



REVALUATION 2021

COMMERCIAL PROPERTY

The Saskatchewan Assessment Management Agency (SAMA) manages the province's property assessment system developed in consultation with municipalities, stakeholders and the provincial government.

SAMA is responsible for assessment governance of the \$250 billion property assessment base, and a \$2.1 billion property tax base. The Agency provides assessment valuation services to 759 urban, northern and rural municipalities. It is directly responsible for the assessed values of approximately 869,000 properties in the province.

2021 REVALUATION

SAMA conducts revaluations based on a four-year cycle. 2017 was the year of the last revaluation, and the 2021 Revaluation will see assessed values updated to reflect a new base date of January 1, 2019. The legislated base date means that 2021 values reflect a property's value as of January 1, 2019.

VALUATION STANDARD

Commercial property is subject to the **market valuation standard** set out in provincial legislation. The market valuation standard requires appraisers to consider:

1. Mass appraisal: 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.
2. All rights that accrue to the real property (estate in fee simple).
3. Typical market conditions for similar property.
4. Quality assurance standards set by SAMA.

The market valuation standard provides flexibility in determining the assessed value of property by allowing the use of any of the three accepted approaches to value employed in the industry: the property income (rental) approach, the cost approach and the sales comparison approach. The income approach will be used for properties that have active lease or rental markets. If there are few comparable sales the cost approach will be used. The sales comparison approach has limited application for commercial property as there are generally not enough sales to support its use.

THE PROPERTY INCOME (RENTAL) APPROACH

The property income (rental) approach to value is based on the premise that the value of a property is directly related to the rental income it will generate. The appraiser analyses both the property's expenses and ability to produce future income, relates that information to sales of comparable properties, and then estimates the property's value. The property income (rental) approach provides the most fair, reliable and accurate assessed values for commercial properties and rental apartments in areas where there are active lease and rental markets.

THE COST APPROACH

The cost approach estimates the replacement cost of a building, less depreciation, adding land values based on market information and relating the resulting building and land values to average selling prices as of the base date using comparable property sales information. The approach is most useful when there are few comparable sales. The cost approach is used in smaller municipalities and for specific property types across Saskatchewan.

COMMERCIAL LAND ASSESSMENT

To value commercial land, appraisers consider its use, location, zoning, and average selling price. Appraisers also consider services to the land that often affect its value, such as paved streets, sidewalks, sewer and water connections, and other similar factors.

Average selling prices are a key consideration in valuing commercial land. Neighbourhoods subject to similar market influences are identified and average selling prices are determined. For SAMA's purposes, neighbourhoods can be defined as part of a municipality, a whole municipality or even a group of municipalities with similar market characteristics.

COMMERCIAL BUILDING ASSESSMENT

The depreciated replacement cost of commercial buildings is based on the average construction costs for various building types and qualities of construction. All commercial buildings and structures are assessed, including sheds, garages, and other structures that add value to the property. While no record is kept for improvements such as fences, driveways and landscaping features, these do affect average selling prices, and are accounted for in the Market Adjustment Factor (MAF).

$$\begin{array}{ccccccc} \text{REPLACEMENT} & & & & \text{MARKET} & & \text{COMMERCIAL} \\ \text{COST} & & & & \text{ADJUSTMENT} & & \text{BUILDING} \\ \text{NEW} & - & \text{DEPRECIATION} & \times & \text{FACTOR} & = & \text{ASSESSMENT} \end{array}$$

The market valuation standard permits replacement costs to be obtained from different sources. *SAMA's 2019 Cost Guide [Guide]* contains procedures for applying the cost approach plus construction cost tables for commercial structure types. Additional details can be found on SAMA's website at www.sama.sk.ca.

The system also accounts for all types of depreciation: physical deterioration, and functional and economic obsolescence. Physical deterioration is calculated using tables set out in the cost guides. Functional obsolescence is accounted for with market adjustments. Economic obsolescence and any other loss or gain in value is accounted for with the MAF.

PROPERTY ASSESSMENT DOES NOT EQUAL PROPERTY TAX

SAMA's role in determining assessed value for properties is just the first part of a process established by provincial legislation. The second part is application of provincial government established tax policy, such as property classes and percentage of value, and statutory exemptions. The third and final part of the process involves municipalities annually determining the local mill rate based on local budget needs. The province sets the mill rate for the education sector. Municipalities then multiply the taxable assessment by the local mill rate* to produce property tax levies, also known as your property tax bill.

$$\begin{array}{ccccccc} \text{[SAMA]} & & \text{[Province]} & & \text{[Municipalities and} & & \text{[Taxpayer]} \\ & & & & \text{Government]} & & \\ \text{ASSESSED VALUE} & \times & \text{PERCENTAGE OF VALUE} & \times & \text{MILL RATES*} & = & \text{PROPERTY} \\ & & \text{\& EXEMPTIONS} & & & & \text{TAXES} \end{array}$$

*Municipalities have the authority to use a series of tax tools ranging from mill rate factors to minimum taxes. For more information on tax tools and exemptions see the Ministry of Government Relations website.



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SAMA has Information Sheets available on the assessment process for different types of properties. For further information visit SAMA's website or contact your local municipality or any SAMA office.

Please note that for jurisdictions where SAMA provides valuation services, individual property assessed value information is available on SAMA's website at www.sama.sk.ca, by clicking the SAMAVIEW link.

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