



Market Value Assessment in Saskatchewan Handbook

Glossary

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Glossary

Actual age	Actual age is the number of years elapsed since an original structure was built. Also known as chronological age or historical age.
Ad valorem tax	Tax levied in proportion to the value of the things being taxed; property tax is an ad valorem tax.
Anchor tenants	Major tenants in a building.
Ancillary tenants	See commercial retail unit (CRU).
Annex	Structure used to store grain.
Arm's length agreement	Agreement in which the terms are freely arrived at in an open market as a result of competitive negotiation between unrelated parties.
Assessment	Value of property determined in accordance with legislation, or the process of assessing.
Appraisal (Assessment) level	Appraised level for a specified group of properties means the overall ratio of appraised values to indicators of market value.
Assessment progressivity	Appraisal bias such that higher value properties are appraised higher than low value properties.
Assessment regressivity	Appraisal bias such that higher value properties are appraised lower than low value properties.
Base date	Term defined in <i>The Assessment Management Agency Act</i> section 2(e.1); means the date established by the agency in accordance with the regulations for determining the value of land and improvements for the purpose of establishing assessment rolls for the year in which the valuation or revaluation is to be effective and for each subsequent year preceding the year in which the next revaluation is to be effective.
Base rent	Basic rent stipulated in the lease for rental of the property. Also referred to as face rent.
Basic rentable area	Area is the usable area of an office area, store area or building common area and its share of the common area on that floor. [= Usable Area x Floor R/U Ratio]

Building R/U ratio	Conversion factor that distributes the building common area [= Building Rentable Area / (Building Rentable Area - Basic Rentable Area of Building Common Area)].
Bundle of rights	Basic rights associated with private ownership of property including the: Right to use; Right to sell; Right to lease or rent; Right to enter or leave; Right to give away, and; Right to refuse to do any of the preceding.
Bushel	Bushel of wheat is the traditional standard measure of wheat. It is a measure of volume rather than weight, so for example, a bushel of grain will weigh more than a bushel of canola.
Calibration	Process of estimating the values of the variables in a mass appraisal model in relation to the market.
Capitalization	Conversion of current potential net income into a value for a property.
Capitalization rate	Link between current potential net income and market value expressed as a percentage.
Chronological age	See actual age.
Classification	See stratification.
Coefficient	Value estimate of an independent variable.
Coefficient of dispersion (COD)	Primary measure of appraisal uniformity used in ratio studies; measures the average percentage deviation from the median.
Coefficient of variation (COV)	Measure that expresses standard deviation as a percentage of the arithmetic mean, which facilitates comparison of appraisal levels between groups; analogous to and interpreted in the same manner as the coefficient of dispersion (COD).
Commercial retail unit (CRU)	Tenants of an enclosed shopping centre other than anchor tenants. Also referred to as ancillary tenants.
Common area maintenance (CAM)	Reflects the costs of operating a commercial property, including such things as cleaning, maintenance, snow removal and other costs associated with the common area.
Comparable sales	Properties that are compared to a property to estimate market value or the fairness of market value based assessments.

Contract rent	Amount of rent per unit of time specified in a contract. It is the total of all rental payments made to the landlord under the lease including base rent, overage rent, and common area maintenance payments.
Cost approach	Approach for estimating market value based assessments that quantifies the cost as of the specified base date to recreate the property being assessed and assumes that a potential purchaser would pay no more for that property than the cost of replacement.
Departmental costs and expenses	Labour costs, product costs, and other expenses, which can be directly allocated to a revenue department.
Departmental income	Total revenues less departmental costs and expenses.
Dependent variable	Variable that depends on another variable - for example, sale price can depend on and be predicted by other variables, such as location or finished living area.
Depreciation	Loss of value from any cause.
Economic life	Period during which a given building or structure is expected to contribute (positively) to the value of the total property. This period is typically shorter than the period during which the improvement could be left on the property, that is, its physical life.
Economic obsolescence	See external obsolescence.
Effective age	Typical age of a structure equivalent to the one in question with respect to condition and utility and reflects the remaining economic life of the building or structure. Effective age can be either shorter or longer than actual age.
Effective gross income (EGI)	Potential gross income plus miscellaneous income less vacancy and collection loss.
Effective net rent	(Effective Rent) The amount of rent paid by a tenant and received by an owner, net of any other leasing conditions that influence the financial value of the payment, e.g., tenant inducements, free rent, lease buy-outs. Thus, effective rent represents the net payment to the owner by the tenant.
Effective tax rate	Property tax rate expressed as a percentage of market value.
Equity	Degree to which assessments bear a consistent relationship to market value. The coefficient of dispersion and coefficient of variation are customary measures.

Escheat	Property reverts to the Crown when an owner dies without heirs.
Extended stay hotel	Hotel designed for longer term stays typically with kitchen and laundry facilities.
External obsolescence	The loss in value as a result of impairment in utility and desirability caused by factors external to the property (outside of the property's boundaries).
Fee simple	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.
FF&E	Furniture, fixtures and equipment such as room furnishings, beds, carpets and televisions.
Floor common area	Areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of the tenants on that floor.
Floor R/U ratio	Conversion factor that, when applied to usable area, gives the basic rentable area of the office area, store area or building common area [= Floor Rentable Area / Floor Usable Area].
Floor rentable area	Result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration.
Floor usable area	Sum of the usable areas of office areas, store areas and building common areas of a floor. The amount of floor usable area can vary over the life of a building as corridors expand and contract and as floors are remodelled.
Full service hotel	Hotel that provides a wide variety of facilities and amenities including food and beverage service, recreational facilities and meeting rooms.
Functional obsolescence	The loss of value in a property improvement due to changes in style, taste, technology, needs, and demands and can be curable or incurable. It is the inability of a structure to perform adequately the function for which it is currently used.
Grain cleaning	Process of separating impurities from grain by methods such as screening.
Grain drying	Process of drying wet grains prior to storage and shipping. Drying is only required when grains are received wet and could be stored for long periods.

Gross leasable area (Offices)	All areas within the outside walls, including lobbies, washrooms, janitor closets and so on, but excluding building stairs, fire towers, elevator shafts, flue vents, stacks, pipe shafts, and vertical ducts if they serve more than one floor.
Gross leasable area (Retail)	Total floor area designed for tenants' occupancy. Area for the exclusive use of the tenant including, basements, mezzanines or upper floors and measured from the centreline of the joint partition and from outside walls.
Gross lease	In a gross lease, the landlord (lessor) pays all the operating expenses.
Highest and best use	That use which will generate the highest net return to the property over a period of time, given probable legal, physical, locational, and financial constraints. (A more or less synonymous term is "most probable use".)
Income approach	Approach for estimating market value based assessments that analyzes the anticipated future benefits or income from a property and converts this income into an estimate of present value.
Income stream	Series of payments (usually net income payments) receivable from an investment over the life of the investment.
Independent variable	Item used to predict or explain a dependent variable.
Lease	Lease is an agreement whereby the owner (lessor) grants exclusive possession of real or personal property for a certain period of time to a tenant (lessee) in return for the payment of rent.
Leasehold improvements	Fixtures and finishes that are installed under the direction of the tenant (generally to some minimum standards as set out by the owner) that enables the tenant to carry on their business. Either the tenant or the landlord pays for leasehold improvements and in almost all cases they become the property of the owner upon the termination of the lease.
Limited service hotel	Hotel with only some of the amenities found in a full service property.
Locational obsolescence	A form of external obsolescence where the loss in value is due to suboptimal siting of the improvement.
Location variable	Variable such as the distance to the nearest commercial district or traffic count on an adjoining street that seeks to measure the contribution of locational factors to the total property value.
Major vertical penetration	Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition.

Manufactured home	Residential structure built on a steel undercarriage with necessary wheel assembly to be transported to a permanent or semi-permanent site. Also referred to as a mobile home.
Manufactured home community	Parcel of land that includes at least two manufactured home sites that are rented or are available for rent.
Market rent	Rent currently prevailing in the market for properties comparable to a property. The amount of rent that a building or portion thereof, whether vacant or occupied, is capable of supporting as of the base date and taking into account the market conditions existing at that time.
Market valuation standard	The standard is achieved when the assessed value of property: <ul style="list-style-type: none"> (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 Saskatchewan Assessment Management Agency.
Market value	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 value based assessment	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.
Mass appraisal	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.
Mean	Average determined by adding the value of all observations and dividing by the number of observations.
Median	Middle ratio or mid-point when a number of values are ranked in order of magnitude; the base for calculating the coefficient of dispersion.
Miscellaneous income	Received from concessions, laundry rooms, parking space or storage bin rentals and other associated services integral to the operation of the project. Miscellaneous income includes any money reasonably related to the ordinary operation of the project, but not money earned from individual entrepreneurial activities of the owner or property manager.

Mobile home	See manufactured home.
Most probable use	See highest and best use.
Motel	Hotel with limited amenities, generally catering to drive-by traffic.
Multiple regression analysis (MRA)	Statistical mass appraisal technique for estimating unknown data on the basis of known and available data. (Refer to the Introduction Chapter for a general discussion on MRA.)
Neighbourhood	Environment of a property or group of properties that has a direct and immediate effect on value.
Net lease	Tenant pays all operating expenses including property taxes.
Net operating income (NOI)	Income that remains after deducting all fixed and operating expenses and before any deductions are taken for such things as debt service costs and such non-cash items as depreciation and amortization.
Non-recoverable operating expenses	Operating expenses that are typically not included in a lease such as legal and audit fees, structural and capital repairs, advertising and promotion and leasing fees. See also unrecovered operating expenses and vacant space shortfall.
Non-regulated property assessments	See market value based assessments.
Normal distribution	Theoretical frequency distribution; symmetrical and bell-shaped; 68 percent of the observations occur within one standard deviation of the mean and 95 percent within two standard deviations of the mean, and almost all (99 percent) with a measure of three standard deviations.
Office area	Area where a tenant normally houses personnel and/or furniture for which a measurement is to be computed.
Office building rentable area	Sum of all floor rentable areas.
Office rentable area	Usable area of an office area or store area with its associated share of floor common areas and building common areas. [= Basic Rentable Area x Building R/U Ratio]
Operating expenses	Potential operating expenses for real estate leased under a gross lease includes: administration, repairs and maintenance, utilities, insurance, property taxes (not to be included in valuations for property tax assessments) and replacement reserves.

Outliers	Observations that have unusual values and differ markedly from a measure of central tendency.
Overage rent	Percentage of rent paid in addition to base or guaranteed minimum rent. For retail properties "percentage rent" clauses usually reflect a percentage of the value of the sales over and above a certain benchmark, e.g., 3% of gross sales value during the year above \$1,000,000.
Per available room (PAR)	[# rooms x days open]
Percentage lease	Lease that provides for rent payments to be based upon percentage of income (gross or net), usually with a guaranteed minimum payment.
Per occupied room (POR)	[# rooms x days open x occupancy rate]
Physical life	Period of time of actual physical endurance of improvement.
Potential gross income (PGI)	Total income a property would produce if 100% occupied at market rent.
Price-related differential	In ratio studies, the mean divided by the weighted mean. Price-related differentials above 1.03 tend to indicate assessment regressivity; price-related differentials below 0.98 tend to indicate assessment progressivity.
R/U ratio	Conversion factor that, when applied to usable area, gives the rentable area of the office area or store area. [= Floor R/U Ratio x Building R/U Ratio]
Ratio studies	Study of the relationship between assessed values and market values.
Real property	Rights, interests, and benefits connected with real estate.
Recapture	Provision for the reduction in the economic life of an improvement; the longer the economic life, the lower the recapture rate.
Remaining economic life	Economic life less effective age. Renovation, remodelling, or rehabilitation can extend a building's physical life and can have an effect on its remaining economic life.
Replacement costs	Costs required constructing a substitute improvement having similar utility using current design, materials, and building standards.
Residual	Difference between an observed value and a predicted value for a dependent variable - for example comparison of actual and predicted sale prices.

Resort hotel	Hotel usually in a non-urban location with special recreational facilities to attract guests.
RevPAR	Revenue per available room.
Room sales	Revenue from all guest accommodations, net of any sales or turnover taxes.
Sales comparison approach	Approach for estimating market value based assessments that estimates market value of the property being assessed by comparing it to similar properties that have sold recently.
Single property appraisal	Valuation of an individual property as of a given date.
Stratification	Division of properties into groups that have similar traits and value characteristics. Also referred to in this Handbook as classification.
Suite hotel	Hotel that has separate (not necessarily physically divided) sleeping and living areas.
Tenant improvements	See leasehold improvements.
Tenant inducement	Usually offered by a landlord of a building as a means of attracting a tenant to the building. This also can be a means of keeping rents paid by new and renewing tenants at a certain desired level. Inducements are generally offered only when the market is sluggish or there is excess space available.
Term	Of the lease: Period between the commencement of the lease and the last day of the original grant of years, or prior to the option for renewal.
Throughput	Ratio of the total amount of grain brought into an elevator (grain handle) at a single location to that elevator's licenced capacity in a given crop year.
Tonne	Tonne is a metric measure of weight. 1 Tonne = 1,000 Kilograms = 2,204 pounds. 1 Tonne = 36.744 bushels of wheat.
Undistributed operating expenses	Expenses not directly related to departments. Includes, administration and general, marketing, property operation and maintenance, energy costs, and other unallocated operated departments.
Unrecovered operating expenses	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.
Usable area	Measured area of an office area, store area, or building common area on a floor.

Vacant space shortfall	Operating expenses attributable to the costs of carrying vacant space, including administration, repairs and maintenance, utilities, insurance, and property taxes. See also unrecovered operating expenses and non-recoverable operating expenses.
Weighted mean	Aggregate ratio determined by dividing the total of assessed values by the total of sale prices; the appropriate measure of central tendency for estimating total dollar value of a number of parcels. Note: This measure is subject to sampling errors.