

**The Estimated Current Market Value  
Of a New Industrial Property  
Located at 650 Sunrise Road, Northern Sunrise County, AB**



**Prepared For:  
1845071 Alberta Ltd.**

**Prepared By:  
Andre G. Michaud, AACI, P. App  
AGM Valuations Group Ltd.  
Peace River, AB**

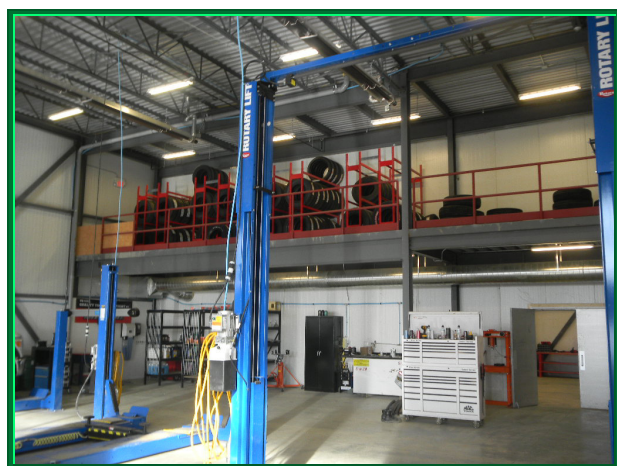






Second Floor









June 30, 2022

1845071 Alberta Ltd.  
And  
The Mortgagee

To whom it may concern:

**Re: Valuation of an Industrial Property Located at 650 Sunrise Road, Northern Sunrise County, AB**

As requested, a narrative valuation report was prepared on your authority on June 25, 2020. The physical inspection occurred on June 27, 2020, which is the effective date of the valuation. This report is comprised of 67 pages including an Addendum and forms the basis of our opinion of the Current Market Value on a 1.5 storey Industrial development comprising a total 11,300 square feet.

The purpose of the appraisal is to express an opinion of the current market value of the fee simple interest in the property, as of the inspection date. We understand the function of the valuation is for financing purposes.

Fair Market Value is defined as: *“The most probable price in cash, terms equivalent to cash, or in other precisely revealed terms, for which the appraised property will sell in a competitive market. Market value assumes all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self interest, and assuming that neither is under undue duress.”*

The reasonable exposure time associated with the estimated market value for the proposed subject property should range from three (3) months to six (6) months.

Fee simple interest is defined as an absolute ownership unencumbered by any other interest or estate, and subject only to the limitations of eminent domain, escheat, police power and taxation.

This valuation report has been produced with the requirements set out in the Appraisal Institute of Canadian Uniforms Standards of Professional Appraisal Practice (Effective January 1, 2022).

This report is intended for the use only by *“1845071 Alberta Ltd. and the Mortgagee”*. Use of this report by others is not intended by the appraiser, and any liability in this respect is strictly denied. The estimate of the current market value reflects the fee simple interest in the property.

Our report consists of this letter identifying the property and summarizing the results of the appraisal, a brief narrative section containing the description of the property, a discussion of the approach to value and a conclusion of value.

Although information furnished by others is believed reliable, we assume no responsibility for its accuracy.





Based on the investigation and analysis, our opinion of the market value for this property, as of June 27, 2022, free and clear of all encumbrances, is estimated at:

**ONE MILION SEVEN HUNDRED NINETY THOUSAND DOLLARS**

**\$1,790,000**

We trust this meets your requirements.

Respectfully submitted,

AGM Valuations Group Ltd.

*Re-certified: Yes*

*Licensed in the Province of Alberta: Yes*

A handwritten signature in blue ink, appearing to read 'Andre G. Michaud', is written over a light blue horizontal line.

Andre G. Michaud, AACI, P. App.  
President

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## **1. SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS**

Property Name	Integra Tire Building
Type of Property	Industrial Property
Address of Property	650 Sunrise Road, Northern Sunrise Cty, AB
Legal Description	Lot 3, Block 3, Plan 142 5575
Effective Date of Valuation	June 27, 2022
Date of the Valuation	June 30, 2022
Lot size	2.74 acres
Building Size	Main Floor: 9,600 sq. ft. Second Floor: <u>1,700 sq. ft.</u> Total: 11,300 sq. ft.
Interest Appraised	Fee Simple
Title Number	152 000 712
Roll No.	315736
2022 Assessment	\$1,114,060
2022 Taxes	\$19,394.10
Zoning	HD, Highway Development
Highest and Best Use	Continued Actual Use

### ***Final Estimates of Value***

*As determined by:*

THE COST APPROACH	N/A
THE INCOME APPROACH	\$ 1,775,000
THE DIRECT COMPARISON APPROACH	\$ 1,808,000

**ONE MILLION SEVEN HUNDRED & NINETY THOUSAND DOLLARS**  
**\$ 1,790,000**



## **2. CHARACTERISTICS OF THE PROPERTY**

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### **Purpose and Effective Date of Valuation**

The purpose of this valuation is to estimate the current market value for financing purposes as of the effective date of June 27, 2022. The estimate of the market value reflects the fee simple interest in the property.

### **Legal Description**

Lot 3, Block 3, Plan 142 5575

### **Present Owner**

1845071 ALBERTA LTD.  
OF 2550 127 ST SW  
EDMONTON  
ALBERTA T6W 1A3

### **Past Sales History**

Title to the property is currently vested in the name of 1845071 ALBERTA LTD., as recorded in the Title Registration 152 000 712 in the Province of Alberta. The title shows a transfer of land on January 02, 2015 for \$275,000.

### **Property Rights to be Valuated**

The legal interest to be valuated is the “Fee Simple” interest.

### **Encumbrances**

Nothing in this report is intended as a legal opinion as to the state of the title. This report is prepared on the premise that the property is free and clear of all liens and encumbrances except as shown on the title search and interpreted herein.

792 131 934 11/06/1979 UTILITY RIGHT OF WAY  
GRANTEE - EAST PEACE GAS CO-OP LTD.  
" AFFECTS PART OF THIS TITLE "

132 099 214 10/04/2013 UTILITY RIGHT OF WAY  
GRANTEE - NORTHERN SUNRISE COUNTY.  
AS TO PORTION OR PLAN:1321638

142 422 653 12/12/2014 UTILITY RIGHT OF WAY  
GRANTEE - NORTHERN SUNRISE COUNTY.  
AS TO PORTION OR PLAN:1425576



152 096 907 27/03/2015 MORTGAGE  
MORTGAGEE - BUSINESS DEVELOPMENT BANK OF CANADA.  
236 MAYFIELD COMMON  
EDMONTON  
ALBERTA T5P4B2  
ORIGINAL PRINCIPAL AMOUNT: \$1,500,000

152 096 908 27/03/2015 CAVEAT  
RE : ASSIGNMENT OF RENTS AND LEASES  
CAVEATOR - BUSINESS DEVELOPMENT BANK OF CANADA.  
C/O BISHOP & MCKENZIE LLP  
2300, 10180-101 STREET NW  
EDMONTON  
ALBERTA T5J1V3  
AGENT - NORBERT P BRODA

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### 3. DEFINITION OF MARKET VALUE

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The ‘Canadian Uniform Standards of Appraisal Practice’ (CUSPAP) as published by the Appraisal Institute of Canada, effective May 1, 2022 defines ‘Market Value’ as:

#### Market Value

Market Value is defined as: “*the most probable price, as of a specified date, in 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.*” (The Appraisal of Real Estate, Third Canadian Edition, Appraisal Institute of Canada)

Implicit in this definition are the consummation of a sale as of the specified date and the passing of title from seller to buyer under conditions whereby:

- the buyer and seller are each typically motivated;
- both parties are well informed or well advised, and acting in what they consider to be their best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in Canadian Dollars (\$CDN) or in terms of financial arrangements comparable thereto; and
- 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.

In essence market value is the estimated amount for which a property should exchange between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

#### Other Forms of Value

Forced sale value is not a concept separate from market value but is a form where marketing conditions are less favorable to the seller or the seller may be required to act out of duress. Market value may also differ from investment value, going concern value and value in use. The specific value of a property to a particular investor or class of investors based on individual investment requirements separates investment value from market value. Going concern value relates to a component of business value or business enterprise value which includes the market value of the components of a going concern, or ongoing business including the real property, personal property, and the intangible assets of the business. Value in use or use value is the value a specific property has for a specific use. This use conclusion ignores the concept of Highest and Best use and focuses solely on the estimated value of real property in a specific use either existing or contemplated.



Other forms of value also exist, but these like the aforementioned types of value are outside the scope of this report. This valuation report focuses on the estimation of market value for the subject property.

#### 4. SCOPE OF THE VALUATION

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The scope of the valuation is the amount and type of information researched and the level of analysis applied. In carrying out the valuation of the subject property in accordance with the ‘Canadian Uniform Standards of Professional Appraisal Practice’ the following processes were performed by the author of this report:

- The assembly and analysis of pertinent information concerning the property being valued.
- Determination of any limitations to the assignment arising from the terms of the assignment or the client’s instructions.
- The inspection of the subject property and the surrounding neighbourhood.
- Research into physical, legal, social and political factors as well as the analysis of relevant economic and market data.
- The analysis of controls and regulations of land use for the subject property as of the effective date of this report.
- A review, analysis and statement of Highest and Best Use for the property.
- A discussion of valuation methodologies and procedures employed.
- Comparable property research and verification to ascertain comparability to the subject.
- The applied analysis to derive the estimates of value as estimated within.
- The reconciliation of the collected data into a final estimate of the subject’s market value as of the effective date of the valuation.
- The inclusion of all appropriate photographs, maps, graphics, and relevant addenda items.

The following data sources may have been used where applicable in the preparation of this report:

- i) Northern Sunrise County, AB
- ii) Province of Alberta Land Title Office,
- iii) Grande Prairie Real Estate Board and market representatives,
- iv) Appraisers and real estate professionals familiar with commercial developments,
- v) Local developers, contractors and building suppliers,
- vi) Bankers and property management companies,
- vii) The client.

All valuation information included in this report was collected and analyzed by the author. As part of his business process he has investigated numerous improved property sales within the Peace area and has spoken with buyers, sellers, brokers, property developers, and public officials in regards to all forms of real property. All data included in this valuation is, to the best of the authors knowledge, factual. Unless otherwise noted, the author has inspected the subject property and analyzed the comparable property sales and the locations from which they derive, if any are present and summarized in this report. The value conclusion derived within is supported by the investigation and analysis as conveyed within this narrative valuation report.



## **5. GENERAL ASSUMPTIONS AND LIMITING CONDITIONS**

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### General Assumptions

As an expert on valuation matters, the author is not qualified and does not purport to give legal advice. Within this valuation it has been assumed that:

1. the legal description as provided by the land titles office is correct;
2. the land area as provided by the registered lot plan is correct;
3. title to the real property is good and marketable;
4. there are no encroachments, encumbrances, restrictions, leases or covenants that would in any way affect the valuation, except as expressly noted herein;
4. the existing use is legally conforming and may be continued by a purchaser from the existing owner;
5. right-of way, easements or encroachments over the real property and leases or other covenants noted herein are legally enforceable,
6. there are no hidden or unknown environmental conditions within the subject property, with specific reference to all underlying and neighbouring soil and subsoils.

Since these assumptions have been made, no investigation, legal or otherwise, has been undertaken which would verify these assumptions except as expressly noted herein.

### General Limiting Conditions

The author of this report will not be required to give testimony or appear in court due to the preparation of this valuation report, unless prior arrangements have been made.

Possession of this report does not carry with it the right of publication. Out-of-context quoting from or partial reprinting of this valuation report is not authorized. Further, neither all nor any part of this valuation report shall be disseminated to the public using media for public communication without the prior written consent of the author of this valuation report.

The authentic copies of this report are bound. All copies paper and electronic have been electronically signed. Any copy that does not have an original electronic signature of the author is unauthorized and may have been altered, and as such is considered invalid.

Disclosure of the contents of this report is governed by the bylaws and regulations of the Appraisal Institute of Canada (AIC). Neither all nor any part of the contents of this report, especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any references to the Appraisal Institute or to the appraisal designations, shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent of both AGM Valuations Group Ltd. and the author.

The author is not a qualified surveyor and no legal survey or real property report concerning the subject property has been provided. Sketches, site plans, lot plans, drawings, diagrams, photographs, etc. are presented within this report for the limited purpose of illustration and they are not to be relied upon by themselves.



If this valuation is used for mortgage loan purposes, the appraiser invites attention to the fact that (1) the equity cash requirements of the client have not been analyzed, (2) the loan to value ratio has not been suggested, and (3) the amortization method and term have not been suggested.

The impact of taxation including but not limited to the application of the Goods and Services Tax (GST) has been excluded from this report and the market value estimates within.

The function of this report is not for use in conjunction with a syndication of real property. This report cannot be used for said purposes and, therefore, any use of this report relating to syndication activities is strictly prohibited and unauthorized. If such an unauthorized use of this report takes place, it is understood and agreed that the author of this report has no liability to the client and/or impacted third parties.

This valuation report is copyrighted between the author and AGM Valuations Group Ltd.; this report or any part thereof is not to be copied or reproduced in any way without the permission of the author and no one else; certain parts of this report as supplied by others or alluded to herein may be copyrighted by those others, and the appraiser herein has no authority to permit further reproduction thereof. All Reproduction must have the approval of the originator. Any reproduction of any part of this report for any purpose without permission of the author is strictly prohibited.

The author's duties, pursuant to the obligations relating to the valuation assignment, are complete upon delivery and acceptance of the completed valuation report. Any errors or omissions should be called to the attention of the author within 60 days of the delivery of the report to the client. After this time, all obligations relating to possible corrections within the report shall cease.

Acceptance of and/or use of this valuation report constitutes acceptance of the foregoing General Assumptions and General Limiting Conditions.

### Environmental Statement

The author of this report is not qualified to comment on any environmental issues which may affect the market value of the real property being valued, including but not limited to, pollution or contamination of land, buildings, water, groundwater or air. Unless expressly stated within, the subject property is assumed to be free and clear of pollutants and contaminants, including but not limited to molds or mildews or the conditions that may give rise to either, and the property is in full compliance with all and/or any environmental requirements, government or otherwise, and is free of any environmental condition; past, present or future, that may affect the market value of the subject property.

The detection of adverse environmental conditions is beyond the scope of the author's expertise. If the party relying on this report requires information about environmental issues relating to the subject property, then it is recommended that that party retain an expert qualified in such matters.

The author expressly denies any legal liability relating to the effect of any environmental issues on the market value of the property being valued.



The estimate of market value provided within is based on the application of the following Extraordinary Assumptions, Hypothetical Conditions and Extraordinary Limiting Conditions. The absence of these assumptions and conditions may or may not impact the market value conclusion as estimated within.

### Extraordinary Assumptions

*“An assumption, directly related to a specific assignment, which, if found to be false, could materially alter the Member’s opinions or conclusions.”*

(Canadian Uniform Standards of Professional Appraisal Practice, CUSPAP, Appraisal Institute of Canada, Effective May 1, 2022)

- (1) No environmental or concurrency impact studies were either requested or made in conjunction with this valuation report. The appraiser, thereby, reserves the right to alter, amend, revise, or rescind any of the value opinions based upon the results of any subsequent environmental or concurrency impact studies, research or investigation. **Within this valuation it has been assumed that the subject site is environmentally clean and free of negative environmental impact.**
  
- (2) Nothing in this report is intended as a legal opinion as to the state of the property’s title. **This report is prepared on the premise and assumption that no registrations are present on title which would have an adverse impact on the market value of the subject property and/or impair the ability of the subject property to transfer to another party.**

### Hypothetical Condition

*“That which is contrary to what exists, but is supposed for the purpose of analysis. A Hypothetical Condition requires there to be an Extraordinary Assumption in the report.”*

(Canadian Uniform Standards of Professional Appraisal Practice, CUSPAP, Appraisal Institute of Canada, Effective May 1, 2022)

This valuation report is based on the real estate only and excluding tenants improvements being; personal property, and the intangible assets of the business

### Extraordinary Limiting Condition

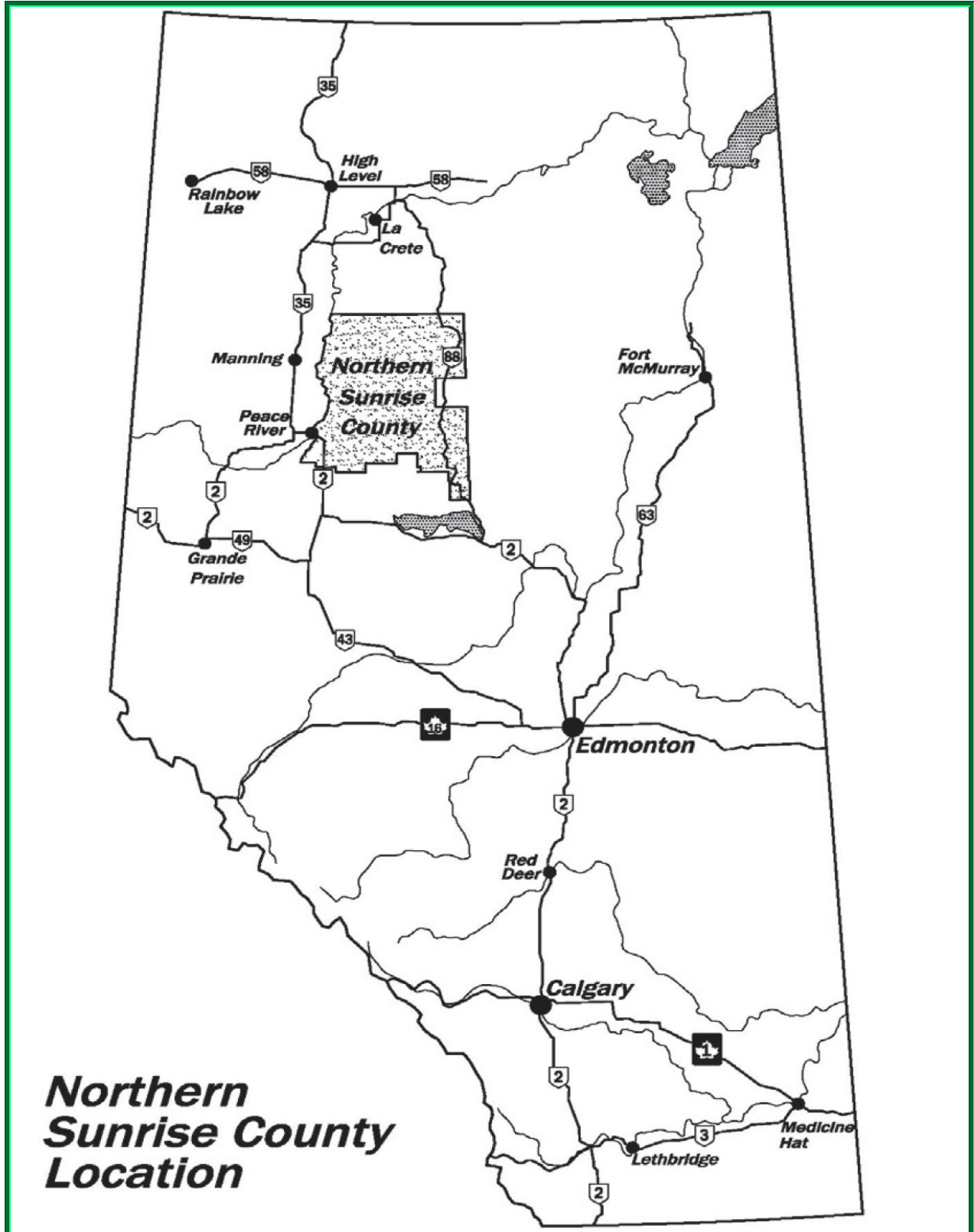
*‘A necessary modification or exclusion of a Standard Rule, which may diminish the reliability of the report.’*

(Canadian Uniform Standards of Professional Appraisal Practice, CUSPAP, Appraisal Institute of Canada, Effective May 1, 2022)

This valuation report is based on the real estate only and excluding tenants improvements being; personal property, and the intangible assets of the business



## 6. REGIONAL AND AREA ANALYSIS





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**Incorporation History:** April 1, 1994 (Municipal District from Improvement District)  
July 10, 2002 (name changed from Municipal District of East Peace No. 131 to Northern Sunrise County)

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**Location:** The Northern Sunrise County Administration Building is located approximately 492 km northwest of Edmonton, and approximately 8 kilometres southeast of Peace River, at the junction of Highway 2 and Sunrise Road.

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**Population:** 2021 Municipal Census- 1,711 (including a shadow population of 658)

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**Area of Municipality:** 21,141 square kilometres (8,163 square miles)

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**Length of Municipal Roads:** 1,592 kilometres

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**Number of Dwelling Units:** 765

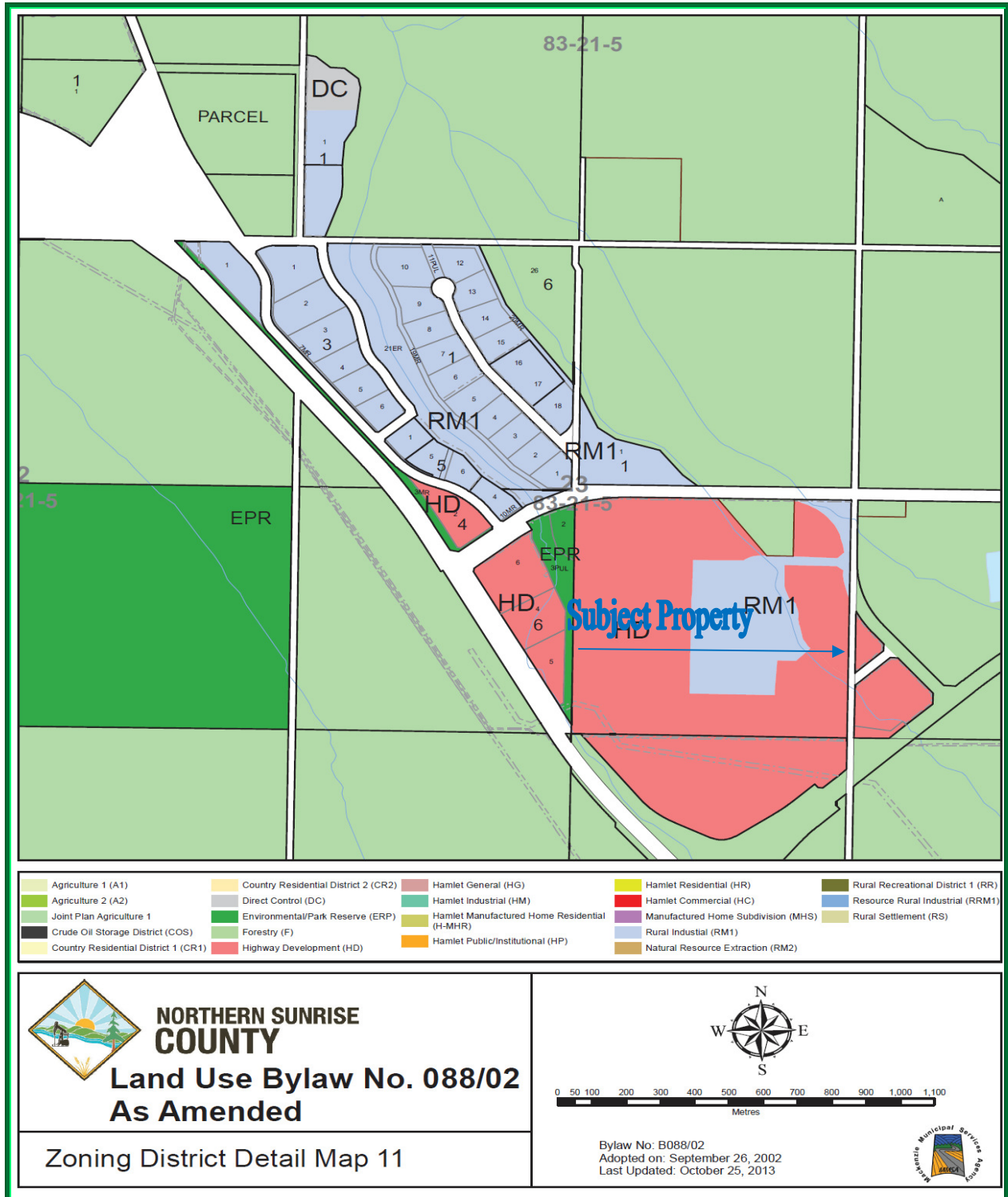
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**Hamlets:** St. Isidore  
Marie Reine  
Cadotte Lake  
Little Buffalo  
Reno



## 7. LAND USE CLASSIFICATION

The subject parcel is zoned HD, HIGHWAY DEVELOPMENT DISTRICT, pursuant to the Northern Sunrise County Land Use Bylaw No. B088/02. The general purpose of this district is to regulate Development adjacent to primary and secondary roads.





Highway  
Development  
District “HD”

**5.7.0 HIGHWAY DEVELOPMENT DISTRICT “HD”**

5.7.1 The general purpose of this District is to regulate Development adjacent to primary and secondary roads.

**5.7.2 Permitted Uses**

- 1) Ancillary buildings and uses
- 2) Extensive agriculture
- 3) Farm buildings

**5.7.3 Discretionary Uses**

BYLAW B096/04

BYLAW B096/04

- 1) Agricultural machinery sales and service
- 2) Agriculture supply depot
- 3) Bulk Fuel Facility**
- 4) Café
- 5) Campsites
- 6) Cardlock Facility**
- 7) Convenience store
- 8) Drive-in restaurants
- 9) Government weigh scales
- 10) Hotel
- 11) Highway maintenance yard
- 12) Motel
- 13) Public use
- 14) Public utility
- 15) Recreational uses
- 16) Recreational vehicle park
- 17) Service stations
- 18) Truck stop

**5.7.4 Minimum Lot Area**

As required by the Development Authority.

**5.7.5 Minimum Depth of Front Yard**

- 1) No less than 71.32 m (234 ft) from the centerline or 40.8 m (134 ft) from property line, whichever is greater.
- 2) Notwithstanding the above, on internal or service roads, the minimum shall be 7.6 m (25 ft) or greater as required by the Development Authority.

## 8. NEIGHBOURHOOD ANALYSIS AND TRENDS

The Appraisal Institute of Canada in its publication Real Estate Appraising in Canada defines a Neighbourhood as:

*“A portion of a larger community, or an entire community, in which there is a homogenous grouping of inhabitants, buildings or business enterprises. Inhabitants of a neighbourhood usually have a more than casual community interest and similarity of economic level or cultural background. Neighbourhood boundaries may consist of well defined natural or man-made barriers or they may be more or less well defined by a distinct change in land use or the character of the inhabitants.”*



The subject neighbourhood is located just out the Town of Peace River East side boundary limit within the new Industrial Park. The neighbourhood has Highway #2 on the Southwest side and Secondary Highway #688 on the Southeast side. The subject neighbourhood has natural gas, hydro, telephone and cablevision, as well as Coop water/sewer main lines.

### External Depreciation – Locational

The subject parcel is located in a good demand area for industrial use property in the Northern Sunrise County and is not impacted by negative land uses or other factors that may create external depreciation. Surrounding property uses are mainly industrial and acreage; all conform to the area and do not contribute any negative influences.



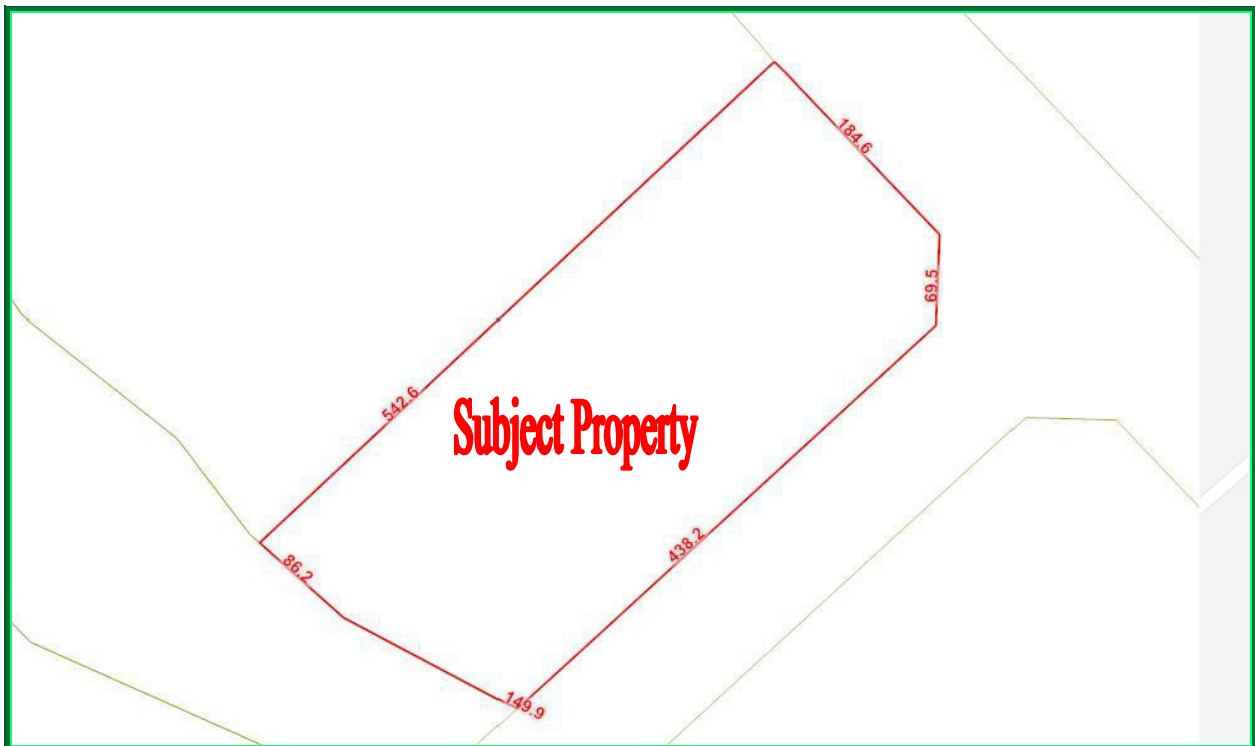
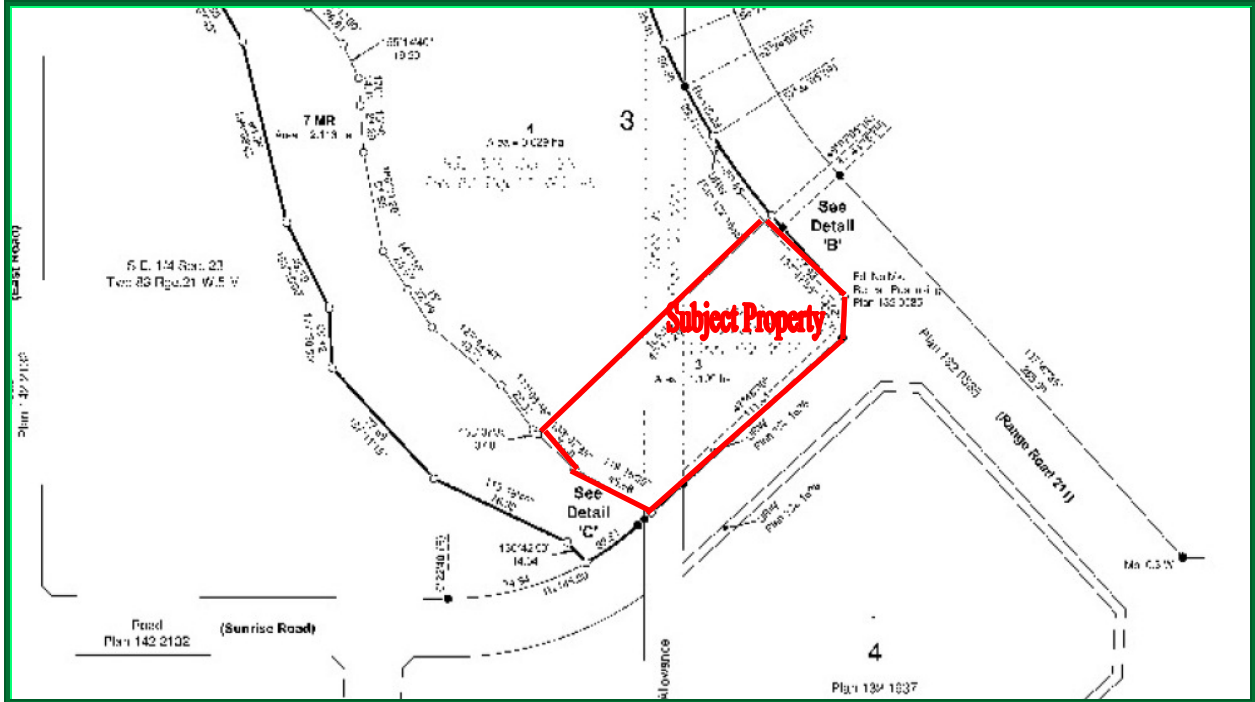




## 9. LAND DESCRIPTION AND ANALYSIS

### Dimensions, Shape and Total Area

The subject site has an irregular shape. Total area has been computed at 2.74 acres.





### **Topography, Drainage and Load Bearing Characteristics**

The subject has a light slope from the east portion to the west boundary. The subject site appears to conform to properties in the area. Based on the soil map of the Peace River District compiled by the Canada Department of Agriculture, the subject neighborhood consists of black solid loam, clay loam and silt loam. Visual inspection of the property did not reveal any settlement problems in evidence.

### **Services**

The subject property has natural gas, hydro, telephone and cablevision, as well as Coop water and septic tank pump out to main sewer lines.

### **Right- of -Way, Easements, etc.**

This report is prepared on the premise that the property is free and clear of all liens and encumbrances except as shown on the title search and interpreted herein.

### **Street Improvements**

Sunrise Road is paved and west road is graveled with ditch. The subject property has two (2) vehicular accesses.

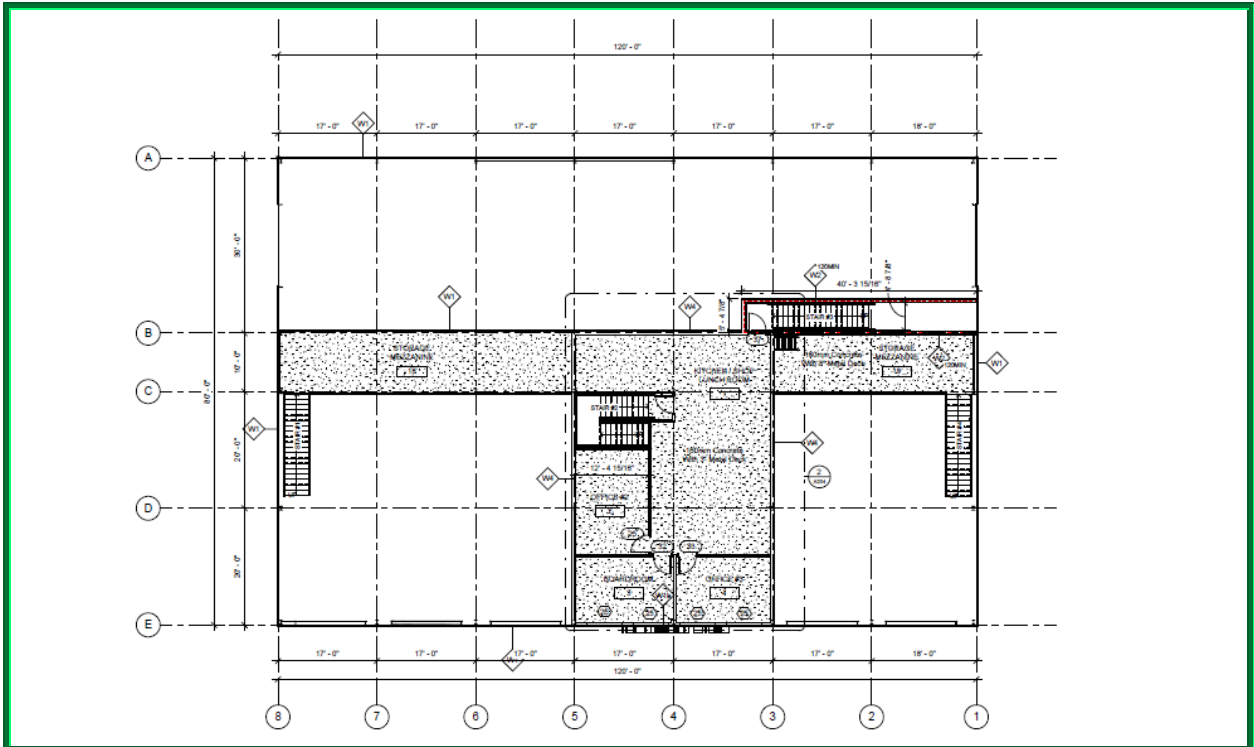
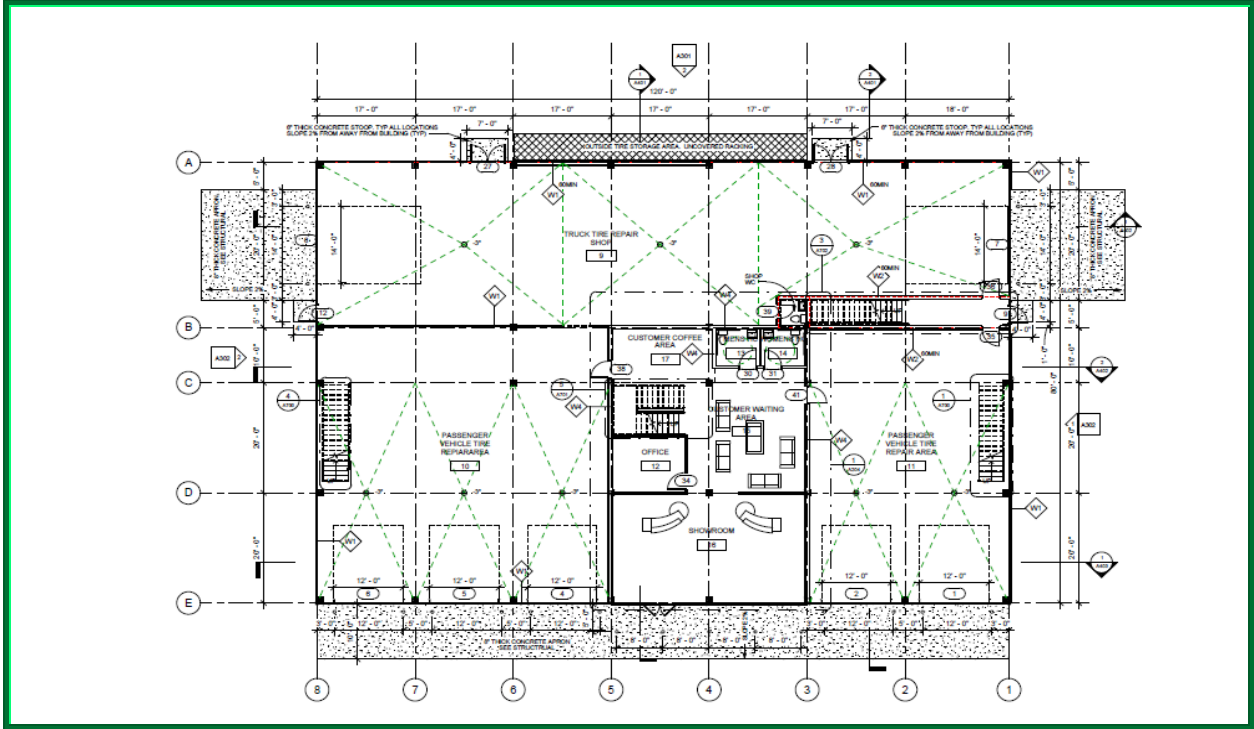
### **Yard Improvements**

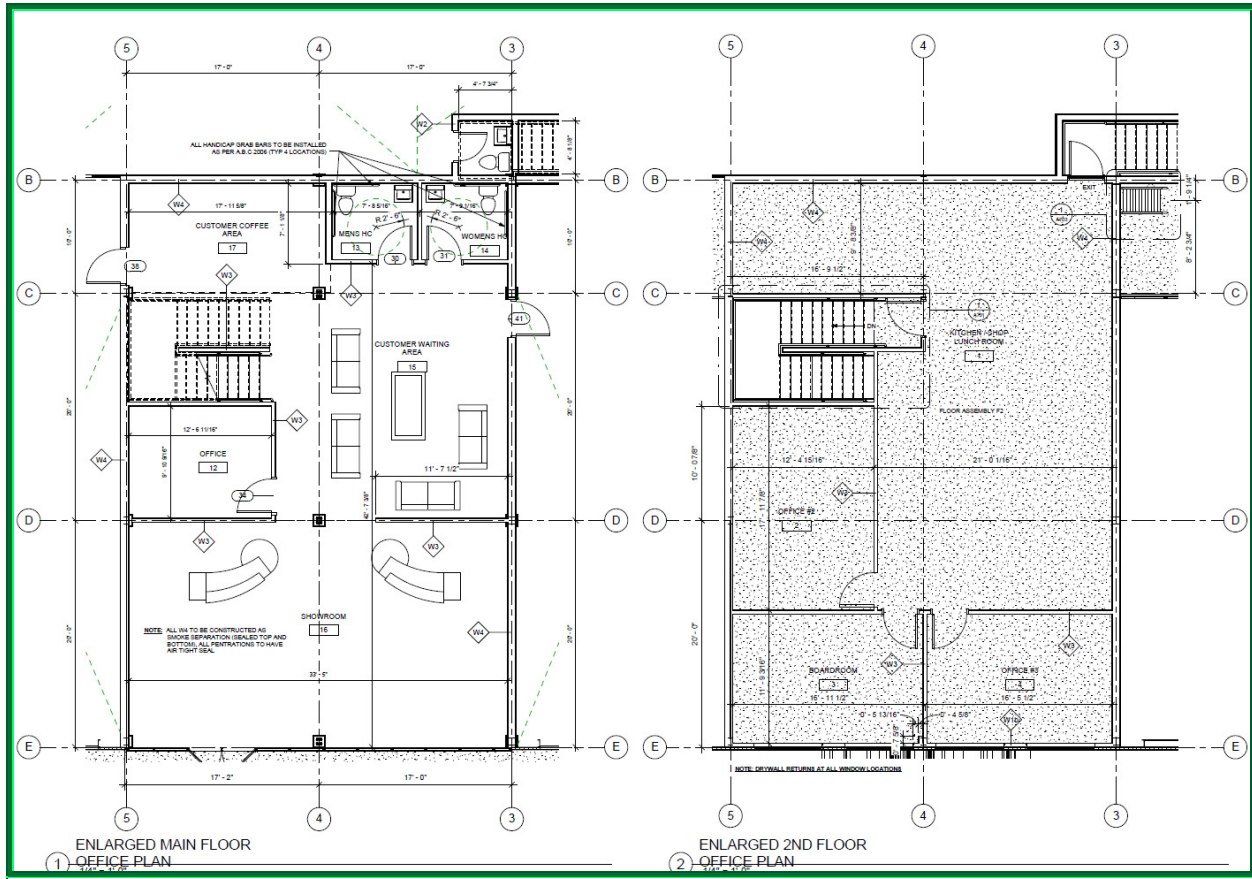
Site improvements include graveled driveway approach and construction site.



### 10. DESCRIPTION OF IMPROVEMENTS

The improvements consists of consists of a 1.5 storey 11,300 sq. ft. (9,600 square feet on main floor and 1,700 sq. ft. on second floor) of steel framed structure with open storage mezzanine in the shop areas.





The following is a brief description of the basic materials of construction and building features for the commercial building.

**STRUCTURAL & ARCHITECTURAL DETAILS:**

Building Size	Main Floor: 9,600 sq. ft.
	Second Floor: 1,700 sq. ft.
	Total: 11,300 sq. ft.
Foundation:	Poured concrete
Basement:	None
Structure:	Steel Framed
Floor:	Concrete slab
Flooring:	Concrete and laminate
Interior Walls:	Drywall and plywood/metal clad
Ceiling:	T-bar, drywall and open steel trusses ceiling.
Ceiling Height:	9 to 20 feet
Lighting:	Fluorescent and sodium
Electricity:	225 amps
Heating:	Mounted roof Forced air gas furnace/AC and radiant gas heaters
Hot Water:	20 US gallons
Roof:	Heavy metal clad
Exterior Walls:	Heavy metal clad



Washrooms: 2 – two piece washrooms  
 Windows: 5 x 6 Glass Aluminium Window  
 Doors: Hollow Metal and Solid wood Door and Hollow Metal Frame  
 5 x 12' x 14' O.H and 2 x 14' x 18'  
 Extra: a 10' x 50' and a 10' x 35' open storage mezzanine  
 Metal clad cold storage

The chronological or actual age and effective age for the improvements is 5 years. Effective age may be greater or less than the chronological or actual age, depending on the maintenance of the structure. For the purpose of illustration, a thirteen (13) year old (actual age) commercial structure which has received poor maintenance could have an effective age of fourteen (14) or fifteen (15) years. Conversely, a thirteen (13) year old commercial structure which has been well maintained and cared for could have an effective age of ten (10) years.

Life Expectancy:	60 Years
Chronological Age:	7 Years
Effective Age:	5 Years
Remaining Economic Life:	55 Years



## 11. MARKETING INFORMATION

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### Marketing Conditions

The market conditions for real estate within the North Peace River region is average depending on the property type. Macroeconomic factors are causing the strongest influence and impact to the region real estate market. Presently national and provincial recessionary pressures are present with their negative impact being mitigated by the Bank of Canada with the issuance and continuation of a low prime rate. The price of oil is low and at levels which is causing new drilling and overall production to be restricted. Thus, the oil and gas industry within the Province of Alberta has slowed down considerably in the last four years with little to no new exploration and drilling activities occurring.

At the local level oil and gas activities have also slowed considerably. The local contraction of the oil and gas industry has had a strongly unfavorable impact on industrial property within the area. Locally the vacancy rate for industrial property has increased and the demand for industrial lease space has decreased. The industrial property sector has been the most negatively impacted by current economic pressures.

The current economic climate is also having an impact locally on the real estate values for residential and rural residential properties which are showing declines as the volume of these types of properties for sale is increasing and the number of potential purchaser's available is decreasing. The market for commercial property is also considered to be flat as property transactions in this segment within the entire Peace regional area have decreased with very little to no new market activity in the form of property sales and leasing.

### Marketing Time

*“The estimated length of time the property interest would have to be offered on the market before actual consummation of a sale at the estimated value **after the effective date of the appraisal.**”*  
(Canadian Uniform Standards of Professional Appraisal Practice, Effective May 1 2022, Appraisal Institute of Canada)

Marketing time is a function of price, time, use, and anticipated market conditions such as changes in the cost and availability of funds – it is not an isolated opinion of time alone.

Marketing decisions rest with the potential investor and includes the identification of typical buyer and sellers for the type of property involved as well as typical equity investment levels and financing terms available.

The subject parcel is zoned HD, HIGHWAY DEVELOPMENT DISTRICT, pursuant to the Northern Sunrise County Land Use Bylaw No. B088/02. The general purpose of this district is to regulate Development adjacent to primary and secondary roads.

This District will generally be applied to industrial areas that existed as of the date of adoption of this By-law and may be used to spot zone uses within new industrial areas or to zone parts of new industrial areas.



The development of the subject property with a 1.5 storey building specifically appeals to industrial/commercial users. The building improvement overall is in good condition and has good appeal to potential purchasers.

Presently there are 28 industrial properties actively listed for sale within the rural Peace River area. These listings are currently all improved properties.

Based on the characteristics of the subject property and in consideration of its use and appeal on the open market, it is anticipated that an appropriate marketing period for the subject property would be between three (3) months and six (6) months. A marketing period of this length is deemed reasonable given a few other considerations beyond the characteristics of the subject property, including, current economic conditions are not conducive to a quick property sale, the size of the real estate market within the Peace River region and the level of competition present with other properties also listed for sale.

### Exposure Time

*“The estimated length of time the property interest being appraised would have been offered on the market before the hypothetical consummation of a sale at the estimated value on the effective date of the appraisal. A retrospective estimate based upon an analysis of past events assuming a competitive and open market.”*

(Canadian Uniform Standards of Professional Appraisal Practice, Effective May 1 2022, Appraisal Institute of Canada)

Exposure time is different for various types of real estate and under various market conditions. Rather than appear as an isolated estimate of time, it must specifically refer to the property being valued, at the value estimated and it is always presumed to have preceded the effective date of the valuation. The overall concept of reasonable exposure time encompasses not only adequate, sufficient and reasonable time, but also adequate, sufficient and reasonable marketing effort.

The Peace River region estate market has shown significant contraction since recessionary pressures both macro and micro in nature appeared in mid-2015. Looking forward it is anticipated that the economies for both the Province of Alberta and County of Grande Prairie No. 1 will be stable and very much consistent with 2021 levels. So far, 2022 saw steady market conditions with no indicators for large scale economic growth present, nor where are any indicators present which showed further contraction of the economy beyond 2015 levels.

Consistent with the estimate of ‘Marketing Time’ factors outside the subject property including, few potential purchasers exist within this market segment, current economic conditions are not conducive to a quick property sale, and the relative size of the Peace River region, it is reasonable to estimate a similar exposure time in the range from three (3) months to six (6) months given the characteristics of the subject property, the demand for this type of property over the previous two year period, and current economic factors.





## 12. HIGHEST AND BEST USE

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### Highest and Best Use

*“The reasonably probable and legal use of vacant land or an improved property that is physically possible, legally permissible, appropriately supported, and financially feasible and that results in the highest value.”*

(The Appraisal of Real Estate, Third Canadian Edition, Appraisal Institute of Canada)

The principle of highest and best use reflects a basic assumption about real estate market behaviour whereby the price a buyer will pay, or a seller will accept, is based upon his or her own conclusions about the most profitable use of that property. The underlying concept is that the value of a property is directly related to the specific use of that property.

Simply stated the principle of ‘*Highest and Best Use*’ is a valuation concept which states that the value of a property is directly related to the use of that property. In the determination of the highest and best use of the subject property many factors must be considered including both the existing use of the property and the existing development, or improvement of the property.

### Existing Use of the Subject Property

The subject property is currently improved with an Industrial Shop.

### Existing Improvement of the Subject Property

The subject property is currently improved with a 1.5 storey shop. The site has gravel and improved with a cold metal clad storage shed.

To be considered as the Highest and Best Use of a property, any potential use must pass a series of four tests. These tests include:

- a) The use must be physically possible.
- b) The use must be legally permissible.
- c) The use must be financially feasible.
- d) The use must be maximally productive.

### Physically Possible Use:

For a physical use to be considered as its highest and best use, the subject property must meet specific physical factors such as shape, size, soil bearing capacity; topography, exposure, location, access/egress and essential utility services (water, sanitary sewer, storm sewer, natural gas, electricity, telephone, etc.).



The subject site includes lot with a land area of +/- 2.74 acres which is located within the County Northern Sunrise Eastside Park and has access and egress along Sunrise Road. The site appears to have adequate load bearing characteristics for building development and is adequately drained with suitable topography. Full utility services are present including power, water, sewer, natural gas, telephone and internet.

No negative or deterring features are present which would prevent or impair the physical development of the property.

#### Legally Permissible Use:

For a use to be considered as highest and best use, the use should conform to all restrictions, limitations, land regulations, zoning bylaws, other existing land use controls and to any titular restrictions, which may exist. Also, the impact on society itself must be considered such as impacts towards public interest groups, neighborhood associations, conservationists and environmentalists.

The subject parcel is zoned HD, HIGHWAY DEVELOPMENT DISTRICT, pursuant to the Northern Sunrise County Land Use Bylaw No. B088/02. The general purpose of this district is to regulate Development adjacent to primary and secondary roads.

This district is to provide areas for industries and businesses that require larger open storage areas and/or may create a nuisance by reason of noise, smell, appearance but are generally not considered to be hazardous. This District will generally be applied to industrial areas that existed as of the date of adoption of this By-law and may be used to spot zone uses within new industrial areas or to zone parts of new industrial areas.

As a vacant site, development of the property to accommodate an industrial use as legally allowable under the zoning bylaw would be the highest and best use of the property. The zoning allows for a wide variety of common business uses and any development business industrial in nature would be legally permissible.

#### Probable Use:

Probable use is a modifier of both physically possible use and legally permissible use. Factors to be verified to indicate the physical and legal possibility of use are readily available and are objectively measured. A use will either satisfy the criteria to be possible and legal, or it won't satisfy the requirement.

Probability of use is more subjective and more difficult to evaluate. The most important factors that can affect probability of use are conformity and time. The '*Principle of Conformity*' states that in general, the highest and best use conclusion should conform to neighbouring land uses. If a certain use for example is typical within a neighbourhood, then if this development represents the highest and best use, application of the principle of conformity helps to define the probable use in more definitive terms.

The probability of a land use change must be considered under the hypothetical scenario that the subject property was vacant and available for development.



Under the hypothetical scenario of the subject property being vacant and available for future development, the probability of development into another use including the probability of application to have the current zoning changed to accommodate another use must be considered.

The subject site is located within a larger open storage industrial area. This area is near major secondary Hwy and residential properties on the West side. The area is mature and well developed. Given that the area is mature and well developed it is unlikely that a land use change would occur. What is probable though is a change in permitted uses to limit residential activities and promote industrial business activities.

Overall in terms of probability and with strong consideration given to the characteristics of the subject property, its location and the level and type of surrounding developments it is concluded that the most probable use of the subject property, as vacant, is in its development to an industrial use. This use is consistent with the current use of the property.

#### Financially Feasible Use

Before a use can be evaluated as being maximally productive, it must be analyzed as to its financial feasibility. Each use alternative, which has satisfied the tests of physical possibility and legal permissibility must also be evaluated as to its financial feasibility. All use alternatives that are expected to produce a positive return are regarded as financially feasible. Additionally, to be financially feasible the property must also be marketable. A market must exist for the use for that use to be considered its highest and best use.

The subject property has been designed for industrial use. This use could be for businesses that require larger open storage areas and/or may create a nuisance by reason of noise, smell, appearance but are generally not considered to be hazardous office. The building improvements on the property is two shop and an office trailer occupied by the owner under an internal lease. Investors would concentrate on the financial aspects of this property in a purchasing decision.

If the subject property was vacant and available for development the construction of an industrial use building improvement would be financially feasible. The current zoning accommodates industrial uses and any structure constructed to accommodate a permitted use could be owner or tenant occupied. The business enterprise entering the property would financially sustain and justify the development of the property. Given the current zoning of the property and the demand for business use property it is concluded that there is sufficient information to conclude that the development of the subject property into a permitted business use, consistent with the current development and use of the property, would be financially feasible.

#### Maximally Productive Use:

In the context of Highest and Best Use, ‘*Maximally Productive Use*’ is said to equate to the most profitable use in terms of investment value. It is the maximum value of the site considering various land use alternatives. From the prospective of an investor, the highest and best use of a property would be equal to its most profitable use.



Central to the concept of Highest and Best Use is the ‘*Principle of Supply and Demand*’. This principle states that it is the market that determines the price of a commodity, based upon the demand for and the supply of that commodity.

When the demand for a commodity increases, so too does the price per unit of that commodity, and visa-versa. For a highest and best use analysis, the principles of supply and demand will determine those uses that are financially feasible as well as maximally productive.

The subject site is zoned for industrial use and has a variety of permitted uses which would allow for the use of the property as an industrial. The total subject site is 2.74 acres in area. This area is similar than typical industrial properties within this specific area.

The size of the subject property is consistent with other industrial properties within the Northern Sunrise County. As a vacant site the demand for the subject in an Industrial use would be rated as average to good. In an Industrial use demand would exist given the characteristics of the site including its zoning and location.

The current development of the subject property with two shop and an office trailer building and being tenant occupied (owner internal lease) is highly productive and an efficient use of the property. In this configuration, the owner of the subject property is utilizing the subject property to its maximum potential. As a vacant site, it is concluded that the development of the subject property into an industrial property which can accommodate good tenancy would be the maximally productive use of the property.

#### Conclusion of Highest and Best Use of Site ‘as though vacant’

Overall based on the previous analysis and the four tests of Highest and Best Use it is concluded that ‘as vacant’ the ‘*Highest and Best Use*’ of the subject property would be in a commercial use as legally allowable given the permitted uses under the current zoning with no other land use alternatives being deemed appropriate. This conclusion is based on the ‘*Highest and Best Use*’ analysis performed and is concluded after careful consideration of the properties zoning, location and physical characteristics, as well as those characteristics of the surrounding neighbourhood and market area.

#### Discussion of Adequacy of the Existing Improvement(s)

To estimate the highest and best use of the subject site as improved four major criterions must be considered:

- a) Existing improvements develop the site to its highest and best use.
- b) Existing improvements are to be demolished and the site is to be redeveloped.
- c) Existing improvements represents an under-improvement, yet contribute value.
- d) Existing improvements represent an over-improvement.

The subject main improvements were constructed in +/- 2015, with an overall estimated effective age of 5 years and a remaining economic life of 55 years.

It has been concluded that as vacant the highest and best use of the subject property is in a commercial use. This use is consistent with the current use of the property.



The 1.5 storage shop improvement has a total floor area of 11,300 sq. ft. without the mezzanine/storage area. The property is fully occupied.

The property additionally has a site coverage ratio of only 9.5% which is inferior for this type of property. In consideration of the adequacy of the existing building improvements on the subject property, it is concluded that the current development of the subject property does adequately develop the site to its highest and best use.

#### Conclusion of Highest and Best Use ‘as improved’

In establishing the Highest and Best Use conclusion for the subject property, ‘*as improved*’, the following factors were taken into consideration:

- *As vacant the highest and best use of the subject property is in a commercial use,*
- *The maximally productive use of the subject property, as vacant is in an industrial use which would allow for single or multiple tenancy,*
- *The existing property improvements has a remaining economic life of 55 years,*
- *An average demand exists for the current industrial use of the property,*
- *The subject improvement does not under or over improve the existing site.*

An industrial use has been concluded to be highest and best use of the subject property, ‘*as though vacant*’. This use has met all four criteria for highest and best use analysis including being physically possible, legally permissible, financially feasible and maximally productive. It is also concluded that the highest and best use of the property ‘*as improved*’ is in an industrial use and it is further concluded that the existing development of the subject property is in line with the highest and best use of the property ‘*as improved*’ and should be allowed to continue in its present use.

#### Final Conclusion

It is concluded that the highest and best use of the subject property as vacant and as improved is in an industrial use.



## **13. METHODOLOGY**

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In most valuations, the three (3) basic approaches to value are considered. These are the Cost Approach, the Direct Sales Comparison Approach, and the Income Capitalization Approach.

### **COST APPROACH**

In the Cost Approach valuation, an estimate is made of the Current Cost of Reproduction New of the improvements. This amount is then adjusted to reflect depreciation, wear and tear, and utility, on the basis of personal inspection and comparison with component parts of similar new units. This analysis also recognizes factors of functional and external obsolescence. The adjusted cost indication is then added to the estimated market value of the land.

Cost of Reproduction New is defined as the estimated cost to construct, at current prices, an exact duplicate of all the improvements being appraised, using the same materials, construction standards, design, layout, and quality of workmanship, and embodying the subject's deficiencies, super-adequacies, and obsolescence. This estimated cost assumes construction takes place at one time with current market prices for materials, labour and manufactured equipments, contractors', overhead and profit, and fees, but without provision for overtime, bonuses for labour, and premiums for material or equipment.

Physical deterioration, a form of depreciation, is the loss in value resulting from wear and tear in operation and exposure to the elements. Functional obsolescence is a loss in value caused by factors inherent within a building or building equipment unit, such as changes in construction materials or techniques which result in excess capital costs in existing facilities, lack of full use of space, and inability to expand or update the property. External obsolescence is an incurable loss in value caused by general economic conditions, availability of financing, or inharmonious property uses.

### **INCOME CAPITALIZATION APPROACH**

In the Income Capitalization Approach to value, estimates are made of potential net annual income from the rental and operation of the real estate. Resulting net income is then capitalized at an appropriate rate to indicate the value of the property as an investment. The capitalization rate, which is market derived, represents the relationship between net annual income and value.

### **DIRECT SALES COMPARISON APPROACH**

In the Direct Sales Comparison Approach to valuation, similar properties recently sold or currently offered for sale in the local market are analyzed and compared with the property being appraised. Adjustments are typically made for differences in such factors as time of sale, location, size, type, age and condition of the improvements, and prospective use. This approach has its greatest value in appraisal situations involving land or improved properties with common elements and similar amenities.



## 14. INCOME APPROACH

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Typically, income-producing real estate is purchased as an investment, and the assumption of the Income Approach to Value is that the present value (i.e., market value) of an investment is related to its future income generating potential. The basic premise is that all things being equal the higher the income the property can generate, the higher the value of that property.

As an income-producing property, the most valid approach to estimating property value is the Income Approach as this approach best reflects how the property would be valued by potential investors. The Income Approach uses the process of capitalization to convert income into a capital value. There are various approaches and techniques to capitalize value from income such as sales price to effective gross income ratios used to develop multiplier rates, sales prices to net operating income rates used to develop overall capitalization rates, and original owner's equity to cash flow rates used to develop equity rates.

The Basic steps of the Income Approach include:

1. Estimate the annual potential gross income of the property based upon 100% occupancy.
2. Deduct an allowance for vacancy and bad debts from the potential gross income and add in any other income if present, i.e. parking stall rent. The remaining value is the effective gross income.
3. Estimate the annual operating expenses. The expenses should include all the normal expenditures required to generate and protect the income stream. These expenses do not include annual debt service (mortgage payments) and/or depreciation (Capital Cost Allowance (CCA) for federal income tax purposes).
4. Subtract the annual operating expenses from the effective gross income to determine the net operating income.
5. Select the appropriate method of capitalization for the subject property.
6. Select the appropriate rate of capitalization.
7. Convert the income into an indication of capital value using the mathematical technique known as '*Direct Capitalization*'.

### Direct Capitalization

A method use to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. To estimate the market value of the subject property the net income estimate will be divided by a market derived and supported capitalization rate. The formula to be applied follows:

$$\text{Market Value} = \text{NOI} / R_o$$



Rental Rate Analysis

To estimate an appropriate economic rental rate for the subject building improvement a survey of both known and advertised lease rates for similar properties as accumulated from within the current rental market has been performed.

Lease rate information for a variety of similar properties located within the County of Grande Prairie and surrounding area has been reviewed. A summary of known lease rates, which are representative of the regional rural industrial lease market follow.

<b>Comparable Market Lease Rates</b>						
<b>INDEX</b>	<b>#6</b>	<b>#7</b>	<b>#8</b>	<b>#9</b>	<b>#10</b>	<b>SUBJECT PROPERTY</b>
<b>LOCATION</b>	9602 42 Avenue	9825 38 Avenue	721072 R.R 53 #49A	15415 89 Street	60051 Hwy 668	605 Sunrise Road
<b>COMMUNITY/ LOCATION</b>	County Industrial Park	County Industrial Park	County of Grande Prairie	County of Grande Prairie	County of Grande Prairie	Northern Sunrise County Industrial Park
<b>USE</b>	Industrial	Industrial	Industrial	Industrial	Industrial	Industrial
<b>BUILDING TYPE</b>	Single Occupancy	Single Occupancy	Single Occupancy	Single Occupancy	Single Occupancy	Single Occupancy
<b>LEASE AREA (sq.ft.)</b>	4,100	11,520	8,000	13,000	5,000	11,300 sq.ft.
<b>LAND AREA (acre)</b>	3.75	3.16	7.26	5.76	2.00	2.74
<b>SITE COVERAGE RATIO</b>	2.5%	8.4%	2.5%	2.5%	5.7%	9.5%
<b>CONSTRUCTION</b>	Steel/Wood	Steel/Wood	Steel/Wood	Steel/Wood	Steel/Wood	Steel
<b>AGE (years)</b>	+/- 15	+/- 25	+/- 20	+/- 20	+/- 20	Eff: +/- 5 yrs
<b>CONDITION</b>	Good	Average	Average	Average	Good	Good+
<b>LEASE RATE (price per sq.ft.)</b>	<b>\$11.00</b>	<b>\$13.00</b>	<b>\$18.00</b>	<b>\$15.67</b>	<b>\$14.00</b>	
<b>MONTHLY RENT</b>	\$3,758	\$12,480	\$12,000	\$16,975	\$5,833	
<b>LEASE TYPE</b>	Triple net	Triple net	Triple net	Triple net	Triple net	
<b>LEASE START</b>	March, 2020	May, 2021	October, 2020	Nov. 2021	Dec., 2021	
<b>LEASE END</b>	Month to Month	Month to Month	Month to Month	Month to Month	Month to Month	
<b>REMARKS</b>	Industrial	Industrial	Industrial	Industrial	Industrial	





Subject Lease and Rental Agreement

The subject property is under lease agreement involving 1845071 Alberta Ltd. o/a Integra Tire Auto Centre as Landlord and Integra Tire Auto Centre as tenant. Ten (5) years term starting January 1, 2016 continuing until December 31, 2025, @ \$96,000 per annum or \$10,000 per month or \$12.50/sq. ft. (based only on the main floor @ 9,600 sq. ft.). The rental area does not including the second floor, which will be considered in our valuation as a rental area. The lease is on a triple net basic with a ten (10) option to renew. It was reported to be an “internal” lease agreement and does not represent the actual market. The lease agreement was originally @ \$16.00/sq. ft.

Rental Analysis

The subject property is located within the County of Northern Sunrise nearby Peace River, AB within a rural industrial area. No or limited lease agreements have been identified in the close area to compare to our good condition industrial shop subject. All lease agreements are from rural industrial shop nearby the City of Grande Prairie within the County of Grande Prairie.

The subject building improvement is typical of other industrial buildings in the County of Northern Sunrise, which has not negatively affected in the market place. The total rental space is computed at 11,300 sq. ft. (9,600 sq. ft. + 1,700 sq. ft.). The building improvement is of good quality construction and finish and is presently occupied. The property is zoned HD, Hwy Development District and this zoning allows for a variety of industrial property uses.

A lease rate survey of known similar industrial property leases was completed and witnessed lease rates ranged from between \$11.00 per sq. ft. and \$18.00 per sq. ft. with a mean of \$14.33 per sq. ft. and a median of \$14.00 per sq. ft. with the difference in lease rates attributable to numerous factors including location, building age, and quality of lease space, just to name a few.

Summary

Based on the comparison of the subject property in relation to other industrial properties within the regional area, and further based on the previous lease rate analysis, considering the *age and condition*, corner location and building improvement characteristics of each property in relation to the subject, it is estimated the current potential overall market lease rate for the subject building improvement is; **\$16.50 per sq. ft.** This rate would be triple net in nature whereby the tenant would be responsible for all utility service costs, property tax and building insurance costs.

The potential rate is assuming the structure is owned by an outsider investor and is available for open lease market agreement as retail or office spaces.

As an investment property, the lease rates would translate into an annual potential income for the property owner as follows.

Main Floor                      11,300 sq. ft. x \$16.50 per sq. ft. =    \$186,450

**Potential Gross Income – Triple Net Property Lease                                              \$186,450**



As a further test of reasonableness for the estimated lease rates chosen, the total potential gross income of \$186,450 when divided by 12 months equates to a monthly total lease payment of \$15,537 per month. This per month rate appears reasonable given the inherent characteristics of the subject property.

Vacancy Allowance and Collection Loss Estimate

The next step in the Income Approach involves subtracting an allowance for vacancy and credit loss from the gross income generated. Presently overall vacancy rates are estimated to be +/- 2% to 6% within the regional County of Grande Prairie area depending on property type. These vacancy rates are up due to current economic conditions. After considering the present economic climate and the location, quality and mainly of the expected uses of the subject property a **long term stabilized vacancy rate** and credit loss of 2% is believed to be appropriate and applicable to the subject building improvement. This rate is in the middle of the indicated range and is considered to be a good representation of the long term vacancy rate for the subject property given that it is a multiple use property and also given the physical characteristics of the property itself.

**Vacancy and Collection Loss:      \$186,450 x 2% = \$ 3,729**

Effective Gross Income

The effective gross income generated by a property is calculated by deducting any vacancy and collection loss from the potential gross income of that same property. For the subject property, this calculation is:

Potential Gross Income	\$186,450
Less: Vacancy and Collection Loss	<u>(\$3,729)</u>
<b>Effective Gross Income</b>	<b><u>\$ 182,721</u></b>



## Expense Analysis

### Operating

Under a triple net lease arrangement, the operating expenses for a property such as utility services, building insurance and property taxes are typically paid by the tenant. Depending on the property and the lease agreement the owner of the property would then be solely responsible for management fees and structural maintenance.

### Management Fees

Real estate management fees typically range from between 3% and 5% of the Effective Gross Income (EGI) generated by a property. For new developments and single tenant properties, the management fee (if any) would be included in the tenants' triple net fees. The appraiser is not aware of any management fees being paid on the subject property. For this type of property and valuation purposes, a 4% management fee has been applied to recognize the potential for a management fee to be paid should the property be held by an investor with management responsibilities passed on to a property management company.

Management Fees:  $\$182,721 \times 4\% = \underline{\underline{\$7,308}}$

### Structural Maintenance

The market rent analysis provided an annual gross income based on a triple net lease. This arrangement leaves the tenant responsible for all operational expenses of the property except those covering structural repairs. Structural reserve/repairs are typically calculated over the economic life of a building and are traditionally calculated as a percentage of the Effective Gross Income (EGI).

For the subject property, an annual structural maintenance expense/reserve has been estimated at 3.5% of EGI. This percentage is estimated based on the calculation, 1 year / 65 year total life expectancy  $\times 100\% = 0.035$ . This rate provides a straight-line method of building up a reserve and replacement fund over the life of the building improvement.

Structural Maintenance:  $\$182,721 \times 0.035 = \underline{\underline{\$6,395}}$

### Non-Recoverable Operating Expenses

Non-recoverable operating expenses for the property owner arising from the periodic management of the property has been estimated at \$2.00 per sq. ft. for the subject building improvement, with a 2% vacancy rate applied to this figure. The non-recoverable expenses for the subject property are then estimated to be as follows.

Non-Recoverable Operating Expenses:  
 $11,300 \text{ sq. ft. (total sq. footage)} \times \$2.00 \text{ per sq. ft.} \times 2\% = \underline{\underline{\$452.}}$



Net Operating Income

The calculation of the estimated market value of the subject property using the Income Approach is based on the capitalization of the estimated net operating income of that property. The calculation of the net operating income of the subject property follows.

<b>Calculation of Net Operating Income</b>					
<i>Proforma Income Statement</i>					
<b>650 Sunrise Road, Northern Sunrise County, AB</b>					
<b>PROJECTED INCOME STATEMENT</b>					
<b>FOR VALUATION PURPOSES ONLY</b>					
<hr/>					
<b>POTENTIAL GROSS INCOME:</b>					
11,300	sq.ft. @	\$	16.50	per sq.ft.	<u>186,450</u>
<b>LESS:</b>	Vacancy & Collection Loss		2%		<u>(3,729)</u>
<b>EFFECTIVE GROSS INCOME:</b>					<b>\$ 182,721</b>
<b>EXPENSES:</b>					
Management		4%	\$	(7,308)	
Structural Maintenance		3.5%		(6,395)	
Non-Recoverable Operating Expenses				<u>(452)</u>	
<b>TOTAL EXPENSES: (7.7%)</b>					<u><b>(14,155)</b></u>
<b>NET OPERATING INCOME:</b>					<u><b>\$ 168,566</b></u>

Derivation of the Capitalization Rate

A ‘*Capitalization Rate*’ is as an income rate which reflects the relationship between a single year’s net operating income expectancy or the annual average of several years’ income expectancies, and total price or value. When deriving, a capitalization rate the preferred method is based on comparison from comparable sales of equal attractiveness or utility on the open market. The greatest weight is placed on actual sales of similar properties made relatively concurrent with the date of the appraisal and under comparable conditions.

The following sales are considered representative of the general market within the greater Peace region of north western Alberta and indicate a market Capitalization Rate range which is



considered typical for the local commercial and industrial real estate property markets within the region.

<b>Capitalization Rate Survey</b>					
<b>LOCATION</b>	<b>TYPE</b>	<b>DATE OF SALE</b>	<b>SALE PRICE</b>	<b>NOI Asking</b>	<b>CAP. RATE</b>
County of Grande Prairie County Industrial Park	Industrial	Feb. 24, 2021	\$1,200,000	\$128,700	<b>10.73%</b>
County of Grande Prairie County Industrial Park	Industrial	Jan. 17, 2022	\$1,365,000	\$129,500	<b>9.49%</b>
Guy County of Grande Prairie County Industrial Park	Industrial	Jan. 10, 2022	\$1,125,000	\$123,700	<b>10.9%</b>
County of Grande Prairie County Claimont	Industrial	April 25, 2022	\$5,250,000	\$625,000	<b>11.9%</b>
County of Grande Prairie County Cross Road	Industrial	July 20, 2021	\$3,700,000	\$487,000	<b>12.9%</b>
County of Grande Prairie County Airport Ind. Park	Industrial	March 16, 2022	\$1,600,000	\$195,000	<b>12.2%</b>
County of Grande Prairie County Claimont	Industrial	Oct. 05, 2021	\$2,950,000	\$265,000	<b>8.98%</b>
Grande Prairie	Industrial	Sept. 14, 2022	\$1,800,000	\$185,000	<b>10.3%</b>
Grande Prairie	Industrial	May 19, 2022	\$1,600,000	\$184,000	<b>11.5%</b>
The Capitalization Rates range from:			<b>8.98%</b>	to	<b>12.9%</b>
with a Mean of:			<b>10.98%</b>	and Median of:	<b>10.9%</b>

Analysis

The previously listed sales represent a general cross section of medium and light industrial properties from centres located within the County of Grande Prairie as well from Grande Prairie industrial areas. From the survey, it appears that most properties tend to sell with a capitalization rate in the range of 8.98% to 12.9%. Sometime, older properties tend to sell for higher capitalization rates and newer properties sell for lower capitalization rates. During positive economic periods capitalization rates tend to decrease, while in negative economic periods capitalization rates tend to rise, all other factors being equal.



Current market trends indicate an increase in capitalization rates, which is appropriate given the softening of the regional economies within the North Peace region in 2018/2021. The chart above supports that recessionary pressures appear to be having a direct impact on capitalization rates.

Considering the overall capitalization rate levels within the County of Grande Prairie area as well as within the North Peace area, along with the age, condition, utility and appeal of the subject physical condition, an appropriate capitalization rate for the subject property has been estimated to be 9.5%.

The estimated capitalization rate of 9.5% will be applied to the net operating income of the property as previously calculated.

<i>Income Approach Calculation and Summary</i>	
<i>Direct Capitalization Method</i>	
$\frac{\text{Estimated Net Operating Income}}{\text{Estimated Capitalization Rate}} = \frac{\$168,566}{0.095} = \$ 1,774,378$	
<i>ROUNDED TO:</i>	<u><u>\$ 1,775,000</u></u>
<b>The market value of the subject property has been estimated using the Income Approach to value to be \$1,775,000</b>	



## 15. DIRECT COMPARISON APPROACH

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### Overview

The Direct Comparison Approach is a process of property valuation where the market value of a property is derived by comparing that property to similar properties that have recently sold. This approach is a market derived valuation method where other sales are utilized to estimate value. The approach works best when an adequate supply of comparable sale information is available. For properties, which frequently sell and for properties with generally homogenous characteristics this comparative method produces the best results. Where sale information is scarce, or where properties are rare or special use and sell infrequently the strength of this approach diminishes. This approach to value involves a process where the sale price of each comparable property sale is converted into an appropriate unit of comparison and then adjusted for differences between the comparable sale and the subject property. The result is an adjusted value range for which the estimated market value of the subject property should fall. A final reconciliation process then concisely estimates the value of the subject based on the strength of correlation of the subject property with specific comparables in the study and a value conclusion results.

### Units of Comparison

Units of comparison are the units with which the comparable properties sales will be compared to the subject property. Selection and conversion to an appropriate unit of comparison allows for an ‘*apple to apple*’ comparison to occur. The units selected depend on the valuation problem and the nature of the subject property.

Within the regional property market, the most common unit of comparison for properties like the subject is price per square foot of building area. Within the Direct Comparison Approach analysis which follows the unit of comparison to be used will be sale price per square foot of building area, expressed as ‘\$/sq.ft.’.

### The Adjustment Process

The application of the Direct Comparison Approach follows a logical, rational adjustment process. The underlying process starts with sales data taken from various comparable property sales. The sale data is then methodically adjusted for any differences which exist between the comparable properties and the subject property. The ‘*elements of comparison*’ guide which differences are considered important and in which order the adjustment process occurs. The result after completion of the adjustment process are multiple derived sale value indications for the subject property as produced from each of the comparable property sales.

### Elements of Comparison

Elements of comparison are the characteristics of real property and transactional factors involving real property, which are responsible for differences in value. There are nine elements of comparison considered in the direct comparison analysis, these elements include:



1. Real property rights conveyed
2. Financing terms
3. Conditions of sale
4. Market conditions (time)
5. Location
6. Physical characteristics
7. Economic characteristics
8. Use
9. Non-realty components of value

While the Direct Comparison Approach considers all nine elements of comparison, not all elements are considered relevant to all properties. Within the analysis which follows those elements which have a material impact on the value of the subject property have been considered, as have elements which have impacted the value of the comparable properties themselves. Where certain elements are absent, ie. no preferential financing terms are present; these elements will be omitted.

#### Hybrid Adjustment Technique

Successful application of the adjustment process within the Direct Comparison Approach is based on the ability to make plus or minus adjustments to each comparable property sale. Where possible the elements of comparison are tested against market evidence including paired sales, trend analysis, statistics and other techniques to identify value differences. The isolation of specific value differences helps to quantify the varying elements of comparison and the size and type of adjustments to be applied.

In a perfect market with plentiful market data all adjustments applied in the adjustment process would be both supportable and verifiable. Any adjustment applied could be correlated with market evidence and support. A shortcoming of the adjustment process is that in markets where data is scarce or where properties are heterogenous quantifying the various elements of comparison is simply not possible.

Where evidence to fully support quantitative adjustments for all applicable elements of comparison is not possible a hybrid adjustment technique is used. This technique allows for both quantitative analysis where data exists to support specific numeric adjustments and qualitative adjustments where data is absent. Qualitative adjustments allow for non-numeric analysis.

When valuing real property in areas where market data to support adjustments is scarce a problem arises whereby known factors influencing value can appear which cannot be supported or isolated using quantifiable techniques and they should not be dealt with in a qualitative manner. Items which fall in this category require quantitative adjustment but by their nature are subjective and lacking in verifiable support. It is said that appraisal is both an art and a science. These types of adjustments which are both quantitative and subjective rely on the use of professional expertise and market knowledge to account for those differences which are known to exist but due to market scarcity are difficult to quantifiably support.





A hybrid adjustment technique has been used to estimate the market value of the subject property. This technique combines aspects of both quantitative and qualitative adjustment methods. This technique will be applied within the subsequent analysis as follows:

1. Quantitative – Supported: Application of supported quantitative adjustments for market conditions (time) and building size,
2. Quantitative – Subjective: Where necessary the application of subjectively derived quantitative adjustments,
3. Qualitative Analysis: The comparable property sales will be ranked based on the strength of comparability with the subject property.

The resulting analysis will provide a value range for the subject property. The estimated market value of the subject property will then be reconciled directly from the value range estimate. The application of the hybrid adjustment technique is the best technique available given the characteristics of the subject property, including its location and the availability of comparable data with the regional Peace area of north western Alberta.

### The Subject Property

The subject improvements has a total floor area of 11,300 sq. ft. For the analysis to be performed comparisons will be done based on the total floor area of the subject 1.5 storey building improvement as this is the primary building improvement on the property.

### Comparable Sales

The subject property includes a 1.5 storey building improvement which is being used in a mixed industrial/commercial retail and warehouse use. The building has a layout which is consistent with commercial/industrial style building improvements and allows for one tenancy.

Due to the good quality construction of the subject building, we estimate the value of the subject property using the direct comparison approach compared to industrial property sales extracted from outside the City of Grande Prairie within the County of Grande Prairie and adjusted accordingly.

The comparable property sales chosen are not perfectly identical to the subject property but they are similar and do set out the general range in property value that the market is operating within.



**Index #11**



<b>CIVIC ADDRESS</b>	14411 95 Street, County Industrial Park, AB
<b>LEGAL DESCRIPTION</b>	Lot 5, Block 18, Plan 992 2761
<b>DATE OF SALE</b>	Feb. 24, 2021
<b>VENDOR</b>	N/A
<b>SALE PRICE</b>	\$ 1,200,000
<b>IMPROVEMENT FLOOR AREA</b>	7,054 square feet
<b>PRICE PER SQUARE FOOT</b>	\$ 170.12 per sq.ft. of building area
<b>IMPROVEMENTS</b>	Industrial building
<b>ZONING</b>	RM-2, Rural Medium Industrial District
<b>SITE AREA</b>	3.47 acre
<b>SITE COVERAGE RATIO</b>	4.7%
<b>CONSTRUCTION</b>	Wood Framed
<b>AGE</b>	21 years
<b>CONDITION</b>	Average +
<b>SERVICES</b>	Individual services
<b>REMARKS</b>	One tenant
Good+ comparable sale, same location, same land size, same building size, same age, same site coverage ratio.	



**Index #12**



<b>CIVIC ADDRESS</b>	14012 99 Street, County Grande Prairie, AB
<b>LEGAL DESCRIPTION</b>	Block 8 , Plan 832 1941
<b>DATE OF SALE</b>	Jan. 10, 2022
<b>VENDOR</b>	N/A
<b>SALE PRICE</b>	\$1,125,000
<b>IMPROVEMENT FLOOR AREA</b>	10,246 square feet
<b>PRICE PER SQUARE FOOT</b>	\$109.8
<b>IMPROVEMENTS</b>	Industrial building
<b>ZONING</b>	RM-2, Rural Medium Industrial District
<b>SITE AREA</b>	1.78 acre
<b>SITE COVERAGE RATIO</b>	13.2%
<b>CONSTRUCTION</b>	Wood Framed
<b>BUILDING AGE</b>	25 years
<b>CONDITION</b>	Average
<b>SERVICES</b>	Individual services
<b>REMARKS</b>	Industrial building
Recent comparable sale, nearby location, smaller land size, larger building size, older in age, higher site coverage ratio.	



**Index #13**



<b>CIVIC ADDRESS</b>	9801 38 Avenue, County Industrial Park, AB
<b>LEGAL DESCRIPTION</b>	Lot 20, Plan 782 2861
<b>DATE OF SALE</b>	Jan. 18, 2022
<b>VENDOR</b>	N/A
<b>SALE PRICE</b>	\$1,400,000
<b>IMPROVEMENT FLOOR AREA</b>	13,745 square feet
<b>PRICE PER SQUARE FOOT</b>	\$101.86
<b>IMPROVEMENTS</b>	Industrial building
<b>ZONING</b>	RM-2, Rural Medium Industrial District
<b>SITE AREA</b>	2.47 acre
<b>SITE COVERAGE RATIO</b>	12.8%
<b>CONSTRUCTION</b>	Wood Framed
<b>BUILDING AGE</b>	32 years
<b>CONDITION</b>	Average
<b>SERVICES</b>	Individual services
<b>REMARKS</b>	Industrial building
Recent comparable sale, same location, smaller land size, larger building size, older in age, higher site coverage ratio.	



**Index #14**



<b>CIVIC ADDRESS</b>	9813 38 Avenue, County Industrial Park, AB
<b>LEGAL DESCRIPTION</b>	Lot 21, Plan 782 2861
<b>DATE OF SALE</b>	Jan. 15, 2019
<b>VENDOR</b>	N/A
<b>SALE PRICE</b>	\$945,000
<b>IMPROVEMENT FLOOR AREA</b>	6,625 square feet
<b>PRICE PER SQUARE FOOT</b>	\$142.64
<b>IMPROVEMENTS</b>	Industrial building
<b>ZONING</b>	RM-2, Rural Medium Industrial District
<b>SITE AREA</b>	2.5 acre
<b>SITE COVERAGE RATIO</b>	6.0%
<b>CONSTRUCTION</b>	Wood Framed
<b>AGE</b>	43 years
<b>CONDITION</b>	Average-
<b>SERVICES</b>	Individual services
<b>REMARKS</b>	Industrial building
2019 comparable sale, same location, smaller land size, smaller building size, older in age, similar site coverage ratio.	



**Index #15**



<b>CIVIC ADDRESS</b>	9801 38 Avenue, County Industrial Park, AB
<b>LEGAL DESCRIPTION</b>	Lot 25, Plan 782 2861
<b>DATE OF SALE</b>	Jan. 13, 2018
<b>VENDOR</b>	N/A
<b>SALE PRICE</b>	\$1,000,000
<b>IMPROVEMENT FLOOR AREA</b>	11,520 square feet
<b>PRICE PER SQUARE FOOT</b>	\$86.0
<b>IMPROVEMENTS</b>	Industrial building
<b>ZONING</b>	RM-2, Rural Medium Industrial District
<b>SITE AREA</b>	3.16 acre
<b>SITE COVERAGE RATIO</b>	8.4%
<b>CONSTRUCTION</b>	Wood Framed
<b>BUILDING AGE</b>	42 years
<b>CONDITION</b>	Average-
<b>SERVICES</b>	Individual services
<b>REMARKS</b>	Industrial building
2018 comparable sale, same location, smaller land size, larger building size, older in age, higher site coverage ratio.	



<b>Improved Comparable Property Sale Comparison Grid</b>						
<b>INDEX</b>	<b>#11</b>	<b>#12</b>	<b>#13</b>	<b>#14</b>	<b>#15</b>	<b>SUBJECT PROPERTY</b>
<b>CIVIC ADDRESS</b>	14411 95 St.	14012 99 Street	9801 38 Ave	9813 38 Ave	9825 38 Ave	605 Sunrise Road
<b>COMMUNITY</b>	C. Ind. Park	C. Ind. Park	C. Ind. Park	C. Ind. Park	C. Ind. Park	Rural County Industrial Park
<b>NEIGHBOURHOOD</b>	C. of GP.	C. of GP.	C. of GP.	C. of GP.	C. of GP.	Peace River, East
<b>SALE DATE</b>	Feb. 2021	Jan. 2022	Jan. 2022	Jan. 2019	Jan. 2018	
<b>SALE PRICE</b>	\$1,400,000	\$ 1,200,000	1,400,000	\$ 945,000	\$ 1,000,000	
<b>FLOOR AREA (sq.ft.)</b>	7,054	10,246	13,745	6,625	11,520	11,300 sq. ft.
<b>ZONING</b>	RM-2	RM-2	RM-2	RM-2	RM-2	HD
<b>SITE AREA (acre)</b>	3.47	1.78	2.47	2.50	3.16	2.74
<b>SITE COVERAGE RATIO</b>	4.7%	13.2%	12.8%	6.00%	8.4%	9.5%
<b>CONSTRUCTION</b>	Wood	Wood	Wood	Steel/Wood	Steel/Wood	Steel
<b>AGE (years)</b>	21	25	32	43	42	Eff. 18
<b>CONDITION</b>	Avg	Avg+	Avg-	Avg-	Avg-	Good+
<b>REMARKS</b>	One tenant	Single tenant retail	Single tenant retail	Single tenant retail	Single tenant retail	Single Occupancy
<b>SALE PRICE (\$ per sq. ft.)</b>	<b>\$ 170.00</b>	<b>\$ 109.8</b>	<b>\$ 101.86</b>	<b>\$ 142.64</b>	<b>\$ 86.00</b>	
<b>TIME</b>	+10.0%	+5.0%	+5%	+10.0%	+20.0%	
<b>ADJUSTED PRICE (\$ per sq. ft.)</b>	<b>\$ 187.00</b>	<b>\$ 115.29</b>	<b>\$ 106.95</b>	<b>\$ 156.90</b>	<b>\$ 103.20</b>	
<b>LAND SIZE RATIO</b>	+10.0%	-10.0%	-10.0%	+5%	NIL	
<b>USE &amp; ZONING</b>	Nil	Nil	Nil	Nil	Nil	
<b>BUILDING SIZE</b>	-10.0%	Nil	+10%	-10.0%	Nil	
<b>AGE, QUALITY, CONDITION &amp; UTILITY</b>	+20%	+30.0%	+30.0%	+30.0%	+40.0%	
<b>LOCATION/EXPOSURE</b>	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%	
<b>CONDITION OF SALE</b>	- 10.0%	+40.0%	+30.0%	+20.0%	+40.0%	
<b>ADJUSTED PRICE (\$ per sq.ft.)</b>	<b>\$159.95</b>	<b>\$151.08</b>	<b>\$174.96</b>	<b>\$185.04</b>	<b>\$161.82</b>	
<b>LOWEST VALUE</b>		\$151.08/sq.ft.		<b>MEAN</b>	\$166.57/sq.ft.	
<b>HIGHEST VALUE</b>		\$185.04/sq.ft.		<b>MEDIAN</b>	\$161.82/sq.ft.	



### CALCULATION OF PROPERTY VALUE

The foregoing adjusted price per square foot rates range from \$151.08 per sq. ft. to \$185.04 per sq. ft., a mean at \$166.57 per sq. ft. and a median at \$185.043 per sq. ft. Therefore, mainly based on the size, *age/condition* and location, a market rate range of \$158.00 to \$165.00 per sq. ft. is considered to be reasonable and our opinion of \$155.00 per sq. ft. is estimated applicable to our subject property.

<i>Property Value Calculation</i>				
	<b>Total</b>	<b>Estimated</b>	<b>Calculated</b>	<b>Final Estimate of Value</b>
	<b>Building Area</b>	<b>per Unit Value</b>	<b>Value</b>	<b>(rounded to)</b>
<i>Total Estimated Property Value</i>	11,300 sq. ft.	\$160.00 per sq. ft.	\$ 1,808,000	<b><i>\$1,808,000</i></b>
<i>The value of the subject property is estimated at \$1,808,000 via the Direct Comparison Approach</i>				





## **SUMMARY OF ADJUSTMENTS**

### **Time**

The comparables utilized are considered to be amongst the most recent available located within rural industrial park and we used an adjustment of 5% to 20% for the difference in the market from 2018 until now.

### **Land Size Ratio**

A relationship exists whereby as land size ratio increases, the per sq. ft. sale price tends to decrease, all other factors being similar.

### **Use and Zoning**

Adjusted versus density and possible industrial developed allow on zoning.

### **Building Size**

A relationship exists whereby as building size increases, the per unit sale price tends to decrease, all other factors being similar. Adjustments for building size have been applied where applicable to each comparable based on size adjustment tables which take into account this relationship.

### **Age, Quality, Condition and Utility**

The subject property will have an effective age of 5 years. The observed condition of the improvements is average to good. Adjustments within this category were based on differences noted in the age, quality, condition, office space availability and utility of the building improvements.

### **Location**

The subject property is located around Peace River and all sales are from County of Grande Prairie.

### **Condition of Sale**



**16. RECONCILIATION OF MARKET VALUES**

The valuation approaches utilized within resulted in the following value indications for the subject property.

<b><i>Final Estimates of Value</i></b>	
<i>As determined by:</i>	
THE COST APPROACH	N/A
THE INCOME APPROACH	\$ 1,775,000
THE DIRECT COMPARISON APPROACH	\$ 1,808,000
<b>ONE MILLION TWO HUNDRED &amp; FOURTY THOUSAND DOLLARS</b>	
<b>\$ 1,240,000</b>	

The Cost Approach can provide an accurate estimate of market value and is considered to be most accurate when valuing properties that are new or relatively new and free of depreciation. The Cost Approach is also often used in the valuation of special use properties that do not often change ownership or are not producers of significant income.

The Cost Approach to Market Value is a valid approach to valuing the subject property as a typical real estate buyer will consider the cost of constructing a building of equivalent utility on a vacant site when considering purchasing an existing property.

For the Cost Approach to accurately reflect market value the estimate of market value of the vacant site must be accurate the reproduction cost new should reflect the actual cost of constructing the building based upon local market conditions and accrued depreciation must be reflected.

The market value of the site, as if vacant, is based on comparable sales similar in location, zoning, and size to the proposed subject property and respecting the highest and best use. The site valuation is considered accurate as it is based on the available market information. The reproduction cost of the subject property is based the Cost Services Method and supported my local contractors.

As we are dealing with a seven years old structure involving some suggestive depreciations, the Cost Approach was not used.

**Income Capitalization Approach**

The Income Capitalization Approach is used to determine the present market value of future benefits. Future benefits include the income stream produced by the property and reversionary income, if any that will occur at the time of sale.



The Income Capitalization Approach is based on the assumption that the investor uses the income producing capability of the investment as a measure of market value. The basic premise of the Income Capitalization Approach is that all things being equal, the higher the income the higher the market value of the property. This type of property is usually valued by investors based on its income producing capability.

The Income Capitalization Approach required market information regarding rental rates, vacancies, expenses, net income, sales, capitalization rates and financing.

Comparable sales are available in the North Peace area market to develop capitalization rates as well as comparable rents, vacancies, expenses and financing information.

The availability of market information for the subject property and the comparables, and the ability of the Income Capitalization Approach to reflect market behavior make this approach a good method of valuation for the subject property.

The Income Capitalization Approach is considered equal to the Direct Comparison Approach in our analysis of the market value of the subject property.

### **Direct Comparison Approach**

The Direct Comparison Approach is a market evidence based approach to valuation. Sales of comparable properties are compared to the subject property by units of comparison after being adjusted for dissimilarities.

The strength of the Direct Comparison Approach is that it is easily understood by market participants, reflects local market behavior, and is widely accepted.

The Direct Comparison Approach requires local market sales evidence of comparable properties in order to determine a market value for the subject property. Comparable sales are adjusted to make them as similar as possible to the subject property.

Sales requiring the fewest adjustments are generally considered the most similar and the best indicators of market value for the subject property.

The North Peace area market provides average to good sales to develop the Direct Comparison approach for the subject property.

### **Reconciliation to Final Estimate of Value**

After consideration and analysis of the data contained herein, it is our opinion, the Market Value of the commercial retail in fee simple interest, subject to the general underlying assumptions and limiting conditions as of June 27, 2022, was mainly based on the Direct Comparison Approach and the Income Capitalization Approach is concluded at:



Conclusion

After consideration and analysis of the data contained herein the current ‘Market Value’ of the ‘fee simple interest’ in the subject property, subject to the general underlying assumptions and limiting conditions as stated within, as of June 27, 2022, based on the analysis performed is concluded to be:

**ONE MILLION SEVEN HUNDRED & NINETY THOUSAND DOLLARS**  
**\$ 1,790,000**



## 17. CERTIFICATION

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I certify to the best of my knowledge and belief that:

- *The statements of fact contained in this report are true and correct.*
- *The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.*
- *I have no present or prospective interest in the subject matter, the property that is the subject of this report, and no personal interest with respect to the parties involved.*
- *I am not in a conflict of interest to undertake this assignment.*
- *I have no bias with respect to the subject matter, the property that is the subject of this report or to the parties involved with this assignment.*
- *My engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate, or a conclusion favoring the client.*
- *My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP).*
- *I have the knowledge, skills and experience to complete the assignment competently.*
- *No one provided professional assistance or third party professional assistance to the person(s) signing this report.*
- *As of the date of this report, the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for Members.*
- *The undersigned is a Member in good standing with the Appraisal Institute of Canada.*
- *I did personally inspect the subject property of the report on June 27, 2022, which is also the effective date of this report.*

Based upon the data, analyses and conclusions contained herein, the current market value of the ‘fee simple’ interest in the property described, as at June 27, 2022, is estimated to be:

**ONE MILION SEVEN HUNDRED NINETY THOUSAND DOLLARS**

**\$1,790,000**

Respectively Submitted,  
AGM Valuations Group Ltd.

Andre G. Michaud AACI, P. App

June 30, 2022

Date



# Addendum



Title



LAND TITLE CERTIFICATE

S		
LINC	SHORT LEGAL	TITLE NUMBER
0036 457 612	1425575;3;3	152 000 712

LEGAL DESCRIPTION  
 PLAN 1425575  
 BLOCK 3  
 LOT 3  
 EXCEPTING THEREOUT ALL MINES AND MINERALS  
 AREA: 1.109 HECTARES (2.74 ACRES) MORE OR LESS

ESTATE: FEE SIMPLE  
 ATS REFERENCE: 5;21;83;24;SW  
 ATS REFERENCE: 5;21;83;23;SE

MUNICIPALITY: NORTHERN SUNRISE COUNTY

REFERENCE NUMBER: 142 422 651

-----					
REGISTERED OWNER(S)					
REGISTRATION	DATE (DMY)	DOCUMENT TYPE	VALUE	CONSIDERATION	
-----					
152 000 712	02/01/2015	TRANSFER OF LAND	\$275,000	\$275,000	

OWNERS  
 1845071 ALBERTA LTD.  
 OF 2550 127 ST SW  
 EDMONTON  
 ALBERTA T6W 1A3

-----		
ENCUMBRANCES, LIENS & INTERESTS		
REGISTRATION	DATE (D/M/Y)	PARTICULARS
NUMBER	DATE (D/M/Y)	PARTICULARS
-----		
792 131 934	11/06/1979	UTILITY RIGHT OF WAY GRANTEE - EAST PEACE GAS CO-OP LTD. " AFFECTS PART OF THIS TITLE "
132 099 214	10/04/2013	UTILITY RIGHT OF WAY GRANTEE - NORTHERN SUNRISE COUNTY. AS TO PORTION OR PLAN:1321638

( CONTINUED )



ENCUMBRANCES, LIENS & INTERESTS

PAGE 2  
# 152 000 712

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
142 422 653	12/12/2014	UTILITY RIGHT OF WAY GRANTEE - NORTHERN SUNRISE COUNTY. AS TO PORTION OR PLAN:1425576
152 096 907	27/03/2015	MORTGAGE MORTGAGEE - BUSINESS DEVELOPMENT BANK OF CANADA. 236 MAYFIELD COMMON EDMONTON ALBERTA T5P4B2 ORIGINAL PRINCIPAL AMOUNT: \$1,500,000
152 096 908	27/03/2015	CAVEAT RE : ASSIGNMENT OF RENTS AND LEASES CAVEATOR - BUSINESS DEVELOPMENT BANK OF CANADA. C/O BISHOP & MCKENZIE LLP 2300, 10180-101 STREET NW EDMONTON ALBERTA T5J1V3 AGENT - NORBERT P BRODA
152 373 144	28/11/2015	AMENDING AGREEMENT AMOUNT: \$1,600,000 AFFECTS INSTRUMENT: 152096907

TOTAL INSTRUMENTS: 006

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN ACCURATE REPRODUCTION OF THE CERTIFICATE OF TITLE REPRESENTED HEREIN THIS 29 DAY OF JUNE, 2022 AT 10:04 A.M.

ORDER NUMBER: 44829872

CUSTOMER FILE NUMBER:



\*END OF CERTIFICATE\*

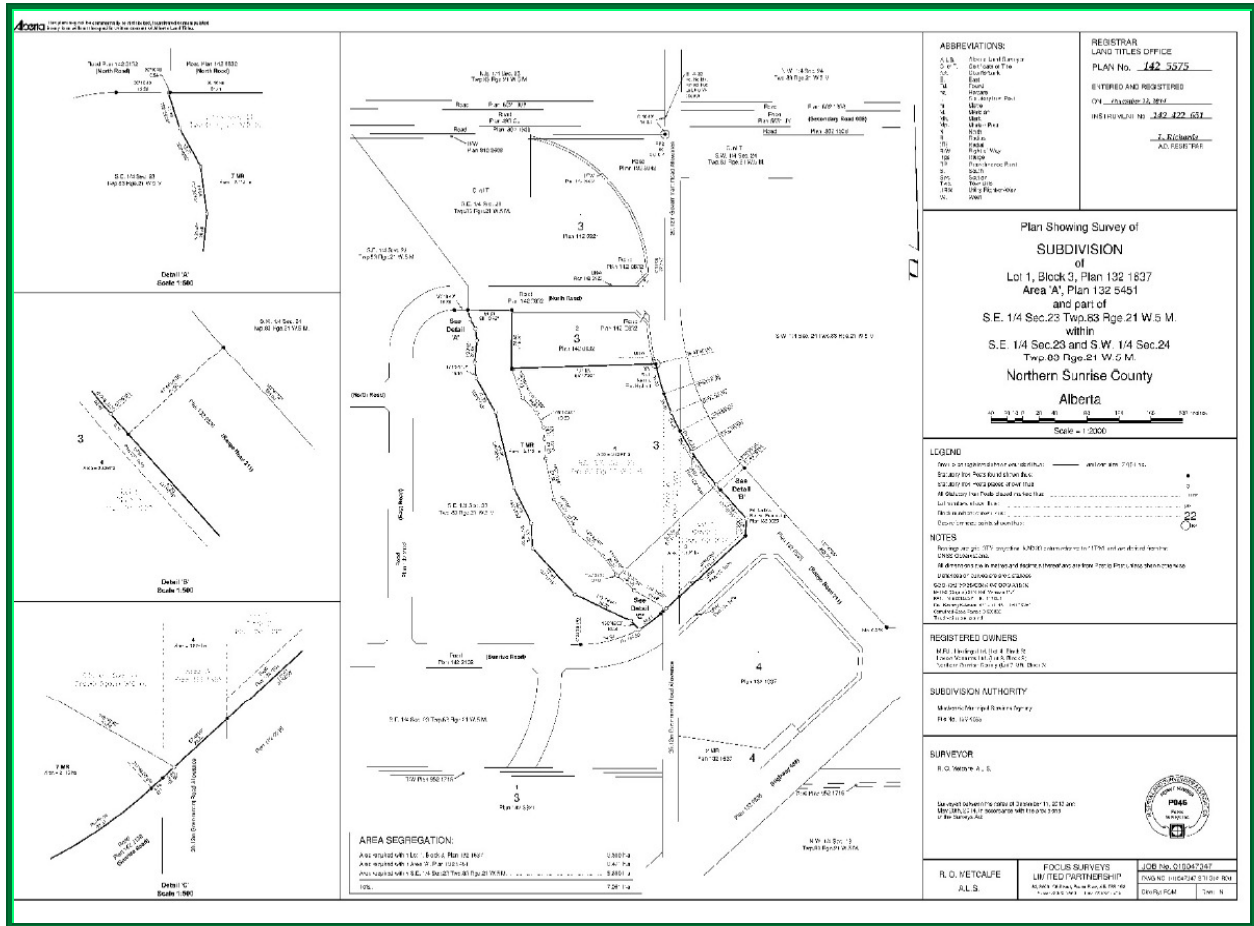
THIS ELECTRONICALLY TRANSMITTED LAND TITLES PRODUCT IS INTENDED FOR THE SOLE USE OF THE ORIGINAL PURCHASER, AND NONE OTHER, SUBJECT TO WHAT IS SET OUT IN THE PARAGRAPH BELOW.

THE ABOVE PROVISIONS DO NOT PROHIBIT THE ORIGINAL PURCHASER FROM INCLUDING THIS UNMODIFIED PRODUCT IN ANY REPORT, OPINION, APPRAISAL OR OTHER ADVICE PREPARED BY THE ORIGINAL PURCHASER AS PART OF THE ORIGINAL PURCHASER APPLYING PROFESSIONAL, CONSULTING OR TECHNICAL EXPERTISE FOR THE BENEFIT OF CLIENT(S).





# Legal Survey Plan





**Andre G. Michaud, AACI, P. App.**

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**Box 6335, 10029 101 Street, Peace River, AB T8S 1S3**

**Telephone (780) 624-0020 Fax (780) 624-0040**

**Email: [amvalue@telus.net](mailto:amvalue@telus.net)**

---

**Education:**

**1995** – Real Estate Appraisal Certificate, Langara College, Vancouver, B.C.

**1999** – Fundamentals of Real Estate Investment Analysis and Feasibility Studies Course, The Real Estate Division, Faculty of Commerce and Administration, the University of British Columbia, Vancouver, B.C.

**2004** – Principles of Rural Appraisal Course, The American Society of Farm Managers and Rural Appraisal, Denver, Colorado, USA. Special-purpose income producing agricultural property valuations such as; Mineral, Water, Oil, Orchard, Livestock Ranches, Dairy Farms, Timber, etc.

**Resume:**

**March 1, 2005** to present – Owner/President of AGM Valuations Group Ltd. (formerly A.M. Valuations Ltd), Grande Prairie and Peace River, AB. Covering Grande Prairie and North Peace Areas. Commercial, Industrial and Residential assignments.

**June 2001 to November 2004** – L.E. Rivard & Associates Ltd., Vernon, B.C. Covering Grande Prairie and North Peace and Okanagan areas. Commercial assignments.

**April 1995 to June 2001** – Pomeroy Appraisal Ltd., Grande Prairie, AB. Covering North Peace area and communities north of Edmonton. Commercial Assignments.

**Designations:**

**AACI:** Accredited Appraiser Canadian Institute **No. #600554**

**P. App.:** Professional Appraiser

**Practical Experience:**

Appraisal of variety of commercial, industrial and residential properties through the North Peace regions specializing in hotel/motels, multi-family, office, and retail developments

**References:**

Academic achievements and references available upon request.



**Specialties:**

Expropriation Matters	Land Development
Litigation Purposes	Foreclosure Appraisal Purposes
Mortgage Financing	Golf Course Appraisals
Lease Rate Analysis	Merchantable Timber Appraisals
Farm	Gravel Pit Appraisals
Residential	Insurance Appraisal Purposes
Commercial Development	Industrial Development

**Valuations Completed for:**

Insurance Companies	Ministry of Transportation, B.C.
Ministry of Forest and Land	Town of Dawson Creek
Town of Sexsmith	Town of Fox Creek
Public Land Services, AB	Accounting Firms
Crown Lands	Lawyers
Public Works & Government	Services
Alberta Transportation	County of Grande Prairie
National Oil Companies	Private & Corporate Investors

**Chartered Banks:**

TD Bank  
 BMO Bank of Montreal  
 CIBC  
 ATB Alberta Treasury Branches  
 Canadian Western Bank  
 Servus Credit Union  
 BDC  
 RBC

**Mortgage Brokers:**

CitiFinancial  
 TMG The Mortgage Group Alberta Ltd.  
 The Mortgage Centre

**Under Contract:**

Brookfield Settlement Services Inc.  
 National Appraisal Services Inc.  
 Shell Canada  
 FNF Canada  
 Welchert  
 Solidifi