrial park that supports transportation and logistics related development and complementary industrial and commercial uses
- WH – Dewdney Avenue Warehouse: to preserve the warehouse character through retention and reuse of existing warehouses

Neighbourhood 5201

Neighbourhood 5201 is located in North central Regina and is bordered on its south side by the CN tracks between 1st Avenue and 1st Avenue North, 5th Avenue North to the north, Albert Street to the west and Winnipeg Street to the east. This is primarily an older single family residential area (Highland Park and North Annex), featuring houses constructed in the 1940s through 1970s, with industrial uses on its fringes.

The industrial areas are located at the southwest corner of this neighbourhood between the CN tracks and 1st Avenue North and abutting Albert Street, and along the east border of this area on Quebec Street between the CN tracks and 5th Avenue North. These properties are zoned IA, IA1 (light industrial) and IB (medium industrial) and feature, for the most part, small light industrial properties with buildings constructed in the 1960s through 1980s reflecting an average year built of 1976.

Lot sizes range from approximately 2,000 square feet to 4.40 acres with an average size of 15,000 square feet. Buildings range in size from approximately 500 square feet to 45,000 square feet with an average size of 5,000 square feet.

Neighbourhood 5203

Neighbourhood 5203 is known as the Ross Industrial Park and is the largest industrial area in the city. This area is in the northeast corner of the city and is roughly bordered by Winnipeg Street to the west, the CN tracks to the southwest, CP tracks to the southeast, the eastern municipal boundary of the city to the east and the northern municipal boundary of the city to the north.

The northern one-third of this area is almost entirely occupied by the Co-op Refinery Complex, bordered by several large oil tank farms to its immediate south. The remainder of the Ross Industrial Park features a broad mixture of zones including IA (light industrial), IB (medium industrial), IC (heavy industrial) and IP (prestige industrial), and a broad range of property sizes, types and uses from light to heavy and prestige industrial. Property uses include small workshops to large manufacturing operations, chemical processing, mega warehousing (>200,000 square foot buildings) and office industrial uses. The majority of these buildings were constructed in the 1970s and 1980s reflecting an average year built of 1982.

Lot sizes range from approximately 6,200 square feet to 337 acres with an average size of 4.50 acres. Buildings range in size from approximately 300 square feet to 395,000 square feet with an average size of 22,000 square feet.

Neighbourhood 5204

Neighbourhood 5204 is located immediately adjacent to the southwest corner of the Ross Industrial Park and, like Neighbourhood 5201, is primarily an older single family residential neighbourhood (Eastview) bordered by industrial uses.

The industrial areas are located along the west, south and east borders of this neighbourhood, specifically along the east side of Winnipeg Street (west border), between the CP tracks and 7th Avenue (south border), and along the west side of McDonald Street (east border). These properties are zoned IA, IA1 (light industrial) and IB (medium industrial) and feature, for the most part, small light industrial properties with buildings constructed in the 1950s through 1980s reflecting an average year built of 1967.

Lot sizes range from approximately 3,100 square feet to 1.75 acres with an average size of 11,000 square feet. Buildings range in size from approximately 3,000 square feet to 30,000 square feet with an average size of 4,400 square feet.

Neighbourhood 5205

Neighbourhood 5205 is located in central Regina just north of the downtown core. This area is referred to as the Old Warehouse District and is bordered on its south side by the CP tracks abutting the north side of Saskatchewan Drive, 4th Avenue to the north, Albert Street to the west and Winnipeg Street to the east. This area is somewhat transitional in nature with many properties being used for a mix of general commercial uses including retail, office, nightclubs and residential condominiums.

The majority of these properties are zoned IA and IA1 (light industrial) and feature, for the most part, small light industrial properties with buildings constructed from the 1910s to 2010 with the majority built in the 1950s through 1980s, reflecting an overall average year built of 1960. The area along Dewdney Avenue abutting the CP rail yards (between Albert and Broad Streets) features larger mill style warehouses constructed in the early 1900s. This section is zoned WH (Old Warehouse) to preserve the character of these buildings, many of which are now used for restaurant, nightclub, office and residential uses.

Lot sizes range from approximately 2,200 square feet to 22.50 acres with an average size of 29,000 square feet. Buildings range in size from approximately 400 square feet to 333,000 square feet with an average size of 13,000 square feet.

Neighbourhood 5206

Neighbourhood 5206 is sandwiched between Neighbourhoods 5201 and 5205 in North central Regina. This area is roughly bordered by McIntyre Street to the west, Winnipeg Street to the east, the CN tracks to the north and 4th Avenue to the south. As well, this

neighbourhood extends north up Winnipeg Street from Ross Avenue (south) to the Ring Road (north). This northerly arm encompasses the former Imperial Oil Refinery site that ceased operations in the late-1970s, now occupied by the City's Transit Operations and the local Food Bank, among other uses.

This neighbourhood features a mixture of IA (light industrial) and IB (medium industrial) zoning and generally medium to large property sizes featuring mostly warehousing and manufacturing uses. The majority of these buildings were constructed in the 1950s through 1980s reflecting an average year built of 1976.

Lot sizes range from approximately 11,000 square feet to 31 acres with an average size of 4.40 acres. Buildings range in size from approximately 400 square feet to 197,000 square feet with an average size of 37,500 square feet.

Neighbourhood 5207

Neighbourhood 5207 is known as Tuxedo Park and is located in East central Regina immediately south of Neighbourhood 5204 and the southeast portion of Neighbourhood 5203. This area is roughly bordered by Broad Street to the west, Park Street to the east, the CP tracks to the north and 10th Avenue, Arcola Avenue and Victoria Street to the south.

This neighbourhood is predominantly zoned IT (light to medium industrial), features a small pocket of IA1 (light industrial) zoning in its west arm, and one IC (heavy industrial) site. There is a mixture of small, medium and large property sizes featuring a mixture of industrial and general commercial uses, including retail and office uses. Although there has been steady construction in this neighbourhood from the 1950s to present day, the majority of these buildings were constructed in the 1970s and 1980s, reflecting an overall average year built of 1979.

Lot sizes range from approximately 1,800 square feet to 12.30 acres with an average size of 1.10 acre. Buildings range in size from approximately 300 square feet to 170,000 square feet with an average size of 12,400 square feet.

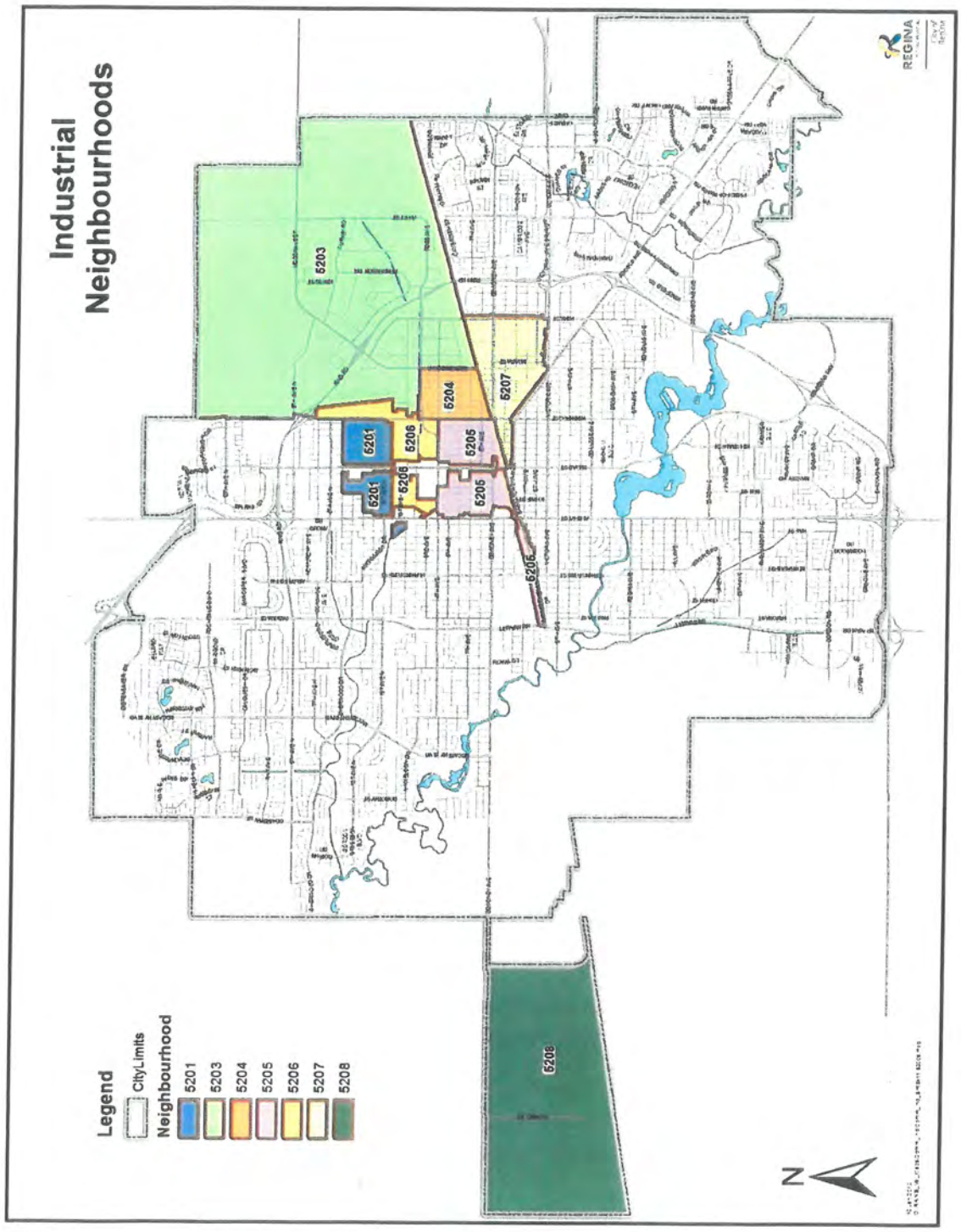
Neighbourhood 5208

Neighbourhood 5208 is the city's newest industrial area located on recently annexed land extending west of the city along the CP tracks. This area, often referred to as the Global Transportation Hub or GTH, is bordered by West Boundary Road to the west, the Sakimay Reserve to the east, Dewdney Avenue to the north and the CP tracks to the south.

The southern portion of this area bordering the CP rail tracks is zoned RR (railroad). The majority of this neighbourhood is zoned LP (logistics park) and is intended to accommodate inter-modal shipping, trucking and mega-style warehousing on large sites. Loblaw developed and operates a one-million+ square foot inter-modal shipping centre

here. Other developments include CP Rail's relocated intermodal facility, the Emterra Recycling Plant, and a FastFrate distribution and truck transit facility. Projects currently under construction include distribution warehouses for Morguard Investments and the Saskatchewan Liquor and Gaming Authority.

MAP


Industrial Neighbourhoods
REGINA
5203
6204
6207
6201
6206
5205
6206
6201
6206
6206
6208
Legend
City Limits
Neighbourhood
5201
5203
5204
5205
5206
5207
5208
N

EXECUTIVE SUMMARY

Warehouse Model

Appraisal Cycle Date – January 1, 2013 to December 31, 2016

Effective Date of Valuation – January 1, 2011

Date of Report – October 16, 2014

Rent Model

Description:	Rate ($/sqft)
Base Rent	$6.28
Additional Adjustments to Base Rent:	
Single-tenant Warehouse lease space >= 100,000 sqft	-$2.52
Bldgs built in 1990 or newer	$1.25

Additional Adjustments to Net Rent:	
Shell warehouse space (unheated, uninsulated)	-50%
Upper floor space (above main floor)	-17%

Vacancy and Shortfall:

Vacancy = 0.43%
Shortfall = 0.12%

Overall Capitalization Rates

Strata	Cap Rate
Buildings < 25,000 sqft with eff year built 1970 or newer	6.77%
Buildings < 25,000 sqft with eff year built pre1970	10.18%
Buildings >= 25,000 sqft	9.43%

Additional Adjustments:

Strata	Adjustment (%)
Loft Warehouse	-28%
Unheated Adj (25% of area or more must be unheatable)	-16%

Assessment to Sales Summary Results

Number of Sales	21
Median Assessment-to-Sales Ratio (ASR)	1.00
Coefficient of Dispersion (COD)	9.60%

SCOPE of DATA and ANALYSIS

Warehouse Rent Model

Each year, the City Assessor requests copies of rent rolls for all non-residential properties in the City of Regina. The data for the development of the mass appraisal net rent model came from these returned rent rolls.

A total of 176 warehouse net rents and effective net rents were analyzed using multiple regression analysis. The rent model is an additive model that predicts rents based on the lease area size and effective age of building. The following table provides a breakdown of these rents along with statistical measurements.

Warehouse Rent Statistics

Strata	Count	Mean	Median	Minimum	Maximum
Overall	176	$6.41	$6.33	$3.25	$11.15
Single-tenant Warehouse lease space >= 100,000 sqft	6	$3.76	$3.58	$3.25	$4.54
Pre 1990 Buildings < 100,000 sqft	139	$6.28	$6.25	$3.25	$10.50
Buildings built in 1990 or newer	31	$7.53	$7.00	$4.00	$11.15

Vacancy and Shortfall

Typical 2011 base date vacancy and shortfall adjustments were estimated from the returned rent rolls from property owners. The estimates are as follow:

Rent_Type	N	Sum (sqft)
OWNER	26	164,763
TENANT	240	2,960,877
VACANT	12	13,624
Total	278	3,139,264

Vacancy = 13,624/3,139,264 = 0.0043 (0.43%)

The typical operational costs reported as a ratio to typical net rents for warehouse properties is 33%. The typical ratio of costs associated with vacant space in comparison to costs associated with occupied space (dark space ratio) is approximately 88%. The shortfall adjustment is calculated as follows:

Shortfall = (op cost/net rent ratio) x (dark space ratio) x (typical Vacancy)
= 0.33 x 0.88 x 0.0043
= 0.0012 (0.12%)

Overall Capitalization Rates and Adjustments

Economic Capitalization Rates were estimated by dividing the predicted base date net operating income (generated from the net rent model) by adjusted sale prices. Sales used in this analysis occurred between January 1, 2008 and December 31, 2010. These sales were verified by mailing questionnaires to both vendors and purchasers.

Sales were adjusted for non-realty items and other factors when warranted. Sales were also adjusted to the base date of January 1, 2011. The indicated time adjustment was approximately 5.8% per month for the first 10 months (January 2008 to October 2008) and no further adjustment for sales occurring after October 2008.

The economic capitalization rate analysis involved 21 sales, detailed in the following table.

Sales

Account	Address	mm	yy	Adjusted Sale Price	Predicted Income	Economic Cap Rate
10033823	305 E DEWDNEY AVENUE	6	2009	$1,150,071	$122,400	10.64%
10013959	145 HENDERSON DRIVE	12	2010	$1,999,950	$144,200	7.21%
10123934	1205 E PETTIGREW AVENUE	12	2010	$749,981	$43,000	5.73%
10218234	1735 FRANCIS STREET	11	2010	$2,474,939	$222,600	8.99%
10018653	665 MCDONALD STREET	2	2008	$706,459	$38,700	5.48%
10027265	1636 6TH AVENUE	7	2008	$1,036,226	$88,300	8.52%
10123934	1205 E PETTIGREW AVENUE	7	2008	$627,657	$43,000	6.85%
10014001	230 N LEONARD STREET	6	2008	$920,914	$62,400	6.78%
10027932	521 E 6TH AVENUE	7	2008	$734,240	$74,300	10.12%
10093003	390 N LONGMAN CRESCENT	6	2008	$801,885	$61,800	7.71%
10013931	204 HODSMAN ROAD	10	2008	$579,986	$39,200	6.76%
10018722	381 MAXWELL CRESCENT	9	2008	$1,428,265	$99,900	6.99%
10027931	485 E 6TH AVENUE	8	2009	$849,979	$87,100	10.25%
10013973	450 N LONGMAN CRESCENT	9	2009	$454,989	$29,900	6.57%
10027167	1135 8TH AVENUE	9	2009	$2,449,939	$255,000	10.41%
10013983	90 KRESS STREET	8	2009	$819,980	$49,900	6.09%
10033822	335 E DEWDNEY AVENUE	1	2010	$1,699,958	$113,589	6.68%
10014014	144 HENDERSON DRIVE	4	2010	$4,399,891	$415,000	9.43%
10033801	1625 MCARA STREET	5	2010	$339,992	$24,900	7.32%
10013920	320 HODSMAN ROAD	7	2010	$599,985	$40,400	6.73%
10027429	1440 MCDONALD STREET	9	2010	$659,984	$35,900	5.44%

The reconciliation process for determining economic capitalization rate strata primarily involved Multiple Regression Analysis, which was supported by a consultation process with individuals active in the Regina real estate market. Recognized published capitalization rate data were also reviewed. The economic capitalization rates are as follow:

Strata	Cap Rate
Buildings < 25,000 sqft with eff year built 1970 or newer	6.77%
Buildings < 25,000 sqft with eff year built pre1970	10.18%
Buildings >= 25,000 sqft	9.43%

Additional Adjustments:

Strata	Adjustment (%)
Loft Warehouse	-28%
Unheated Adj (25% of area or more must be unheatable)	-16%

MODEL TESTING

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 commercial properties in Saskatchewan is for the median ratio of a city-wide assessment-to-sale study to be within the range of 0.95 to 1.05.

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

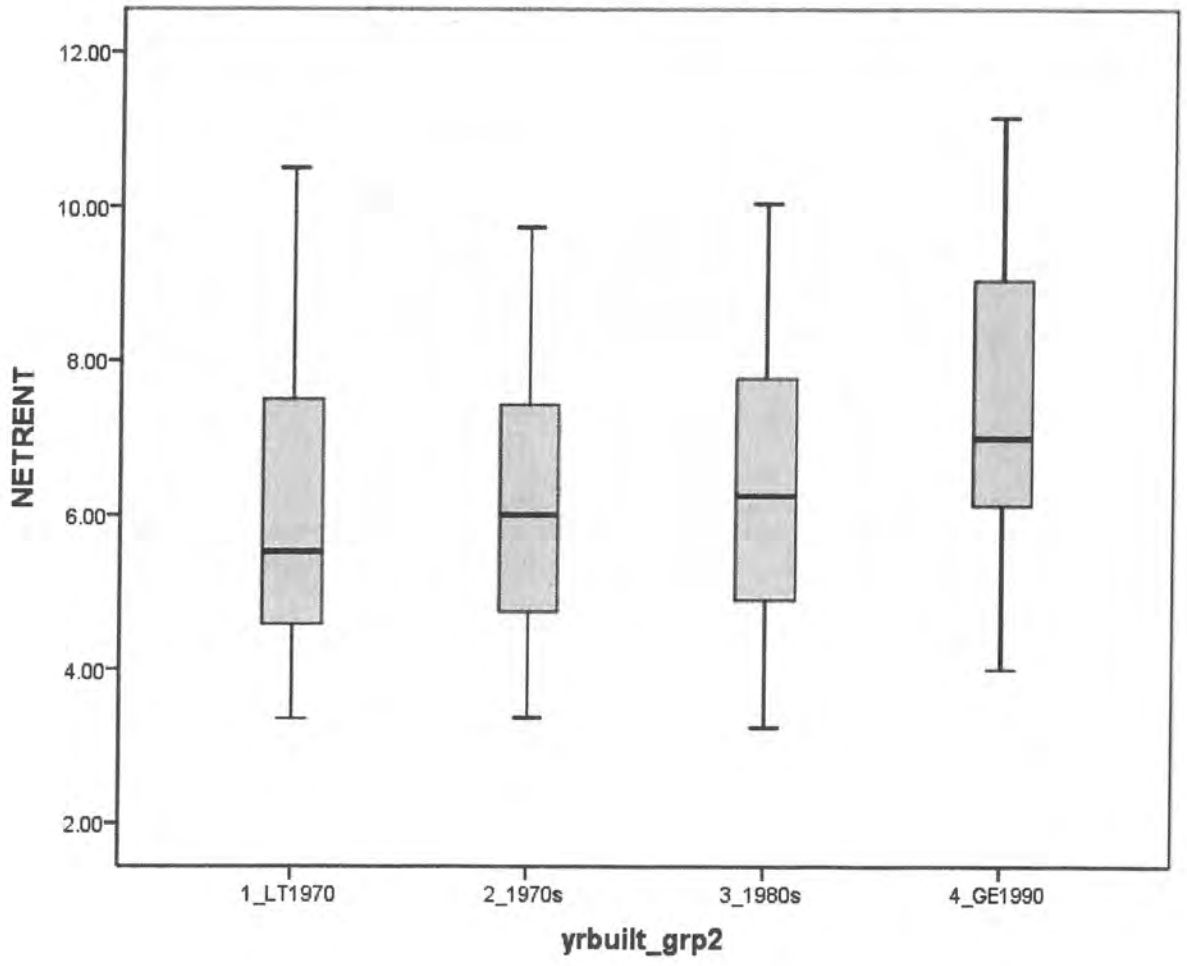
Number of Sales	21
Median Assessment-to-Sales Ratio (ASR)	1.00
Coefficient of Dispersion (COD)	9.60%

Warehouse Net Rent by age groups:

Case Summaries

NETRENT

yrbuilt_grp2	N	Mean	Median	Minimum	Maximum
1_LT1970	26	6.1851	5.5239	3.36	10.50
2_1970s	63	6.1355	6.0000	3.38	9.73
3_1980s	56	6.2127	6.2500	3.25	10.04
4_GE1990	31	7.5295	7.0000	4.00	11.15
Total	176	6.4129	6.3268	3.25	11.15



Warehouse Net Rents by Building Quality:

Case Summaries

NETRENT

Quality	N	Mean	Median	Minimum	Maximum
4	107	6.4468	6.4997	3.25	11.15
5	69	6.3605	6.0000	3.25	10.93
Total	176	6.4129	6.3268	3.25	11.15

4 = Average

5 = Good

Warehouse Net Rents by Condition Ratings:

Case Summaries

NETRENT

Condition	N	Mean	Median	Minimum	Maximum
ABOVE AVG	14	5.6574	5.2739	3.25	8.27
AVERAGE	153	6.4971	6.4999	3.25	11.15
BELOW AVG	1	4.2410	4.2410	4.24	4.24
GOOD	2	5.4233	5.4233	4.25	6.60
VERY GOOD	6	6.7222	5.5000	4.50	10.50
Total	176	6.4129	6.3268	3.25	11.15

Create a Binary variable for any condition rating better than Average.

Case Summaries

NETRENT

cond_gtavg	N	Mean	Median	Minimum	Maximum
.00	154	6.4824	6.4998	3.25	11.15
1.00	22	5.9265	5.5000	3.25	10.50
Total	176	6.4129	6.3268	3.25	11.15

.00 = Average and less

1.00 = Above Average and better

Inserting Quality and Condition into the rent model confirms that those variables are not significant as both get rejected from the regression model (see below):

Coefficients[a]

8

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Stat	
	B	Std. Error	Beta	t	Sig.	Tolerance	
(Constant)	6.278	.146		42.927	.000		
WH_GE100K	-2.518	.719	-.248	-3.502	.001	.992	
AGE_GE1990	1.251	.343	.259	3.653	.000	.992	

a. Dependent Variable: NETRENT

Excluded Variables

8

					Collinearity Statistics		
	Beta In	t	Sig.	Partial Correlation	Tolerance	VIF	Minimum Tc
RETAIL	.013	.175	.861	.013	.970	1.031	
Qual5	-.019	-.274	.784	-.021	.998	1.002	
WH_GE50KLT100K	-.018	-.254	.800	-.019	.995	1.005	
STUDY_INDUST_EXC5203	-.026	-.369	.713	-.028	.999	1.001	
AGE_LT1970	.001	.012	.991	.001	.963	1.039	
cond_gtavg	-.026	-.364	.716	-.028	.959	1.043	
OFFICE	-.091	-1.251	.213	-.095	.942	1.062	

Overall Model Stats on ASR:

By Quality:

Ratio Statistics for New_value / TASP

Group	Median	95% Confidence Interval for Median		Actual Coverage	Coefficient of Dispersion
		Lower Bound	Upper Bound		
2	.983	.	.	.%	.000
4	1.001	.874	1.082	96.5%	.123
5	1.002	.899	1.259	99.2%	.073
Overall	1.000	.983	1.065	97.7%	.102

The confidence interval for the median is constructed without any distribution assumptions.

The actual coverage level may be greater than the specified level.

Mann-Whitney Test

Ranks

	QUALITY	N	Mean Rank	Sum of Ranks
revised_ASR	4	15	11.60	174.00
	5	8	12.75	102.00
	Total	23		

Test Statistics

	revised_ASR
Mann-Whitney U	54.000
Wilcoxon W	174.000
Z	-.387
Asymp. Sig. (2-tailed)	.699
Exact Sig. [2*(1-tailed Sig.)]	.728

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of revised_ASR is the same across categories of QUALITY.	Independent-Samples Mann-Whitney U Test	.699	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Just Storage Warehouses (Quality 4-Average vs. Quality 5):

Case Processing Summary

		Count	Percent
QUALITY	4	6	60.0%
	5	4	40.0%
Overall		10	100.0%
Excluded		0	
Total		10	

Ratio Statistics for New_value / TASP

		95% Confidence Interval for Median			
Group	Median	Lower Bound	Upper Bound	Actual Coverage	Coefficient of Dispersion
4	.943	.803	1.572	96.9%	.242
5	1.063	.899	1.259	100.0%	.120
Overall	.999	.847	1.312	97.9%	.188

The confidence interval for the median is constructed without any distribution assumptions.

The actual coverage level may be greater than the specified level.

Mann-Whitney Test

Ranks

	QUALITY	N	Mean Rank	Sum of Ranks
revised_ASR	4	6	5.17	31.00
	5	4	6.00	24.00
	Total	10		

Test Statistics

	revised_ASR
Mann-Whitney U	10.000
Wilcoxon W	31.000
Z	-.426
Asymp. Sig. (2-tailed)	.670
Exact Sig. [2*(1-tailed Sig.)]	.762

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of revised_ASR is the same across categories of QUALITY.	Independent-Samples Mann-Whitney U Test	.670	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Analysis of Sale Price Per Sqft for Storage Warehouses Quality 4 vs. Quality 5:

Case Processing Summary

		Count	Percent
QUALITY	4	6	60.0%
	5	4	40.0%
Overall		10	100.0%
Excluded		0	
Total		10	

Ratio Statistics for TASP / netarea_sqft

Group	Median	95% Confidence Interval for Median		Actual Coverage	Coefficient of Dispersion
		Lower Bound	Upper Bound		
4	80.748	37.955	137.501	96.9%	.356
5	91.751	73.250	143.002	100.0%	.249
Overall	86.077	56.977	137.501	97.9%	.306

The confidence interval for the median is constructed without any distribution assumptions.

The actual coverage level may be greater than the specified level.

Mann-Whitney Test

Ranks

	QUALITY	N	Mean Rank	Sum of Ranks
SPPSF	4	6	4.83	29.00
	5	4	6.50	26.00
	Total	10		

Test Statistics

	SPPSF
Mann-Whitney U	8.000
Wilcoxon W	29.000
Z	-.853
Asymp. Sig. (2-tailed)	.394
Exact Sig. [2*(1-tailed Sig.)]	.476

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of SPPSF is the same across categories of QUALITY.	Independent-Samples Mann-Whitney U Test	.394	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Coefficients[a]

8

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	6.278	.146		42.927	.000		
WH_GE100K	-2.518	.719	-.248	-3.502	.001	.992	1.008
AGE_GE1990	1.251	.343	.259	3.653	.000	.992	1.008

a. Dependent Variable: NETRENT

Excluded Variables[h]

8

	Beta In	t	Sig.	Partial Correlation	Collinearity Statistics		
					Tolerance	VIF	Minimum Tolerance
RETAIL	.013[g]	.175	.861	.013	.970	1.031	.965
Qual5	-.019[g]	-.274	.784	-.021	.998	1.002	.991
WH_GE50KLT100K	-.018[g]	-.254	.800	-.019	.995	1.005	.988
STUDY_INDUST_EXC5203	-.026[g]	-.369	.713	-.028	.999	1.001	.991
AGE_LT1970	.001[g]	.012	.991	.001	.963	1.039	.956
cond_gtavg	-.026[g]	-.364	.716	-.028	.959	1.043	.959
OFFICE	-.091[g]	-1.251	.213	-.095	.942	1.062	.938

g. Predictors in the Model: (Constant), WH_GE100K, AGE_GE1990
h. Dependent Variable: NETRENT

Appendix G

sama
SASKATCHEWAN ASSESSMENT MANAGEMENT AGENCY

Market Value Assessment in Saskatchewan Handbook

Depreciation Analysis Guide

Date: June 27, 2012

Market Value Assessment in Saskatchewan Handbook
Depreciation Analysis Guide

2) Age-Life Method

The age-life method is also known as the straight-line depreciation approach. "A life expectancy is estimated and a constant annual percentage (equal wear or serviceability each year) is taken for depreciation so that at the end of that life the depreciation equals 100% of the initial cost."[11] For example, if a building has a life expectancy of 50 years, applying physical depreciation on a straight-line basis means a deduction of 2% per annum (100% ÷ 50 years = 2% per year).

For mass appraisal purposes, depreciation is usually estimated through the use of age-life depreciation tables with the addition of condition rating indicators. To apply this method of estimating depreciation the assessor typically reviews the condition of the property as a whole, determines its effective age and given the expectation of typical maintenance, determines the physical life expectancy of the buildings.

The depreciation inherent in a building is either below average or above average condition can be determined by adjusting the effective age of the improvement, upward or downward from the physical age, as required.

Calculating Effective Age

Determining the effective year built, or effective age of an entire property is mostly an arithmetic exercise. To determine the effective year built of a group of building sections forming an integrated property (i.e. a commercial warehouse built in four construction phases), a weighted average method is recommended. The calculation of such a weighted average is shown in *Figure 2*. It is assumed that all buildings receive average maintenance.

To establish the age of a property, there are two common weighting methods:

- By size, or
- By value.

Figure 2: Analysis of the Effective Physical Age – SK Manufacturing*

Building	Area (ft^2)	RCN	Year Built	Weighted Age by RCN Value	Weighted Age by Area
Assembly Plant	12,440	$634,440	1963	933.2	924.5
Office	2,855	$171,300	1964	252.1	212.3
Warehouse	7,000	$294,000	1970	434.0	522.1
Whs Addition	4,120	$234,840	1986	349.5	309.8
Totals	26,415	$1,334,580		1968.8	1968.7

** (Refer to Figure 1 for a detailed explanation of the hypothetical "SK Manufacturing" example property.)*

[11] *Marshall Valuation Service*, (Marshall & Swift/Boeckh, LLC, 2009, Section 97, p.1)

Appendix H

This technique does not substantiate in any way that the sales price for the Comparable Property or the Subject property as to being accurate or correct. This technique takes known facts (sales price, replacement cost information, land value estimate), and applied to an appraisal technique to abstract an effective age estimate.

The resulting estimate of effective age in this example is not etched in stone or absolute. Just by simple appraiser preference, the estimate could be revised to twenty-(20) years, thereby allowing for further deduction for economic obsolescence. The main thing to remember is that the appraiser has some form of backup and is in conformance with USPAP.

COMMERCIAL / INDUSTRIAL

The same two-(2) methods (**Visual Comparison and Abstracted**) as previously discussed can be applied to commercial and industrial structures. Industrial properties can be more complex when difference sections of the structure have been added on to over the years, but an effective age estimate can be abstracted from known information.

EFFECTIVE AGE - EFFECTIVE GROSS FLOOR AREA USAGE

When the appraiser is confronted with an industrial building that has been developed throughout the years, and various sections are younger than other parts of the facility, an estimate of effective age still can be reasonably made and substantiated.

In this **Example**, the subject property has had many additions made to the original building many years ago. An effective age estimate can be made based upon the effective gross floor area usage. Date of appraisal is in the year **2013**.

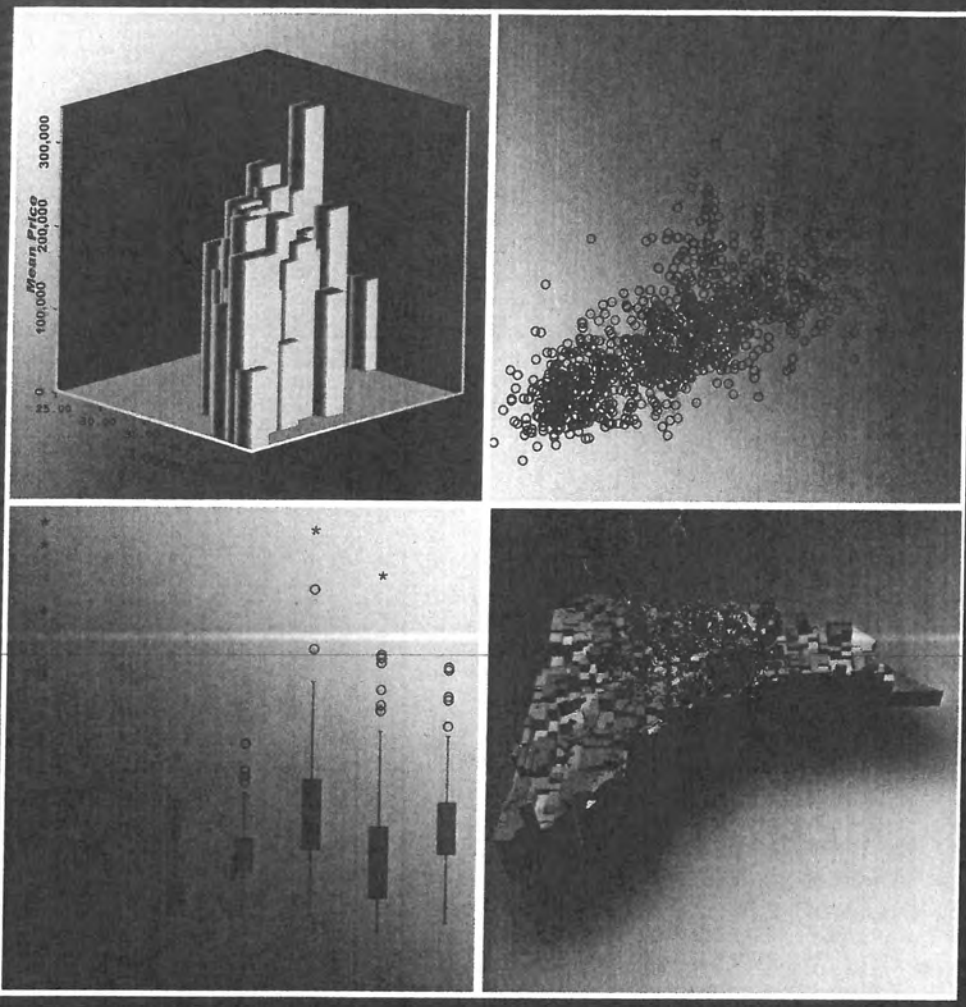
Area	Year Built	Square Feet	Actual Age	Square Footage Used
1	1969	14,750	44	649,000
2	1975	4,200	38	159,600
3	1985	10,300	28	288,400
4	1999	14,700	14	205,800
		43,950		1,302,800

1,302,800 / 43,950 = 29.64

SAY: 30 Years

Appendix I

Fundamentals of Mass Appraisal



INTERNATIONAL ASSOCIATION
OF ASSESSING OFFICERS

P336

recorded, discovery of these sales is difficult until the deed is finally recorded. The sale then is likely to be too old to be used.

Trades. A trade includes items of real or personal property as a portion of the price. The transaction should not be used if the items traded constitute the entire price. Otherwise, if the value of the traded items is stipulated, can be ascertained, or is small in comparison with the total price, the sale *can* be used by including the value of the items traded in the total purchase price. However, it should be a general rule to exclude sales involving trades if the full price cannot be reliably established or when there are enough valid sales without their inclusion.

Outliers. Outliers are properties with very low or very high sale prices, appraisal-sales ratios, or both as compared with other observations in the sample. Some outliers are physically dissimilar from most properties in their stratum. In some instances, a mismatch between a property as sold and the property as assessed makes the appraisal-sale ratio appear to be an outlier.

Including outliers in the sample of sales used in mass appraisal modeling or in a ratio study can distort the results, especially when the sample is small, even when the price may be accurately stated or there are no other reasons for deeming a sale unusable. Although the goal of sales screening is to obtain an adequate number of valid sales, not to find reasons to exclude sales, it is desirable to exclude outliers from analysis when they provide misleading indicators of market value.

Acceptable rules and procedures for identifying outliers in modeling are more flexible than for ratio studies made by supervisory agencies to evaluate compliance with standards or for equalization purposes and to establish a level of appraisal to be used in non-uniformity assessment appeals. In modeling, a reasonable approach is to flag for review all sale prices that fall below or above certain amounts, say, $50,000 and $500,000 for single-family residences, or all ratios that fall outside selected cutoff points, say, 0.50 and 1.50. Another approach is to review all prices or ratios that fall more than a specified number of standard deviations from the mean.

Procedures for trimming outliers in ratio studies conducted by oversight agencies are more rigorous. This subject is discussed in Chapter 5, "Ratio Studies in Mass Appraisal." Desirably, sales identified as outliers would be subjected to additional research rather than being automatically excluded. Because of the potentially distorting effects of extreme ratios that are atypical or for which the price and terms of sale cannot be reliably confirmed, it is prudent to exclude them.

Adjustments to Sales

As indicated, sale prices of sales used in ratio studies or as comparables in the sales comparison approach (such as part of the sample of sales used to calibrate a mass

Steps in Modeling

The primary steps in building a mass appraisal model follow.

1. *Data assembly.* The modeler must assemble the market and property characteristic data necessary to build the model. This ordinarily involves downloading the data from the CAMA system into the chosen modeling software package and formatting it for statistical analysis. Sometimes data from several source files must be merged. The model file is in spreadsheet format with property (or sometimes building) per row.
2. *Exploratory data analysis.* This involves running graphs and descriptive statistics to *explore* and clean the data. Invalid or missing data (e.g., invalid construction codes, missing lot sizes, or nominal sale prices [e.g., $1]) must be purged or corrected. It can also be prudent to flag or remove properties with extreme or unrepresentative data, such as the occasional mansion, an atypically large lot, or properties with functional obsolescence. Judgment is required. Since all properties must be valued, it would be counterproductive to remove those that are representative of the broad range of properties found in the jurisdiction. At same time, it best to remove properties that would adversely affect representativeness of the model. Thus the relevant question is, Will removal of a property help or hinder the ability of the model to achieve accurate, representative values for the population of properties?

   In addition to examining the distribution of data, the modeler should explore the relationship between property characteristics data and the dependent variable through box plots (qualitative characteristics), scatter plots (quantitative characteristics), or an examination of medians or other statistics for each value of a categorical variable. This, combined with appraisal judgment, aids in determining potential candidate variables. For example, does the relationship between lot size and price appear linear? If not, what transformation might be appropriate? Are there enough sales for each heating type? If not, which can be combined, or can heating be linearized into a single variable prior to modeling? The relationship between time and price should also be explored by using the time trend techniques described in Chapter 4, "Key Issues in Mass Appraisal." Some modelers make market condition adjustments, at least preliminary ones, at this point based on the sales ratio trend or value-per-unit methods.

3. *Base model.* Following exploratory data analysis, it is good practice to develop a base model using those property characteristics of prime importance in value determination. For single-family residential properties, these usually include living area, construction quality, age or condition, lot size, neighborhoods, and perhaps waterfront or view variables. Particularly if values have changed substantially over the study period and a preliminary market condition adjustment has not been already determined, time variables can also be included. Analogous to ensuring a sound foundation before completing construction on a house, the idea behind the base model is to ensure that the relationship between the most important property characteristics and value makes sense and provides a firm starting point. The modeler should strive to build an optimal model based on these key characteristics by testing alternative transformations before adding more variables to the model.
4. *Full model.* With the base model in place, the modeler can test variables for secondary characteristics, such as garages, porches, fireplaces, heating/cooling, and traffic in a residential model. The goal is to improve model accuracy and the equity of values while ensuring that the model remains understandable and makes sense.
5. *Sales ratio testing.* When satisfied with the full model, the modeler can save predicted values and conduct a full sales ratio examination to ensure that there is reasonable equity across all relevant property characteristics. In addition to traditional sales ratio statistics, this ordinarily involves graphical analyses, as illustrated in Chapter 3, "Data Concepts, Analysis, and Tools." Scatter plots are used for quantitative variables and box plots for qualitative variables. This analysis reveals any notable deficiencies or areas for further improvement.
6. *Model refinement.* Assuming sales ratio analyses indicated the need for refinements, the modeler should revise the model, likely using additional variables or testing alternative transformations. Prior problem areas should be rechecked to ensure correction.
7. *Final model.* When fully satisfied that the model is equitable with no room for significant improvement, the modeler can determine final market condition adjustments (if not already done), and rerun the model a final time using time-adjusted prices. With time adjustments in place, coefficients and predicted values will represent value as of the target valuation date. Final sales ratios should be run comparing predicted values against time-adjusted prices.

Appendix J

Inspection of 144 Henderson Drive
January 12th, 2015
By Aaron Holmes-Binns

General Description

- Steel frame industrial heavy manufacturing building with main building constructed in 1977, and support structures built in various years from 1987 to 2001.
- Main building is situated at the front of the site, with space for storage on the East side of the building.
- A 4,000sf metal frame cold storage building is located adjacent to the main building.
- Subject's immediate neighbourhood consists primarily of similar style and age of industrial warehouse buildings.

Exterior

- Exterior walls are concrete block, and metal siding.
- Grade beam foundation sitting on piles.
- Windows are double-glazed in aluminum frames.
- Overhead doors on front and East side of building.
- Roof consists of built-up flat roof with steel deck, and low-sloping metal roof.

Interior

- Approximately 10% of the building is developed with office/reception area consisting of a 1,890 square foot area constructed in conjunction with the original building in 1978 and three additions to this area which were added in 1992, 1995 and 2001. The office areas are finished with linoleum tile floor covering, painted drywall interior walls and suspended acoustic tile ceiling.
- The warehouse has gas fired radiant heating, and adequate lighting and electrical servicing for its manufacturing use
- The warehouse areas area designed to fabricate bulk tank and vacuum equipment.
- Fabrication of the tanks flow through the central portion of the building with the components for the tanks being constructed in the additions to the main assembly area. These areas are separated by a load bearing wall with access provided via overhead doors.

Site

- Subject 4.214 acre site is located in Ross Industrial Park with close proximity to major highway and transportation routes and the central business district.
- Subject site is bounded on East and West by warehouse buildings and storage areas.
- With the current building improvements the site has a 38% site coverage ratio.

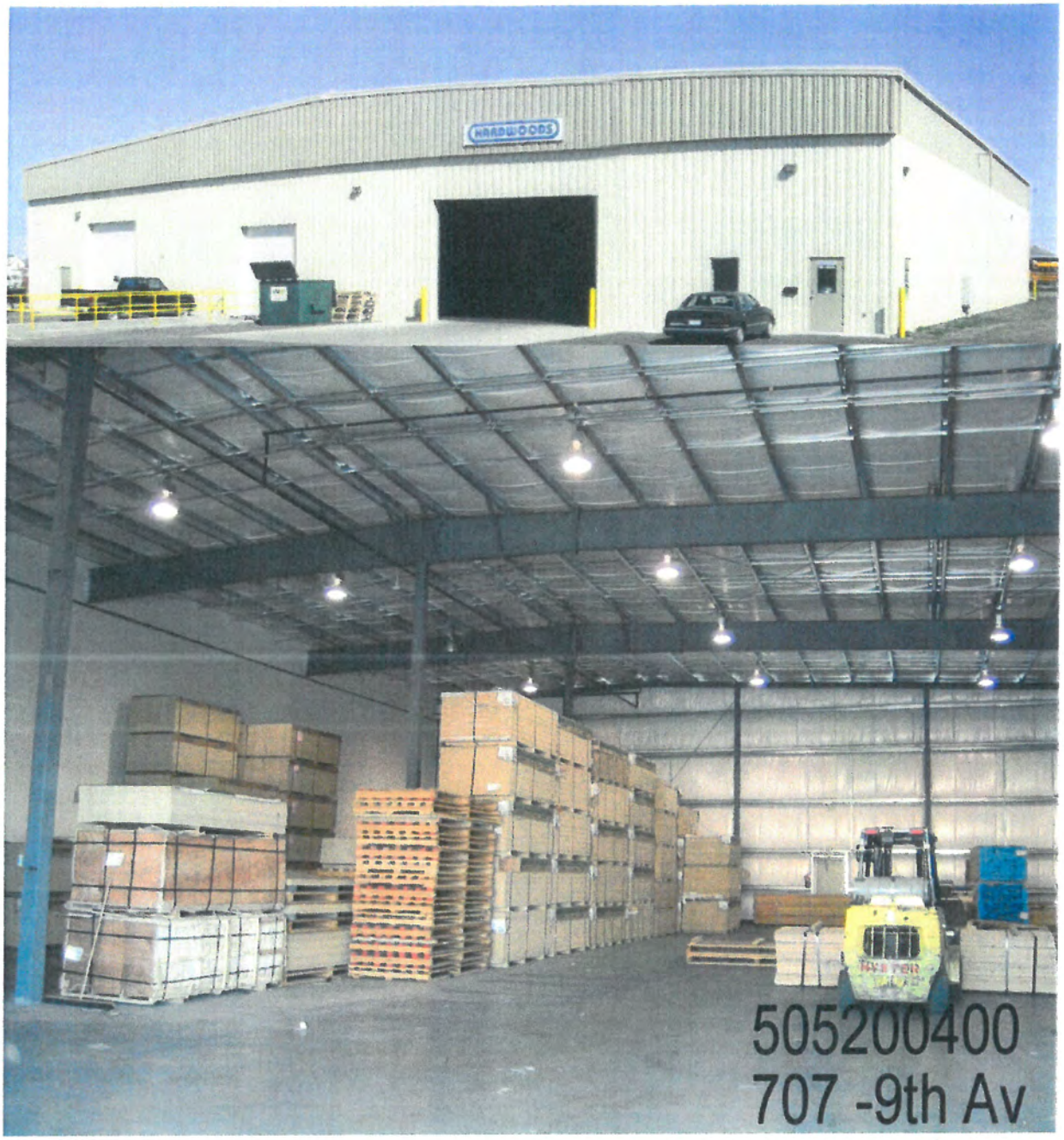
- The site is level and appears to have adequate drainage.
- Improvements to the site include a paved surface and perimeter chain link fencing enclosing the entire area of the site.

Photos

1990+ Rents of 10,000SF+

10027429

1003418
Effective Year 1993 to 1998


505200400
707 -9th Av


505200400
707 9th Ave
416 - Wolfe


505200400
707 9th Ave
416 -Hardwood

10018636
Effective Year 2008

10112916

Effective Year 2006

10013996

Effective Year 1996

10013999
Effective Year 2003

10013995
Effective Year 1998

10018641
Effective Age 2003

10014016

Effective Year 1993

This short form prospectus constitutes an offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws. Accordingly, the securities may not be offered or sold in the United States of America except in transactions which are exempt from the registration requirements of the 1933 Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States of America. See "Plan of Distribution".

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documentation incorporated herein by reference may be obtained on request without charge from the secretary of the issuer at 910 - 925 West Georgia Street, Vancouver, British Columbia V6C 3L2, telephone (604) 681-5959 and are also available electronically at www.sedar.com. A copy of the permanent information record may be obtained without charge from the secretary of the issuer at the above mentioned address and telephone number and is also available electronically at www.sedar.com.*

SHORT FORM PROSPECTUS

New Issue May 12, 2010

piret
PURE INDUSTRIAL REAL ESTATE TRUST

$20,300,000
5,800,000 Units

This short form prospectus ("**Prospectus**") qualifies the distribution of 5,800,000 units ("**Units**") of Pure Industrial Real Estate Trust ("**PIRET**" or the "**Trust**") at a price of $3.50 per Unit for aggregate gross proceeds to PIRET of $20,300,000 (the "**Offering**"). PIRET is an unincorporated, open-ended real estate investment trust created by the Trust Declaration (as defined herein) and governed by the laws of British Columbia. PIRET is focused exclusively on acquiring, owning and operating a diversified portfolio of income-producing industrial properties in leading markets across Canada and is the only publicly-traded REIT (as defined herein) in Canada that offers investors exclusive exposure to Canada's industrial real estate asset class. PIRET's head office and mailing address is 910 - 925 West Georgia Street, Vancouver, British Columbia V6C 3L2.

The Units are listed on the TSX Venture Exchange (the "**TSX-V**") under the trading symbol "AAR.UN". On May 11, 2010, the last trading day prior to the filing of this Prospectus, the closing price of the Units on the TSX-V was $3.64 per Unit. The TSX-V has conditionally approved the listing of the Units distributed under this Offering. Listing is subject to PIRET fulfilling all of the listing requirements of the TSX-V.

Price: $3.50 Per Unit

	Price to the Public[1]	Underwriters' Fee[2]	Net Proceeds to the Trust[3][4]
Per Unit	$3.50	$0.1925	$3.3075
Total	$20,300,000	$1,116,500	$19,183,500

Notes:

(1) The price of the Units offered hereunder was established by negotiation between PIRET and Canaccord Genuity Corp. and Dundee Securities Corporation (as co-lead underwriters), on their own behalf and on behalf of RBC Dominion Securities Inc., National Bank Financial Inc., Raymond James Ltd. and HSBC Securities (Canada) Inc. (collectively with Canaccord Genuity Corp. and Dundee Securities Corporation , the "**Underwriters**").

Property Address	Location	Industrial Property Type	GLA (S.F.)	Occupancy	Year Built / Redeveloped
Alberta					
1390 – 17th Ave. SE	Calgary, AB	Warehouse / distribution	44,429	100%	1978 / 1990
1401 – 17th Ave. SE	Calgary, AB	Warehouse / distribution	39,382	100%	1978 / 1990
7805 – 51st St. SE	Calgary, AB	Warehouse / distribution	30,082	100%	1981 / 1996
2705 - 2737 57th Ave. SE	Calgary, AB	Light industrial	108,800	100%	1977
2808 – 58th Ave. SE	Calgary, AB	Light industrial	48,220	100%	1968 / 1989
4907 – 32nd Street SE	Calgary, AB	Warehouse / distribution	19,534	100%	1980
9203 – 35th Ave. NW	Edmonton, AB	Warehouse / distribution	15,778	100%	1981 / 1999
16295 – 132nd Ave.	Edmonton, AB	Warehouse / distribution	40,147	100%	1980
234040 Wrangler Road	Calgary, AB	Bulk warehouse / distribution	125,280	100%	2006
Saskatchewan					
144 Henderson Drive	Regina, SK	Light industrial	66,446	100%	1977 / 1995
195 Henderson Drive	Regina, SK	Light industrial	30,984	100%	2007
2 Ramm Avenue	White City, SK	Light industrial	63,996	100%	1967 / 2008
Manitoba					
90 Park Lane	Winnipeg, MB	Warehouse / distribution	20,185	100%	1979 / 2004
333 DeBaets St.	Winnipeg, MB	Warehouse / distribution	32,351	100%	1980 / 2001
Ontario					
8055 Esquesing Line	Milton, ON	Warehouse / distribution	30,291	100%	1989 / 2000
130 Harry Walker Parkway	Newmarket, ON	Bulk warehouse / distribution	87,451	100%	1996 /2001
Quebec					
1601 Dickson St.	Montreal, QC	Bulk warehouse / distribution	164,525	100%	2006
New Brunswick					
150 Edmonton Ave.	Moncton, NB	Flex	30,619	100%	1988
Total			**1,178,794**		

RECENT DEVELOPMENTS

The following is a summary of recent developments involving PIRET since December 31, 2009, being the date of PIRET's 2009 AIF.

Private Placement

On February 25, 2010, PIRET completed a bought deal private placement of 7,200,000 Units at a price of $3.00 per Unit, for total gross proceeds of $21,600,000.

Amendment to Trust Declaration to Address IFRS

In order to address certain financial statement presentation issues that may arise as a result of the required adoption by PIRET of International Financial Reporting Standards ("IFRS"), at PIRET's annual general meeting held on April 16, 2010, the Unitholders resolved to amend the Trust Declaration to provide the Trustees with the authority, without the further approval of the Unitholders, to make amendments to the Trust Declaration which, in the opinion of the Trustees, are necessary or desirable as a result of changes from time to time in accounting standards applicable to the Trust as a reporting issuer including IFRS, which may affect the Trust or the Unitholders. The Trustees intend to make any such amendments only after consultation with the Trust's auditors and legal counsel. Any such amendments to the Trust Declaration are not expected to result in any material changes to the Unitholders, but are contemplated in order to ensure that Units will continue to be characterized as equity, rather than debt, under IFRS.

was constructed in 1980 with an addition completed in 2006 and a substantial renovation in 2008, and has a total of 67,511 square feet of building area.

PIRET purchased 3500 Viking Way, Richmond, British Columbia on March 1, 2010 for $7,300,000, which represents a going-in cap rate of 7.24%. It financed a portion of the purchase price with mortgage financing in the amount of $4,745,000, which bears interest at the rate of 5.16% per annum. The mortgage has a term of seven years and a 20 year amortization period.

The property is 100% leased to Teldon Media Group Inc, for a term ending on April 30, 2022. Established in 1969 in Vancouver, British Columbia, Teldon Media Group provides North America's leading real estate, financial services, and automotive organizations with a range of communication and tailored marketing services. Teldon Media Group has been a tenant in 3500 Viking Way, Richmond, British Columbia, since 1989 and uses the property for warehousing, manufacturing and offices. The lease is a fully carefree Triple Net lease to PIRET.

150 Edmonton Avenue, Moncton, NB

150 Edmonton Avenue, Moncton, New Brunswick is a small bay multi-tenant industrial building comprising a total of 30,619 square feet of GLA located on a 2.65 acre parcel. The property was built in 1988. The property is currently 100% occupied by 13 tenants under Triple Net leases. The weighted average lease term is 3.9 years. The property has historically enjoyed a very high lease renewal rate, with the average tenure of current tenants being greater than seven years and a historic average occupancy rate of over 90%.

PIRET purchased 150 Edmonton Avenue, Moncton, New Brunswick on March 29, 2010 for $2,790,000, which represents a going-in cap rate of 9.08%. It financed a portion of the purchase price by assuming the vendor's existing mortgage of the property in the amount of $1,597,240, which bears interest at the rate of 6.21% per annum and is due in August, 2014.

The Advance Saskatchewan Properties

The Advance Saskatchewan Properties are comprised of 144 Henderson Drive, Regina, Saskatchewan, 195 Henderson Drive, Regina, Saskatchewan and 2 Ramm Avenue, White City, Saskatchewan. See below for details of each of the Advance Saskatchewan Properties.

Pursuant to the Advance Purchase Agreement, PIRET completed the purchase of the Advance Saskatchewan Properties on April 23, 2010 for an aggregate purchase price of $12,300,000, which represents a going-in cap rate of 9.14%. It financed a portion of the purchase price with mortgage financing in the amount of $8,610,000, which bears interest at the rate of 4.80% per annum, with a term of five years and a 20 year amortization period. The mortgage is secured by the Advance Saskatchewan Properties and, upon the completion of the purchase of the Advance Alberta Properties, will be secured by the Advance Alberta Properties.

Each of the Advance Saskatchewan Properties is 100% leased to Advance, in the case of the properties at 144 Henderson Drive and 195 Henderson Drive, Regina Saskatchewan, and to 1343080 Alberta Ltd., in the case of the property at 2 Ramm Avenue, White City, Saskatchewan. 1343080 Alberta Ltd. is affiliated with Advance by way of common ownership. The leases are each for a term of 25 years from the closing date of the purchase by PIRET, with two rights to extend the term for additional periods of 10 years each. Each such lease is a fully carefree Triple Net lease to PIRET, provided that PIRET is responsible for the costs of repairing and replacing the structural elements on each building (not including the roof). Advance is the largest manufacturer of tank trucks and trailers in Canada. It will use the properties for the manufacture, repair, maintenance and cleaning of tank trucks and trailers.

144 Henderson Drive, Regina, SK

144 Henderson Drive, Regina, Saskatchewan is a one-storey industrial building, with two mezzanine levels, comprising 66,446 square feet and located on a 4.85 acre parcel in northeast Regina. The building was constructed in 1977 with additions to the shop and office areas in 1987 and 1995. The building is constructed with slab on grade

floors, concrete block exterior walls with metal siding, and a low-sloping metal roof. Rental rates under the property lease are as follows:

Date	Base Rent per Annum	Base Rent per Month
April 23/10 – April 22/15	$416,577	$34,715
April 23/15 – April 22/20	$449,903	$37,491
April 23/20 – April 22/25	$485,895	$40,491
April 23/25 – April 22/30	$524,767	$43,730
April 23/30 – April 22/35	$566,748	$47,229

195 Henderson Drive, Regina, SK

195 Henderson Drive, Regina, Saskatchewan is a two-storey industrial building comprising 30,984 square feet located in northeast Regina. The building was constructed in 2007 of concrete construction with metal panel siding and a steel roof. Rental rates under the property lease are as follows:

Date	Base Rent per Annum	Base Rent per Month
April 23/10 – April 22/15	$338,532	$28,211
April 23/15 – April 22/20	$365,614	$30,467
April 23/20 – April 22/25	$394,863	$32,905
April 23/25 – April 22/30	$426,452	$35,537
April 23/30 – April 22/35	$460,569	$38,380

2 Ramm Avenue, White City, SK

2 Ramm Avenue, White City, Saskatchewan is a one-storey industrial building comprising 63,996 square feet located on a 3.67 acre parcel in Town of White City, Saskatchewan, which is 10 miles east of Regina on the Trans Canada Highway No. 1. The building was constructed in or before 1967 with concrete footings, foundation walls and slab on grade floor, concrete block exterior walls and precast concrete roof slabs. The building was renovated in 2003 with the addition to the office and shop areas and in 2008 with a further addition to the shop area. Rental rates under the property lease are as follows:

Date	Base Rent per Annum	Base Rent per Month
April 23/10 – April 22/15	$369,478	$30,790
April 23/15 – April 22/20	$399,036	$33,253
April 23/20 – April 22/25	$430,959	$35,913
April 23/25 – April 22/30	$465,435	$38,786
April 23/30 – April 22/35	$502,670	$41,889

TARGET PROPERTIES

Property Acquisitions

PIRET has entered into four purchase agreements to acquire the Target Properties, being a total of six income producing industrial real estate properties representing approximately 353,850 square feet of GLA, consisting of: (i) the Advance Alberta Properties; (ii) the Clegg Road Property; (iii) the FedEx Property; and (iv) the 191st Street Property. The aggregate purchase price for the Target Properties is $41,582,125, representing a weighted average going-in cap rate of 7.78%. No proposed acquisition of any one property is conditional upon the completion of any other proposed acquisition. Each of the Target Properties is owned by a different vendor. It is anticipated that the purchase prices for the proposed acquisitions will be satisfied by a combination of cash and mortgage financing.

The following table provides summary information regarding the Target Properties.

Industrial Investment Building Sale

Zone 1
Property Number 122393

Property Type:

Index 3

Address

144 Henderson Drive, Regina SK

Subdivision: **Regina**

Legal Description: **G/16/94R00072**

Zoning Class:	**IB**	
Site Area:	**4.85**	Acres
Building Area:	**65,146.00**	
Sale Price:	**4,400,000**	
Sale Date:	**Apr 27, 2010**	
Transfer Number:	**139190968**	
Year Built:	**1977**	

Sale Terms

Assessments and Taxes

Land	**0**	Tax	**0.00**
Building	**0**	LIC	**0.00**
Total	**0**	Payout	**0.00**

Vendor

Advance Engineering Products Ltd.

Purchaser

First Industrial Properties Holdings (Saskatchewan) Inc.

Improvements Description

Multi-bay single tenant. 62,446 main floor & 2,700 developed mezzanine included in total building area. 4,000 sf storage building not heated not in building area.

Site Improvements

Income Analysis

Gross Annual Income	**579,799**	Gross Income Multiplier	**0.00**
Vacancy	**11,596** [2.0%]	Sale Price /Unit	**67.54**
Operating Expenses	**174,229**	Overall Capitalization Rate	**8.95 %**
Net Operating Income	**393,974**	Cash Flow/Equity Yield	**0.00 %**
Cash Flow		Net Income/Unit	**6.04**

Comments

One storey manufacturing building used by Advance Engineering Products to build trailers and haul fuel. Bldg 2 is a 4,000 sf unheatd metal frame storage building. This was a sale with lease back to vendor. 25 yr. lease with 8% increase every 5 years. Financial analysis utilized operting expenses as $2.50/sf plus structural at 2% of EGI.

Prepared by Glen Cowan on Jul 29, 2011

Appendix K

QUALIFICATIONS OF ASSESSMENT APPRAISER

Robert Schultze, LAAS, MAAS, AACI, CAE
Manager of Commercial Assessment
City of Regina - Assessment Branch

PROFESSIONAL DESIGNATIONS and MEMBERSHIPS

- Appraisal Institute of Canada - obtained Accredited Appraiser Canadian Institute (AACI) designation in 1998
- International Association of Assessing Officers - obtained Certified Assessment Evaluator (CAE) designation in 1999
- Saskatchewan Assessment Appraisers' Association - obtained Accredited Assessment Appraiser of Saskatchewan (AAAS) licence in 2002 (renamed LAAS in 2013) and Municipal Assessment Appraiser of Saskatchewan (MAAS) designation in 2008

EXPERIENCE

1996 - Present

- City of Regina, Regina, SK
  - Manager of Commercial Assessment (1998 - present)
  - Senior Assessment Appraiser (1996 - 1998)

1990 - 1996

- Royal LePage Appraisal & Consulting Services, Abbotsford, BC
  - Manager/Senior Appraiser

1984 - 1990

- Fraserway Realty and Appraisals/Dayspring Realty, Abbotsford, BC
  - Senior Appraiser (1988 - 1990)
  - Agent-Nominee (1988 - 1990)
  - Real Estate Appraiser and Sales Associate (1984 - 1990)

1981 - 1984

- Realty World - Abbotsford Realty, Abbotsford, BC
  - Sales Associate

EDUCATION

Post-Secondary

- University of Regina - Master of Business Administration (2004)
- University of British Columbia - Bachelor of Commerce in Urban Land Economics (1981)

Other Real Estate Valuation Courses

- Canadian Uniform Standards of Professional Appraisal Practice (AIC) – 2014, 2009, 2003, 2000, 1993
- Appraisal Review (UBC Course CPD 115) - 2013
- Standards of Professional Practice and Ethics (IAAO Course 171) - 2013
- Creative Critical Thinking: Advancing Appraisal to Strategic Advising (UBC Course CPD 110) - 2012
- Valuation of Property Impairments and Contamination (UBC Course CPD 102) - 2010
- Uniform Standards of Professional Appraisal Practice (ASB) - 2009
- Local Government Legislation and Statute Law (U of Regina Course LG15) - 2008
- Hotel Valuation (UBC Course CPD 104) - 2006
- Hotel Business Enterprise Value Symposium (IAAO) - 2005
- Income Approach to Valuation (IAAO Course 102) - 2005
- Commercial/Industrial Modelling Concepts (IAAO Course 312) - 1999
- Assessment Administration (IAAO Course 400) - 1999
- Easement Valuation (IRWA Course 403) - 1994
- Valuation of Contaminated Properties (IRWA Course 407) - 1994

ASSOCIATION and COMMITTEE WORK

Saskatchewan Assessment Appraisers' Association

- Past-President (2007 - 2014)
- President (2006 - 2007)
- Vice-President (2005 - 2006)
- Chair, Legislation and Bylaws Committee (2005 - 2006, 2011)
- Director (2004 - 2005)
- Chair, Education Committee (2001 - 2004, 2010)
- Member, Education Committee (2000 - 2001)

Appraisal Institute of Canada

- Member/Investigator, Investigating Sub-Committee (2013 - current)
- Peer Reviewer
- Mentor to Student Appraisers

International Association of Assessing Officers

- Chair, Ethics Committee (2010)
- Member, Ethics Committee (2008 - 2009)

OTHER

- Member, Civil Speakers Toastmasters Club, City of Regina (2014 - current)
- Instructor: RPA-10 - Real Property Assessment in Saskatchewan (2005 - current)
- Project Co-ordinator and Editor: *Real Property Assessment in Saskatchewan, Third Edition (2004) and Fourth Edition (2010)* (Saskatchewan Assessment Appraisers' Association, Regina, SK)
- Authored article entitled: "*What does it mean to be a Self-Governing Regulated Profession?*"

- Journal of Property Tax Assessment & Administration, Volume 4, Issue 3, 2007, p.41-53. (IAAO/IPTI, Kansas City, MO)
- Canadian Property Valuation, Volume 56, Issue 3, 2012, p.26-29 [abridged]. (Appraisal Institute of Canada, Ottawa, ON)

- Co-authored (and co-presented) conference paper entitled: "*Commercial Valuation: Saskatchewan's Unique Legislation*"
  - International Association of Assessing Officers, 80th Annual International Conference on Assessment Administration, August 24 -27, 2014, Sacramento, CA, USA.