



**Assessment and Taxation  
Évaluation et taxes**

## **VALUATION OF INCOME-PRODUCING PROPERTIES**

### **2023 General Assessment**

City of Winnipeg  
Assessment and Taxation Department  
March 4, 2022

# Table of Contents

VALUATION OF INCOME-PRODUCING PROPERTIES .....	1
INTRODUCTION .....	2
DATA COLLECTION .....	2
MODEL DESCRIPTION .....	3
VALUATION OF MULTI-FAMILY PROPERTIES .....	4
Market Regions.....	4
Description of Multi-Family Inventory.....	6
Independent Variables.....	7
Calibration of the Sub-Models.....	7
VALUATION OF OFFICE AND RETAIL PROPERTIES .....	8
Market Regions.....	8
Description of Office, Retail and Vehicle Inventory.....	10
Independent Variables.....	11
Calibration of the Sub-models .....	12
VALUATION OF INDUSTRIAL PROPERTIES.....	17
Market Regions.....	17
Description of Industrial Inventory.....	19
Independent Variables.....	20
Calibration of the Sub-models .....	21
TESTING AND EVALUATION OF THE MODELS.....	22
MIXED-USE PROPERTIES.....	22

## Introduction

This document provides an overview of the City of Winnipeg Assessment and Taxation Department's mass appraisal models for income-producing properties for the 2023 general assessment. These models predict the full market value of the fee simple interest for each property as of the reference date of April 1, 2021.

The income approach models described on the following pages are developed using multiple regression analysis. These models are comprised of sub-models which predict the potential income (rent, parking, and other), vacancy and collection loss, operating expenses, and capitalization rates.

The ratio statistics for the income-producing models meet the *Standard on Ratio Studies* published by the International Association of Assessing Officers (approved April 2013).

## Data Collection

### *Physical Characteristics*

The physical descriptions of land and improvements are obtained and updated from field inspections, building plans, and property owners. This information is stored in the Assessment and Taxation Department's ADVIS database.

### *Sales*

Basic details regarding transfers of land come from the Land Titles Office of the Property Registry. The sales are investigated to determine if they are arm's-length transfers and good indicators of market value. Questionnaires mailed to the purchasers assist in this verification process.

### *Rents, Vacancy, and Expenses*

Rents, vacancy rates, and operating expenses come primarily from questionnaires mailed to property owners. Also considered is rent, vacancy, and operating expense information in published reports (such as CMHC's Rental Market Report, The Johnson Report, and reports published by various real estate firms). Additional information filed in connection with revisions/appeals is also used.

**Model Description**

Income-producing properties are valued for assessment purposes using direct capitalization of net operating income (income approach).

The basic equation for direct capitalization is as follows:

$$\text{Market Value} = \frac{\text{Net Operating Income (NOI)}}{\text{Capitalization Rate}}$$

Net operating income is calculated as follows:

$$\text{Net Operating Income} = \text{Potential Annual Income} - \text{Vacancy and collection loss} - \text{Non-recoverable Operating Expenses}$$

## Valuation of Multi-Family Properties

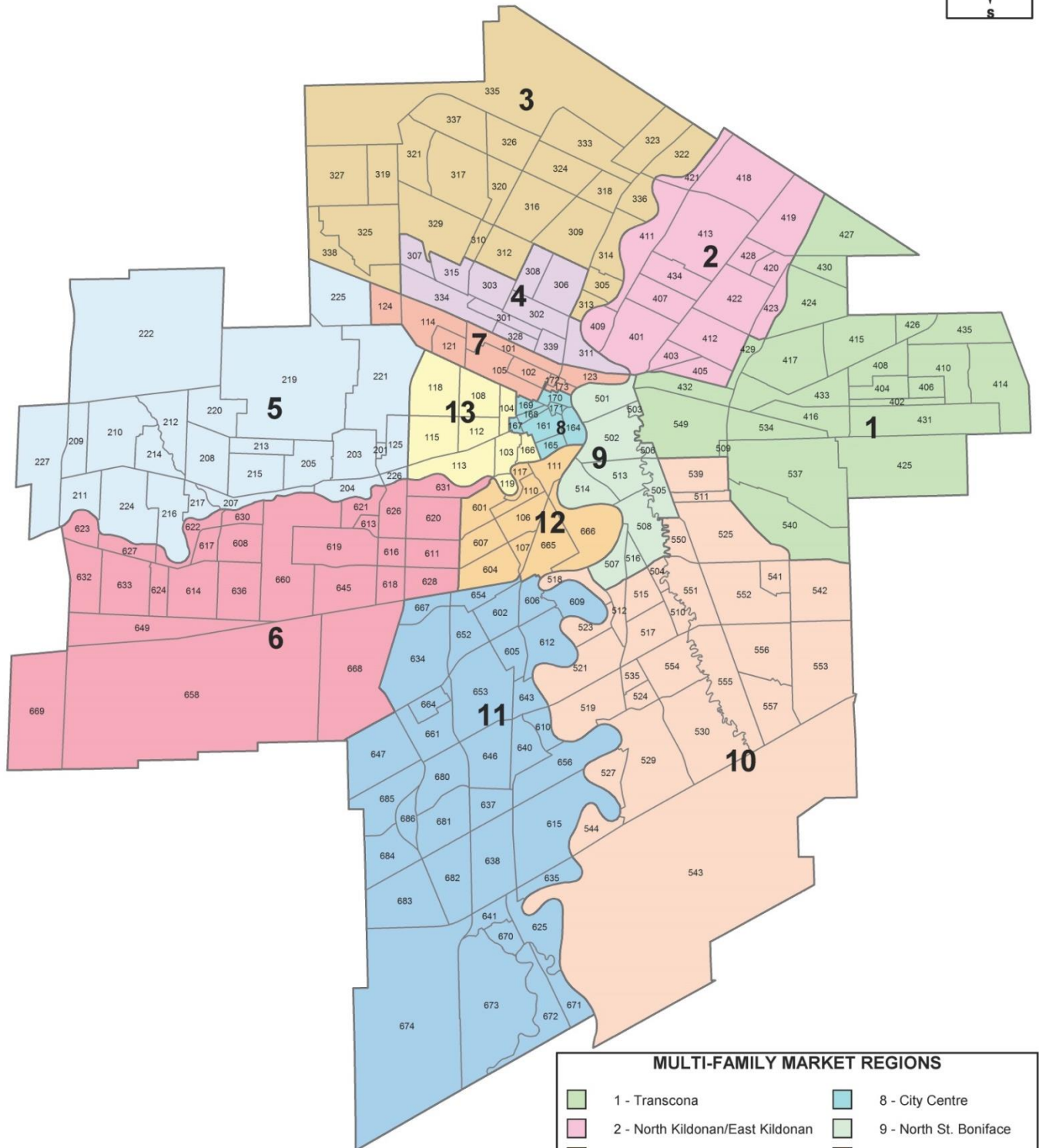
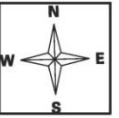
### Market Regions

For valuation purposes, the city is divided into thirteen multi-family market regions.

Market Region	General Description
1	Transcona
2	North Kildonan / East Kildonan
3	Old Kildonan / West Kildonan
4	North End
5	St. James / Assiniboia
6	Charleswood / Tuxedo
7	Centennial
8	City Centre
9	North St. Boniface
10	St. Boniface / St. Vital
11	Fort Garry
12	Fort Rouge
13	West End

A map of the above market regions is shown on the following page.

# Multi-Family Market Regions



**City of Winnipeg**

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## MULTI-FAMILY MARKET REGIONS

- |                                  |                             |
|----------------------------------|-----------------------------|
| 1 - Transcona                    | 8 - City Centre             |
| 2 - North Kildonan/East Kildonan | 9 - North St. Boniface      |
| 3 - Old Kildonan/West Kildonan   | 10 - St. Boniface/St. Vital |
| 4 - North End                    | 11 - Fort Garry             |
| 5 - St James/Assiniboia          | 12 - Fort Rouge             |
| 6 - Charleswood/Tuxedo           | 13 - West End               |
| 7 - Centennial                   |                             |

## Description of Multi-Family Inventory

The following tables show the multi-family inventory profile by market region, effective age group, unit group, size group and storey group (all counts are approximate at the time of this report).

<b>Market Region</b>	<b>Count</b>
1 Transcona	53
2 North Kildonan / East Kildonan	235
3 Old Kildonan / West Kildonan	141
4 North End	117
5 St. James / Assiniboia	115
6 Charleswood / Tuxedo	57
7 Centennial	86
8 City Centre	115
9 North St. Boniface	181
10 St. Boniface / St. Vital	142
11 Fort Garry	218
12 Fort Rouge	175
13 West End	334
<b>Total</b>	<b>1,969</b>

<b>Effective Year Built</b>	<b>Count</b>
Before 1946	262
1946 to 1959	339
1960 to 1974	710
1975 to 1997	431
1998 to 2009	66
After 2009	161
<b>Total</b>	<b>1,969</b>

<b>Unit Group</b>	<b>Count</b>
10 or less	452
11 to 30	756
31 to 60	334
61 to 100	195
101 to 200	185
Over 200	47
<b>Total</b>	<b>1,969</b>

<b>Size Group (sqft)</b>	<b>Count</b>
Less than 8,000	418
8,000 to 14,999	385
15,000 to 29,999	441
30,000 or More	725
<b>Total</b>	<b>1,969</b>

<b>Storey Group</b>	<b>Count</b>
1 to 3	1,554
4 to 6	248
7 to 9	66
10 or more	101
<b>Total</b>	<b>1,969</b>

## Independent Variables

The variables that affect the estimated potential gross income (PGI)—which includes rent, parking, and other income—are as follows:

- Market region
- Effective year built
- Quality
- Number of rental units
- Total gross floor area
- Average rental unit size
- Unit type mix
- Amount of parking
- Amenities
- Site influences

## Calibration of the Sub-Models

### *Potential Gross Income (PGI)*

The PGI estimates generated by the model range between \$375 to \$2,100 per unit per month; the median is \$905. Most of the PGI estimates fall between \$735 and \$1,145 (20<sup>th</sup> and 80<sup>th</sup> percentiles).

### *Vacancy and Collection Loss*

The vacancy and collection loss rates in the model range from 2.0% (for market regions 1 and 9) to 4.7% (for market region 8). Other vacancy rates are 3.2% (for market regions 2, 4, 5, 6, 7, 10, 12, and 13) and 4.2% (for market regions 3 and 11).

### *Operating Expenses*

The operating expenses generated by the model range from 34.74% to 65.74% of effective gross income (EGI); the median is 48.38%. (EGI is the potential gross income less vacancy and collection loss.)

### *Capitalization Rates*

Capitalization rates for the sold properties are calculated by dividing the model-generated NOI estimates by sale prices that are time-adjusted to April 1, 2021. Analysis of these rates results in the model capitalization rates ranging from 3.85% to 7.40%.

Capitalization rates for most properties range from 4.90% to 5.65% (20<sup>th</sup> and 80<sup>th</sup> percentiles).



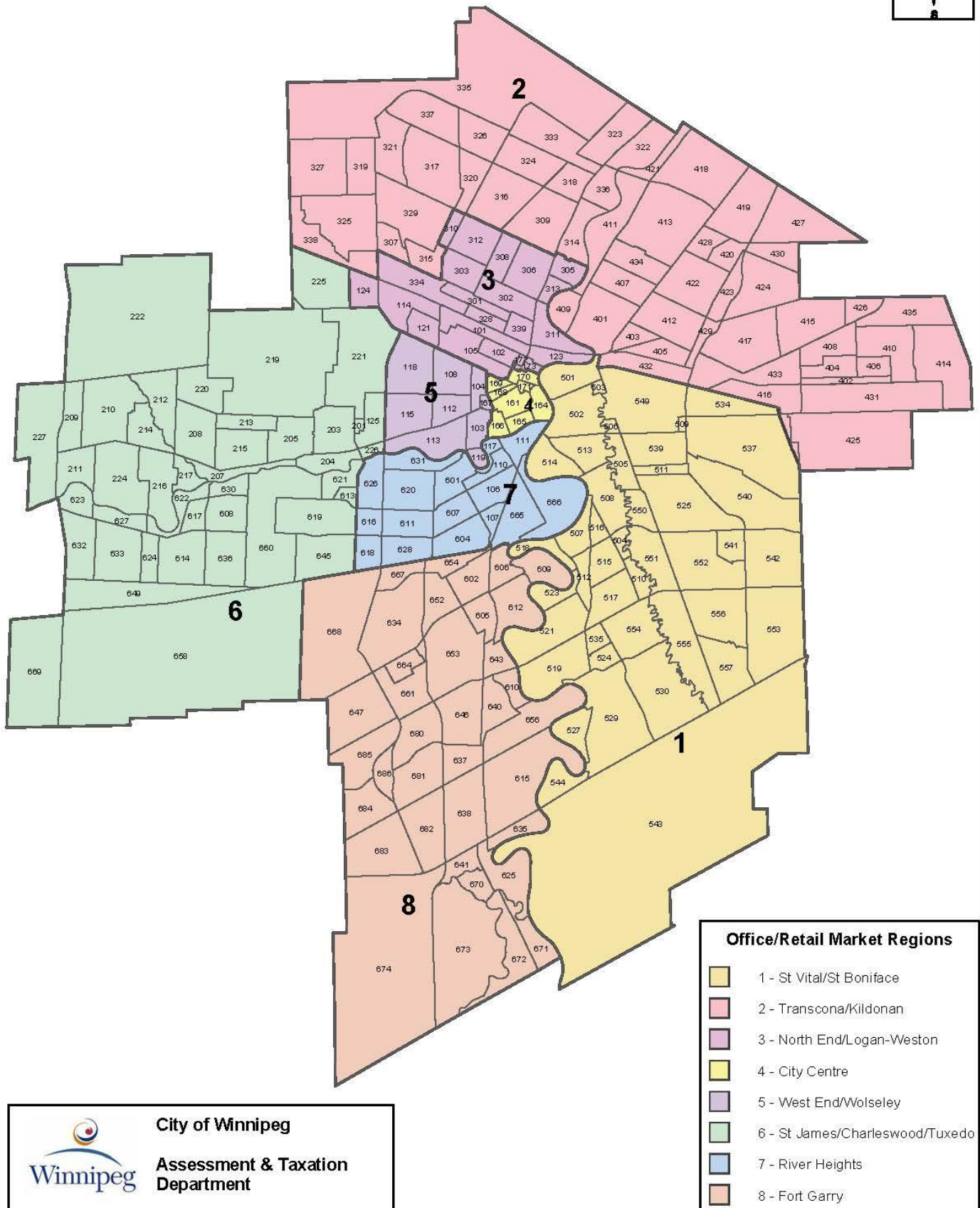
## Valuation of Office and Retail Properties

### Market Regions

For valuation purposes, the city is divided into eight office-retail market regions.

Market Region	General Description
1	St. Vital / St. Boniface
2	Transcona / Kildonans
3	North End / Logan / Weston
4	City Centre
5	West End / Wolseley
6	St. James / Charleswood / Tuxedo
7	River Heights
8	Fort Garry

A map of the above market regions is shown on the following page.



### Description of Office, Retail and Vehicle Inventory

The following tables show the office, retail and vehicle inventory profile by market region, age, and building size (all counts are approximate at the time of this report and exclude the Parking Property Types).

Market Region	Count		
	Office	Retail	Vehicle
1 St. Vital / St. Boniface	169	275	68
2 Transcona / Kildonans	121	402	123
3 North End / Logan / Weston	137	332	77
4 City Centre	196	92	4
5 West End / Wolseley	122	267	28
6 St. James / Charleswood / Tuxedo	120	270	61
7 River Heights	129	250	33
8 Fort Garry	83	144	43
<b>Total</b>	<b>1,077</b>	<b>2,032</b>	<b>437</b>

Effective Year Built	Count		
	Office	Retail	Vehicle
Before 1926	28	79	1
1926 to 1945	45	157	4
1946 to 1974	358	741	172
1975 to 1997	437	691	161
1998 to 2009	126	236	60
After 2009	83	128	39
<b>Total</b>	<b>1,077</b>	<b>2,032</b>	<b>437</b>

Size (sq ft)	Count		
	Office	Retail	Vehicle
5,000 or less	433	1,188	216
5,001 to 15,000	353	500	121
15,001 to 30,000	109	151	55
30,001 or more	182	193	45
<b>Total</b>	<b>1,077</b>	<b>2,032</b>	<b>437</b>

## Independent Variables

The variables that affect the estimated potential rental income are as follows:

- Market region
- Effective year built
- Quality
- Property type
- Leasable area
- Tenant class
- Premise location
- Amount of parking
- Site influences

<b>Office Property Types</b>	
OFA	Office—Class A
OFB	Office—Class B
OFC	Office—Class C (3 storeys or more)
OFD	Office—Old—Downtown (3 storeys or more)
OFS	Office (1-2 storeys; 3 storey suburban)
OFM	Office—Medical/Dental
OFR	Office—Converted from residential
BNK	Banks & Credit Unions

<b>Retail Property Types</b>	
CSC	Community Shopping Centre
NSC	Neighbourhood Shopping Centre
RET	Retail
RRC	Retail—Converted from residential
RSC	Regional Shopping Centre
RST	Restaurant
RWC	Retail Warehouse
SKP	Store/Kiosk with fuel pumps
STP	Strip Mall
SUM	Supermarket

<b>Vehicle Property Types</b>	
VCD	Vehicle Dealership
VCW	Vehicle Car Washes
VSG	Vehicle Service Garage (repair)

<b>Parking Property Types</b>	
PKL	Parking Lot
PST	Parking Structure

Tenant class	
A1	High Quality Finish
A2	High Quality Restaurant
B1	Banks / Credit Unions
C0	Fast Food Restaurants
C1	Retail Warehouse
C2	Standard Finish
C3	Food Court
C4	Standard Quality Restaurant
C5	Kiosks
C6	Storage / Mezzanine Space
C7	Government
C8	Cinema / Entertainment
C9	Basement Leasable Space
O8	Substandard Basement / Storage Finish

### Calibration of the Sub-models

#### *Potential Rental Income*

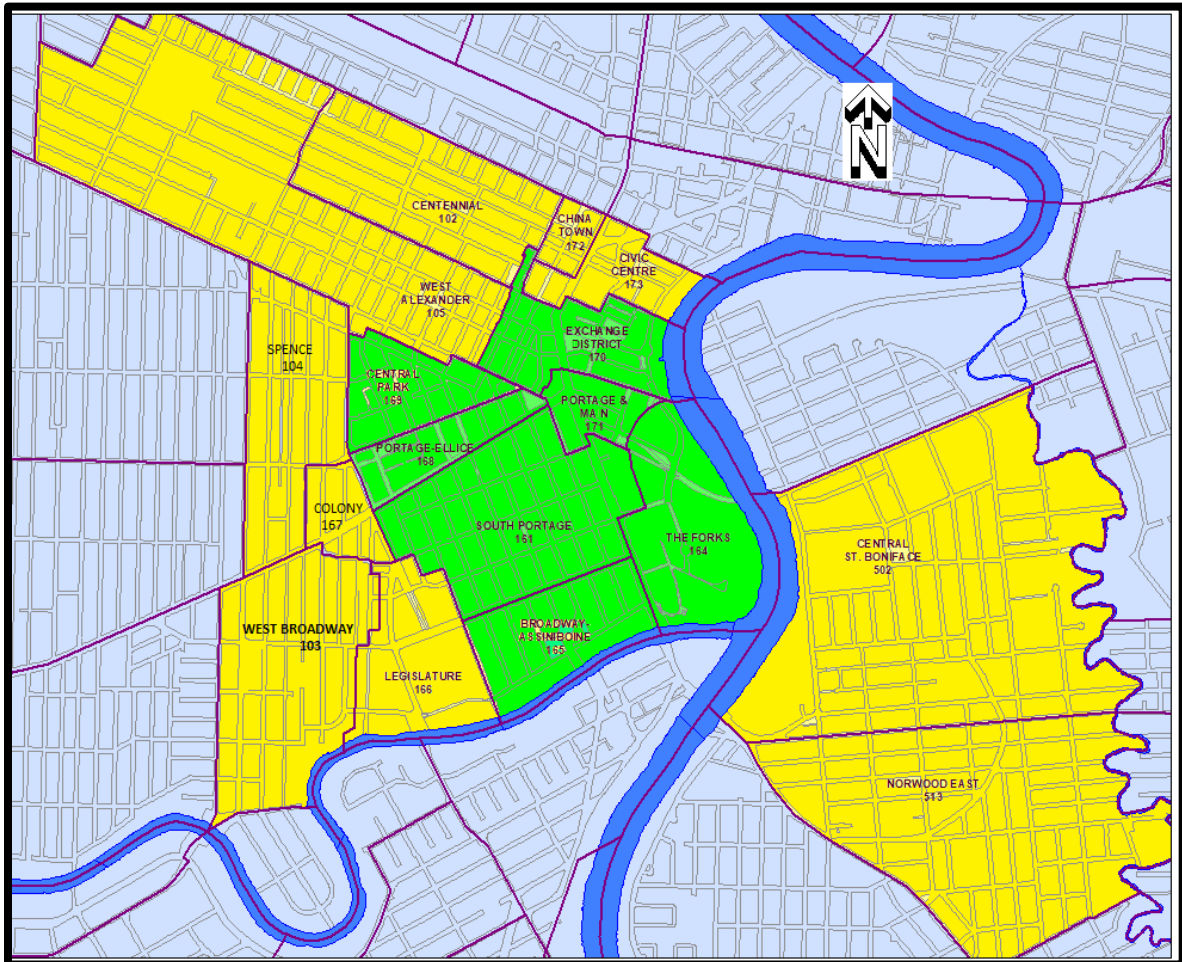
Most of the net rents generated by the model fall between \$11.58 and \$21.53 per square foot (20<sup>th</sup> and 80<sup>th</sup> percentiles); the median is \$15.92.

#### *Parking Income*

The net monthly incomes per stall for surface parking lots and parking structures are shown in the table below. These income rates are net of vacancy loss and operating expenses.

Parking Type	Location	Net income per stall (\$) Range
PKL Parking Lot (Inner Downtown)	NCA's 161, 164, 168, 170, 171 (green area)	56.00 – 104.00
PKL Parking Lot (Outer Downtown)	NCA's 102, 103, 104, 105, 165, 166, 167, 169, 172, 173, 502, 513 (yellow area)	31.50 – 58.50
PKL Parking Lot (Suburbs)	All other NCA's	21.00 – 39.00
PST Parking Structure (heated)	All areas	63.00 – 117.00
PST Parking Structure (unheated)	All areas	56.00 – 104.00

*Parking Map*



*Vacancy and Collection Loss*

<b>Vacancy</b>	
<b>Property Type Class</b>	<b>Rate (%)</b>
BNK – Bank	2.0
CSC – Community Shopping Centre – Wpg Square in NCA 171	10.0
CSC – Community Shopping Centre – Wpg Square East in NCA 171	10.0
CSC – Community Shopping Centre – Portage Place in NCA 168	10.0
CSC – Community Shopping Centre – City Place in NCA 161	10.0
CSC – Community Shopping Centre – The Forks in NCA 164	10.0
CSC – Community Shopping Centre – True North Square in NCA 161	10.0
CSC – Community Shopping Centre – Airport in NCA 219	10.0
CSC – Community Shopping Centre – Convention Centre in NCA 161	10.0
RET – Retail	6.0
SKP – Store/Kiosk w/pumps	2.0
NSC – Neighbourhood Shopping Centre	5.0
RST – Restaurant	6.0
RWC – Retail Warehouse	4.0
RSC – Regional Shopping Centre – Polo Park in NCA 125	5.0
RSC – Regional Shopping Centre – St. Vital Centre in NCA 535	5.0
RSC – Regional Shopping Centre – Kildonan Place in NCA 433	5.0
RSC – Regional Shopping Centre – Seasons of Tuxedo in NCA 668	5.0
RSC – Regional Shopping Centre – Garden City in NCA 316	5.0
RSC – Regional Shopping Centre – Grant Park in NCA 604	5.0
SUM – Supermarket	4.0
RRC – Retail Residential Conversion	6.0
STP – Strip Mall	4.0
OFA – Office A	10.0
OFB – Office B	11.0
OFC – Office C	12.0
OFD – Office D	15.0
OFS – Office S Suburbs & OFR – Suburbs	6.0
OFS – Office S Downtown & OFR – Downtown	11.0
OFM – Office M Suburbs	5.5
OFM – Office M Downtown	15.0
VCD – Vehicle Dealership	2.0
VCW – Vehicle Car Wash	2.0
VSG – Vehicle Service Repair	2.0

*Non-Recoverable Operating Expenses*

<b>Shortfall</b>	
<b>Property Type Class</b>	<b>Rate (\$)</b>
BNK – Bank	8.00
CSC – Community Shopping Centre – Wpg Square in NCA 171	16.00
CSC – Community Shopping Centre – Wpg Square East in NCA 171	16.00
CSC – Community Shopping Centre – Portage Place in NCA 168	16.00
CSC – Community Shopping Centre – City Place in NCA 161	16.00
CSC – Community Shopping Centre – The Forks in NCA 164	18.00
CSC – Community Shopping Centre – True North Square in NCA 161	16.00
CSC – Community Shopping Centre – Airport in NCA 219	16.00
CSC – Community Shopping Centre – Convention Centre in NCA 161	16.00
RET – Retail	7.00
SKP – Store/Kiosk w/pumps	6.00
NSC – Neighbourhood Shopping Centre	9.00
RST – Restaurant	8.00
RWC – Retail Warehouse	6.50
RSC – Regional Shopping Centre – Polo Park in NCA 125	50.00
RSC – Regional Shopping Centre – St. Vital Centre in NCA 535	40.00
RSC – Regional Shopping Centre – Kildonan Place in NCA 433	34.00
RSC – Regional Shopping Centre – Seasons of Tuxedo in NCA 668	30.00
RSC – Regional Shopping Centre – Garden City in NCA 316	16.00
RSC – Regional Shopping Centre – Grant Park in NCA 604	16.00
SUM – Supermarket	6.50
RRC – Retail Residential Conversion	7.00
STP – Strip Mall	9.00
OFA – Office A	15.00
OFB – Office B	12.00
OFC – Office C	10.00
OFD – Office D	8.00
OFS – Office S Suburbs & OFR – Suburbs	8.00
OFS – Office S Downtown & OFR – Downtown	8.00
OFM – Office M Suburbs	8.00
OFM – Office M Downtown	10.00
VCD – Vehicle Dealership	6.00
VCW – Vehicle Car Wash	6.00
VSG – Vehicle Service Repair	6.00

<b>Non-Recoverable Expenses</b>	
<b>Property Type</b>	<b>Rate (%)</b>
All office, retail and garage properties	3.0



*Capitalization Rates*

Capitalization rates for the sold properties are calculated by dividing the model-generated NOI estimates by sale prices that are time-adjusted to April 1, 2021. Analysis of these rates results in the model capitalization rates ranging from 3.50% to 10.15%.

Capitalization rates for most properties range from 5.95% to 7.55% (20<sup>th</sup> and 80<sup>th</sup> percentiles).

## Valuation of Industrial Properties

### Market Regions

For valuation purposes, the city is divided into six industrial market regions.

<b>Market Region</b>	<b>General Description</b>
1	Old Kildonan / West Kildonan
2	North Kildonan / East Kildonan / Transcona / New St. Vital / New St. Boniface
3	Old St. Vital / Old St. Boniface
4	Fort Garry / Charleswood / Tuxedo / River Heights / St. James West
5	St. James East
6	City Centre / West End / North End / Fort Rouge

A map of the above market regions is shown on the following page.



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- 1 - Old & West Kildonan
- 2 - North & East Kildonan, Transcona, New St Vital, New St Boniface
- 3 - Old St Vital, Old St Boniface
- 4 - Ft Garry, Charleswood, St James West
- 5 - St James East
- 6 - City Centre, West End, North End, Fort Rouge

## Description of Industrial Inventory

The following tables show the industrial inventory profile by market region, age, and building size (all counts are approximate at the time of this report).

<b>Market Region</b>		<b>Count</b>
1	Old Kildonan / West Kildonan	343
2	North Kildonan / East Kildonan / Transcona / New St. Vital / New St. Boniface	287
3	Old St. Vital / Old St. Boniface	223
4	Fort Garry / Charleswood / Tuxedo / River Heights / St. James West	283
5	St. James East	350
6	City Centre / West End / North End / Fort Rouge	686
<b>Total</b>		<b>2,172</b>

<b>Effective Year Built</b>	<b>Count</b>
Before 1955	301
1955 to 1979	1,159
1980 to 1994	443
1995 to 2009	199
After 2009	70
<b>Total</b>	<b>2,172</b>

<b>Size (sqft)</b>	<b>Count</b>
6,000 or less	557
6,001 to 15,000	573
15,001 to 40,000	547
40,001 to 100,000	345
Over 100,000	150
<b>Total</b>	<b>2,172</b>

## Independent Variables

The variables that affect the estimated potential rental income are as follows:

- Market region
- Neighbourhood
- Effective year built
- Quality
- Property type
- Leasable area
- Tenant class
- Premise location
- Wall height
- Heat
- Basement / Mezzanine space

<b>Industrial Property Types</b>	
FWH	Flex Warehouse Flex Finished (50% - 100%) Flex Standard (0% - 25%)
LWH	Loft Warehouse
DWH	Distribution Warehouse
SWH	Storage Warehouse
MWH	Manufacturing – Heavy
MWL	Manufacturing – Light
TRW	Transit Warehouse – Truck Terminal

<b>Tenant class</b>	
A1	High Quality Finish
A2	High Quality Restaurant
B1	Banks / Credit Unions
C0	Fast Food Restaurants
C1	Retail Warehouse
C2	Standard Finish
C3	Food Court
C4	Standard Quality Restaurant
C5	Kiosks
C6	Storage / Mezzanine Space
C7	Government
C8	Cinema / Entertainment
C9	Basement Leasable Space
O8	Substandard Basement / Storage Finish

## Calibration of the Sub-models

### *Potential Rental Income*

Most of the net rents generated by the model fall between \$5.48 and \$8.56 per square foot (20<sup>th</sup> and 80<sup>th</sup> percentiles); the median is \$6.94.

### *Vacancy and Collection Loss*

<b>Vacancy</b>	
<b>Property Type Class / Location</b>	<b>Rate (%)</b>
Market region 1	4.0
Market region 2	3.0
Market region 3	4.0
Market region 4	3.5
Market region 5	7.0
Market region 6	6.5
Loft Warehouse	12.5

### Non-recoverable Operating Expenses

<b>Shortfall</b>	
<b>Property Type</b>	<b>Rate (\$)</b>
All industrial properties	3.85

<b>Non-Recoverable Expenses</b>	
<b>Property Type</b>	<b>Rate (%)</b>
All industrial properties	3.0

### *Capitalization Rates*

Capitalization rates for the sold properties are calculated by dividing the model-generated NOI estimates by sale prices that are time-adjusted to April 1, 2021. Analysis of these rates results in the model capitalization rates ranging from 3.50% to 11.15%.

Capitalization rates for most properties range from 5.53% to 7.35% (20<sup>th</sup> and 80<sup>th</sup> percentiles).

## **Testing and Evaluation of the Models**

The ratio statistics for the income-producing models meet the *Standard on Ratio Studies* published by the International Association of Assessing Officers (approved April 2013).

## **Mixed-Use Properties**

Properties with a combination of residential, office, retail, or industrial space are valued by applying the appropriate model to the income stream from each type of space. The total property value is the sum of the capitalized values of each income stream.