

How does MPAC assess my commercial property?

How your commercial property is assessed

If a property meets one or more of the following criteria, we assess it as a commercial property:

- It is used for retail, food service, office, or other general commercial uses.
- It is a multi-purpose building that typically includes interior finishes, such as finished walls, flooring, and lighting.
- It does not have a unique layout or specialized materials that would limit its use or functionality.
- It can usually be converted to another use without extensive alterations.

To assess commercial properties, MPAC applies one of the following industry accepted methodologies: income, cost, or direct comparison approach.

Income approach

Most commercial properties are valued using the income approach. An income-producing property's ability to earn revenue is directly tied to its current value. When using the income approach, we carry out a detailed analysis of your property's income and expenses and then compare it to similar properties to determine how much income a property could be expected to generate. We then analyze the relationships between incomes and sale prices to calculate the capitalization rate (cap rate) for the property by dividing the income by the sale price.

MPAC's Property Income and Expense Return Initiative

Our Property Income and Expense Return (PIER) initiative is the largest data collection campaign undertaken through our **Assessment Information Request Program**. PIER requests are sent to approximately 35,000 properties every year. Complete, accurate and up-to-date market and property data is critical to the valuation process. Filing your PIER information, as required under the *Assessment Act*, allows commercial property owners like you to take an active role in ensuring property values reflect accurate and current information.



Visit mpac.ca/PIER to learn more.

Cost approach

Value is estimated as the current cost of reproducing or replacing improvements of the land (including buildings, structures, and other taxable components), less any loss in value resulting from depreciation. The market value of the land is then added.

Direct comparison approach

We analyze recent sales of comparable properties to determine the value of your property. In considering any sales evidence, we ensure that the property sold has a similar or identical use as the property to be valued. This approach is used for certain small-scale business properties. It is also used to determine the market value of land for all properties valued using the cost approach.

