

## Income And Operating Expenses

Only income and operating expenses necessary to operate a multi-residential property are used for the Income Approach.

Income or expenses associated with any other business conducted on the property are not relevant or used to value the property itself.

## Confidentiality of Information

The assessment jurisdiction recognizes information required may be personal, confidential or sensitive. Steps have been taken to ensure information is kept secure and confidential in accordance with confidentiality provisions in legislation.

## When will the Income Approach be implemented in Saskatchewan?

The Income Approach will be used for the 2009 revaluation. The time until then is needed to:

- organize and carry out research
- gather physical, income and expense data on properties
- recruit and educate appraisers
- ready computer systems to store, analyze and determine values.

For further information please contact

# SAMA

Saskatchewan Assessment  
Management Agency

### Revaluation Unit

306-924-6626 or 866-828-2133

[www.sama.sk.ca](http://www.sama.sk.ca)

or

### City of Regina

306-777-7240

[www.regina.ca](http://www.regina.ca)

### City of Saskatoon

306-975-3227

[www.saskatoon.ca](http://www.saskatoon.ca)

### City of Prince Albert

306-953-4320

[www.citypa.com](http://www.citypa.com)

### City of Swift Current

306-778-2777

### City of North Battleford

306-445-1781

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Saskatchewan Assessment  
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## Multi-Residential Properties

Property Assessment  
through the Income  
Approach

Market Value

= Net Operating

Income ÷ Overall Cap

Overall Capitalization Rate

## Multi-Residential Properties

Multi-residential properties contain many dwelling units, each with its own set of rooms. Multi-residential real estate includes duplexes, walk-up apartments, and luxury, high-rise apartment complexes.

## Multi-Residential Properties as Investments

Multi-residential properties return revenues in the form of rents to their owners. These properties are typically purchased for investment purposes, and their ability to earn income is fundamental to their market value. Other income factors include demands for space, economic conditions, and operational risks.

## Analysis of Valuation Approaches to Multi-Residential Properties.

The Income Approach is one of three methods appraisers use to estimate a multi-residential property's assessed value. These are the:

- Cost Approach
- Sales Comparison Approach
- Income Approach

### Cost Approach

The cost approach estimates the replacement cost of a building, less depreciation, adding land values primarily based on sales. The approach is most useful when there are few comparable sales. The cost approach is valid and will continue to be used in smaller municipalities and for specific property types across Saskatchewan.

### Sales Comparison Approach

Apartment buildings sell with some degree of regularity. However, there are many types of apartments and it may not be possible to obtain enough sales for them in every assessment valuation period, e.g.: older, walk-up apartments, or luxury high-rises. If the sale information is present and applicable, the sales comparison approach may be considered. If the sales information is not sufficient, other approaches to value will have to be considered.

### Income Approach

The Income Approach valuation method is used widely throughout North America when appraising income-producing properties such as multi-residential buildings.

The Income Approach can be applied to multiple residential buildings or apartments, fourplexes, rental condominiums, and townhouses. In Saskatchewan, only multiple residential buildings and apartments of four or more units are expected to be valued with the Income Approach.

Multi-residential rental information is generally available for all types of apartment properties, especially for smaller properties. Income and expense statements and other financial information may be more difficult to obtain.

With the appropriate financial information it is possible to establish the rates needed to complete a direct valuation on certain larger multi-residential properties.

The income approach works well for mass appraisals because multi-residential properties are bought, sold, and developed on the basis of expected income. Since the Income Approach relies upon the information generated from market sales data, all such data must be investigated and recorded.

## How the Income Approach Works

The Income Approach aims to obtain values for a range of multi-residential dwellings with typical features and conditions. The income approach method used in Saskatchewan for multi-residential dwellings employs two variations of direct capitalization method:

- Capitalization of Net Operating Income (NOI), and
- Gross Income Multiplier (GIM).

Both methods rely on the same principles.

Direct capitalization converts or capitalizes the estimated current net operating income (NOI) to produce an estimate of current value. The formula is:

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

A gross rent multiplier (GRM) relates value to the gross income produced by a property:

$$\text{Gross Rent Multiplier (GRM)} = \frac{\text{Gross Annual Income}}{\text{Sale Price}}$$

The higher the similarity in comparable properties, and the more plentiful the sales data, the more accurate the results of a GRM valuation.

GRMs are expected to be used on less complex and smaller types of apartment buildings because rental information is typically available for these types of properties.