



Medicine Hat



2025 ASSESSMENT YEAR

Multi-Family Methodology

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Assessment Department

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Scope Statement

This document is intended to be an introduction to the valuation process used to determine assessed values for multi-family properties in the City of Medicine Hat. For more detail regarding a specific property, the property owner may contact an assessor with the City of Medicine Hat at 403-529-8114. Alternatively, the property owner can visit the website, www.medicinehat.ca/assessmentforms to complete a Property Detail request or an *MGA s.299 or s.300* request for more information and/or a Letter of Authorization form.

Property assessments in the City of Medicine Hat reflect the market value of the fee simple estate for a property as of July 1, 2025 (reflecting the condition and characteristics of the property as of December 31, 2025) as required by the *Municipal Government Act* as enacted by the Government of Alberta.

For this purpose, market value is defined by the *Municipal Government Act*:

1(n) "market value" means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

Market value, as defined by the Appraisal Institute of Canada and as detailed in the Canadian Uniform Standards of Professional Appraisal Practice as:

The most probable price, as of a specified date, in terms of cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.¹

Market value, is also defined by the International Association of Assessing Officers (IAAO) as:

The most probable price (in terms of money) which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: The buyer and seller are typically motivated. Both parties are well informed or well advised, and acting in what they consider their best interests. A reasonable time is allowed for exposure in the open market. Payment is made in terms of cash or in terms of financial arrangements comparable thereto. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.²

¹ AI Canada, Appraisal Journal. Winter 2020.

² IAAO. *Glossary for Property Appraisal and Assessment*. 2nd Edition. Page 101.

The fee simple ownership is the most complete form of ownership. The Courts and the IAAO define it as:

Fee simple title indicates ownership that is absolute and subject to no limitation other than eminent domain, police power, escheat, and taxation.³

The Appraisal Institute of Canada has similar definitions.

Improved multi-family properties in the city are primarily valued using the income approach to value. This valuation approach capitalizes a property's stabilized, market typical, net operating income to come up with an estimate of market value. The valuation formula for properties assessed using the income approach is:

$$\text{Market Value} = \frac{\text{Net Operating Income}}{\text{Overall Capitalization Rate}}$$

³ IAAO. *Glossary for Property Appraisal and Assessment*. 2nd Edition. Page 67.

Mass Appraisal

Primarily, property assessment establishes the base for fair and equitable distribution of the tax burden. The individual assessments determine each property's share of the tax base.

The Alberta assessment and taxation system is based on the laws outlined in the *Municipal Government Act*, RSA 2000, Chapter M-26 [MGA], and all associated regulations, including, for example, *Matters Relating to Assessment and Taxation Regulation*, Alberta Regulation 203/2017 [MRAT].

Valuation procedures have been developed to enable assessors to prepare *market value* assessments, reflecting typical market conditions and bearing equitable relationships between similar properties. These procedures are encompassed in the practice of *mass appraisal*. The *Municipal Government Act* directs assessors to apply the valuation standards in a fair and equitable manner; the *Matters Relating to Assessment and Taxation Regulation* states that property assessments are to be prepared using *mass appraisal* to predict accurate and equitable market values.

A property assessment is:

- An estimate of the property's market value on July 1, of the assessment year;
- Prepared using mass appraisal;
- An estimate of the value of the fee simple estate of the property;
- A reflection of the property's characteristics and condition on December 31, of the assessment year;
- Prepared assuming typical market conditions, reasonable market exposure, and a willing and knowledgeable seller to a willing and knowledgeable buyer.

Mass appraisal requires that:

- Properties are stratified into groups of comparable properties;
- Common property data be identified and analyzed for the properties in each group;
- A uniform valuation method utilizing typical market information determined for each group will be applied to the characteristics of each property;
- Statistical testing must be performed to confirm quality control.

Capitalization rates are determined from the sales of properties in the municipality utilizing the typical rental, vacancy and expense rates that were determined in the studies conducted in the municipality.

Multi-Family Classifications

Multi-Family properties are properties with three or more residential dwelling units located within the same building or on the same registered parcel. They can be low-rise, high-rise, town-house style, back-to-back or side-by-side structures. Split-use properties are residences located beside or above the commercial unit. Multi-Family classification also includes senior complexes. The following is a list of the variables that affect the applied typical market rates for multi-family properties:

- **Effective Year Built** - This is an adjusted age of the property accounting for both the original build year of the building(s) and any significant renovations or additions.
- **Number of Bedrooms** - Generally, the greater the number of bedrooms per unit the more income may be commanded. These properties will be valued higher on the open market, all other factors being equal.

Properties are categorized into three income tiers based on their income-producing potential. Market rates for each tier are derived from Assessment Request for Information data specific to that income group. The income qualities are:

- **Above-average & Above-average plus** – the rental income ranges above the average rent range in the market. Typically, newer properties or properties with significant renovations are classified in this income quality. The typical rate in the above-average range and the above-average plus range are used for the assessed rental rate.
- **Average** – rental income is within the dominant market range. The typical rate in the average range is used for the assessed rental rate.
- **Below average** – the rental income ranges below the average rent range in the market. Typically, older properties or properties that may have deferred maintenance. Rental income is enough to cover expenses and maintain a positive net operating income. The typical rate in the below-average range is used for the assessed rental rate.

Typical Assessed Rental Rate Quality Ranges

Residential & Commercial Split Use

Property Type	Quality G (Below Average)	Quality F (Average)	Quality E (Above Average)
Bachelor	-	\$ 700 - \$ 800	-
1 Bedroom	\$ 650 - \$ 775	\$ 800 - \$ 900	-
2 Bedroom	\$ 725 - \$ 825	\$ 850 - \$ 975	\$ 1,000 - \$ 1,125
3 Bedroom	\$ 1,025 - \$ 1,125	\$ 1,150 - \$ 1,275	\$ 1,300 - \$ 1,475
4+ Bedroom	-	\$ 1,200 - \$ 1,475	\$ 1,500 - \$ 1,600

Triplexes and Fourplexes

Property Type	Quality G (Below Average)	Quality F (Average)	Quality E (Above Average)	Quality EE (Above Average +)
Bachelor	-	\$ 700 - \$ 800	-	-
1 Bedroom	\$ 650 - \$ 775	\$ 800 - \$ 900	-	-
2 Bedroom	\$ 725 - \$ 825	\$ 850 - \$ 975	\$ 1,000 - \$ 1,125	-
3 Bedroom	\$ 1,025 - \$ 1,125	\$ 1,150 - \$ 1,275	\$ 1,300 - \$ 1,475	\$ 1,500 - \$ 1,550
4+ Bedroom	-	\$ 1,200 - \$ 1,475	\$ 1,500 - \$ 1,600	-

Apartment Suites of Five or Greater

Property Type	Quality APT C (Below Average)	Quality APT B (Average)	Quality APT A (Above Average)
Bachelor	-	\$ 875 - \$ 975	-
1 Bedroom	\$ 725 - \$ 950	\$ 975 - \$ 1,225	\$ 1,250 - \$ 1,350
2 Bedroom	\$ 800 - \$ 1,050	\$ 1,075 - \$ 1,400	\$ 1,425 - \$ 1,525
3 Bedroom	-	\$ 1,350 - \$ 1,450	\$ 1,475 - \$ 1,850
4+ Bedroom	-	\$ 1,550 - \$ 1,650	-

Senior Complexes

Property Type	Quality C (Below Average)	Quality B (Average)	Quality A (Above Average)
Bachelor	\$ 875 - \$ 950	\$ 975 - \$ 1,100	\$ 1,125 - \$ 1,225
1 Bedroom	\$ 1,000 - \$ 1,100	\$ 1,125 - \$ 1,325	\$ 1,350 - \$ 1,475
2 Bedroom	\$ 1,075 - \$ 1,175	\$ 1,200 - \$ 1,525	-

Vacancy Rate Ranges

Property Type	Rate
Residential & Commercial Split Use	2.0% to 5.0%
Triplexes & Fourplexes	2.0%
Apartment Suites of 5 or Greater	5.0%
Senior Complexes	6.0%

Expense Rate Ranges

Property Type	Rate
Residential & Commercial Split Use	28.0% to 45.0%
Triplexes & Fourplexes	28.0% to 40.0%
Apartment Suites of 5 or Greater	45.0%
Senior Complexes	45.0%

Structural Allowance

Property Type	Rate
Residential & Commercial Split Use	2.0% to 4.0%
Triplexes & Fourplexes	4.0 %
Apartment Suites of 5 or Greater	2.0 %
Senior Complexes	4.0 %

Capitalization (Cap) Rate Model

The indicated capitalization rate for sold properties was established using the following formula:

$$\text{Overall Capitalization Rate} = \frac{\text{Net Operating Income}}{\text{Adjusted Sale Price}}$$

Capitalization rates are a tool used in appraisal theory to convert future income into present worth. (Income next year is worth less this year than income from this year.) According to appraisal theory, capitalization rates fundamentally reflect the following factors:

- The degree of perceived risk
- Market expectations regarding future inflation
- The prospective rates of return for alternative investments
- The rates of return earned by comparable properties in the past
- The prevailing tax laws

The assessed overall capitalization rates are calculated using qualified improved sales that occurred from July 1, 2022, to June 30, 2025. Typical rent per bedroom is multiplied by the number of units and stratified by effective age to determine the potential operating income. The vacancy allowance is then subtracted from potential gross income to derive an effective operating income. Structural allowances and market expenses are subtracted from the effective operating income to derive the net operating income. The typical net operating income is divided by the time adjusted sale price to derive the indicated overall capitalization rate.

Capitalization rates were modelled separately for triplex and fourplex properties and large apartments. The assessed overall capitalization rate is dependent on the effective year built. All else being equal, an effectively older property will receive a higher cap rate. Capitalization rates are categorized into three qualities with each quality applied to determine the assessed value. Capitalization rate qualities do not always correspond to the cash flow qualities. A capitalization rate quality may have strong income stream with a higher capitalization rate to reflect the comparable properties sold on the open market.

A property may have site-specific issues such as poor access, poor or excellent condition, poor or excellent location (within a neighborhood), functional, economic, or locational obsolescence. These issues affect the cash flow quality of the property compared to the typical cash flow of similar properties in the neighborhood and may impact which capitalization rate quality the property is assessed with.

The overall capitalization rate applied to apartment suites of five and greater accompanied with commercial units is based on the typical cash flow of the component to the property. The capitalization rate of that component is applied to the total net operating income of the entire property to estimate the value of the property.

Capitalization Rates

Property Type	Quality G	Quality F	Quality E
Residential & Commercial Split Use (≤ 4 Units)	6.50%	5.25%	5.00%
Triplexes & Fourplexes	6.50%	5.25%	5.00%

Property Type	Quality APT C	Quality APT B	Quality APT A
Residential & Commercial Split Use (5 Units & Greater)	6.25%	6.00%	5.75%
Apartment Suites of 5 & Greater	6.25%	6.00%	5.75%

Property Type	Quality SB	Quality SA
Senior Complexes	6.00%	5.75%

Valid Sales List

Roll	Address	Sale Date	Adjusted Price	Type
118885	813B 2 STREET SE	07-19-2022	\$562,400	Triplex/Fourplex
101526	956 QUEEN STREET SE	07-25-2022	\$311,900	Triplex/Fourplex
111488	185 19 STREET NE	08-05-2022	\$541,700	Triplex/Fourplex
117300	650 8 STREET SW	08-17-2022	\$445,600	Triplex/Fourplex
114576	165 STANFIELD WAY SE	10-13-2022	\$354,500	Triplex/Fourplex
118475	722 7 STREET SW	10-11-2022	\$676,700	Triplex/Fourplex
102892	503 7 STREET SE	01-04-2023	\$277,300	Triplex/Fourplex
118705	634 POTTERY STREET SE	02-01-2023	\$597,300	Triplex/Fourplex
112020	804 8 STREET SE	02-02-2023	\$440,600	Triplex/Fourplex
111958	214 CAMERON ROAD SE	02-10-2023	\$509,100	Triplex/Fourplex
109064	627 INDUSTRIAL AVENUE SE	03-17-2023	\$764,900	Triplex/Fourplex
109592	14 6 STREET SW	04-22-2023	\$416,900	Triplex/Fourplex
112800	225 2 STREET SE	05-01-2023	\$384,200	Triplex/Fourplex
122097	58 SAGE PLACE SE	09-16-2023	\$750,100	Triplex/Fourplex
111596	343 1 AVENUE NW	09-20-2023	\$380,100	Triplex/Fourplex
113580	69 CAMPBELL CRESCENT SE	11-23-2023	\$526,400	Triplex/Fourplex
112855	72 VALLEYVIEW DRIVE SW	12-01-2023	\$657,700	Triplex/Fourplex
116582	119 DIVISION AVENUE SE	01-20-2024	\$404,500	Triplex/Fourplex
114848	1770 16 AVENUE SE	01-29-2024	\$426,700	Triplex/Fourplex
118865	68 2 STREET SE	02-13-2024	\$298,100	Triplex/Fourplex
111238	733 7 STREET SE	02-22-2024	\$363,800	Triplex/Fourplex
108755	203 ROSS GLEN DRIVE SE	02-26-2024	\$555,800	Triplex/Fourplex
119494	941 QUEEN STREET SE	06-25-2024	\$630,000	Triplex/Fourplex
117078	2206 15 AVENUE SE	07-31-2024	\$624,600	Triplex/Fourplex
109592	14 6 STREET SW	09-07-2024	\$416,900	Triplex/Fourplex
119386	4 CRAIG ROAD SE	01-21-2025	\$429,600	Triplex/Fourplex
113839	447 ALLOWANCE AVENUE SE	03-03-2025	\$466,200	Triplex/Fourplex
105870	324 3 AVENUE SE	06-10-2025	\$507,300	Triplex/Fourplex

Roll	Address	Sale Date	Adjusted Price	Type
104147	144 2 AVENUE SE	08-15-2022	\$ 894,300	Apartment Suites 5+
119849	22 DIVISION AVENUE SW	11-23-2022	\$ 724,200	Apartment Suites 5+
119015	412 5 STREET SE	01-17-2023	\$ 1,405,900	Apartment Suites 5+
119009	739 5 AVENUE SE	03-14-2023	\$ 666,500	Apartment Suites 5+
191460	542 5 STREET SE	04-11-2023	\$ 940,600	Apartment Suites 5+
110057	20 11 STREET SE	04-12-2023	\$ 723,000	Apartment Suites 5+
116738	1298 COLLEGE DRIVE SE	08-01-2023	\$ 2,348,100	Apartment Suites 5+
111990	222 DIVISION AVENUE NW	10-27-2023	\$ 476,200	Apartment Suites 5+
111097	30 11 STREET SE	11-30-2023	\$ 536,600	Apartment Suites 5+
192540	206 CARRY DRIVE SE	02-03-2024	\$ 1,313,700	Apartment Suites 5+
111504	143 11 STREET SE	06-20-2024	\$ 738,900	Apartment Suites 5+
118158	35 4 STREET NE	09-07-2024	\$ 694,300	Apartment Suites 5+
106197	1423 19 STREET SE	01-06-2025	\$ 2,786,300	Apartment Suites 5+
119277	444 ABERDEEN STREET SE	03-04-2025	\$ 1,353,400	Apartment Suites 5+
107539	105 3 STREET SE	03-04-2025	\$ 1,604,000	Apartment Suites 5+
106544	710 20 STREET NE	03-28-2025	\$ 1,001,500	Apartment Suites 5+
115872	733 1 STREET SW	05-26-2025	\$ 640,800	Apartment Suites 5+
111352	506B 6 AVENUE SE	05-26-2025	\$ 480,600	Apartment Suites 5+