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SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY

Market Value Assessment in Saskatchewan Handbook

Shopping Centre

Valuation Guide

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Shopping Centre Valuation Guide

Market Value Based Assessment Legislation in Saskatchewan

Saskatchewan has different assessment legislation[1] than other jurisdictions in Canada that must be taken into account when valuing properties for assessment and taxation purposes. There are specific definitions in Saskatchewan for "base date", "market value", "Market Valuation Standard" and "mass appraisal". It is important to understand how these definitions relate to one another and the requirement for market value based assessments to be determined in accordance with the Market Valuation Standard.

Base Date is defined as "...the date established by the agency for determining the value of land and improvements for the purpose of establishing assessment rolls for the year in which the valuation is to be effective and for each subsequent year in which the next revaluation is to be effective;"

Market Value is defined as the "...amount that a property should be expected to realize if the estate in fee simple in the property is sold in a competitive and open market by a willing seller to a willing buyer, each acting prudently and knowledgeably, and assuming that the amount is not affected by undue stimuli;".

Market Valuation Standard means the "standard achieved when the assessed value of property:

(i) is prepared using mass appraisal;

(ii) is an estimate of the market value of the estate in fee simple in the property;

(iii) reflects typical market conditions for similar properties; and

(iv) meets quality assurance standards established by order of the agency;"

Mass appraisal is defined as "…the process of preparing assessments for a group of properties as of the base date using standard appraisal methods, employing common data and allowing for statistical testing;".

Assessment legislation in Saskatchewan requires that non-regulated property assessments be determined pursuant to the Market Valuation Standard. Throughout this Handbook the term "market value based assessments" is used to refer to non-regulated property assessments. Unlike single property appraisals, market value based assessments must be prepared using mass appraisal and "...shall not be varied on appeal using single property appraisal techniques". All Handbook references to market value are subject to the requirements of the Market Valuation Standard.

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[1] The following Acts provide the statutory basis for property assessment in Saskatchewan:

- *The Assessment Management Agency Act*
- *The Interpretation Act, 1995*
- *The Cities Act*
- *The Municipalities Act*
- *The Northern Municipalities Act, 2010*

For more details on how to access this information refer to Appendix 2: Resources - Section 2a (Queen's Printer).

1.0 Introduction

A shopping centre is a collection of retail outlets located on one property that offers a variety of goods for sale. These types of properties range in size, type of merchandise, age and construction materials.

Shopping centres return revenues to their owner(s) in the form of rents or other scheduled payments. They are typically purchased for investment purposes; therefore, a shopping centre's earning power is the critical element affecting its value from an investment point of view. Earning power is a function of the expected income from a centre and the risk associated with that income stream. All of these conditions affect how the market views a shopping centre and its market value based assessment.

1.1 Shopping Centres Covered in this Valuation Guide

The methods described in this valuation guide are designed to suit various types of shopping centres with the exception of strip malls. (Refer to the Strip Commercial Properties Valuation Guide).

The methods presented here may be applicable to other types of commercial properties but this valuation guide does not directly address any other type of property.

1.2 Scope of Valuation Guide

- This valuation guide is designed as an aid in the valuation of shopping centres for assessment purposes.
- It sets out a procedure to follow to derive market value based assessments for shopping centres using the income approach.
- This valuation guide provides a practical tool to evaluate and determine market value based assessments.
- Valuation parameters provide the guidelines that establish statistically sound market value based assessments for shopping centres as of the base date.
- This valuation guide is intended as a tool to aid the assessor in deriving market value based assessments; it is not intended to replace the assessor's judgement in the valuation process.
- The method presented in this valuation guide is aimed at deriving assessment values for a number of different groups of shopping centres.

Hypothetical data and analysis are provided throughout this Valuation Guide in the narrative and in various examples, tables and forms. These examples are provided for illustrative purposes only. The exact form of the market value based assessment analysis is up to the discretion of the assessor, subject to the Market Valuation Standard and other relevant legislation.

2.0 Analysis of Valuation Approaches

2.1 Approaches to Value

Sales Comparison Approach

Shopping centres are typically few in number in any given community. Shopping centres that do exist in a community can vary greatly in size, tenant mix, location and other factors that influence value. Due to the small number of these properties, there may be few or no sales available for comparison as of the base date. For these reasons, it is sometimes difficult to make the meaningful comparisons that are required to use the sales comparison approach for valuing shopping centres for assessment purposes.

Income Approach

Shopping centres generate rental income and such income can usually be defined in terms of income attributable to the real estate. Therefore, the income approach is a useful tool to determine market value based assessments of shopping centres.

Cost Approach

Shopping centre rents vary with general economic conditions as well as the supply and demand for retail space. As a result, the values of shopping centres tend to fluctuate over time. Without close analysis of inflationary and deflationary pressures, of changes in land values, and the proper application of depreciation, the cost approach will not yield accurate market value based assessments. Therefore, the cost approach is not recommended as the primary approach for the valuation of shopping centres.

2.2 Recommendation

The income approach to value reflects the manner in which the market views shopping centres because these properties are bought, sold and developed on the basis of their expected incomes. Since the income approach applies well in a mass appraisal environment, the following recommendation is made:

The income approach is recommended for the valuation of shopping centres for assessment purposes.

The theory behind the income approach to value is that a property's value reflects the present worth of anticipated or forecast future benefits from the real estate. As such, the income approach analyses the income and expenses of a shopping centre and converts the typical net revenue into an estimate of value.

2.3 Application of the Income Approach

Income Approach Methods

In general, there are two methods available to convert future income into a present value:

- Direct capitalization method, and
- Yield capitalization (discounted cash flow analysis).

The direct capitalization method is most applicable to the valuation of income-producing properties in a mass appraisal environment. It requires the least amount of data to apply, reflects typical rents and market conditions, and is best suited to the use of statistical analysis. The yield capitalization method is not suitable for use in mass appraisal valuations in Saskatchewan due to its consideration of individual investor preferences (reflects personal versus typical market conditions), its need for more market data and numerous estimates of rents, holding periods and projected reversions, and its lack of suitability for statistical analysis. For these reasons the yield capitalization method will not be further detailed in this Guide.

Overview of the Direct Capitalization Method

The analysis in this section presents a direct capitalization method that is suited for mass appraisal applications.

Direct capitalization converts or "capitalizes" the expected level of potential net income into a market value based assessment using an overall capitalization rate. The conversion factor or capitalization rate is a reflection of all of the investor's relative and comparative feelings and aspirations about the property in light of the investment characteristics offered by the asset and in comparison to other investment opportunities on the market.

In its most basic form, the direct capitalization method is an elementary mathematical ratio involving the estimation of typical net operating income (NOI) as of the base date, which is then capitalized into value to produce a market value based assessment.

The Direct Capitalization Method

$$\text{Market Value} = \frac{\text{Net Annual Operating Income}}{\text{Capitalization Rate}} \qquad V = \frac{NOI}{R}$$

For example

NOI	=	$100,000
Capitalization Rate (R)	=	10%
Market Value	=	$100,000 ÷ 0.10 = $1,000,000

Although there are other methods of converting expected future income into an estimate of value (e.g. discounted cash flow), the direct capitalization method lends itself to mass appraisal applications. It is possible to develop market value based assessments under this formula through proper evaluation of the potential net income and through the selection of an appropriate capitalization rate.

In establishing market value based assessments using the income approach, the objective is to evaluate the typical income generated by the real estate. For shopping centres, this task is simplified by the fact that leases are typically established on a net basis (tenant pays all operating expenses including taxes). This factor serves to limit the amount of adjustments required in order to determine the net operating income attributable to the real estate.

2.4 Practical Valuation Process

In this valuation guide the direct capitalization model has been developed into a practical valuation tool with guidelines on:

- Collecting data;
- Analysing information;
- Developing valuation parameters;
- Determining market value based assessments; and
- Testing the quality of assessment values. (Refer to the Valuation Parameters Guide for a general discussion on statistical testing.)

3.0 Shopping Centre Valuation Process

3.1 Overview of the Procedure

1) Collect appropriate information.
2) Analyse data and establish valuation parameters.
3) Determine the potential typical net income (PGI):
   - Establish typical market rents for all anchor, Commercial Retail Unit (CRU) and other tenant space in the property.
   - Multiply rentable area by the typical market rents and add other income, as appropriate, to determine PGI.

PGI = (Rentable Area x Market Rent) + Other Income

4) Determine effective gross income (EGI):
   - Deduct for typical vacancy and collection loss.

EGI = PGI - Vacancy And Collection Loss

5) Establish net operating income (NOI):
   - Make appropriate deductions for typical non-recoverable operating expenses and typical shortfall.

NOI = EGI – Non-Recoverable Expenses - Shortfall

6) Capitalize NOI into value.

Value = Net Operating Income ÷ Capitalization Rate

7) Add/deduct other appropriate value, if required.
8) Determine a market value based assessment of the property.
9) Test results.

How the Approach Works

Start with Net Market Rents

The analysis starts from the premise that net market rents can be identified for the various types of tenants. The use of net market rents means that very few adjustments are required to determine the market value based assessment of the real estate.

Adjustments are then made for:

- Typical vacancy and collection loss;
- Typical non-recoverable expenses (expenses that are not passed on to the tenants); and
- Typical vacant space shortfall (expenses associated with operating vacant space)

to derive the typical net operating income.

Capitalizing NOI produces a value attributable to the real estate

The use of net market rents also means that non-real estate factors such as:

- Business value;
- Common Area Maintenance (CAM); and
- Property taxes

do not enter the calculations except in the determination of net market rents.

3.2 Collect the Appropriate Data

The first step in the process is to ensure that there is enough information to value the property.

More than any other factor, the type and quality of information that is available dictates the methods that can be used to value properties. The effort put in at the information collection stage will determine the quality of the final analysis.

Supporting Information

Sources of supporting information include: shopping centre owners/managers, real estate consultants and brokers, real estate publications (e.g., *Dollars and Cents of Shopping Centres*), industry associations, shopping centre guides and directories (e.g., *Canadian Directory of Shopping Centres*) and government sources.

Property Information

To compare, classify and develop valuation parameters for shopping centres, it is necessary to obtain pertinent physical and descriptive information. Much of the information required for shopping centre valuations can be obtained from a copy of the rent roll and the shopping centre Income and Expense Statements. *(Refer to Figure 2 and Figure 3.)*

1) To collect the appropriate financial information, the assessor can send a Request for Information Form to the shopping centre property owner (or the designated contact person). *(Refer to Section 6.0 Appendices for examples.)* If possible, request the following: actual information from owners or property managers:
    - Rentable areas for all tenants;
    - Base rents;

- Overage rents;
- Percentage rents;
- Other income;
- Inducements;
- Levels of occupancies or vacancies;
- Common area charges; and
- Unrecovered expenses.

2) Examples of leases.
3) Information on sales of shopping centres.

Property Inspection

To keep records up to date, all assessed properties are generally inspected from time to time. Along with the physical measurements, the following types of items may be noted when inspecting a shopping centre:

- Quality of buildings;
- Condition of buildings;
- Levels of occupancies or vacancies;
- Land use;
- Surplus or excess land;
- Extraordinary features;
- Parking; and
- Photograph of property.

Where there appears to be surplus or excess land, the assessor may note this on the record and review the zoning and land use by-laws governing the property.

An analysis of the property information and property inspection information will enable the assessor to arrive at conclusions about:

- The characteristics and nature of the shopping centre market in the jurisdiction and/or market area;
- Typical vacancy and collection loss factors;
- Typical management and operating expenses; and
- Typical market rents for various types of buildings and various types of tenant space.

Information on sales of shopping centre in the market must also be collected to assist in the development of appropriate capitalization rates.

Issues to Consider in the Collection of Data

Non-standardized Rent Rolls

There is no standardized format for rent rolls. Some rolls may only contain basic face rent and rentable area information while others may include details of rents, terms, CAM and tax and overage payments. Furthermore, some rolls may indicate monthly payments while others indicate annual rental rates.

The objective is to convert all figures into annual rents per square foot of rentable area so that these figures may be used and compared to rents in other shopping centres.

Relevant Expenses

The Income and Expense Statement should be reviewed to establish CAM costs at the shopping centre. Expenses are generally separated into a number of categories including:

a) Recoverable expenses, which determine the CAM fees (excluding taxes), and

b) Non-recoverable expenses that form part of the unrecovered costs of operating the shopping centre.

There are two points to be aware of when reviewing expense items:

1) As part of their CAM contributions, tenants may be usually charged an administration fee that goes to pay for shopping centre management. Typically this fee is a percentage surcharge on the CAM contribution.

2) Expense items such as mortgage interest, debt service, loan interest and depreciation do not form part of the net income calculation for valuation purposes.

Figure 1: Rent Roll Example

SHOPPING CENTRE: **LOCATION:** **My Town**

TENANT LEASE SUMMARY AS OF : **. Year**

UNIT No.	TENANT	TRADE NAME	COMM DATE			EXPIRY DATE			LEASED AREA	RENT PER SQ.FT
L101	CALDERONE SHOE CO. LIMITED	CALDERONE	88	10	3	98	10	31	3.214	40.00
L104	DALMYS (CANADA) LIMITED /	ANTELS	88	10	3	98	10	31	6.665	43.00
L105	COLES BOOK STORES LIMITED	ACTIVE MINDS...COLES FOR KIDS	88	11	1	98	10	31	2.214	30.00
L106	SCI-TECH EDUCATIONAL INC.	THE NATURE STORE	91	11	15	1	10	31	1.549	40.00
L107	945150 ONTARIO LIMITED	WALL STREET	91	10	1	1	9	30	1.314	50.00
L108	BEDO RETAIL STORES INC.	BEDO	88	10	3	93	3	2	2.176	40.00
L109	712570 ONTARIO LTD.	MELROSE	92	6	1	97	5	31	869	0.00
L110	G. WALIA HOLDINGS LTD.	NORMA REED	88	10	3	98	10	31	2.135	30.00
L111	BIKINI VILLAGE INC.	BIKINI VILLAGE	88	10	3	96	10	31	2.073	40.00
L112	389194 ONTARIO LTD	SPATARO'S HAIR STYLING	88	10	3	98	10	31	1.042	45.00
L113	THE TORONTO DOMINION BANK LTD.	TD BANK/ATM	88	10	3	98	10	31	514	35.00
L114	SIVEX HOUSEWARES ENTERPRISES	SILVER DOLLAR	92	4	11	99	4	30	2.071	20.00
L115	LIQUOR CONTROL BOARD OF	L.C.B.O.	89	2	1	99	1	31	6.273	31.00
L115	LIQUOR CONTROL BOARD OF	L.C.B.O. - STORAGE	89	2	1	99	1	31	4.771	10.00
L116	HENRY BIRKS & SONS LIMITED	OSTRANDER'S JEWELLERS	88	10	22	93	1	10	1.523	60.00
L118	STRAUSSCO HOLDINGS LTD	STAR MEN'S WEAR	91	8	1	94	3	31	1.556	40.00
L119	MOPET INVESTMENTS LIMITED	AQUARIUM TORONTO	88	11	11	98	11	30	1.513	40.00
L119	KINNEY CANADA INC.	CHAMPS	88	10	3	98	10	31	3.233	45.00
L120	ST. CLAIR PAINT LTD &	ST. CLAIR	88	11	2	93	4	23	1.773	34.00
L121	COUNTRY STYLE REALTY LIMITED	COUNTRY STYLE	92	4	15	97	7	31	1.466	0.00
L122	JAPAN CAMERA CENTRE LIMITED	JAPAN CAMERA	88	11	4	98	11	30	1.216	80.00
L123	ABERDEEN FLORIST	ABERDEEN FLORISTS	88	11	20	93	2	19	1.128	50.00
L124	ELFIN INVESTMENTS LIMITED	BROWSER'S NOOK	92	5	7	2	5	31	1.128	30.00
L125	ONTARIO HYDRO	YOUR HYDRO STORE	88	11	2	93	1	31	1.153	45.00
L126	BELL CANADA	BELL PHONE CENTRE	88	11	7	95	11	30	1.248	55.00
L127	VACANT UNIT	VACANT (STORAGE)	90	4	16	98	10	31	320	0.00
L128	BIG MALL FURNISHING LTD.	CHAIR PLACE	92	6	1	92	12	1	4.412	0.00
L129	975513 ONTARIO LTD.	TREATS	88	11	2	95	11	30	408	75.00
L130	EVERBEST BAKERY (FAIRVIEW) LTD	EVERBEST BAKERY	92	6	1	93	12	9	750	0.00
L131	KINNEY CANADA INC.	FOOTLOCKER	88	11	10	98	11	30	1.880	40.00
L132	PANTORAMA INDUSTRIES INC./	PANTORAMA	88	11	2	98	11	30	1.621	50.00
L133	GERRY LEWIS LIMITED	LEWISCRAFT	88	11	2	98	11	30	1.621	45.00
L134	JOBA MANAGEMENT LIMITED	JOSEPH'S	88	11	1	98	10	31	1,621	40.00

Figure 2: Income & Expense Statement Example

XYZ Mall

INCOME AND EXPENSE REPORT
12 MONTHS ENDING OCT. 31/Year

RENTAL INCOME			
RENTAL INCOME - BASIC			$11,011,216
OFFICE RENT			$67,674
PERCENTAGE RENT			$17,629
RENT - PAYMENT DEFERRED			$245,908
STORAGE RENT			$76,188
TERMINATION FEES			$175,544
OTHER RENT			$57,059
HVAC BASIC CHARGE			$365,437
RENT			**$12,016,655**
	PERCENTAGE RENT		$102,418
	RECOVERIES - OTHER		$2,322,387
	RECOVERIES - REALTY TAXES		$3,098,081
	MISCELLANEOUS		$30,494
TOTAL RENTAL INCOME			**$17,570,035**
OPERATING EXPENSES			
	INSURANCE		$45,741
	OPERATING		$316,057
	MAINTENANCE		$1,036,119
	CLEANING		$318,634
	UTILITIES		$622,409
	ADMIN-RECOVERABLE		$110,333
RECOVERABLE EXPENSE			**$2,449,293**
REALTY TAXES			$3,173,624
MANAGEMENT FEES			$437,508
	LEASING	$33,180	
	PROMOTION	$97,792	
	ADMIN(NON-RECOVERABLE)	$357,654	
ADMIN & MARKETING			$488,626
			$6,549,051
NET CONTRIBUTION			**$11,020,984**

3.3 Analyse the Data, Establish Type of Shopping Centre and Valuation Parameters

Data Analysis

For the assessor to gain full value from the data collected, the data should be organized in such a way that meaningful comparisons can be made and valuation conclusions drawn. By collecting and organizing the data on a number of shopping centres it becomes possible to establish the typical performance, characteristics and valuation parameters to apply in the valuation of other shopping centres.

Collecting and tabulating such data also enables the assessor to distinguish between the typical value of real estate components and the actual performance of a specific property. A market value based assessment determined through mass appraisal methods demands the application of a property's typical performance in the marketplace, not its actual performance. As noted in the Valuation Parameters Guide, this requirement is established in the Market Valuation Standard mandated in legislation in Saskatchewan's municipal Acts.

Using Market Rents

In determining potential income, the assessor is not bound by the contractual rent between the landlord and the tenant. Market rents should be used to form the basis of valuation as opposed to actual rents because actual rents may reflect what market rents were at the time a given lease was negotiated (before the base date). Therefore, in order to capture the fee simple value of the real estate as of a particular date, typical market rents that reflect the market conditions as of base date should be employed.

Fee Simple Interest

For assessment purposes, the market value of a property is its fee simple value. Fee simple estate is defined (*The Appraisal of Real Estate*, *3rd Canadian Edition*, 2010) as "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the four powers of government: taxation, expropriation, police power, and escheat." A fee simple title is the ultimate ownership estate in real property and reflects all rights, title and interests in the property.

Leasehold Interests

Leasehold interests are created in a property where tenants pay less than the market rent. Such tenants could conceivably sublet their space for higher rents and enjoy some of the value of the property. To obtain a proper market value under these circumstances it is necessary to value interests of both the property owner and the tenants.

Following this line of thought, if all shopping centre space is valued on the basis of market rents, the expected potential income represents both the income collected by the owner and the fee simple estate in the property.

Types of Shopping Centres

The following is a list of the main types of shopping centres. However, it is up to the assessor to determine how shopping centres should be grouped (stratified) for determining valuation parameters:

- Regional and super regional centres
- Community centres
- Neighbourhood centres

Valuation Parameters

After collecting the necessary data, information should be analysed to produce for each type of centre:

- typical rents for different tenant types;
- CAM charges;
- vacancy allowances;
- non-recoverable operating expense;
- vacant space shortfall;
- expense rates; and
- capitalization rates.

Establishing valuation parameters by type of shopping center provides guidance for the assessor in establishing the values of various types of shopping centres**,** especially where the property owner has not provided any information.

Lease Analysis

There are several key elements to a lease between landlord and tenant:

- The quality, location and incentives given to the tenant in respect of the monies paid. For example, there may be cash incentives or free rent, or the rent may include services, appliances or furniture.
- The type of rental payment may range from fixed payments, step-up leases where rents are raised (or lowered) on a set schedule over a period of months or years, and/or leases based upon sales performance (overage rent).
- The term of the lease or the number of years (or months) it is expected to run and the various renewal options.
- The operating expenses that are expected to be met by the tenant including power, heat, interior maintenance and snow removal, among others. In addition, the lease may describe the rights of the tenant to review, question or appeal these expenses.

There are many individual factors contained within each lease. The importance of recognizing the differences between leases arises both in the analysis of value and in the comparison of value from one property to another.

Classifying the Centre

Once the information has been analysed and the valuation parameters have been determined, the next step in the valuation process is to identify the type of centre being valued.

The assessor can match the attributes of the shopping centre to the typical attributes and valuation parameters found in similar centres to assist in the derivation of market value based assessments.

This information assists in the selection of valuation factors such as vacancy, expense and capitalization rates. In addition, if rent rolls and lease information are unavailable, the typical rents also help the assessor to establish the rents for particular tenants in various types of centres.

To assist with the determination of the valuation parameters to be applied in the direct capitalization valuation process of a shopping centre, each property should be compared to the typical shopping centre of the same type.

Issues to Consider - Valuation Parameters

No matter how the information is reported, the objective is to establish all valuation parameters on the same basis (i.e. annual market rent per square foot of rentable area). However, some issues may arise in the analysis of this data.

Availability of Comparable Information

Relevant information may not be available in all instances to establish appropriate parameters. The objective is to explore the information database as far as practical to be satisfied that the parameter (or lack of parameter) is a reasonable conclusion.

Typical Base Rents by Lease Spaces

Along with vacancy, expense and capitalization factors, the valuation parameters provide typical base market rent ranges by types of lease spaces. Such lease space types may be as detailed as those found in *Dollars and Cents of Shopping Centers* or they may be broad general categories. The finer the detail in classifying lease spaces, the more difficult it may be to determine the rental rates for all of these lease space types. *(Refer to Section 3.4 for additional details.)*

Leasehold Improvements

Some assessors hold the view that the leasehold improvements put in by the tenants add value to the site. This question is debatable, but the most commonly held view is that such improvements do not change the rent that can be charged or obtained and therefore the improvements have limited if any value under an income approach.

In practice and from an owner's market perspective, the amount of rent that can and is collected in a shopping centre does not change if the space is finished or unfinished. Typically, some space in a shopping centre is leased in a finished or partially finished state and some is not. The rent that is collected reflects the market value of the space and thus includes the value of the leasehold improvements, if any.

3.4 Determine Potential Gross Income (PGI)

Potential gross income (PGI) is derived by valuing all leasable areas in the shopping centre by the typical market rent for that space.

All Rentable Area x Market Rent For Space = PGI

All Leasable Areas

Under this valuation process, all leasable areas, including vacant space, are valued. In this way, the potential income is established.

Measurement of Store Area – Gross Leasable Area (GLA)

The most common standard used in measuring tenant space in shopping centres is the GLA of the property. However, some rent rolls report gross floor areas and others report net floor areas for some or all of the tenants at the centre. It is important when comparing and establishing market rents that a uniform method of describing and measuring the space for each tenant is maintained so that useful comparisons can be made.

Confusion sometimes arises over the inclusion or exclusion of certain store areas in the determination of GLA:

- Mezzanines;
- storage areas;
- basement areas;
- maintenance areas; and
- washroom areas, etc.

GLA generally refers to the area where retail activity takes place plus any parts of the store that are used exclusively by the tenant. However, the authoritative interpretation of the area occupied by any particular tenant is derived from a demised premises clause often found in the lease and/or an architect's certificate of area.

Using Market Rents

Contract rent is the rent payable to the owner for the occupancy of the space. It is the rent that the owner receives as income that is distinct from payments received for specific expenses. In valuing the fee simple interest of a property, typical market rents are used to form the basis of the valuation as opposed to actual rents.

Establishing Potential Income

To properly analyse the income from a shopping centre the following factors are typically taken into account:

Investors in shopping centres base their purchase price on the net income expected to be achieved from the property. The goal of market value based assessments is to reflect the rationale and actions of the marketplace. Therefore, the valuation method described is based upon the determination of net income.

From an assessment perspective, income analysis should capture all interests in the real property. Therefore, all potential real property income should be analysed.

Income Sources

Potential income is derived from all sources in a shopping centre. As different vacancy rates can apply to different categories of tenants (e.g., anchor tenants, CRU tenants), the valuation procedure tabulates the income for each of the following types of tenants:

a) Major Tenants

- Department stores;
- Discount department stores;
- Junior department stores; and
- Supermarkets.

b) Commercial Retail Units (CRUs)

- Retail units; and
- Kiosks.

c) Other Tenants

- Office units;
- Other rentable space; and
- Land leases.

The total potential income from each category of tenant is tabulated. *(Refer to Figure 3.)* The reason for distinguishing between the incomes from the three types of tenants is that rental and vacancy rates can vary for each tenant type.

In addition, a shopping centre may derive additional rental income (that may not be subject to vacancy conditions but forms part of the effective gross annual income) from the following sources:

d) Other/Miscellaneous Income

- Sign rentals;
- Common area rental (net income);
- Parking charges;
- Rent from amusement games/photo booth; and
- Other income attributable to the real estate.

Valuing Other Commercial Components

If the shopping centre property contains other commercial components (for example, an office building or hotel), these parts of the property could be valued separately. These other commercial components may be valued using procedures found in the other valuation guides (e.g. Office and Hotel / Motel Valuation Guides). The totals of all such values would then be added together to form the total property value.

Figure 3: Shopping Centre Rent Roll Analysis Example

Valley Mall	Roll#	Base Date:	Date of Rent Roll

Loc.	Cd	Trade Name	Rent Area	Lease Dates			Rents per SF		Adjust-	Net	Market	Market
				Start	End	Term	Base	Overage	ments	Rent	Rent	Rent - Total
Major Tenants												
T001		K MART	64,560	01-Aug-76	31-Jul-01	25.0	$3.50	$0.00	($0.75)	$2.75	$5.00	$ 322,800
T002		SAFEWAY	35,420	03-Oct-86	31-Oct-01	15.1	$8.00	$0.00		$8.00	$9.00	$ 318,780
						0.0				$0.00		$ 0
						0.0				$0.00		$ 0
						0.0				$0.00		$ 0
Total		**2**	**99,980**									**$641,580**
CRU Tenants												
L100		CALDERONE	2,214	03-Oct-90	01-Jan-98	7.3	$25.00	$1.50		$26.50	$29.00	$ 64,206
L102	V	VACANT	6,665			0.0				$0.00	$25.00	$ 166,625
L103		COLES BOOKS	1,714	01-Nov-90	01-Nov-98	8.0	$22.00			$22.00	$30.00	$ 51,420
L105		FOOTLOCKER	2,549	01-Apr-95	01-Apr-98	3.0	$28.00	$1.75		$29.75	$30.50	$ 77,745
L106		WALL STREET	1,314	01-Jun-96	31-May-99	3.0	$35.50			$35.50	$35.50	$ 46,647
L109		NORTHERN REFLECTIONS	2,176	15-Jul-97	15-Jul-00	3.0	$30.50			$30.50	$30.50	$ 66,368
L110		DONUT MAN	869			0.0	$0.00	$41.00		$41.00	$50.00	$ 43,450
	V	2 TENANTS	10,242			0.0				$0.00	$28.00	$ 286,776
		50 TENANTS	61,668			0.0				$0.00	$29.00	$ 1,788,372
						0.0				$0.00		$ 0
						0.0				$0.00		$ 0
						0.0				$0.00		$ 0
						0.0				$0.00		$ 0
						0.0				$0.00		$ 0
						0.0				$0.00		$ 0
Total		**9**	**89,411**								**$28.99**	**$2,591,609**
Other Tenants												
O201		J & D ACCOUNTANTS	1,200	10-Jan-93	10-Jan-99	6.0	$8.00		($0.75)	$7.25	$11.00	$ 13,200
O202		STATE FARM INSURANCE	1,200	30-Mar-96	01-Sep-99	3.4	$11.00			$11.00	$13.50	$ 16,200
O20	V	VACANT	1,575			0.0				$0.00	$12.00	$ 18,900
O104		COMMUNITY DENTISTS	7,665	01-May-97	01-May-02	5.0	$9.00			$9.00	$11.50	$ 88,148
						0.0				$0.00		$ 0
Total		**4**	**11,640**								**$11.72**	**$136,448**

Land Leases, Pads and Exterior Buildings

Any assessable interest, including exterior buildings that would be transferred with the exchange of ownership, is eligible for assessment as part of the shopping centre. The value of pads or land leases is not simply a function of the rents paid for the land, but the amount that the exterior building (e.g., restaurant, bank or service station) would rent for. For example, a shopping centre with two equivalent external fast food restaurants, one on a land lease and the other paying a typical market rent of $20 per square foot, are both valued at $20 per square foot to reflect the amount the market is willing to pay for a restaurant property (land and building).

Determining Market Rents as of the Base Date

Base Rent

To establish the market value based assessment of a shopping centre, the income calculation must be based upon the appropriate typical market rents for the leasable areas.

Typically the primary source of market rent information for shopping centres are rent rolls. Using these rent rolls, market rents can be determined from:

- Actual leases signed as of the base date.
- Actual leases within the first three years of their terms as of the base date.
- Current rents as of the base date for similar types of lease spaces in the same shopping centre.
- Older leases with active overage rent or step-up clauses.

As a secondary source of rent information and as a check on the rents derived from the rent rolls, the rental rates can be compared to the rents established for similar types of stores in similar shopping centres.

Overage Rent

Overage rent should be added to the base rent in order to determine the net rent paid. Overage rent may form a minor or significant portion of the rent collected in a shopping centre. Sometimes information on overage rent is provided on a rent roll but more often it is found as a summary figure on the Income and Expense Statement. If the rent roll specifies the overage rent for each tenant, the net rent to the owner is the sum of the base rent plus the overage rent. However, if the overage rent is totalled on the Income and Expense Statement, some adjustment to tenant rents may be necessary in the determination of market rental rates.

The use of overage rent for mass appraisal purposes requires careful analysis based on data and market observations. (Refer to the Valuation Parameters Guide for a general discussion on overage rent.)

Inducements

In order to establish the typical net market rent in situations where the tenants receive inducements, it is necessary to analyse the terms and conditions of these inducements.

Landlords may offer inducements to tenants in order to attract them into a building. Generally speaking, the amounts of inducements are higher in times of higher vacancies. Inducements can consist of one or more of the following:

- Leasehold improvements.
- Cash payments for various reasons.
- Periods of free rent.
- Lease buy-outs.

Inducements affect both the net income received by the owner and the effective rent paid by the tenant. For example, a five-year net lease for 2,500 square feet at a rental rate of $20 per square foot per annum is a fairly straightforward rental arrangement (total rent over five years = $20 x 2,500 x 5 = $250,000). If, however, the tenant negotiates one year of free rent or a $50,000 signing bonus, then the effective rent paid by the tenant is something less than the $20 per square foot stated on the rent rolls. Instead of paying $250,000 over the five-year lease the tenant now pays $200,000, or (without considering the time value of money) an average rate of $16 per square foot.

Leasehold Improvement Allowances

The most common form and application of inducements is the provision of leasehold improvements by the landlord either through actual construction or through a direct cash payment to the tenant.

Since the valuation procedure presented in this valuation guide is based on the net effective rent for finished space, the income analysis incorporates the value of leasehold improvements. Because of this approach, inducements that are attributable to leasehold improvements should not affect the net market rents used in the assessment of a property. Therefore, no deduction or adjustments to the base rent should be made for inducements attributable to leasehold improvements.

Common Area Maintenance (CAM) Charges

Tenants of a shopping centre may be partially responsible for the expense of operating the shopping centre and maintaining the common areas. Most leases provide for the recovery of Common Area Maintenance (CAM) as part of the rental payments made to the landlord. In a simplified world, all tenants cover all the expenses attributable to their existence in the property and no adjustments are required for CAM charges. The reality of the market place may be different:

- CAM expenses are not generally reported in a way that allows them to be appropriately assigned to each tenant.
- Some tenants, such as department stores, often limit the amount of CAM they will pay (e.g. $1 per square foot to be increased in five-year intervals by the change in the Consumer Price Index).

When the rental arrangements of a tenant do not reflect the actual CAM expense attributable to that tenant, the actual rent received by the owner may be higher or lower than the base rent. In such cases adjustments may have to be made for the excessive or deficient CAM payment.

In a shopping centre the landlord may establish the total CAM expenses, deduct the amount contributed by the anchor stores, and split the remainder among the CRU tenants according to their square footage.

It follows that in any shopping centre where the contract rent of a major tenant includes some limit on the amount of CAM paid, then an adjustment may be required to establish market rents.

Market Rent Conclusion

Using current rental figures, market rent may be determined as follows:

Market Rent = Base Rent + Overage Rent - Inducement + CAM Adjustment

Derive Potential Gross Income - Summary

The assessor uses information from the rent rolls to determine market rents and hence the expected potential annual income for shopping centres. As indicated, income should be derived on the basis of the market rents for a given lease space that reflects conditions as of the base date. The entire rentable area of the shopping centre, both vacant and occupied space, should be valued on this basis; the resulting calculation will be the expected potential rent.

Figure 4: Potential Gross Income Calculation Example

Market rent majors	$641,580
Market rent CRUs	$2,591,609
Market rent other	$136,448
PGI	$3,369,637

3.5 Determine Effective Gross Income (EGI)

Effective gross income (EGI) is equal to the potential gross income (PGI) for the centre less the typical vacancy and collection loss.

Vacancy

Vacancy reflects the amount of space that is typically vacant in a type of shopping centre. Two issues arise when considering vacancy:

1) Not all categories of tenants experience the same vacancy conditions. Therefore, up to three or more different vacancy rates may be reflected in the valuation of a centre:
    a) Vacancy rates for major tenants (anchors, secondary anchors),
    b) Vacancy rates for CRU tenants, and
    c) Vacancy rates for other (office) tenants.
2) The vacancy and collection loss should recognize the typical loss in income to the owner. As such, it should consider the type of space that is vacant and the income that could typically be generated by that space.

The assessor may reflect a shopping centre's vacancy either on an individual category basis or as an overall shopping centre vacancy rate.

Collection loss represents rental and other payments that tenants owe but do not pay. In this valuation approach, deductions for bad debts are considered as part of the allowance given for typical vacancy.

Figure 5: Effective Gross Income Calculation Example

Potential gross income		3,369,637
Vacancy (overall)	7.5%	$252,723
Sub-total		$3,116,914
Other centre income		$77,314
EGI		$3,194,228

3.6 Establish Net Operating Income (NOI)

The operating expenses that are not recovered must be deducted from the effective gross income (EGI) to obtain the net operating income from the property.

Where leases are signed on a net rent basis, the tenant also agrees to pay his or her share (as defined in the lease) of the operating expenses associated with the property (also as defined in the lease). In a typical shopping centre, the operating costs such as real property taxes, heating, air conditioning, cleaning, etc., are apportioned among the tenants according to the arrangements stipulated by the leases. Net rent analysis attempts to reflect the value of the income net to the owner; that is, the income after all expenses have been paid. Even on a net rental basis, however, there are two areas where the property owner must cover expenses.

- Non-recoverable operating expenses - expenses that are not passed on to the tenants; and
- Vacant space shortfall - expenses associated with operating the vacant space

The EGI must be reduced by the amounts of non-recoverable operating expenses and vacant space shortfall that is typically reflected in the marketplace for the various classes of shopping centres, such adjustments supported by market evidence and analysis.

Unrecovered Operating Expenses

Unrecovered operating expenses is the term used in this Handbook to refer to the total of the operating expenses that are not recovered from the tenants. This includes non-recoverable operating expenses and vacant space shortfall.

Non-Recoverable Operating Expenses (typically not included in a lease)

The operating expenses that are typically not recovered from tenants under the terms of a lease are:

- Legal and audit fees
- Structural repairs and repairs that are capital in nature (and outside standard maintenance and repair work).

This may include such things as roof and wall repairs and parking lot resurfacing. In the operation of a shopping centre, these types of expenses generally do not occur every year.

- Advertising and promotion – This only includes advertisements by the management in the operation of the centre; for example, advertising to fill vacant space.
- Leasing commissions - In times of high vacancies and when the building is first being leased, leasing commissions (even though amortized over the term of the lease for which they are incurred) can have a large effect on the net income generated for the landlord. Leasing commissions should be taken into account when establishing the net effective rent paid by a tenant. However, if they have not been properly accounted for in determining the rent, they form part of the deduction for unrecovered operating expenses.

Vacant Space Shortfall

Expenses related to the cost of carrying vacant space are not chargeable to other tenants under typical lease arrangements. When space becomes vacant, the owner of the shopping centre carries the operating costs of that space. These costs include such things as heating and security associated with the unoccupied space as well as some operating expenses and realty tax payments that would otherwise have been made by a tenant. The expense represents a shortfall to the owner and, therefore, a deduction from the amount of income received from the shopping centre. In assessing the centre, the vacant space expense shortfall should be based on typical vacancy levels; that is, the same vacancy factor that is used to determine the EGI.

Studies completed as part of the shopping centre valuation parameters indicate the typical amount of costs to be deducted due to vacant space shortfall.

Vacant Space Shortfall = Typical Vacant Space x Vacant Space Operating Cost Per ft^2

Operating Expense Surcharge

A common clause contained in shopping centre leases is an administration charge or surcharge on operating expenses. In normal circumstances, part of the surcharge is attributed to the management and administration of the building and therefore covers the value of the management interest in the property. The other part of the surcharge contributes to the costs of the operating expenses attributable to the vacant space shortfall. The surcharge may reduce the non-recoverable operating expenses.

Determination of Net Operating Income

The objective of this valuation process is to determine the annual net operating income (NOI). When making the deductions for unrecovered operating expenses from the effective gross income, the assessor may annualize such expenses as structural repairs and other extraordinary repairs over a reasonable period of years. The same applies to leasing commissions that should be charged over the course of the lease term. By deducting the annualized portion of these expenses from the EGI, a more realistic picture of NOI is given and provides the foundation for a more stabilized market value based assessment for the shopping centre.

Issues with Expenses

Net or Gross Leases

Leases are generally referred to as being net or gross but in most cases they are not completely one or the other. In a net lease, the tenants pay for all operational costs, taxes, maintenance, etc.; the owner is not involved in the costs of operating the property. In a truly gross lease, the owner meets all operational expenses.

In shopping centres, most leases are structured to be net of expenses. However, in most shopping centres, this still leaves the owners with some unrecovered operating expenses.

Where leases are of a gross or semi-gross nature, efforts must be made to determine the net market rent. These steps may involve a comparison to similar space leased on net terms, or may require the assessor to deduct operating expenses from the gross lease in order to arrive at net rental rates.

Operating Expenses

Operating expenses are different from non-recoverable operating expenses. Operating expenses reflect the costs of operating the centre, most of which are recovered from the tenants including heat, light, power, maintenance and snow removal, to name a few. It is only some expenses that are non-recoverable.

Improper Expenses

Income and expense statements often contain accounting items that do not form part of the income approach procedure. Examples of such items are:

- Income taxes;
- Depreciation;
- Interest and debt service;
- Capital improvements; and
- Owner's business expenses (over and above reasonable expenses incurred in regards to the generation of income by the property).

Such expenses should not be deducted because they do not affect the value of the real estate. Depreciation in the income approach is treated as a form of value "recapture" and is therefore considered to be part of the capitalization rate. Debt service payments do not affect the value of the real estate; the price of a property will not change if there is or is not a mortgage - market value assumes a cash equivalent value. Capital expenses affect the long-term income-generating ability of the property and will therefore be reflected in the analysis of the income stream.

Figure 6: Net Operating Income Calculation Example

Effective gross annual income	$3,194,228
Non-recoverable expense (4%)	$127,769
Vacant space expense shortfall	$50,470
Net Operating Income	$3,015,989

Once deductions for unrecovered expenses have been made, the remaining figure represents the net operating income of the shopping centre.

3.7 Capitalize the Net Operating Income into Value

After estimating the net operating income (NOI), the market value based assessment is produced through the direct capitalization of the NOI.

$$\text{Value} = \text{Net Operating Income} \div \text{Capitalization Rate}$$

Establishing Capitalization Rates

Sales of Shopping Centres – Recommended Approach

Turning the equation in the capitalization method around produces the appropriate formula for establishing capitalization rates:

$$\text{Capitalization Rate} = \text{Net Operating Income} \div \text{Value (Sale Price)}$$

In the same manner that income and rents are analysed for property valuation purposes, the income and other data should be analysed for shopping centres that have sold as of the base date in order to establish the capitalization rates to be applied to shopping centers.

Other Approaches

If there is insufficient market sales evidence to establish capitalization rates, there are other possible ways such as mortgage-equity or band of investments to derive rates. These other approaches are not suitable for use in mass appraisal valuations in Saskatchewan.

Other Sources

Published capitalization rate studies and similar reports may be used in some markets as a general check on the rates determined by the assessor.

Selection of a Capitalization Rate

Selection of an appropriate capitalization rate is essential for the determination of an equitable market value based assessment for a property. The selection task starts with an analysis of the capitalization rates demonstrated in the sales of similar shopping centres.

After a review of the available information, appropriate statistical measures (median, mean, range, etc.) can be determined for capitalization rates for each class of shopping centre. From this the typical capitalization rate can be determined for each group of properties being valued.

Effective Tax Rates

In some income valuation procedures, the capitalization rate employed is adjusted for taxation considerations. However, in the examples used in this valuation guide this adjustment is not required because net incomes are being used and taxes have been deducted as an expense.

3.8 Add / Deduct Other Values

There may be certain properties where the entire value of the property is not completely captured by the foregoing application of a given valuation approach. In these situations a lump sum adjustment may be required. For example, a property may have surplus or excess land which is not developed due to current market conditions. This land may be valued separately and added to the market value based assessment for the entire property. A similar lump sum adjustment may also be applied for improvements if warranted.

3.9 Market Value Based Assessment of Property

In summary, a market value based assessment is determined by establishing the typical net operating income generated through the foregoing analysis and applying to this the appropriate typical capitalization rate. Then, if required, any additional value is added to this total to determine an overall market value based assessment for the property.

An example of a shopping centre valuation is presented in *Section 5.0*.

4.0 Validation of Results

The strength of an assessment system rests on two tenets: (1) its ability to produce appropriate market value based assessments; and, (2) its treatment of similar properties in a fair and consistent manner.

To accomplish these ends, the valuation process reflects the views and methods used in the marketplace. The process is applicable to all properties.

There are two areas where the quality of the results can be ensured, quickly and efficiently:

(1) valuation parameters,

(2) check against sales values.

Valuation Parameters

The assessor's valuation system has valuation parameters that have been researched, collected and analysed by local assessors. Appropriate statistical measures (median, mean, range, etc.) can be determined for each valuation parameter. When the assessor applies these valuation parameters to all similar properties, then the market value based assessments will be fair and consistent.

Check Against Sales Values

To ensure that the market value based assessments developed are in line with the local market, the assessment values will typically be checked against any sales of similar properties that took place. Such sales also have inferences for values of similar properties.

5.0 Shopping Centre Valuation Example

The following two pages present a hypothetical example of a market value based assessment analysis of a shopping centre.

Figure 7: Shopping Centre Data Entry Example

Example of typical pertinent physical and descriptive data about the property.

Figure 8: Shopping Centre Valuation Summary Example

Example of summary data on typical net market rents, typical vacancy rates, and the other valuation parameters that can enable the assessor to calculate the appropriate market value based assessment for the property.

Figure 7: Shopping Centre Data Entry - Example

Centre	__________ Mall
Address	
Municipality	
Assessment Roll #	
Centre type	Community
Levels & enclosure	1 Enclosed
No. of tenants	60

Base date	

Measurements in	Square Feet

Inspection notes			
Inspection date/ time	15/09/Year	10:30 AM	
Centre quality	Good 1970s mall		
Vacancies	4 CRU, including former Tip Top		
Extra features	Superior entrance - excess land		
Parking	No parking structure, 25% full at inspection		
Access	Good - off 2 main streets		
Customer activity	Light - early in week day		
Condition	Well maintained		
Other comment 1	Separate restaurant on site		
Other comment 2			

Land / building area	
Site area	1,000,000
Building coverage	236,031
Coverage ratio	23.6%

Excess land data	
Unusable land	15,000
% Landscaping	5.0%
% Pedestrian area	11.0%
Minimum site size	30,000
# Parking spaces	1,180
Pkg required - zoning (Spaces per 1000 Sf of GLA)	4.50

Figure 8: Shopping Centre Valuation Summary – Example

Centre name	_________ Mall	**Base date**	
Address		Centre class	Community
Municipality		Centre GLA	201,031
Assessment Roll #		No. of tenants	15

Vacancy rate		Comments
Vacancy	7.5%	

Valuation factors		Comments
Other centre income	$ 77,314	
Vacant space shortfall $/sf	$ 5.00	
Management allowance	4.00%	
Capitalization rate	8.50%	
Land value per sf	$ 4.00	
Excess land value / sf	$ 3.50	Vacant unpaved area in rear of property
Other value	$ 0	

Potential gross income		
Market Rent Majors		$ 641,580
Market Rent CRUs		$ 2,591,609
Market Rent Other		$ 136,448
PGI		**$ 3,369,637**
Effective gross income		
Vacancy	7.5%	- $ 252,723
Sub-total		$ 3,116,914
Other centre income		$ 77,314
EGI		**$ 3,194,228**
Net operating income		
Vacant space shortfall		- $ 50,470
Mgmt. %	4.0%	- $ 127,769
NOI		**$ 3,015,989**
Market value		
Capitalization rate		8.50%
Value sub-total		$ 35,482,223
Excess land value		$ 903,000
Other value		$ 0
Market Value Based Assessment		**$36,385,000**

Vacant space shortfall	
Actual vacancy	18,482
Typical vacancy	10,094
Costs per sf	$ 5.00
Shortfall	$ 50,470
Value of excess land	
Building coverage	236,031
Pedestrian area	25,963
Landscaping sf	50,000
Parking area	414,750
Required site	726,744
Unusable land	15,000
Site area	1,000,000
Excess land area	258,256
$ per sf	$ 3.50
Excess land value	$ 903,000

Value breakdown	
Site area	1,000,000
Land value per sf	
Land value	
Building value	

6.0 Appendices

A. Request for Property Information Example

As part of the ongoing assessment process the Assessment Department requires certain income and expense information from you pertaining to the property identified as:

Name	
Address	
City	
Assessment Roll #	

Any information received will be treated in a confidential manner.
Failure to provide information has potential consequences.

Information Required

Rent Roll pertaining to the property for the period covering: **20__**
20__ Income and Expense Statement pertaining to the property
20__ Income and Expense Statement pertaining to the property

Information Format

Information can be submitted in either **electronic format** or **paper format,** or by filling in the **enclosed forms**. Our preference is to receive **both electronic and paper formats.** Information can be submitted in the format used by the property owner but at a **minimum** the following information should be provided:

Minimum Information Requirement on Each Tenant - Rent Roll Information

- Location number
- Tenant (trade) name
- Gross leasable area
- Lease start date
- Lease end date
- Base rent (per month total, year total, or annually per square foot)
- Overage rent (per month total, year total, or annually per square foot)

Include information on all tenants and vacant space. Indicate the date of the Rent Roll.

Minimum Information Requirement from Income and Expense Statement

- Rental income totals (all forms of rent)
- Other income
- Expense recoveries
- Tax recoveries
- Other recoveries
- Operating expense total
- Property taxes

B. Rent Roll Information – Request Form Example

TO BE FILLED OUT IN CASES WHERE RENT ROLL INFORMATION IS OTHERWISE NOT AVAILABLE

(AS PER INFORMATION REQUEST).

** MAKE AS MANY COPIES AS REQUIRED **

Centre:
Address:
Rent roll date:

		Rent Area	**Lease Dates**		**Rents**		**Total**
Loc.	Trade Name	GLA	Start	End	Base	Average	**Rent**

C. Income and Expense Information – Request Form Example

TO BE FILLED OUT IN CASES WHERE INCOME AND EXPENSE INFORMATION IS OTHERWISE NOT AVAILABLE

Centre:		
Address:		
RENTAL INCOME	**20__**	**20__**
RENTAL INCOME - BASIC		
PERCENTAGE OR OVERAGE RENT		
STORAGE RENT		
OTHER RENT		
OTHER INCOME		
TOTAL RENT		
EXPENSE RECOVERIES		
RECOVERIES - OTHER		
RECOVERIES - PROPERTY TAXES		
MISCELLANEOUS		
TOTAL INCOME		
OPERATING EXPENSES		
INSURANCE		
OPERATING		
MAINTENANCE		
CLEANING		
UTILITIES		
ADMINISTRATION		
MANAGEMENT		
LEASING AND PROMOTION		
OTHER EXPENSE		
TOTAL OPERATING EXPENSE		
PROPERTY TAXES		
TOTAL EXPENSE		

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Subject Index