

Case Study

Consulting Assignment

CAPITALIZATION RATE STUDY

Prepared for the City of Regina – Property Assessment Department

PROJECT DESCRIPTION

In 2007, Stevenson Advisors and Cushman Wakefield LePage (Toronto) were jointly engaged by the City of Regina to carry out a study of capitalization rates that would apply to commercial and industrial properties in Regina, based on a June 30, 2006 effective valuation date

The purpose of this study was twofold. Firstly, the study analyzed 2005 and 2006 real estate activity on a national scale in order to gain insight into market capitalization rates for commercial, industrial and investment properties within both primary and secondary markets. Secondly, the study developed a base of information with respect to capitalization rates in the reference years.

The City required that the study address the following five categories of ICI properties:

- Industrial
- Multi-family residential
- Retail
- Office
- Hotel and motel

THE ANALYSIS

The methodology utilized within the analysis involved the following steps:

- 1) Through an analysis of real estate transactions on a national scale we determined appropriate benchmark ranges for capitalization rates that would apply to five classes of properties.
- 2) We surveyed active major market participants, both locally and nationally, to determine their opinions on capitalization rates for different property types in different markets.
- 3) In addition to the survey of investors, we reviewed and analyzed third party investor surveys - the ICREIM / IPD Canadian Property Index and the Altus Insite Investment Trends Survey.
- 4) We presented and discussed appropriate methodology for capitalization rate analysis and selection and provided guidelines on factors to consider in adjusting capitalization rates to reflect investor risk and its impact on rates.
- 5) Finally we provided an indication of observed cap rate ranges in both primary and secondary markets and provided recommended ranges applicable to the Regina marketplace.

TIME FRAME AND CONTACTS

This project was commissioned by the City Assessor of Regina and completed in July 2007.