

*Appraisal Report
Of An
Industrial Building*



*145th Street & 118th Avenue
Edmonton, Alberta*

For

Scotiabank

By

Ron Dinning, AACI, P. App., RRA, CRP, CMI

November, 2017

CONTINGENT AND LIMITING CONDITIONS

This report has been prepared at the request of Scotiabank for the purpose of providing an estimate of the market value of **14504 Street and 118th Avenue, Edmonton, Alberta** for Mortgages Purposes. It is not reasonable for any person other than those to whom this report is addressed to rely upon this appraisal without first obtaining written authorization from the client and the author of this report. This report has been prepared on the assumption that no other person will rely on it for any purpose and all liability to all such persons is denied.

The report has been prepared at the request of, and for the **exclusive (and confidential) use of, the recipient as named herein** and for the specific purpose and function as stated herein. All copyright is reserved to the author and this report is considered confidential by the author and the client. Possession of this report, or a copy thereof, does not carry with it the right of reproduction, or publication in any manner, either in whole or in part, nor may it be disclosed, quoted from or referred to in any manner, in whole or in part, without the prior written consent and approval of the author as to the purpose, form and content of any such disclosure, quotation or reference.

Without limiting the generality of the foregoing, neither all nor any part of the contents of this report, shall be disseminated or otherwise conveyed to the public in any manner whatsoever, or through any media whatsoever or disclosed, quoted from or referred to in any report, financial statement, prospectus, or offering memorandum of the client, or in any documents filed with any governmental agency without, (prior) written consent and approval of the author as to the purpose, form and content of such dissemination, disclosure, quotation or reference.

The estimated market value of the real estate which is the object of this appraisal pertains to the value of the freehold or fee simple interest in the real property, subject to the terms and conditions of the existing tenancy as described in this report. The property rights appraised herein exclude mineral rights, if any.

0

The estimate of value contained in this report is founded upon a thorough and diligent examination and analysis of information gathered and obtained from numerous sources. Certain information has been accepted at face value, especially if there was no reason to doubt its accuracy. Other empirical data required interpretive analysis pursuant to the objective of this appraisal. Certain inquiries were outside the scope of this mandate. For these reasons, the analyses, opinions and conclusions contained in this report are subject to the following assumptions and limiting conditions:

- * The property has been valued on the basis that title to the real estate herein appraised is good and marketable.
- * The author of this report, cannot accept responsibility for legal matters, questions of survey, opinions of title, hidden or unapparent conditions of the property, toxic wastes or contaminated materials, soil or sub-soil conditions, environmental, engineering or other technical matters which might render this property more or less valuable than as stated herein. If it came to our attention as the result of our investigation and analysis that certain problems may exist, a cautionary note has been entered in the body of this report.
- * The legal description of the property and the area of the site were obtained from the **Northern Alberta Land Titles Office**. Further, the plans and sketches contained in this report are included solely to aid the recipient in visualizing the location of the property, the configuration and boundaries of the site and the relative position of the improvements on the said lands.
- * The property has been valued on the basis that the real estate is free and clear of all value influencing encumbrances, encroachments, restrictions or covenants except as may be noted in this report and that there are no pledges, charges, lines or special assessments outstanding against the property other than as stated and described herein.

0

- * The property has been valued on the basis that there are no outstanding liabilities except as expressly noted herein, pursuant to any agreement with a municipal or other government authority, pursuant to any contract or agreement pertaining to the ownership and operation of the real estate pursuant to any lease or agreement to lease, which may affect the stated value or saleability of the subject property or any portion therein.

- * The interpretation of the leases and other contractual agreements, pertaining to the operation and ownership of the property, as expressed herein, is solely the opinion of the author and should not be construed as a legal interpretation.

- * The property has been valued on the basis that the real estate complies in all material respects with any restricted covenants affecting the site and has been built and is occupied and being operated, in all material respects, in full compliance with all requirements of law, including all zoning, land use classification, building, planning, fire and health bylaws, rules regulations, orders and codes of all federal, provincial, regional and municipal government authorities having jurisdiction with respect thereto.

- Investigations have been undertaken in respect of matters, which regulated the use of land. However, no inquiries have been placed with the fire department, the building inspector, the health department or any other government regulatory agency, unless such investigations are expressly represented to have been made in this report. The subject property must comply with such regulations and, if it does not comply, its non-compliance may affect the market value of this property. To be certain of such compliance, further investigations may be necessary.

- The property has been valued on the basis that there is no action, suit, proceeding or investigation pending or threatened against the real estate or affecting the titular owners of the property, at law or in equity or before or by any federal, provincial or municipal department, commission, board, bureau, agency or instrumentality which may adversely influence the value of the real estate herein appraised.

0

- * The property has been valued on the basis that all construction was carried out in accordance with properly executed plans and specifications; that proper workmanship and supervision was employed in the building process; that the property was occupied and in operation within a reasonable period of time following completion of the construction and that the property is being managed in a manner which is typical for the property being appraised.

- * The property has been valued on the basis that all leases, agreements to lease, or other contractual agreements relating to the terms and conditions of the tenants' occupation of space within the subject property are fully enforceable, notwithstanding that such documentation may not be fully executed by the parties thereto as at the date of appraisal.

- The property has been valued on the basis that all rents referred to in this report are being paid in full and when due and payable under the terms and conditions of the attendant leases, agreements to lease or other contractual agreements. Further, it is assumed that all rents referred to in this report represent the rental agreements stipulated in the leases, agreements to lease or other contractual agreements pertaining to the tenants' occupancy, to the extent that such rents have not been prepaid, abated, or inflated to reflect extraordinary circumstances, unless such conditions have been identified and noted in this report.

- The data and statistical information contained herein were gathered from reliable source and are believed to be correct. However, these data are not guaranteed for accuracy, even though every attempt has been made to verify the authenticity of this information as much as possible.

o

The estimated market value of the property does not necessarily represent the value of the underlying shares, if the asset is so held, as the value of the shares could be affected by other consideration. Further, the estimated market value does not include consideration of any extraordinary financing, rental or income guarantees, special tax considerations or any other atypical benefits which may influence the ordinary market value of the property, unless the effects of such special conditions, and the extent of any special value that may arise therefrom, have been described and measured in this report.

Should title to the real estate presently be held (or changed to a holding) by a partnership, in a joint venture, through a co-tenancy arrangement or by any other form of divisional ownership, the value of any fractional interest associated therewith may be more or less than the percentage of ownership appearing in the contractual agreement pertaining to the structure of such divisional ownership.

In the event of syndication, the aggregate value of the limited partnership interests may be greater than the value of the freehold or fee simple interest in the real estate, by the reason of the possible contributory value of non-realty interest or benefits such as provisions for tax shelter, potential for capital appreciation, special investment privileges, particular occupancy and income guarantees, special financing or extraordinary agreements for management services.

The estimated market value of the property referred to herein is predicated upon the condition that it would be sold on a cash basis by the vendor and subject to any contractual agreements and encumbrances as noted in this report (as-is and where-is, without any contingent agreements or caveats). Other financial arrangements, good or cumbersome, may affect the price at which this property might sell in the open market.

Should the author of this report be **required to give testimony** or appear in court or at any administrative proceeding relating to this appraisal, **prior arrangements shall be made** therefore, including provisions for additional compensation to permit adequate time for preparation and any appearances which may be required.

o

However, neither this nor any other of these assumption and limiting conditions is an attempt to limit the use that might be made of this report should it properly become evidence in a judicial proceeding. In such a case, **it is acknowledged that it is the judicial body that will decide the use of this report which best serves the administration of justice.**

Because market conditions, including economic, social and political factors, change rapidly and, on occasion, without notice or warning, the estimate of market value expressed herein, as of the effective date of this appraisal, cannot necessarily be relied upon as of any other date without subsequent advise of the author of this report.

The distribution of value between land, buildings and other improvements applies only in regard to the purpose and function of this appraisal, as outlined in the body of this report.

The value expressed herein is in Canadian dollars.

The report is only valid if it bears the original signature of the author.

It is important to note that an appraisal of this type is based on market data. In analyzing sales of income producing properties, every attempt has been made to obtain accurate financial information.

Unfortunately however, vendors, purchasers and brokers are sometimes hesitant to release financial information. To that end, it can only be suggested that the analysis is based on the data provided.

0

SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS	
PROPERTY TYPE:	Industrial Building
MUNICIPAL LOCATION:	14504 – 118th Avenue, Edmonton, Ab.
LEGAL DESCRIPTION:	Plan 5951KS, Block 2, Lot 1
TOTAL SITE AREA: TOTAL IMPROVEMENT AREA:	22,651 +/- Square Feet 13,100 +/- Square feet
LAND USE CLASSIFICATION: ASSESSMENT: Total:	IM – Medium Industrial \$1,6,16,000
PURPOSE OF APPRAISAL:	Estimate Market Value
DATE OF INSPECTION:	November 7, 2017
DATE VALUATION APPLIES:	November 1, 2017
SUMMARY OF VALUES: Income Approach to Value: Direct Comparison Approach:	\$2,127,000 \$2,010,000
FINAL ESTIMATE OF MARKET VALUE:	\$2,050,000
DATE OF REPORT:	November 8th, 2017

PURPOSE OF APPRAISAL

As per your instructions, the purpose of this appraisal report is to estimate the current market value of the subject property for Mortgage Purposes as of the effective date of this report.

DEFINITION OF MARKET VALUE

Market value may be defined as the most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimuli.

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

1. **Buyer and seller are typically motivated;**
2. Both parties are **well informed** or well advised, and each acting in what they consider their best interests;
3. A **reasonable time** is allowed for exposure in the open market;
4. Payment is made in cash in **Canadian dollars** or in terms of financial arrangements comparable thereto; and
5. The price **represents a normal consideration** for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Source: USPAP 1996 Canadian Supplement

0

EFFECTIVE APPRAISAL DATE

The effective date of this appraisal is **November 1, 2017**.

PROPERTY RIGHTS APPRAISED

The property rights appraised within this report are those of the "**Fee Simple Interest**" in the real estate comprising the subject property, as described herein.

SCOPE OF APPRAISAL

The scope of the appraisal encompasses the research and analysis required to prepare the report in accordance with the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute of Canada, as well as the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP). In regard to the subject property, this involved the following steps:

1. The property was inspected on **November 7, 2017**. At that time, the exterior/interior of the unit along with the site improvements were visually inspected and photographs taken of the same.
2. **Confirmation of ownership**, any restrictions on title, land use bylaws, as well as tax and assessment information was then obtained from the **Northern Alberta Land Registration Office** as well as the appropriate municipal authority respectively.
3. Regional and market information used throughout the report was obtained from various reliable third party sources which include local Realtors and/or the Real Estate Board Multiple Listing Service and/or appropriate local businesses as necessary. Information was also accessed through our own office files. Where necessary, all market data was confirmed through public land title transfer records.

0

REASONABLE EXPOSURE TIME AND TERMS OF SALE

The market value estimate contained herein is based on the assumption that a reasonable amount of time was allowed for exposure of the property in the open market. The reasonable exposure time for the subject property has been estimated by analyzing sale periods for

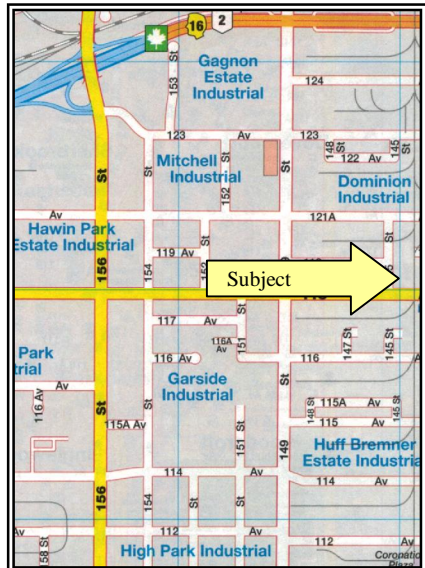


the comparable properties and other similar developments in the City of Edmonton, Alberta.

The reasonable exposure time for the subject property is estimated at between **Six (6)** months to **One (1) year**. The market value estimate as contained herein is based on typical first mortgage financing currently available in the market.

TOWN AND NEIGHBOURHOOD DATA

The subject is located in the West End of City of Edmonton, in what is commonly

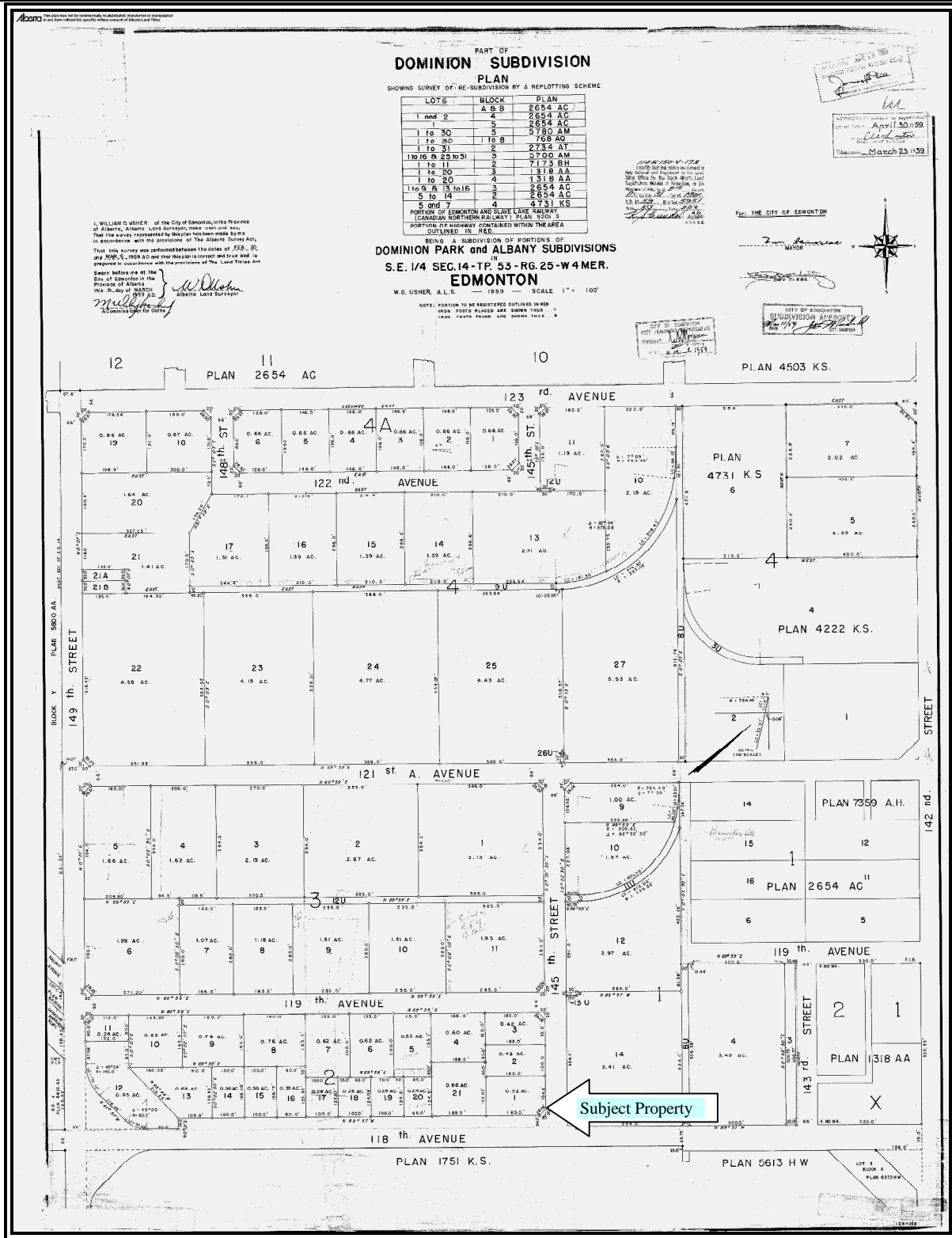


referred to as the Dominion Industrial District, having 149th Street as a west boundary, and 142nd Street to the east, and the Yellowhead Trail to the North and 118 Ave to the South. As illustrated in the map to the left.

This industrial park is located in a district surrounded with industrial developments, with the majority of the Road Ways, being connector routes two and from the Yellowhead Trail. A/The major East West through route for the city of Edmonton.

0

DESCRIPTION OF SUBJECT PROPERTY



RE Advisory Services Ltd.

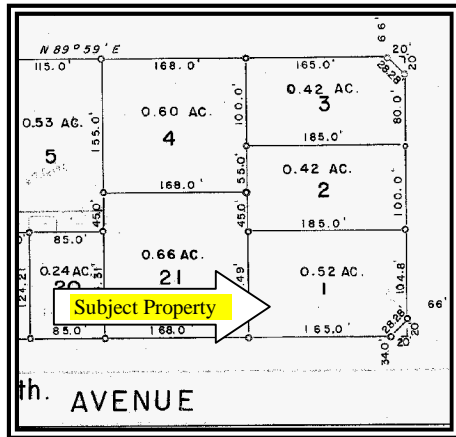
(780-413-4547)

Internet Address: www.reall.com

0

Site Area and Services

The subject consists of one lot having frontage of 165' +/- along 118th Avenue, and frontage of 105' +/- along 145 Street, for a total area of 22,866 square feet +/- . As illustrated in the above registered plan and the following plat map.



The Site is flat and level at grade and appears to have adequate drainage and of stable enough soil to support the developments thereon.

The services are typical for a site in this area/district.

Legal Description

Plan 5951KS, Block 2, Lot 1
EXCEPTING THEREOUT ALL MINES AND MINERALS

Sales History

According to public records, the subject property was acquired by the current owner Sundian Developments Ltd., {9 Glenview Cr., St. Albert, Alberta T8N 1B6} showing a transfer value of \$499,852 in October 6, 2000 as illustrated on the following copy of title. It is understood that presently the owner and the tenant are presently negotiating a purchase/sale.

{ It should be noted that some leases etc., are registered on title, and should be removed as the tenants are no longer in occupancy. }

0

GoA Fax Server 11/6/2017 3:40:15 PM PAGE 2/004 Fax Server



LAND TITLE CERTIFICATE

S
 LINC SHORT LEGAL TITLE NUMBER
 0016 470 908 5951KS;2;1 002 295 862

LEGAL DESCRIPTION
 PLAN 5951KS
 BLOCK 2
 LOT 1
 EXCEPTING THEREOUT ALL MINES AND MINERALS
 AREA: 0.21 HECTARES (0.52 ACRES) MORE OR LESS

ESTATE: FEE SIMPLE
 ATS REFERENCE: 4;25;53;14;SE

MUNICIPALITY: CITY OF EDMONTON

REFERENCE NUMBER: 69J271

REGISTERED OWNER(S)				
REGISTRATION	DATE (DMY)	DOCUMENT TYPE	VALUE	CONSIDERATION
002 295 862	06/10/2000	TRANSFER OF LAND	\$499,852	\$499,852

OWNERS
 SUNDIAL DEVELOPMENTS LTD.
 OF 9 GLENVIEW CR.
 ST. ALBERT
 ALBERTA T8N 1B6
 (DATA UPDATED BY: CHANGE OF NAME 132249057)

ENCUMBRANCES, LIENS & INTERESTS		
REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
6597LP	12/02/1960	CAVEAT CAVEATOR - THE CITY OF EDMONTON.
782 026 220	07/02/1978	CAVEAT CAVEATOR - OWEN HUMBLE CAVEATOR - TOM LEWIN CAVEATOR - SUNDIAL DEVELOPMENTS LTD.

(CONTINUED)

0

GoA Fax Server 11/6/2017 3:40:15 PM PAGE 3/004 Fax Server

ENCUMBRANCES, LIENS & INTERESTSPAGE 2
002 295 862

REGISTRATION

NUMBER	DATE (D/M/Y)	PARTICULARS
822 200 546	13/09/1982	CAVEAT RE : LEASE CAVEATOR - CONCORD GLASS LTD.
002 296 307	06/10/2000	CAVEAT RE : AGREEMENT CHARGING LAND CAVEATOR - BANK OF MONTREAL. 10199-101 STREET, EDMONTON ALBERTA T5J2J2 AGENT - DOUGLAS A BODNER
002 296 308	06/10/2000	CAVEAT RE : LEASE CAVEATOR - SUNDIAL DEVELOPMENTS LTD. C/O LUCAS BOWKER & WHITE LLP 1201 SCOTIA 2 TOWER 10060 JASPER AVE EDMONTON ALBERTA T5J4E5 AGENT - KEVIN J SMITH
002 323 741	01/11/2000	CAVEAT RE : AGREEMENT CHARGING LAND CAVEATOR - BANK OF MONTREAL. #236 MAYFIELD COMMON EDMONTON ALBERTA T5P4B3 AGENT - RICHARD COPP

TOTAL INSTRUMENTS: 006

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN
ACCURATE REPRODUCTION OF THE CERTIFICATE OF
TITLE REPRESENTED HEREIN THIS 6 DAY OF
NOVEMBER, 2017 AT 03:38 P.M.

ORDER NUMBER: 34028274

CUSTOMER FILE NUMBER:



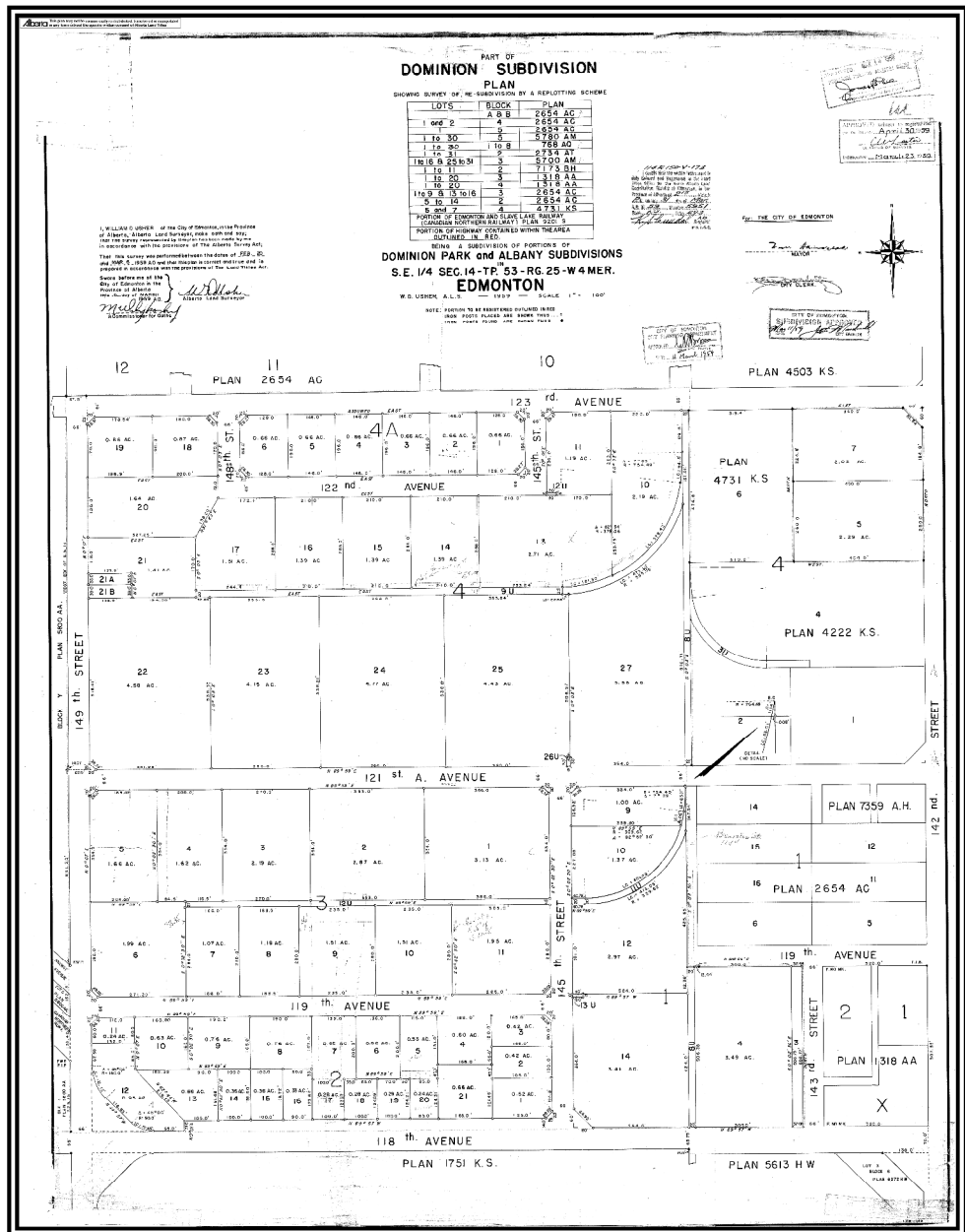
END OF CERTIFICATE

(CONTINUED)

0

LAND USE CLASSIFICATION

According to the most recent Bylaw No 12800, the subject site is regulated by the IM – Medium Industrial. The general purpose of this designation is provide a property which allows for manufacturing, assembly, and distribution. The following is an excerpt of the by-law concerning the subject.



**SECTION
420**

**IM
MEDIUM INDUSTRIAL DISTRICT**

420.1 General Purpose

To establish a District for those manufacturing, processing, assembly, distribution, service and repair uses which carry out a portion of their operation outdoors or require outdoor storage areas. In general, any nuisance factor associated with the uses in this District should not extend beyond the boundaries of the site. This District would normally be applied on the interior of industrial areas adjacent to collector and local industrial public roadways such that uses are separated from any adjacent residential areas by a higher quality Industrial or Commercial District.

420.2 Permitted Uses

- 1) Animal Hospitals and Shelters
- 2) Auctioneering Establishments
- 3) General Contractor Services
- 4) Equipment Rentals
- 5) General Industrial Uses
- 6) Industrial Vehicle and Equipment Sales/Rentals
- 7) Temporary Storage

*Bylaw No. 6626
November 10, 1981*

420.3 Discretionary Uses

- 1) Natural Resource Developments
- 2) Automotive and Equipment Repair Shops
- 3) Fleet Services
- 4) Recycling Depots
- 5) Warehouse Sales
- 6) Residential Sales Centre
- 7) Recycled Materials Drop-off Centres
- 8) Residential Security Unit
- 9) Flea Markets

*Bylaw No. 6626
November 10, 1981*

*Bylaw No. 6858
March 10, 1982*

*Bylaw No. 7322
September 16, 1983*

*Bylaw No. 9949
November 25, 1991*

*Bylaw No. 10244
November 16, 1992*

*Bylaw No. 10773
July 26, 1994*

g7

0

**SECTION
420**

**IM
MEDIUM INDUSTRIAL DISTRICT**

420.4 Development Regulations for Permitted and Discretionary Uses

The following regulations shall apply to Permitted and Discretionary Uses, except where altered by a Statutory Plan Overlay:

- 1) the maximum Floor Area Ratio shall be 2.0;
- 2) a minimum Yard of 3 m (9.84 ft.) shall be required where any lot line of a site abuts a public roadway, other than a lane. If any lot line of the site abuts a property line of a Residential District a minimum Yard of 6 m (19.68 ft.) shall be required;
- 3) no parking, loading, storage, trash collection, outdoor service or display area shall be permitted within a required Yard;
- 4) the maximum building Height shall be 18 m (59.04 ft.);
- 5) all developments shall comply with the Performance Standards of Section 73 for the IM District; and
- 6) the minimum gross floor area for a Warehouse Sales establishment shall not be less than 1 000 m² (10,764.2 sq. ft.) unless at least fifty percent of the gross floor area of the establishment is used for warehousing or storage of the goods sold or distributed from the establishment.

*Bylaw No. 7016
September 14, 1982*

*Bylaw No. 7322
September 16, 1983*

*Bylaw No. 9949
November 25, 1991*

*Bylaw No. 10773
July 26, 1994*

420.5 Additional Development Regulations for Discretionary Uses

- 1) Residential Sales Centres shall be developed in accordance with Section 95 of this Bylaw.
- 2) Recycled Materials Drop-off Centres shall be developed in accordance with Section 97 of this Bylaw.
- 3) Flea Markets shall be developed in accordance with Section 102 of this Bylaw.

g8

0

Based on our inspection, it is concluded that the subject has been developed and does comply with above requirement and the needs of a number of users/tenants.

ASSESSMENT AND TAXES

Land and improvements located within the City of Edmonton, assessed by the Tax and Assessment Department of the City this department. Presently the assessment applicable to the subject is **\$1,616,000.00**.

DESCRIPTION OF IMPROVEMENTS

In so far as the subject improvements are concerned, we were not with working drawings from which we would be able to describe the improvements that are located on this parcel.

The following descriptions are based upon the physical inspection conducted by the writer on **November 7, 2017 the subject contains 13,100 square feet +/-**.

The improvement were erected in 1969, is of concrete block construction, situated on a concrete slab at grade, having a built up tar and gravel roof, with wood trusses. Access is granted by (6) swinging man doors, and (3) overhead doors. Heating is provided by suspended gas fired zone forced air system, as well as forced air furnace, as illustrated in the following photographs, the front portion of the building has been developed with typical office space, while the rear portion has very limited interior finishes.

0



0



In summary the subject is considered to be in a state of good repair, is of concrete block construction, situated on a concrete slab on grade, with a built up tar and gravel roof, constructed in 1969, the remaining economic life for the complex is estimated at 40 years, containing 13,100 +/- square feet. The area not covered by the improvement, concrete parking surface.

RE Advisory Services Ltd.

(780-413-4547)

Internet Address: www.reall.com

HIGHEST AND BEST USE

Highest and Best Use is defined as that reasonable and profitable use which will support the highest current value as at the date of the appraisal. Alternatively, it is the most profitable, likely use to which the property can be put and may be measured in terms of the present worth of the highest net return that the property can be expected to produce over a given period of time, provided that there is a demand and ability to pay for that use.

Three of the most important factors which influence any consideration of the most profitable, likely use to which the property may be put are its location, land use classification and development potential. With regards to development potential, this is directly related to the possibility of changing its land use classification to one of a more intensive or higher use. The other factors which affect development potential are the current economic climate at the time of the appraisal, and the demand for the particular type of property.

Criteria for determining the highest and best use include:

Use must be legal and in compliance with land use and building regulations.

Use must be within the realm of probability and not speculative or conjectural.

Demand for such use must exist and the use must be profitable.

Use must provide the highest net return to the land and produce the maximum return for the longest period of time.

According to the most recent Land Use Bylaw, the subject site is regulated by the IB Zoning.

It is our opinion that the Highest and Best Use for the subject site would be represented by its continuation with its existing use, as the subject is well located, well designed, well maintained, and well suited for a variety of tenants/operations.

APPRAISAL TECHNIQUES

In appraising real property, there are usually three basic methods that may be applied in order to arrive at an estimate of the market value for the property being appraised.

1. THE COST APPROACH TO VALUE
2. THE INCOME APPROACH TO VALUE
3. DIRECT COMPARISON APPROACH TO VALUE

The Cost Approach involves estimating the reproduction cost of the improvements on the site, including all costs that may be incurred to build such a property at today's rates. These costs are then depreciated according to the physical, functional and locational obsolescence which has accrued throughout the life of the structure. The estimate of land value as if vacant is then added to yield an estimate of value by the Reproduction Cost Approach.

The Income Approach involves estimating the gross income that the property is thought to be capable of producing. The gross income is then adjusted to reflect those losses due to vacancy and bad debts. From the resulting figure, the annual expenses that are fair and reasonable are deducted to yield an income before depreciation. At this point, one of several techniques is used to arrive at a capitalization rate that is applicable to the subject.

Finally, **The Direct Comparison Approach** involves the gathering, analyzing and comparing of similar properties that have recently sold, or which have been offered for sale on the open market. This often involves adjusting the comparable data in order to make them truly comparable to the subject, and is considered an excellent indicator of value when good sales data is available.

o

A **Cost Approach** has not been carried out as the sales of developments similar to the subject are based upon the investment merits of the project, rather than its replacement cost. Further, this procedure has not been sensitive to the changes in economic conditions and given the current condition of the improvements and it would be very difficult to adequately account for all of the appropriate depreciation. Further, there is a lack of appropriate land sale data of comparable sites to complete a proper analysis of the value of the site.

The **Income Approach** is the primary method for valuing income producing properties, such as the subject property, as the typical investor is interested on the return of and on his investment. This method will be relied upon heavily in determining the final estimate of value for the subject property.

The **Direct Comparison Approach** is a valuation method whereby the property being appraised is compared with similar properties that have recently been sold or offered for sale. The assumption is, of course, that if the property had been exposed for sale in the open market, it would have been in competition with comparable properties and dealing with the same type of purchaser under the same market conditions. Since no two properties are completely alike, adjustments must be made to compensate for differences between the comparables and the subject property.

The substance of the Direct Sales Comparison Approach is to search out the recently sold or offered competitive properties and through an adjustment process, develop an indication of what they would have sold for if they had possessed the physical and economic characteristics of the property being appraised.

Based on the above analysis, it is concluded that the **Income Approach** and the **Direct Comparison Approach** to value shall be developed in this report.

THE INCOME APPROACH TO VALUE

The substance of the income approach is that the value of the property is the present worth of the annual net income that the property would produce during the remaining economic life of the property. This net income is then capitalized to produce an estimate of value by the use of an appropriate capitalization rate. This capitalization rate selected is obtained from the available market through the analysis of the available sales of revenue producing property sales and/or listing. The basic steps in this process is as follows:

1. **Estimate the total Potential Gross Income of the property assuming the property does not suffer or lose income for any reason.**
2. **Estimate an Allowance for Vacancy and Bad Debts, this is derived from the Market Place.**
3. **Estimate the Effective Gross Income.**
4. **Estimate the Operating Expenses, incurred during the process of earning the above noted income.**
5. **Select the Appropriate Capitalization Rate.**
6. **Using the procedure, convert the estimated/anticipated net annual income stream into an indication of value for the subject property.**

Estimate of the Potential Gross Income

The first step in estimating the potential gross income applicable to the subject, based on the existing leases, however the subject is/will be primarily **owner occupied**. With the owner being an industrial/ retail type operation.

A market survey, has to be conducted to arrive at an estimated market lease rate applicable to the subject.

o

The writer was able to locate current leases signed on industrial/business space, in like to similar settings they indicating an average lease rate of \$15.00 per square foot, although this is considered a reliable estimate of the potential income for industrial space like the subject, typically there is a slight premium for corner higher profile spaces.

Potential Gross Income: 13,100 sq. ft. @ \$15 \$196,500

Vacancy and Credit Loss

A typical investor will have an allowance for vacancy and credit loss when determining the net income figures. This vacancy and credit loss represents the investor's expectations over a typical holding term for the property. An allowance must be made, for this vacancy and collection loss.

As of the date of the preparation of this appraisal, the subject is owner occupied, if this owner was to move out to another structure it is anticipated that it would take some six months to find a suitable tenant for the subject.

Comparing the subject to similar buildings in the area as well as the condition of the improvement, a market survey of vacant space in the area, it is concluded that a vacancy rate of 5% would be considered reasonable and should provide for a stabilized effective gross income. However it is anticipated that there will be an initial lease up period, and renewals of the leases in due course.

Therefore, it is concluded that the applicable stabilized vacancy rate of 5% would be applicable, Allowance for Vacancy and Bad Debt is \$9,825.

0

EFFECTIVE GROSS INCOME

The effective gross income is simply the **Potential Gross Income**, less the allowance for **vacancy and bad debts** as noted above, as per the following:

Potential Gross Income:	\$196,500
Less	
Allowance for Vacancy and Bad Debts (5%)	<u>9,825</u>
Effective Gross Income:	\$186,675

OPERATING EXPENSES

From the above estimated **Effective Gross Income** the next step in the process is to estimate the operating expenses. While the amount of vacancy, and the level of maintenance will influence these expenses the following is an estimate of these expenses as stabilized to allow for this type of fluctuations.

ESTIMATED OPERATING EXPENSES

It is typical for a property of this type, to be leased on a Triple Net Basis, yet expenses are necessary in the process of earning an income. These expenses normally non recoverable in nature, and they have a tendency to increase as the vacancy increases. Therefore, based on the available market data, contained in our files, it is concluded that the estimated expenses should be 3% miscellaneous; with another 3% for the property management.

Indicating a total expense of 6% based on available data it is concluded that the operating expenses would be \$11,200 this appears to be reasonable and shall be used in this report.

0

Reconstructed Operating Statement

Potential Gross Income :	\$196,500
Less	
Allowance for Vacancy and Bad Debts:	\$ 9,825
Effective Gross Income:	\$186,675
Less Operating Expenses	\$11,200
Net Operating Income	\$175,475

ANALYSIS OF CAPITALIZATION RATES

In order to estimate the market value of the subject property by the income approach. Consideration must be given to the expectations of the **typical investor** in the current market place. This behavior can be determined by analysis of sales of revenue producing properties.

The following comparable sales chart summarizes the sales located during this market survey, and are considered to be comparable and compatible to the subject property, in quality and quantity of their income streams.

Comparable Sales Chart

Sale Number	Subject	Sale 1	Sale 2	Sale 3
Address: (Edmonton)	14504 – 118 Ave	6516/18 – 118 Ave	12415 Stony P Rd	15420 Stony P. Rd
Legal Description:	P 5951KS B 2, L 1	P 5819AA, B 1, L 6-7-8	P 13328RD, B 31, L 2	P 21115 U 20
Sales Date:		7/17	11/16	11/16
Sales Price:		\$676,000	\$2,100,000	\$2,500,000
Potential Gross Income:	\$196,500	\$63,512	\$270,118	\$171,420
Effective Gross Income:	\$186,675	\$60,337	\$264,014	\$166,207
Net Operating Income:	\$175,475	\$56,715	\$143,265	\$162,951
Overall Capitalization Rate:		8.38%	6.82%	6.52%

0

Sale Number	Sale 4	Sale 5	Sale 6	Sale 7
Address: (Edmonton)	8404 – 109 St	7450/60 – 82 Ave	9555 – 118 Ave	10154 – 114 Street
Legal Description:	P782AT, B 145, Pt L E-H	P 7884AH, B 28, Pt L 15-18	P 1592EO, B 19, L 12-14	P 9023697, U 3-6
Sales Date:	8/16	10/16	3/16	1/17
Sales Price:	\$3,852,500	\$1,800,000	\$1,575,000	\$1,850,000
Potential Gross Income:	\$559,480	\$143,847	\$165,074	\$165,200
Effective Gross Income:	\$531,506	\$136,655	\$160,122	
Net Operating Income:	\$288,066	\$133,922	\$106,926	\$148,680 (e)
Overall Capitalization Rate:	7.48%	7.44%	6.79%	8.03%

Selection of Capitalization Rate and Estimate of Value

All of the sales, noted above are of a retail buildings having similar tenant base, utility and all are located in close proximity to the subject property, they indicate a range of capitalization rates of 6.52% to 8.38%.

With the capitalization rate increasing in recent times to 8.4% from 7% with the writer concluding the most applicable rate for the subject property being 8.25% **indicating a market value of \$2,127,000 (RD) as of the effective date of this report.**



THE DIRECT COMPARISON APPROACH

The **Direct Comparison Approach to Value** is based on the principal of substitution. This principal is based on the premise that a prudent purchaser would pay no more for a property than the cost to acquire an equally desirable substitute property, provided there is no undue delay in making this acquisition.

This approach is evaluated through the eyes of a **typical purchaser**, as if the property is exposed to the open market, and in competition with the comparable properties, and with equal appeal to the same type of purchaser.

The steps involved in this approach are to select properties which have sold (or are currently listed for sale). Then extract from these sales units of comparison, which might be applicable to the subject property. Frequently it is not possible to acquire information on sales, which are identical to the subject property.

Therefore, some adjustments are necessary for location, condition, size, age, etc.. These adjustments should only be made for significant and pertinent characteristics, supported by market data.

The main weakness of this approach to value lies in the fact that all the data collected and used, is historical in nature (based on previous sales); however this approach is most effective when a sufficient quantities of reliable market data are available.

To determine the effectiveness of this approach to value, the following has to be undertaken.

o

- 1 - Survey the area and locate comparable properties, which have sold (or are listed for sale).
- 2 - Locate and check the pertinent information on each property located and select units of comparison.
- 3 - Analyze the data collected for differences in time and terms of the sale.
- 4 - Compare each sale to the subject property, making the required (market supported) adjustments.
- 5 - Reconcile this data.
- 6 - Make an estimate of value.

This approach to value contributes significantly to the final estimate of value only when there is a sufficient quantity of reliable market data, providing these adjustments are done in a prudent manner. Based on the available data of comparable properties, it is concluded that this approach to value would provide a reliable estimate of value, for a typical investor. The following is the result of the market survey conducted as part of this assignment:

0

Comparable Sales Chart				
Sale Number	Subject	Sale 1	Sale 2	Sale 3
Address (Edmonton Ab)	14504 – 118 Ave	14729 – 119 Ave	15311 – 118 Ave	1204 – 119 St
Legal Description:	Plan 5951ks B 2, L 1	Plan 5957KS B 2, L 9	P RN51A B 15, L 3	P 9222114 B 192, L 1
Zoning:	IM	IM	IB	IB
Sales Date:		10/16	7/17	8/17
Sales Price:		\$2,000,000	\$2,000,000	\$1,775,000
Year Built:	1969	1969	1999	1964
Area of Building Sq Ft:	13,100	12,300	10,000	14,420
Area of Site Sq Ft:	23,866	33,976	39,204	27,616
Coverage Ratio:	54.89%	36.21%	25.51%	52.22%
Price per Sq. Ft. Bldg:		\$162.60	\$200.00	\$123.09



<<<<<<< Comparable #1 is located in the same district, plan, is of similar design, utility, and amenities, as well as condition. Requiring no major adjustment for its features.

Comparable # 2 >>
Is superior in condition modern having a 5,000 show room. Plus a 5,000 square foot wood storage building. Requiring a negative adjustment of \$40.00 per square foot.



<<<<<<< Comparable #3 is of similar design and utility, having similar coverage area, etc., however, the arterial roadways is inferior, as is the condition of the improvements and is in a district somewhat stagnant, and in transition. Having a ceiling height of 30'. While it is good as a warehouse the overall utility is notably less. Requiring a positive adjustment of \$35.

0

Once adjusted for the various attributes the resulting value range is \$158 to \$162 per square foot, when considering the condition, location as well as the utility and condition thereof the writer concludes the value applicable to the subject of \$160 per square foot, or **\$2,010,000 as of the effective date of this report.**



o

RECONCILIATION AND FINAL ESTIMATE OF VALUE

Traditionally in the valuation of Real Estate, there are three recognized approaches to value; The Cost Approach to Value, The Income Approach to Value, and The Direct Comparison Approach to Value.

The following approaches were used to estimate the market value of the subject, and the value estimated by each approach.

THE INCOME APPROACH TO VALUE:	\$2,127,000
THE DIRECT COMPARISON APPROACH:	\$2,010,000

The Income Approach to Value is based on the premise, that the value of an income producing property has a direct relationship to the income it is capable of producing. In this approach to value the income stream was projected, as it is currently owner occupied.

The capitalization rate used was extracted from the market place, and derived from a detailed analysis of the sales data extracted from these properties.

This approach to value contributes significantly to the final estimate of value, due to the fact; it is viewed through the eyes of the most probable purchaser. **{It reflects the current market reactions to a revenue producing properties.}**

The Direct Comparison Approach is based on the premise, that a prudent purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property. This Approach uses data extracted from the recent sales of comparable/competitive properties, with adjustments being made for significant and pertinent characteristics only, and it must be supported by the market data.

0

This approach to value usually contributes significantly to the final estimate value, when there is an adequate amount of reliable data as viewed through the eyes of the typical purchaser. It was concluded that the data did provide a reliable estimate of value, **as the typical purchaser for this type of project is that of the owner user, considering leasing out surplus space to a compatible tenant.**

Based on the above analysis it is concluded that the **Income Approach** and the **Direct Comparison Approach** would contribute to the final estimate of value. However due to the uncertainty of the income stream, and that the typical purchaser would be that of an owner user, along with the number of and quality of the tenant improvements, it is concluded that the final estimate of value, would be at or the lower point of the value range indicated above. Therefore, as of the effective date of this report, **the final estimate of Value is \$2,050,000.00, as of November 1, 2017.**

MARKET VALUE IS:

TWO MILLION FIFTY THOUSAND DOLLARS \$2,050,000

0

CERTIFICATE OF APPRAISER

We certify that, to the best of our knowledge and belief;

- * The statements of fact contained in this report are true and correct.

- * The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analysis, opinion, and conclusions.

- * We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.

- * Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, that amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

- * We certify that, to the best of my knowledge and belief, the reported analysis, opinions and conclusions were developed, and this report has been prepared in conformity within the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute of Canada, as well as the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP).

- * The Appraisal Institute of Canada has the right to review this report on a confidential basis for compliance with its standards.

- * The appraisal Institute of Canada has a Mandatory Recertification Program for designated members. As of the date of this report, we have fulfilled the requirements of the program.

o

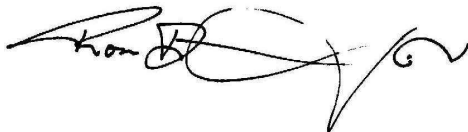
- * That on **November 7, 2017** I, Ron Dinning and {Brad Warn} did do an inspection of the property that is the subject of this report.

- * No one provided significant professional assistance to the persons signing this report, unless disclosed in the body of the report.

The preceding data, analyses, and conclusion enables us to formulate the opinion that the conclusions of value of the property herein described, effective **November 1, 2017**.

<p><u>MARKET VALUE IS:</u></p> <p style="text-align: center;"><u>Two Million Fifty Thousand Dollars</u></p> <p style="text-align: center;">AS OF November 1, 2017</p>

Respectfully Submitted,



Ron Dinning, AACI

Certification Date: November 8, 2017

Welcome to the **Edmonton** Community Profile

Welcome

Welcome to Edmonton

Taxation

Edmonton is the political and intellectual capital of Canada's province of Alberta.

Key Contacts

Greater Edmonton is a metropolitan centre with a population in excess of 1 million (2004) - encompassing 36 municipalities. It has one of the lowest population densities of any major North American city - about 67 times less than the population density of New York City!

Map

Municipal Population

For detailed information on Greater Edmonton go to Edmonton.com

Education Statistics

Labour Statistics

Taxation

Income

Building Permits

Dwellings

Major Projects

View All

	<u>Residential/Farmland</u>	<u>Non-Residential</u>
<u>2005</u>		
Municipal Tax Rate	5.8110	14.7451
Education - Alberta School Foundation Fund Tax Rate	3.7995	6.3224
Education Opted Out Tax Rate	3.7995	6.3224
Allowance for Non-Collection of Requisitioned Taxes	.0717	.1018

Alberta offers one of the most favourable tax structures in Canada. Albertans pay no retail sales taxes and enjoy the lowest basic income tax rate in the country. There are no inheritance or succession taxes levied in Alberta.

Alberta offers significant tax advantages compared to other Canadian provinces. For more information on personal income tax which is applied by each province as a percentage of of federal income tax, contact:

Revenue Canada Taxation
 Canada Place
 9700 Jasper Avenue
 Edmonton, Alberta T5J 4C8
 Phone: (403) 423-3510

Property taxes in Alberta are paid to the municipalities. Edmonton offers residential property taxes which are among the lowest in Canada. For more information, contact:

Tax Collection Section
 Finance Department
 City of Edmonton
 7th Floor, Chancery Hall

#3 Sir Winston Churchill Square
 Edmonton, Alberta T5J 2C3
 Phone: (403) 496-6366

Key Contacts

Municipal

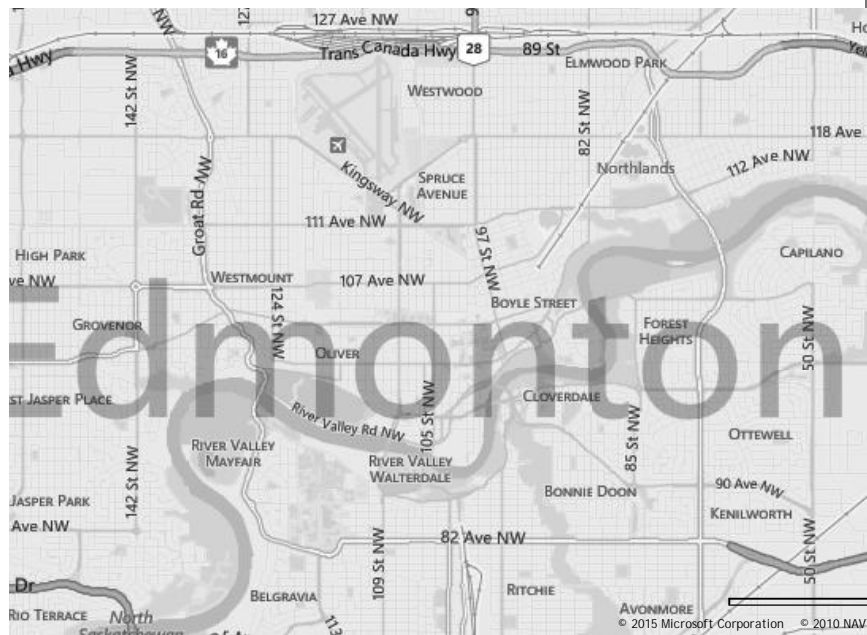
City of Edmonton
 3rd Floor City Hall
 1 Sir Winston Churchill Square
 Edmonton AB T5J 2R7
 Tel: (780)496-8200
 Fax: (780)496-8210
webmaster@edmonton.ca

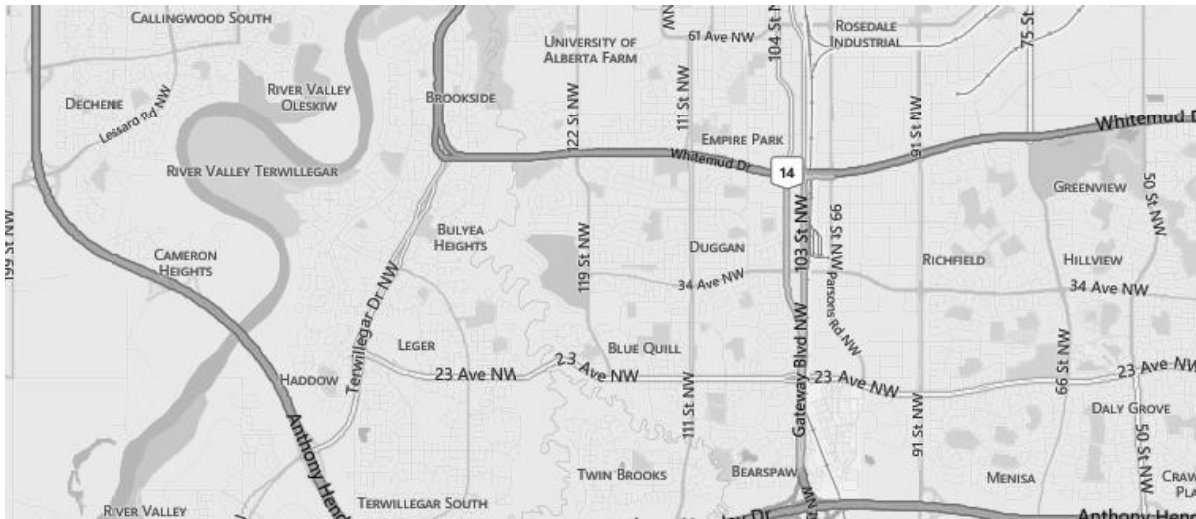
Don Iveson
 Mayor

Simon Farbrother
 City Manager
simon.farbrother@edmonton.ca

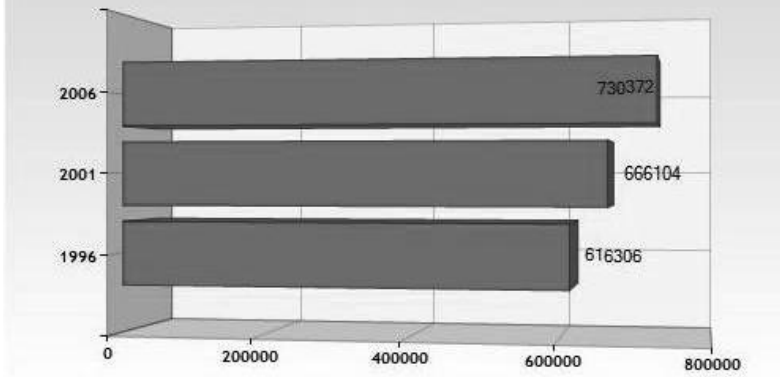
Edmonton Economic Development Corporation

Edmonton Economic Development Corporation
 4th Floor, World Trade Centre Edmonton
 9990 Jasper Avenue
 Edmonton, Alberta, Canada T5J 1P7
 Phone: (780) 424-9191
 Toll-free 1-800-661-6965
 E-mail: info@edmonton.com

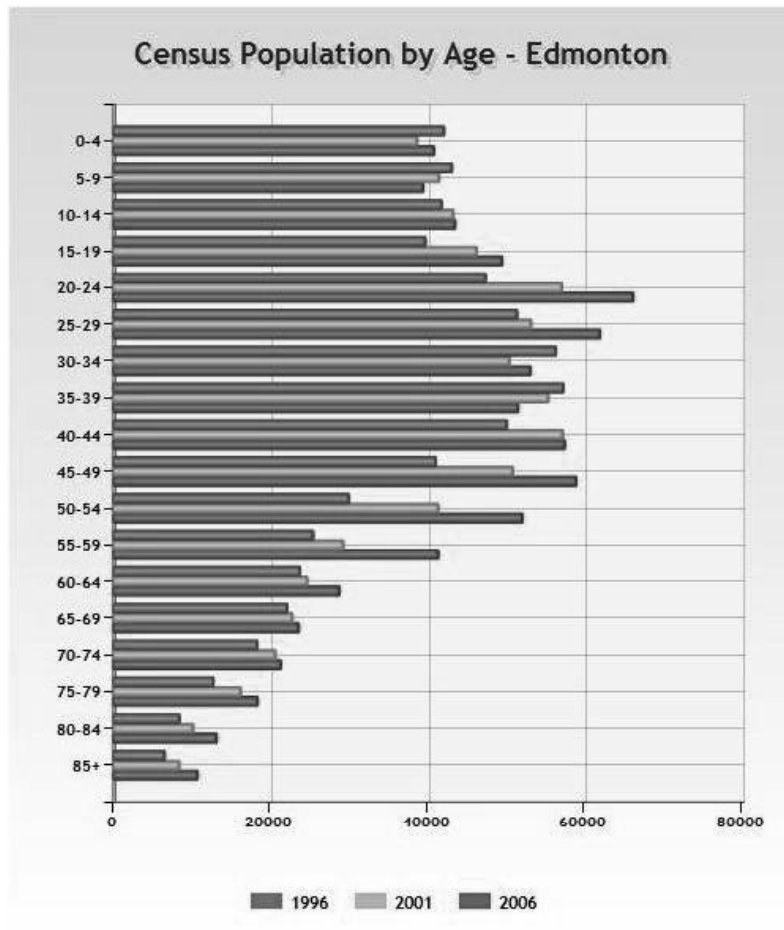




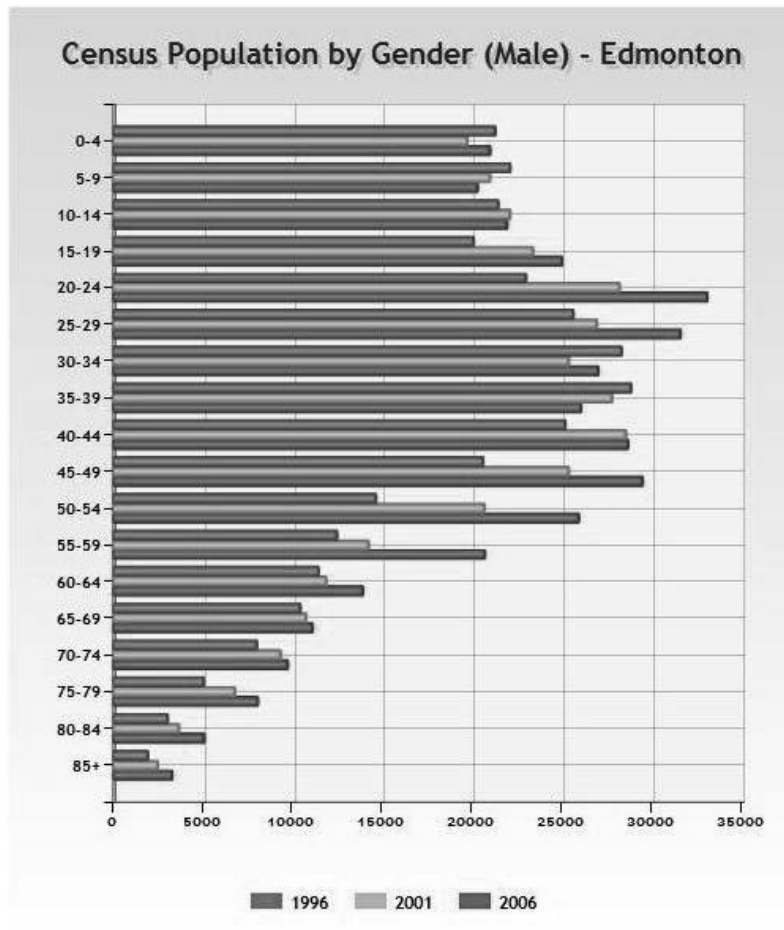
Total Population - Edmonton



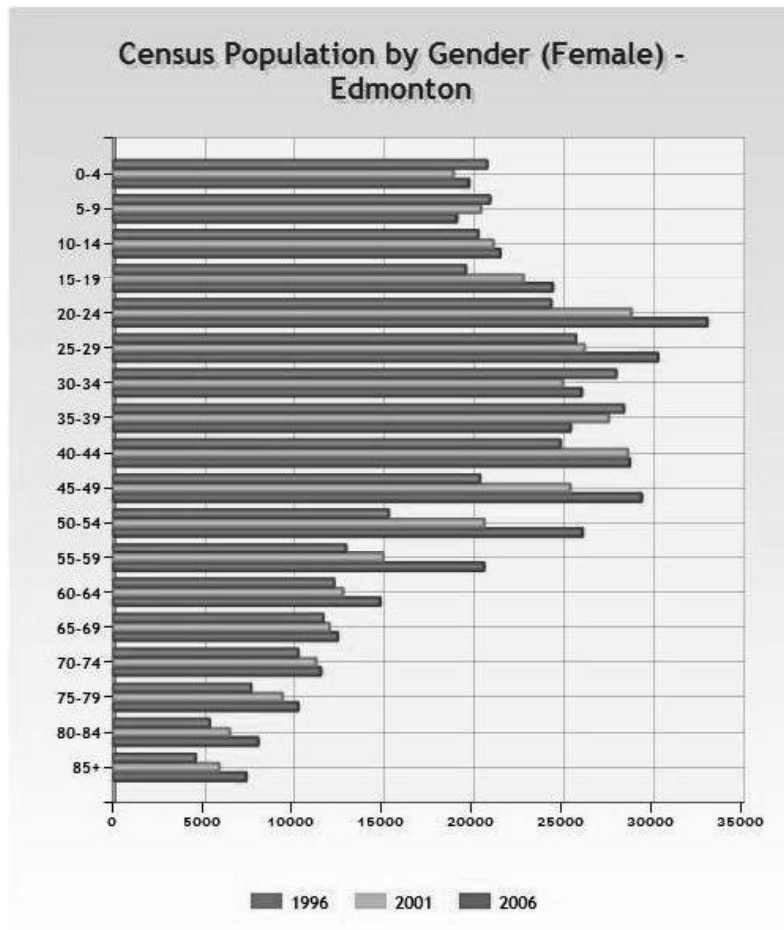
[Source: Government of Canada Census]



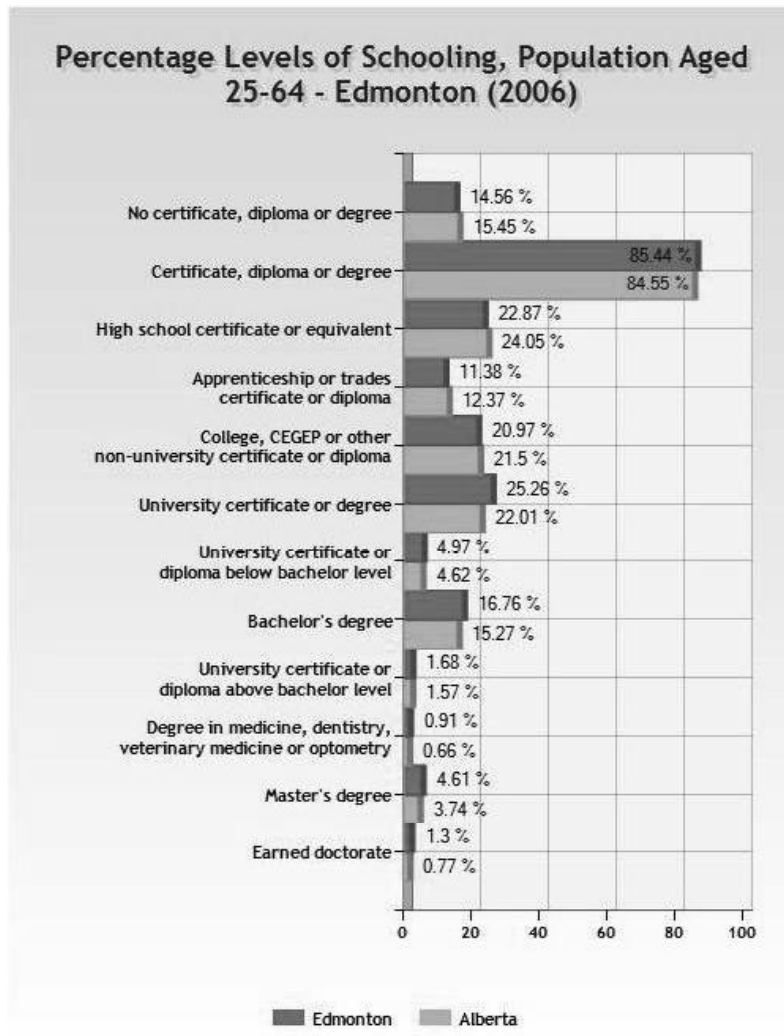
[Source: Government of Canada Census]



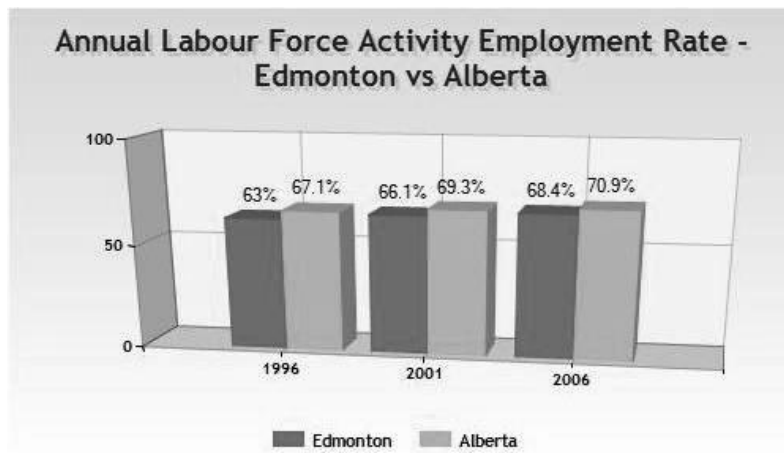
[Source: Government of Canada Census]



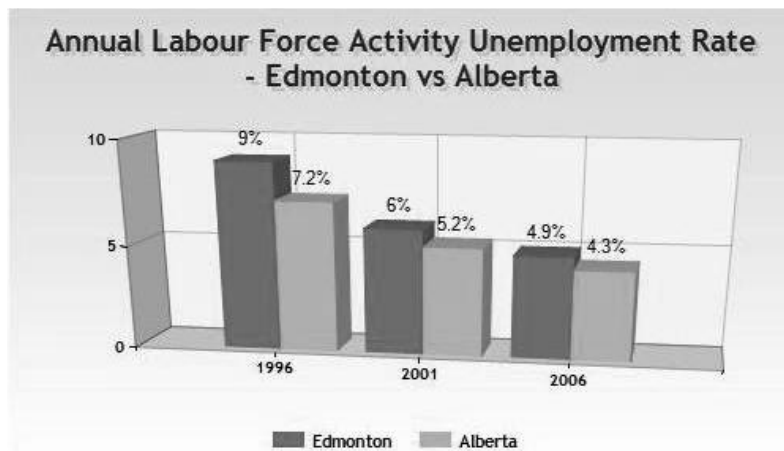
[Source: Government of Canada Census]

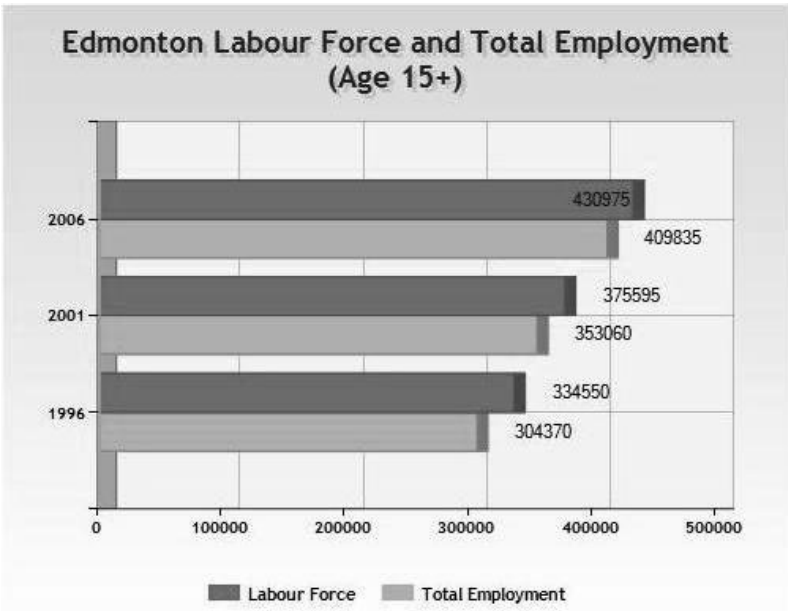


[Source: Government of Canada Census]

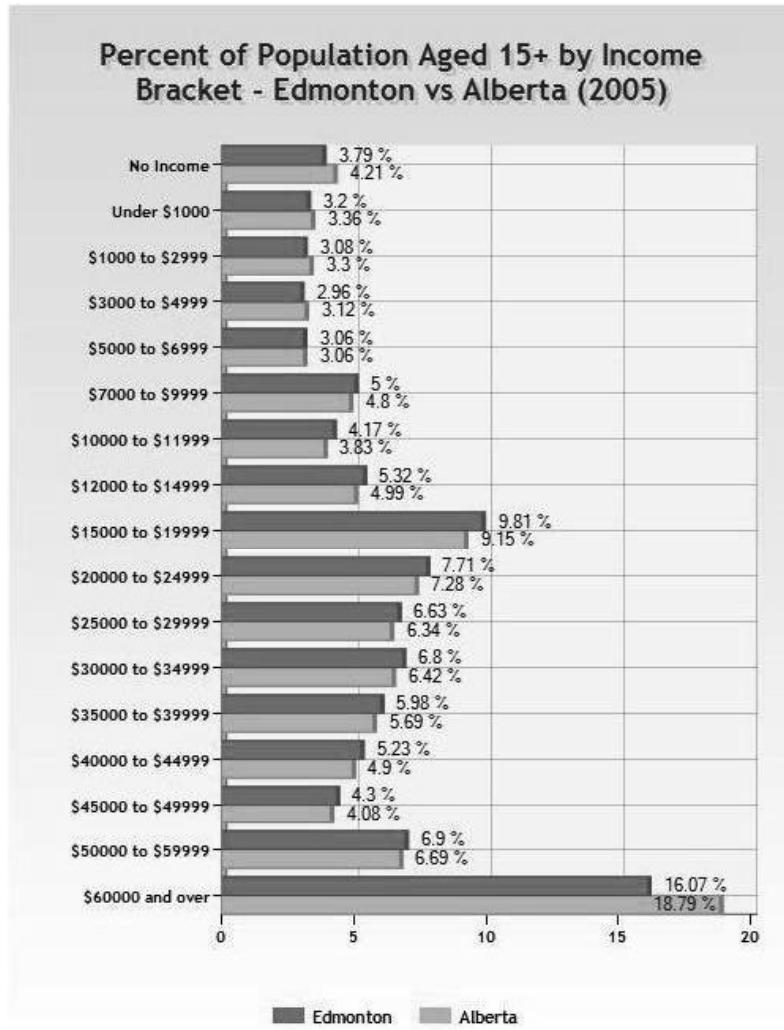


[Source: Government of Canada Census]

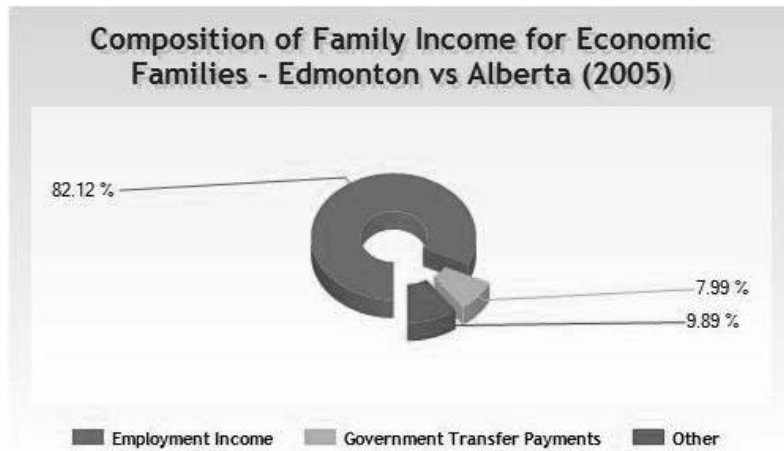




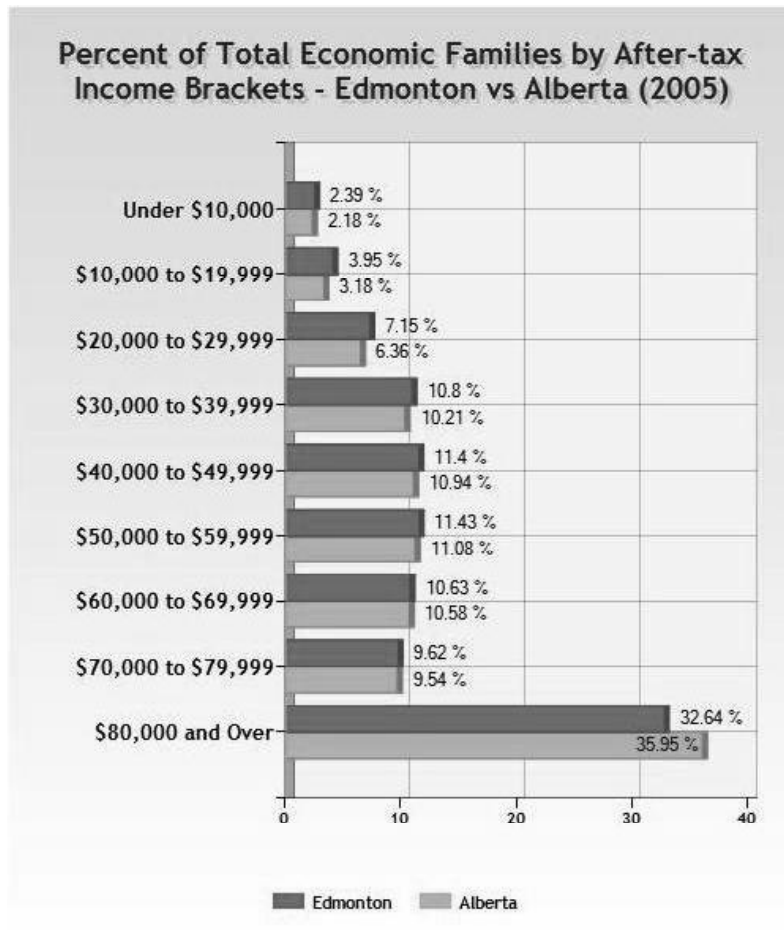
[Source: Government of Canada Census]



[Source: Government of Canada Census]

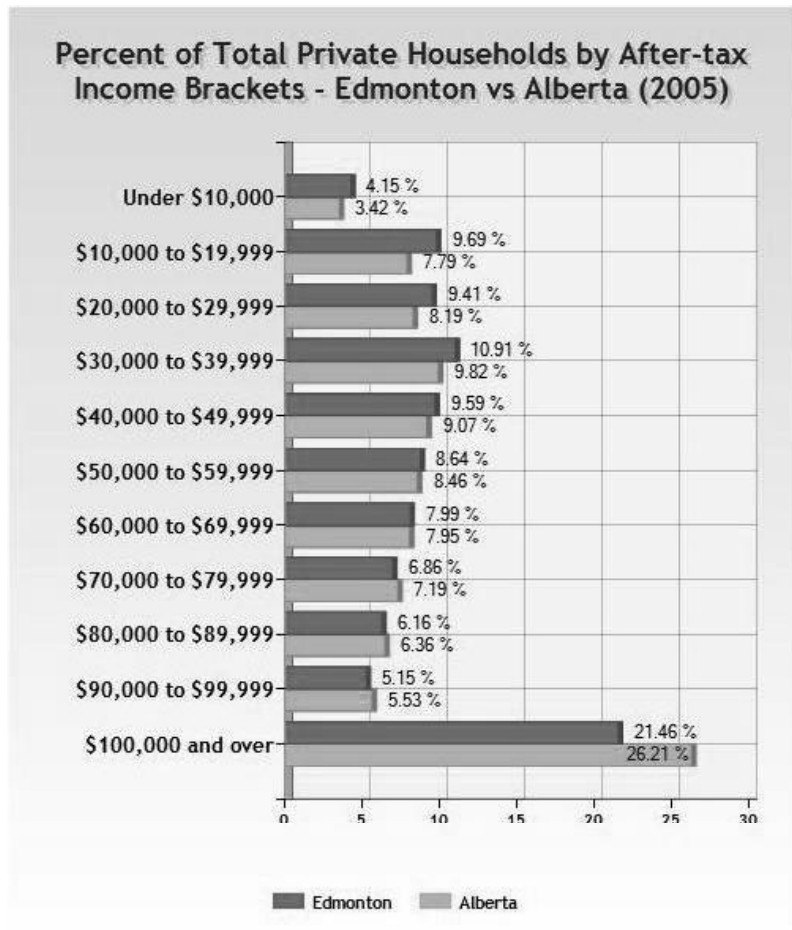


[Source: Government of Canada Census]

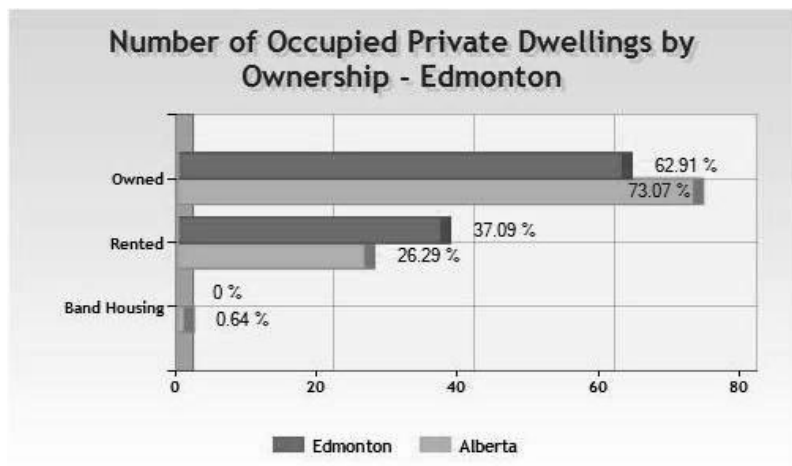


[Economic family total income - The total income of an economic family is the sum of the total incomes of all members of that family.]

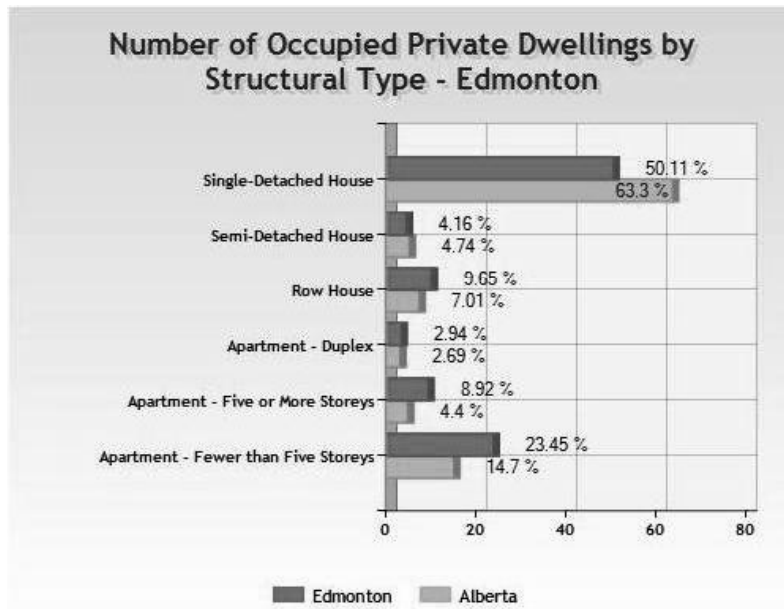
[Source: Government of Canada Census]



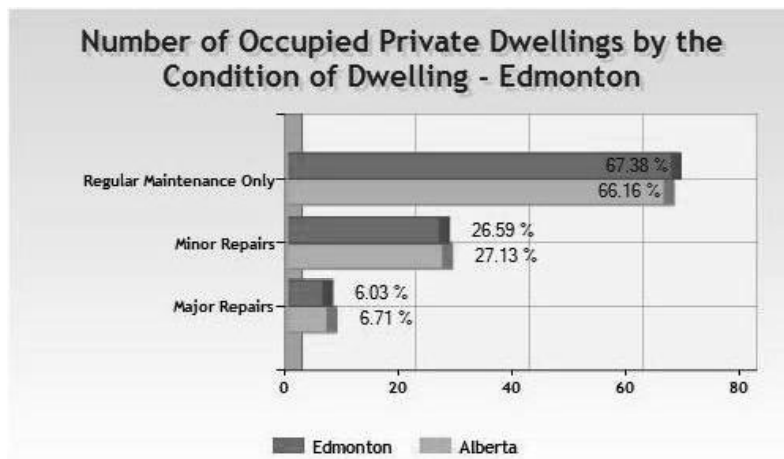
[Source: Government of Canada Census]



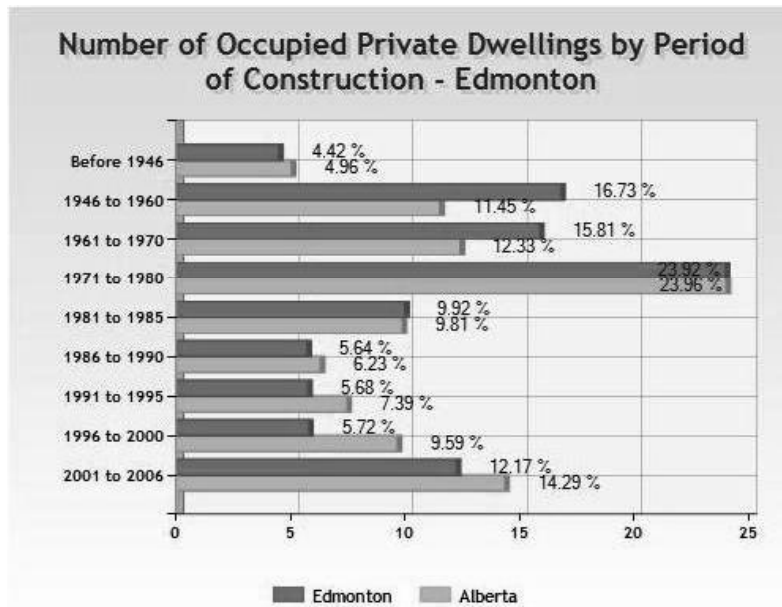
[Source: Government of Canada Census]



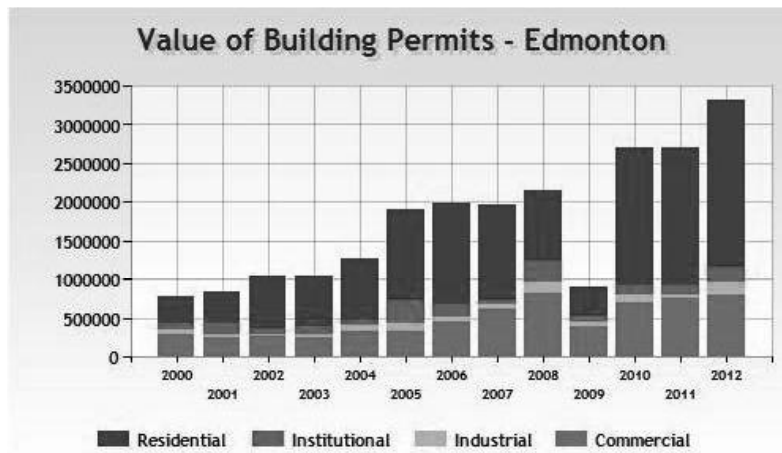
[Source: Government of Canada Census]



[Source: Government of Canada Census]



[Source: Government of Canada Census]



[Source: Statistics Canada, Building Permits Data]



[Source: Statistics Canada, Building Permits Data]



[Source: Statistics Canada, Building Permits Data]

Statistics Canada Information is used with the permission of Statistics Canada. Users are forbidden to copy the data and disseminate them, in an original or modified form, for commercial purposes, without the expressed permission of Statistics Canada. Information on the availability of the wide range of data from Statistics Canada can be obtained from Statistics Canada's Regional Offices, its Web site at <http://www.statcan.ca>, and its toll-free access number 1-800-263-1136.



[Source: Government of Alberta - Finance and Enterprise]

