

**Appraisal of
a Commercial Property**

Located at:

2899 No. 3 Road, Richmond

effective date of valuation:

December 20, 2022

prepared for:

Mr. Morris Chen

December 21, 2022

Reference Number: 15935-1222

Mr. Morris Chen
280 – 2899 No. 3 Road,
Richmond, BC

Attention: Mr. Morris Chen

**Re: Appraisal of a Commercial Property
Located at 2899 No. 3 Road, Richmond, BC**

In accordance with your request, we have completed an appraisal of the above captioned property. The subject property comprises a commercial building with a noted rentable area of approximately ±13,916 square feet. The site is zoned CA (Auto-Oriented Commercial) which permits a range of general commercial uses.

After careful consideration of the facts gathered during our investigation and analysis, it is our opinion that market value for the subject property, subject to the Assumptions and Limiting Conditions herein, as of December 20, 2022, would be:

ELEVEN MILLION TWO HUNDRED THOUSAND DOLLARS
(\$11,200,000)

The report and addenda is attached and forms the basis of the value opinion. This report has been prepared to meet the Canadian Uniform Standards of Professional Appraisal Practice (Standards). Should any questions arise by reason of this report, please contact the undersigned at your convenience.

Yours truly,
CWPC property consultants ltd.

Per: John Ho
B.Comm, AACI, P.App.

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addenda

Appendix "A"	Copy of the Title Information
Appendix "B"	Copy of the "CA" Zoning Bylaw
Appendix "C"	Qualifications of the Appraiser

1.0 SUMMARY OF FACTS

Type of Property:	A multi-tenant commercial building.	
Civic Address:	2899 No. 3 Road, Richmond	
Site Area:	±30,785 sq.ft. or ±0.707 acres	
Rentable Building Area:	±13,916 sq.ft.	
2022 Property Assessment:	Land	\$ 7,363,000
	Improvements	<u>\$ 3,398,000</u>
	Total	<u>\$10,761,000</u>
Zoning:	CA (Auto-Oriented Commercial)	
OCP:	Commercial	
City Centre Area Plan:	Urban Centre T5 / Village Centre Bonus	
	<u>CONCLUSIONS</u>	
Highest and Best Use:	The Highest and Best Use is the existing commercial use as at the date of valuation as improved.	
Stabilized Net Operating Income:	\$476,426 (based on actual rents)	
Valuation:	Income Approach	\$11,210,000
	Direct Comparison Approach	\$11,133,000
Final Estimate of Value:	<u>\$11,200,000</u>	
Date of Valuation:	December 20, 2022	

2.0 DEFINITION OF THE APPRAISAL PROBLEM

TERMS OF REFERENCE AND PURPOSE OF THE APPRAISAL REPORT

We have been requested by our client Mr. Morris Chen to provide an appraisal report to determine (purpose) the current market value of the subject property. The intent of the report is that it be used for possible first mortgage financing. The report has been prepared for Mr. Morris Chen for the specific use stated. Any other user or use is unintended by the appraiser.

Other Terms of Reference:

- The appraisal is in accordance with Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) as established by the Appraisal Institute of Canada;
- The subject property shall be valued on the basis of its Highest and Best Use;
- The interest to be appraised is the leased fee interest;
- The appraiser should assume that the subject property is not a contaminated site or one where contamination issues are considered to be a factor in determining the value of the property;

SCOPE OF APPRAISAL

The scope of this appraisal report encompasses the research and analysis necessary to provide an opinion of value for the subject property in accordance with the Canadian Uniform Standards of Professional Appraisal Practice adopted January 1, 2022.

John Ho inspected the subject property from the property line on December 20, 2022. Neighbourhood data has been based on a physical inspection of the area and a description is included in the Market Area Description section of this report. In estimating the Highest and Best Use for the Subject, we have analyzed data compiled for the market area description, zoning and property description sections.

DEFINITION OF THE APPRAISAL PROBLEM (continued)

The Richmond Zoning by-law and Official Community Plan was also reviewed. No environmental or engineer's reports were supplied to us in conjunction with this assignment nor were any such services investigated at Richmond's Engineering Department.

In researching market information the appraiser has relied on information from Multiple Listing Services, BC Assessment Authority records and information on file in our office. The information obtained from our inspection along with the information obtained from the market place, has been carefully analyzed and correlated to form our final opinion of value for the subject property based on the level of the market and foreseeable outlook as of the effective date of valuation.

EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS

- The rentable area of the premises is based on building plans and leases provided by the property owner and assumed accurate.
- I have not reviewed all of the charges registered on title. It is assumed that the charges registered on title do not negatively impact the subject as constructed.
- The appraiser should assume that the subject property is not a contaminated site or one where contamination issues are considered to be a factor in determining the value of the property.
- The subject property is fully leased and occupied and it appears that all of the existing leases recently expired; however, the client has indicated that all of the tenants have indicated their intent to exercise their renewal option. Market rent has been analyzed in this report but the net operating income has been stabilized based on the most recent lease rates. Any deviation from market rent is considered in the capitalization rate analysis.
- It is noted that there is a non-arms length association between Morrison Homes (Unit 280) and the landlord. There appears to be a business relationship between Dajue (Unit 120) and the landlord. The relationship between Roger Chen / Sally (Unit 160/180) appears to be arms length. A market lease rate analysis has been completed and the existing lease rates are considered to be at market.

DEFINITION OF THE APPRAISAL PROBLEM

(continued)

EFFECTIVE DATE OF VALUATION

This appraisal reflects an opinion of value as at the valuation date of December 20, 2022, the date of inspection.

DEFINITIONS

Reasonable Exposure Time

Exposure time may be defined as follows:

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

Our research indicates that commercial property is generally sold within half a year of being listed for sale on the open market.

Definition of Market Value

The *“Canadian Uniform Standards of Professional Appraisal Practice” (2022 Standards)*, defines Market Value as:

“the most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in 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 the seller each acting prudently, knowledgeably, and for self-interest, assuming that neither is under duress.”

DEFINITION OF THE APPRAISAL PROBLEM

(continued)

Net Lease

A lease where, in addition to the contract rent stipulated, the Lessee assumes payment of all operating expenses pertaining to a property such as taxes, insurance, utilities and maintenance but excluding structural repairs. This is referred to as a triple net lease.

Market Rent

"the rental income that a property would most probably command on the open market as indicated by current rentals being paid for comparable space (as of the effective date of appraisal)".¹

PROPERTY RIGHTS

The property rights appraised in this report are the leased fee interest, except for normal public limitations. The leased fee interest can be defined as:

"An ownership interest held by a landlord with the rights of use and occupancy conveyed by the lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease."

¹ Ballinger Publishing Company, "Real Estate Appraisal Terminology", 1975.

3.0 IDENTIFICATION OF SUBJECT PROPERTY

REGISTERED OWNER

Chen's North America Holdings No. 1 Ltd., Inc.No. BC1064175
Suite 500 – North Tower, 5811 Cooney Road,
Richmond, BC, V6X 3M1

LEGAL DESCRIPTION

Lot 1, Section 21, Block 5 North Range 6 West, New Westminster District Plan EPP54236

PID: 029-782-937 **Civic Address:** 2899 No. 3 Road, Richmond

TITLE NUMBER

CA7083429

REGISTERED CHARGES

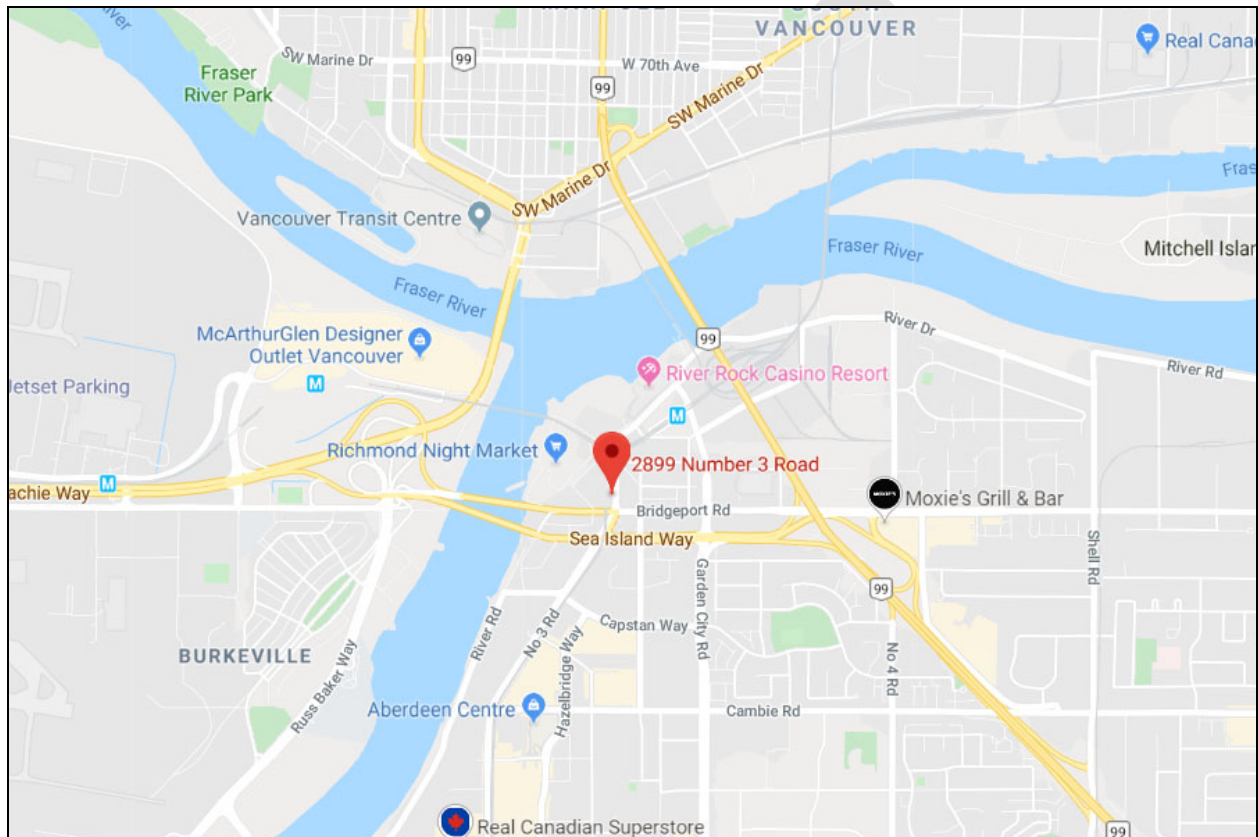
Perusal of the title certificate for the subject site indicates that there are a number of Statutory Right of Ways the majority of which are situated in setback areas and are assumed to not have a significant impact on the property as constructed. South Coast British Columbia Transportation Authority has a SRW relating to the Skytrain Guideway encumbering the western half of the property which should be considered in the capitalization rate analysis. There are also 5 Covenants registered on title mostly relating to the development and construction of the subject building improvements and related infrastructure works. There are also Mortgages and an Assignment of Rents charges. It is assumed that the charges registered on title do not negatively impact the subject as constructed. A copy of the title information is included in the addenda as Appendix "A".

PROPERTY HISTORY

Information obtained through access to the BC Assessment Authority indicates that the last sale transaction for the subject was in September 2018 for \$10,080,000 and is classified by BCAA as a "Improved Single Property Cash Transaction"; however, the sale was not on the CLS.

4.0 MARKET AREA DATA

The subject property is located in the Bridgeport neighbourhood in the City Centre area of Richmond. More specifically, the subject property is located on the northwest corner of No. 3 Road and Bridgeport Road and just south of the River Rock Casino and Hotel, just east of the Vancouver International Airport and between two Skytrain Stations.



SITE DESCRIPTION (continued)**ACCESS AND MOVEMENT**

The rentable area of the building is assumed as 13,916 sq.ft., and the building has a site coverage of 22%. The property has road frontage on Bridgeport Road, No. 3 Road, and along the north property line and to a rear lane. Parking is situated along the west portion of the subject adjacent to and below the Skytrain Guideway. There are 26 marked parking stalls and an additional 4 more unmarked stalls. There is also street parking at the No. 3 Road frontage.

TOPOGRAPHY AND SOIL CONDITIONS

The subject site is generally level and at grade to the road. It is assumed in this report that soil conditions are conducive to the commercial uses; however, the services of a qualified engineer are recommended for confirmation.

SITE SERVICES

All services requisite for commercial use and or development are assumed to be available including hydro, water, sanitary and storm sewers, natural gas, telephone and adequate fire and police protection. No representations are made regarding engineering and servicing, as this requires the services of a qualified engineer.

6.0 LAND USE

ZONING DESIGNATIONS

The subject property is zoned CA (Auto-Oriented Commercial Zone).

A brief summary of the CA zoning regulations follows and the complete documents are presented in Appendix "B".

CA Zoning

The zone provides for a mix of commercial and related uses oriented to vehicular access.

Permitted uses of the zone include, but are not limited to:

- Amusement centre
- Animal grooming
- Body rub studio
- Broadcasting studio
- Car wash
- Child care
- Education, commercial
- Government use
- Health service, minor
- Hotel
- Liquor primary establishment
- Office
- Parking, non-accessory
- Restaurant
- Retail
- Service

The maximum floor area ratio for hotels is 1.5 and for all other uses is 0.5. There is no maximum floor area ratio for non-accessory parking as a principal use. For the subject property, the CA zone specifically refers to a maximum floor area ratio for the net site area as 0.5, provided that the owner dedicates not less than 700 sq.m. of the site as road. The permitted lot coverage is 50% for buildings. Generally, the setback requirements are 3 m. The maximum height for all buildings (other than hotels) is 12.0 m.

LAND USE (continued)**OFFICIAL COMMUNITY PLAN**

Under the City of Richmond's OCP land use plan, the subject site is designated for "Commercial" uses. This document is not a zoning bylaw, nor does it supersede any existing zoning. The OCP designation is described as follows: those areas of the City where the principal uses provide for retail, restaurant, office, business, personal service, arts, culture, recreational, entertainment, institutional, hospitality and hotel accommodation. Marina uses are permitted on the waterfront, in which case retail sales are limited to boats, boating supplies and equipment, and related facilities and services or pleasure boating and the general public. Commercial areas exclude residential uses, except for caretaker accommodation.

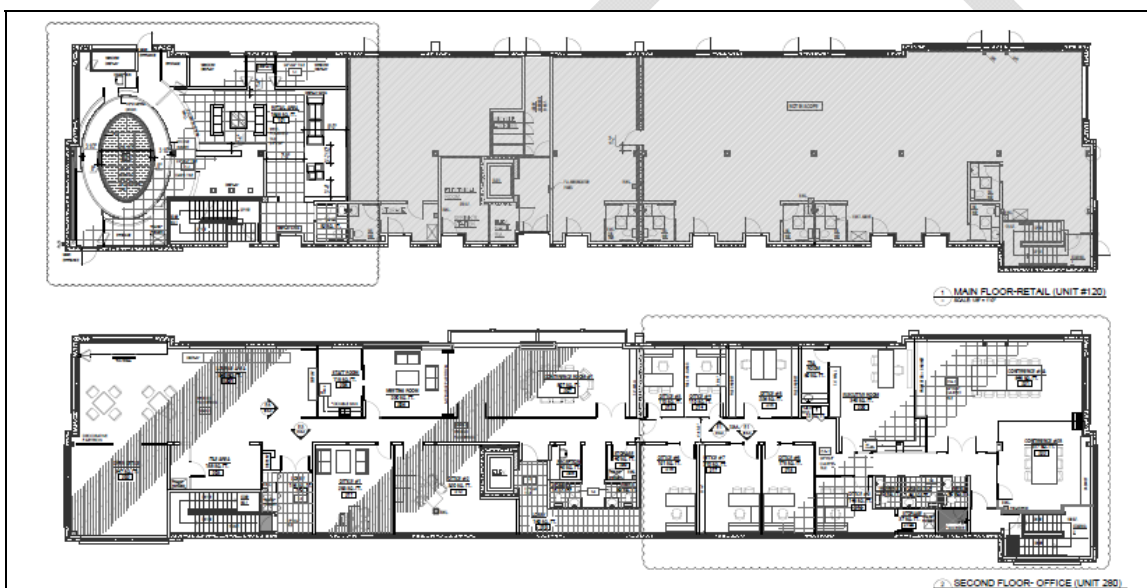
CITY CENTRE AREA PLAN

The subject is also within the City Centre Area Plan and is designated "Urban Centre (T5)" and also within the "Village Centre Bonus" area. Under this designation, residential uses are prohibited. Permitted uses include office, hotel, institutional use, studio and accessory use. Additional uses are permitted north of Bridgeport Road, including: retail trade & services, restaurant, entertainment, education, neighbourhood pub, recreation and community use. The noted maximum average net density is 2.0 FAR and the "Village Centre Bonus" allows for an additional 1.0 FAR for the provision of office uses.

7.0 DESCRIPTION OF THE IMPROVEMENTS

The subject is improved with a 2 storey commercial building (2018). The building is demised into 4 units with the majority of the ground floor comprising of a spa and the remainder as retail space. The 2nd floor comprises office space. The rentable area is provided by the leases and is as follows:

Floor	Unit	Area (sq.ft.)
Ground	120 - Dajue / Retail Space	1,814
Ground	160/180 - Roger Chen & Sally / Spa	5,009
Second	120 - Dajue/ Office Space	3,164
Second	280 - Morrison / Office Space	3,929
Totals		13,916



The following description of the subject space is as per our inspection and the building plans provided by the owner. As shown above, the “Spa” space is filled in grey comprising the majority of the ground floor. The second floor comprises high quality finished office space and is generally as demised as shown. The appraiser is not qualified to give engineering advice as it pertains to the structural nature of the improvements. During the course of our inspection only cursory observations were made and areas inaccessible or covered were not inspected. The appraiser makes no warranty to the structural capacity of the improvements. Our inspection revealed that the property, in general, had been well maintained. We note that we are not qualified building inspectors and for greater certainty, recommended is the retention of the services of an appropriately qualified and professional building inspector.

DESCRIPTION OF THE DEVELOPMENT (continued)

CONSTRUCTION DETAILS

- Super Structure:** - Combination of concrete with wood.
- Exterior Walls:** - Painted concrete exterior walls.
- Roofing:** - Flat roof. We were not provided access to the roof.
- Doors and Windows:** - Aluminium double pane windows and storefronts.
- Wood interior doors and windows with aluminium frame doors. Ground floor units have extensive window storefronts with additional rear access.

INTERIOR FINISH

- Floor Finish:** - Combination of high quality tile, hardwood and carpet floor.
- Walls:** - Painted drywall.
- Ceiling:** - Combination of painted drywall and T-bar ceilings with pot and fluorescent lighting.

BUILDING SYSTEMS

- Heating:** - Package HVAC.
- Plumbing:** - Washrooms in each demised unit.

DESCRIPTION OF THE DEVELOPMENT (continued)



View of Dajue Ground Floor



View of Dajue Ground Floor



View of Spa Ground Floor



View of Spa Ground Floor



View of Spa Ground Floor

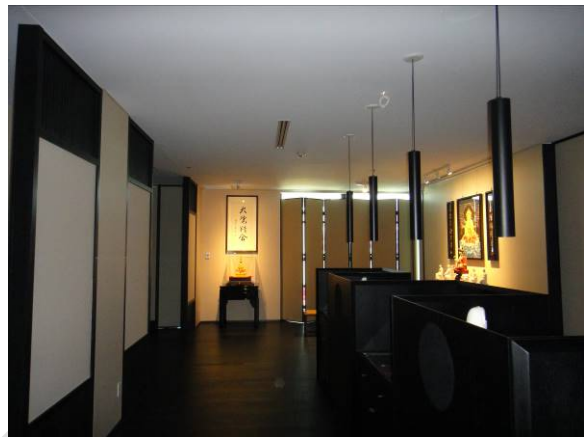


View of Spa Ground Floor

DESCRIPTION OF THE DEVELOPMENT (continued)



View of Dajue Second Floor



View of Dajue Second Floor



View of Morrison Homes Second Floor



View of Morrison Homes Second Floor



View of No. 3 Road Frontage



View of Parking, Guideway, and Rear

DESCRIPTION OF THE DEVELOPMENT (continued)**AGE AND CONDITION**

Construction of the Subject building was completed in 2018. Our inspection revealed no signs of significant damage or maintenance issues. The overall finish is of a good quality and the improvements appear in good condition, which is to be expected given the age of the building. Therefore, the effective age of the Subject building is estimated at 4 years. Marshall & Swift estimates that average to good quality commercial buildings have a life expectancy of approximately ± 50 to ± 60 years; therefore, we estimate that the remaining economic life of the Building is approximately ± 56 years with ongoing maintenance.

8.0 HIGHEST AND BEST USE

The definition of "Highest and Best Use" is as follows:

"The reasonably probable use of Real Property, that is physically possible, legally permissible, financially feasible and maximally productive, and that results in the highest value."

Source: Canadian Uniform Standards of Professional Appraisal Practice, 01/2022.

Many factors and appraisal principles become a consideration in the determination of "Highest and Best Use". These include: government regulations, supply, demand, anticipation, balance, surplus productivity, contribution, competition, etc. The definition also includes the presumption that the use is in keeping with the zoning and legal requirements.

The subject site encompasses ±30,785 sq.ft. of generally level land with a strategic location in the downtown core of the City of Richmond near the River Rock Casino & Hotel and the Vancouver International Airport. The site coverage is ±22%, which conforms to the 50% maximum allowed for the CA zoning.

The immediate area is developed with a mix of industrial and commercial applications. Properties surrounding the subject property are improved with similar, commercial buildings. Commercial zoning is in place and all services requisite for development are available.

The subject is zoned CA "Auto-Oriented Commercial" and designated "Commercial" in the OCP, but also "Urban Centre T5" within the City Centre Area Plan subplan of the OCP which appears to suggest future potential for a higher density development. The subject development appears consistent with the zoning, OCP and City Centre Area Plan designations.

HIGHEST AND BEST USE (continued)

The River Rock Casino & Hotel and the Bridgeport Skytrain Station are situated just north east of the subject. To the west of the subject, is the new International Trade Centre (ITC) building, comprising of a high rise, mixed use retail commercial, hotel development. South of Bridgeport road are new mixed use high density residential / commercial developments and the proposed Capstan Skytrain Station.

If the subject were unimproved, its most likely use would be development consistent with the City Centre Area Plan designation.

The subject site is improved with a multi-tenant commercial building occupied by a spa and retail and office uses. One of the existing tenants (Morrison Homes) appear to be associated with the property owner and is not considered arms length. The subject building accommodates the uses permitted under the CA zoning and building improvements generate income above and beyond the underlying land value. With consideration to the above, the Highest and Best Use as improved is considered to be the existing commercial use.

9.0 APPRAISAL METHODOLOGY

In estimating the Market Value of the subject property, the following conventional methods of appraisal have been considered:

COST APPROACH

The Cost Approach is based on the premise that an informed purchaser will not pay more for a property than the cost of producing a substitute property. This approach involves an estimate of the cost to build a new building identical to the subject at current prices, subtracting accrued depreciation, and adding the estimate of land value as if vacant. The Cost Approach has not been used in this analysis as it is not typically used in the market.

DIRECT COMPARISON APPROACH

The Direct Comparison Approach implies the Principle of Substitution which states that a prudent purchaser will not pay more for a property than the price to acquire an equally desirable substitute property. The properties selected for comparison must be similar in most respects to the one being appraised. The Direct Comparison Approach has been used in this report as a cross check on the value derived under the Income Approach.

INCOME APPROACH

The Income Approach is a valuation method of estimating the value of a property based on the present, or discounted, worth of the anticipated income benefits that it may reasonably be expected to produce during the course of its remaining economic life. The Direct Capitalization Method is used in this analysis.

Under the Direct Capitalization Method, the subject's income potential is capitalized at an overall rate considered consistent with the market to yield the estimated Market Value of the subject property.

10.0 THE INCOME APPROACH

The Income Approach is a method of estimating the value of a property based on the present, or discounted, worth of the anticipated income benefits that it may reasonably be expected to produce during the course of its remaining economic life. The process of converting an income stream into an estimate of present worth is known as "capitalization".

The subject building is fully leased and occupied; however, one of the existing tenants (Morrison Homes) appear to be related to the property owner and the lease is therefore non-arms length. However, we will research, review, and determine if the leases are at market.

Our methodology is as follows:

1. Determine market rental rates for the subject space;
2. Determine if the subject leases are at market and stabilize for vacancy, structural repairs and unrecoverable expenses (ie., property taxes, insurance, operating costs during periods of vacancy);
3. Determine a market capitalization rate;
4. Capitalize the stabilized net operating income to determine a market value (at market rental rates);

THE INCOME APPROACH (continued)**ESTIMATE OF MARKET RENTAL VALUE**

The first three steps in the Income Approach result in an estimate of annual net operating income for the property being appraised. The first step in developing an operating statement is to estimate total potential income based upon its "Market Rent". Market Rent may be defined as:

"the rental income that a property would most probably command on the open market as indicated by current rentals being paid for comparable space (as of the effective date of appraisal)."

Market Rent may be the actual rent payable under a lease ("contract" rent) as determined by analysis of existing lease agreements covering the property, or it may be the appraiser's estimate of the rent obtainable in the market for similar properties ("economic" or "market" rent). In estimating "economic" or "market" rent, an attempt is made to determine the rent that a tenant is warranted in paying.

COMPARABLE RENTAL ANALYSIS

In estimating current market rental value for the subject building, we have analyzed lease deals and asking rates of similar types of commercial premises in similar buildings in the Richmond City Centre. Comparables analyzed provide a general index for the estimate of market rental value for the subject. The comparable units comprise ground floor commercial and second floor office space and are provided in charts on the following pages.

COMMERCIAL SECOND FLOOR OFFICE LEASE DATA

Perusal of market data indicates current rental levels in the range of \$28.00 to \$35.00 per square foot.

Comparable 1 (#1215 – 8400 Bridgeport Road, Richmond) is the October 2022 lease for upper floor space in the International Trade Centre development situated near the Subject for \$28.00/sq.ft. net. The comparable unit provides for superior views and amenities, warranting downward adjustments. A further upward adjustment is warranted for the high operating costs of the comparable which are reflective of the significant building amenities. Overall, a higher rental rate than \$28.00/sq.ft. is considered reasonable for the Subject office space.

THE INCOME APPROACH (continued)

Office Lease Comparables					
No.	Address	Lease Date Lease Term	Rentable Area (Sq.Ft.)	Net Rent Per Sq.Ft.	Comments
1. #1215 - 8400 Bridgeport Road, Richmond		Oct-22	1,943	\$28.00	Upper floor penthouse unit in the new ITC mixed use office, hotel, retail development. Building includes private karaoke bar, concierge service, main reception lobby, wine bar, wok kitchen, piano bar, meeting rooms, banquet halls. Operating costs \$20.00/sq.ft. Quality office leaseholds.
2. #745 - 8477 Bridgeport Road, Richmond		Feb-22	495	\$29.00	Upper floor unit in the new ITC mixed use office, hotel, retail development. Building includes private karaoke bar, concierge service, main reception lobby, wine bar, wok kitchen, piano bar, meeting rooms, banquet halls. Operating costs \$18.87/sq.ft.
3. #785 - 8477 Bridgeport Road, Richmond		May-22	469	\$30.00	Upper floor unit in the new ITC mixed use office, hotel, retail development. Building includes private karaoke bar, concierge service, main reception lobby, wine bar, wok kitchen, piano bar, meeting rooms, banquet halls. Operating costs \$16.00/sq.ft. Shell space.
4. #985 - 8477 Bridgeport Road, Richmond		Listing	470	\$30.00	Upper floor unit in the new ITC mixed use office, hotel, retail development. Building includes private karaoke bar, concierge service, main reception lobby, wine bar, wok kitchen, piano bar, meeting rooms, banquet halls. Operating costs \$16.00/sq.ft. Finished office space.
5. #355 - 6628 River Road, Richmond		Mar-22	1,161	\$35.00	3rd floor space in a mixed use building (2020) in the Oval Village. Marketed as "potential medical office layout ready". 1 parking space included. Operating costs at \$16.00/sq.ft.

Comparable 2 (#745 – 8477 Bridgeport Road, Richmond) is the February 2022 lease for upper floor space in the International Trade Centre development situated near the Subject for \$29.00/sq.ft. The comparable has a similar location to the Subject around the fringe of the City Centre. The comparable unit provides for superior views and amenities, warranting downward adjustments. The Subject has superior leaseholds warranting an upward adjustment. A further upward adjustment is warranted for the high operating costs of the comparable which are reflective of the significant building amenities. Overall, a higher rental rate than \$29.00/sq.ft. is considered reasonable for the Subject office space.

THE INCOME APPROACH (continued)

Comparable 3 (#785 – 8477 Bridgeport Road, Richmond) is the May 2022 lease for upper floor space in the International Trade Centre development situated near the Subject for \$30.00/sq.ft. The comparable has a similar location to the Subject around the fringe of the City Centre. The comparable unit provides for superior views and amenities, warranting downward adjustments. The comparable unit size is significantly smaller than the demised units in the Subject warranting a downward adjustment. The Subject has superior leaseholds warranting an upward adjustment. A further upward adjustment is warranted for the high operating costs of the comparable which are reflective of the significant building amenities. Overall, a higher rental rate than \$30.00/sq.ft. is considered reasonable for the Subject office space.

Comparable 4 (#985 – 8477 Bridgeport Road, Richmond) is the current listing for upper floor space in the International Trade Centre development situated near the Subject for \$30.00/sq.ft. The comparable has a similar location to the Subject around the fringe of the City Centre. The comparable unit provides for superior views and amenities, warranting downward adjustments. The comparable unit size is significantly smaller than the demised units in the Subject warranting a downward adjustment. An upward adjustment is warranted for the high operating costs of the comparable which are reflective of the significant building amenities. Overall, a higher rental rate than \$30.00/sq.ft. is considered reasonable for the Subject office space.

Comparable 5 (#355 – 6628 River Road, Richmond) is the March 2022 lease for a third floor unit in a low rise mixed use residential / commercial building for \$35.00/sq.ft. The comparable has a similar location to the Subject. Market activity was stronger in Spring 2022 warranting a downward adjustment. The higher operating costs of the comparable suggest a further downward adjustment. The Subject's superior leaseholds warrant an upward adjustment. Overall, the adjustments offset and a similar to slightly lower lease rate to \$35.00/sq.ft. is appropriate for the Subject's second floor space.

THE INCOME APPROACH (continued)**SUMMARY – SECOND FLOOR SPACE**

In estimating market rent for the subject property's second floor space, the preceding lease comparables have been analyzed with consideration to the following:

- The subject is located in the northern fringe of the City Centre core near the River Rock Casino and Bridgeport Skytrain Station and proposed Capstan Skytrain Station;
- The subject space is rectangular in shape;
- The subject has quality building construction;
- The subject leaseholds are of a high quality;
- The subject building has been well maintained;
- The subject building has elevator service despite the two level orientation;
- While the subject building lacks building amenities, this results in lower operating costs;
- On-site surface parking is provided and easily accessible.

After analyzing market leasing evidence and considering the above points, it is our opinion that the current lease rates for the subject second floor space at **\$35.00/sq.ft.**, triple net is at market.

RETAIL LEASE DATA FOR GROUND FLOOR

Perusal of market data indicates current rental levels in the range of \$32.00 to \$60.00 per square foot, net for high exposure retail space ranging from ±584 to ±6,981 square feet.

Comparable 5 (#200 – 4751 Garden City Road, Richmond) is the current listing for a second floor commercial unit improved as spa space at a rate of \$32.00/sq.ft. The comparable is situated in a busy and high exposure development warranting a slight downward adjustment for location. The Subject's newer construction warrants an upward adjustment. The comparable's second floor nature warrants a further upward adjustment. Overall, a greater lease rate than \$32.00/sq.ft. is appropriate for the Subject's ground floor space.

THE INCOME APPROACH (continued)

Retail Lease Comparables					
No.	Address	Lease Date Lease Term	Rentable Area (Sq.Ft.)	Net Rent Per Sq.Ft.	Comments
5. #200 - 4751 Garden City Road, Richmond		Listing	2,273	\$32.00	2nd floor commercial space in a two storey commercial building (1989). Spa leaseholds with 7 treatment rooms, office, pantry, storage areas, steam room, shower, locker, washroom. Operating costs are \$21.50/sq.ft.
6. #1350 - 8888 Odlin Crescent, Richmond		Apr-22	584	\$42.00	Ground floor commercial space in Pacific Plaza (1989) with exposure to Cambie Road. General commercial leaseholds with a 2 piece washroom. Operating costs are \$18.39/sq.ft.
7. #1310 & #1315 - 8888 Odlin Crescent, Richmond		Listing	970	\$45.00	Two ground floor commercial units in Pacific Plaza (1989) with exposure to Cambie Road. Improved with medical office space renovated in 2022 and including 4 treatment rooms, remodelled bathroom, staff / laundry room. Operating costs are \$15.44/sq.ft.
8. #105 - 8240 Lansdowne Road, Richmond		Oct-22	866	\$46.51	Ground floor commercial space in "Richmond Towers", a mixed use residential / commercial development (1996). CDT1 zoning. Hair salon leaseholds with in-suite washroom. Operating costs estimated at \$20.00/sq.ft.
9. #2188 - 3779 Sexsmith Road, Richmond		Sep-22	6,981	\$45.83	Street fronting commercial space in "Continental Centre", a large multi-building strata retail centre (1997). Improved with high end restaurant leaseholds. 1,365 sq.ft. is mezzanine space marketed as a lower rate. Operating costs are \$14.50/sq.ft.
9. #1106 - 3779 Sexsmith Road, Richmond		Jul-22	1,570	\$60.00	Interior commercial space in "Continental Centre", a large multi-building strata retail centre (1997). Improved with real estate presentation centre leaseholds. Includes mezzanine space. Operating costs are marketed at \$13.00/sq.ft.

THE INCOME APPROACH (continued)

Comparable 6 (#1350 – 8888 Odlin Crescent, Richmond) is the April 2022 lease at \$42.00/sq.ft. for ground floor commercial space in Pacific Plaza, an older commercial development that has a similar location to the Subject. Market activity was stronger in April 2022 warranting a downward adjustment. The smaller unit size of the comparable warrants a downward adjustment. While the Subject building is newer and has superior leaseholds, a lease rate less than \$42.00/sq.ft. is warranted.

Comparable 7 (#1310 & #1315 – 8888 Odlin Crescent, Richmond) is the current listing at \$45.00/sq.ft. for ground floor commercial space in Pacific Plaza, an older commercial development that has a similar location to the Subject. The smaller unit size of the comparable warrants a downward adjustment. While the Subject building is newer and has superior leaseholds, a lease rate less than \$45.00/sq.ft. is warranted.

Comparable 8 (#105 – 8240 Lansdowne Road, Richmond) is the October 2022 lease for a unique ground floor unit in a mixed use project for \$46.51/sq.ft. net. The comparable has a similar location to the Subject. The smaller size of the comparable warrants a downward adjustment. The superior building and leaseholds of the Subject warrant upward adjustments. Overall, a lease rate less than \$46.51/sq.ft. is warranted for the Subject's ground floor space.

Comparable 9 (#2188 – 3779 Sexsmith Road, Richmond) is the September 2022 lease for ground floor retail space in the Continental Centre development, a superior location to the Subject warranting a downward adjustment. The comparable is improved with high-end restaurant leaseholds warranting a downward adjustment. Overall, the superior location of the comparable points to a lower lease rate than \$45.83/sq.ft. for the Subject's ground floor space.

THE INCOME APPROACH (continued)

Comparable 10 (#1106 – 3779 Sexsmith Road, Richmond) is the July 2022 lease for ground floor retail space in the Continental Centre development, a superior location to the Subject warranting a downward adjustment. The comparable is improved with real estate presentation centre leaseholds warranting an upward adjustment for the Subject’s superior leaseholds. Overall, the superior location of the comparable points to a lower lease rate than \$60.00/sq.ft. for the Subject’s ground floor space.

SUMMARY – GROUND FLOOR SPACE

In estimating market rent for the subject property’s ground floor space, the preceding lease comparables have been analyzed with consideration to the following:

- The subject retail leaseholds are of a high quality;
- The subject is located in the fringe of the City Centre core near the River Rock Casino and Bridgeport and proposed Skytrain Stations;
- The subject has quality building construction;
- The subject building has been well maintained;
- The subject has significant retail frontage and exposure to No. 3 Road;
- On-site surface parking is provided and easily accessible.

After analyzing market leasing evidence and considering the above, it is our opinion that the market lease rates for the subject’s ground floor space should be between \$35.00/sq.ft. and \$40.00/sq.ft., triple net suggesting that there may be some rental upside.

Summary of Rental Schedule

BASE INCOME

120 Dajue Ground Floor - 1,814 sq.ft. x \$35.00 per square foot	\$63,490
120 Dajue Second Floor - 3,164 sq.ft. x \$35.00 per square foot	\$110,740
160/180 Roger Chen / Sally - 5,009 sq.ft. x \$35.00 per square foot	\$175,315
280 Morrison Homes - 3,929 sq.ft. x \$35.00 per square foot	\$137,515
Potential Income	\$487,060

THE INCOME APPROACH (continued)

The subject property is fully leased and occupied and it appears that all of the existing leases recently expired; however, the client has indicated that all of the tenants have indicated their intent to exercise their renewal option. Market rent has been analyzed in this report but the net operating income has been stabilized based on the most recent lease rates. Any deviation from market rent is considered in the capitalization rate analysis.

VACANCY AND COLLECTION LOSS ALLOWANCE

In estimating an appropriate vacancy and collection loss allowance, we have given consideration to the subject building's layout and market conditions at the date of valuation. Colliers reported a vacancy rate of 0.25% in Richmond for Suburban Retail as of the 3rd Quarter of 2022, which is less than the general vacancy rate estimate of 2.32% for the Lower Mainland. Similarly, Colliers' Quarter 3 2022 office market report indicates an overall vacancy rate for the Richmond market at 2.6%.

The subject building is modern and well maintained. We have allowed for a stabilized vacancy and collection loss allowance at **1.50%** of potential income.

STRUCTURAL REPAIRS

Normally in a triple net lease, the owner of the property is required to maintain the exterior and structural components of the premises. Generally, the owner will set-up a reserve fund for such anticipated costs. Normal structural reserves run anywhere from \$0.10 to \$0.25 per square foot depending on the age and quality of the building. Given the subject building age and condition, we have used a rate of **\$0.10 per square foot** of rentable area to cover structural repairs on an annual basis.

$$\text{\$0.10 per square foot} \times \text{13,916 square feet} = \text{\$1,392}$$

UNRECOVERABLE OPERATING EXPENSES

Most commercial leases are triple net with the tenant responsible for their proportionate share of all Landlord's operating expenses except those of a structural nature. Property taxes, insurance and utilities are recovered after the Landlord pays the annual amount.

THE INCOME APPROACH (continued)

During periods of vacancy, the tenant’s share of operating costs and taxes are the responsibility of the Landlord and are termed “Unrecoverable Operating Expenses”. Our review of operating costs (including taxes) for similar commercial buildings in Richmond has indicated a range between \$13.00/sq.ft. and \$20.00/sq.ft. The 2022 property taxes were \$93,981.85 which equates to \$6.75/sq.ft. We were not provided with financial statements detailing historical operating costs but based on our research we estimate approximately \$6.50/sq.ft. for utilities, insurance and maintenance. The total estimate of operating costs is therefore \$13.25/sq.ft.

STABILIZED NET INCOME	
<u>AS AT DECEMBER 2022</u>	
<u>BASE INCOME</u>	
120 Dajue Ground Floor - 1,814 sq.ft. x \$35.00 per square foot	\$63,490
120 Dajue Second Floor - 3,164 sq.ft. x \$35.00 per square foot	\$110,740
160/180 Roger Chen / Sally - 5,009 sq.ft. x \$35.00 per square foot	\$175,315
280 Morrison Homes - 3,929 sq.ft. x \$35.00 per square foot	\$137,515
Potential Income	\$487,060
<u>Less:</u> Vacancy & Collection Loss Allowance @ 1.50%	<u>\$7,306</u>
Effective Gross Income	\$479,754
<u>Less:</u> Non-Recoverable Operating Expenses	
Structural Repairs (13,916 sq.ft. x \$0.10/sq.ft.)	\$1,392
Operating Costs on Stabilized Vacancies (13,916 sq.ft. x 2.0% x \$13.25 x 70%)	<u>\$1,936</u>
Total Non-Recoverable Operating Expenses	<u>\$3,328</u>
STABILIZED NET INCOME (based on actual rent)	\$476,426

11.0 THE CAPITALIZATION PROCESS

Capitalization is defined in "Introduction to Real Estate Appraising" published by the Appraisal Institute of Canada, as follows:

"Capitalization, in the appraisal of real estate, may be defined as the process of converting into a present worth a series of anticipated future installments of income by the application of a factor, referred to either as a capitalization rate or a present worth factor, depending upon the process used".

A capitalization rate is a conversion factor, appropriate to the property being appraised, that is applied to the income stream to convert it into an indication of the market value of a property.

In the capitalization process, the following steps are required:

- selection of a method of deriving the capitalization rate
- selection of an appropriate method of capitalization
- analysis of the market for the factors involved

SELECTION OF A CAPITALIZATION RATE

In this appraisal, we have used the Comparative Method in selecting an appropriate capitalization rate for the subject property.

Through the analysis of comparable sales, ratios between selling prices in the marketplace and the net operating income of the property being sold can be derived. With consideration given to the degree of comparability in each instance, these ratios can provide an indication of the overall rate that is applicable. Where comparable sales exist, this method is widely accepted and used in the appraisal of income producing properties since it is considered reliable, objective, and easily supported.

METHOD OF CAPITALIZATION

Direct capitalization is calculated by division of the net operating income of the property by the above described "overall rate" derived by the Comparative Method. This is a commonly used and highly regarded method of capitalization where sufficient comparables are available to derive a reliable overall rate.

THE CAPITALIZATION PROCESS (continued)

CAPITALIZATION RATE SUMMARY CHART

Capitalization Rate Summary						
No.	Address	Sale Price Sale Date	Rentable (Sq.Ft.) / \$ per Sq.Ft.	NOI NOI / sq.ft.	Cap Rate	Comments
1	2200, 2230, 3315 8181 Cambie Rd Richmond	\$6,980,000 Listing	8,404 \$831	\$210,100 \$25.00	3.01%	3 commercial strata units in "President Plaza", a mixed use commercial / hotel development (1994). 2 units are contiguous. Leases in place to December 2027.
2	7665 Edmonds St Burnaby	\$4,500,000 Feb-22	5,193 \$867	\$150,000 \$28.89	3.33%	Located in the Edmonds area adjacent to Edmonds Community Centre. C4 zoning marketed as mixed use redevelopment site improved with a single tenant commercial building (1989).
3	3012 Edgemont Blvd North Vancouver	\$5,788,000 Listing	6,097 \$949	\$194,043 \$31.83	3.35%	Two storey renovated commercial building (1948). Situated on the corner of Edgemont Blvd and West Queens Rd in the Edgemont Village. Main floor is tenanted by a farm market.
4	7818 6th St Burnaby	\$12,500,000 Aug-21	31,925 \$392	\$525,000 \$16.44	4.20%	Freestanding 3 storey, multi-tenanted office building (1979) in the "Sixth Street" area. 8 separate office units. Main floor unit is improved with a high end space.

THE CAPITALIZATION PROCESS**(continued)****CAPITALIZATION RATE ANALYSIS**

The comparables illustrated above indicate capitalization rates ranging from 3.01% to 4.20% for commercial investment properties in Suburban locations similar to Richmond. Adjustments for area, location, and investment size are required for each comparable. In addition, consideration for the investment market at the time of the valuation date in comparison to the market period of the comparable sales is also required. For comparison purposes, the reported and projected net incomes of each have been stabilized to reflect long-term vacancy, structural maintenance and non-recoverable expenses. The low end of the range of capitalization rates is established by the current listing for 3 commercial strata units in President Plaza situated a short distance south of the Subject. The upper end is established by a 2021 sale for a 3 storey multi-tenanted office building in Burnaby.

Comparable 1 (2200, 2230, 3315 – 8181 Cambie Road, Richmond) is the current listing for 3 commercial strata units in the President Plaza development for \$6,980,000 with an indicated capitalization rate of 3.01%. The strata nature of the comparable warrants a downward adjustment. Adjustments point to a lower capitalization rate; however, the listing nature suggests a higher rate for the Subject.

Comparable 2 (7655 Edmonds Street, Burnaby) is the February 2022 sale of an older single tenant and single storey commercial building in the Edmonds area for \$4,500,000 with an indicated capitalization rate of 3.33%. Upward adjustments are warranted for the smaller investment size of the comparable and the Skytrain Guideway impact on the subject. The comparable is closer to redevelopment warranting a further upward adjustment. Overall, the upward adjustments point to a capitalization rate greater than 3.33% for the subject.

THE CAPITALIZATION PROCESS (continued)

Comparable 3 (3012 Edgemont Boulevard, North Vancouver) is the current listing of a two storey commercial building for \$5,788,000 with an indicated capitalization rate of 3.35%. The comparable building is older but has been renovated and updated; however, a downward adjustment for the Subject's modern construction is still warranted. The guideway impact on the Subject warrants a slight upward adjustment. Further considering the listing nature of the comparable, a capitalization rate greater than 3.35% is considered warranted for the Subject.

Comparable 4 (7818 6th Street, Burnaby) is the August 2021 sale of a commercial building in Burnaby for \$12,500,000 with an indicated capitalization rate of 4.20%. The comparable is similar to the Subject in terms of use with the majority demised as office space and the ground floor improved with a spa. While the comparable building is older warranting a downward adjustment for the Subject's newer construction, an offsetting adjustment is warranted for the nearer term redevelopment potential of the comparable. Overall, a capitalization rate similar to 4.20% is appropriate for the Subject.

SUMMARY

Critical considerations in the selection of an appropriate capitalization rate include:

- The subject location in comparison to the comparable areas;
- The subject location within the City Centre area of Richmond in comparison to the comparables;
- The City Centre designation supports greater density potential than currently constructed;
- The age and condition of the subject relative to the comparables;
- Investment sizes of the respective properties;
- State of the investment market at the time of sale and the date of valuation;
- The comparable lease covenants;
- The Skytrain Guideway impact on the subject;
- The subject's ground floor retail space may have some potential for rental upside in the medium to long term; however, the subject's second floor lease rates are considered at market;
- The orientation (commercial or mixed use) of the subject relative to the comparables.

THE CAPITALIZATION PROCESS (continued)

The comparable capitalization rates range between 3.01% and 4.20% with the low end established by a current listing. The upper end is established by a sale of a property that is most similar to the Subject.

Based on our observations and our knowledge of the market generally, it is our opinion that an appropriate overall capitalization rate applicable to the stabilized net income of the subject property as of the date of valuation of December 20, 2022, would lie towards the middle of the range of 4.00% and 4.50%, say **4.25%**.

12.0 ESTIMATE OF VALUE INCOME APPROACH

In consideration of the preceding analysis, the market value of the subject property as indicated by the direct capitalization method, as of December 20, 2022, would be calculated as follows:

<u>NET OPERATING INCOME</u>	=	<u>\$ 476,426</u>
OVERALL RATE		4.25%
	=	\$ 11,210,023

ROUNDED TO:

ELEVEN MILLION TWO HUNDRED TEN THOUSAND DOLLARS

(\$11,210,000)

13.0 DIRECT COMPARISON APPROACH

The Direct Comparison Approach implies the Principle of Substitution that states that a prudent purchaser will not pay more for a property than the price to acquire an equally desirable substitute property. The comparable data is shown in chart form, and has been broken down to a selling price per square foot of building area.

Direct Comparison Building Summary					
No.	Address	Sale Price Sale Date	Rentable (Sq.Ft.) / \$ per Sq.Ft.	NOI NOI / sq.ft.	Comments
1	12140 Vulcan Way Richmond	\$7,500,000 Aug-22	11,122 \$674	- -	Located near the Bridgeport corridor. Fully leased to Cooper Equipment Rentals on a 10 year term expiring Feb 28, 2031. Improved with a single tenant industrial building (5,261 sq.ft.) and a two storey office building (5,861 sq.ft.). IR1 (Industrial Retail) zoning. 16,000 sq.ft. excess yard.
2	8171 Cook Rd Richmond	\$25,000,000 May-19	31,120 \$803	- -	Located on the corner of Cook Rd and Buswell St in the Richmond City Centre, a few blocks from Richmond Centre. Improved with a 3 storey office building (1988) fully leased to a mix of tenants including a chinese restaurant, tutoring businesses and medical oriented tenants. Redevelopment potential up to 6 storeys.
3	2200, 2230, 3315 8181 Cambie Rd Richmond	\$6,980,000 Listing	8,404 \$831	\$210,100 \$25.00	3 commercial strata units in "President Plaza", a mixed use commercial / hotel development (1994). 2 units are contiguous. Leases in place to December 2027.
4	#385 & #450 6928 Pearson Way Richmond	\$8,260,000 Mar-22	8,157 \$1,013	- -	Two modern commercial strata units in a mixed use residential / commercial building (2020) in the Oval Village. 4,030 sq.ft. 3rd floor unit and a 4,127 sq.ft. unit, can be combined.

DIRECT COMPARISON APPROACH (continued)**Summary**

The comparables range in value between \$674/sq.ft. to \$1,013/sq.ft. The low end of the range is established by the sale of a office / industrial property (Comparable 1 – 12140 Vulcan Way, Richmond). After factoring upward adjustments for the location and construction, a value greater than \$674/sq.ft. is considered reasonable for the subject.

Comparable 2 (8171 Cook Road, Richmond) is the dated May 2019 sale of a 3 storey office building in the Richmond City Centre for \$803/sq.ft. The comparable has a superior location and redevelopment potential; however, the subject is a smaller investment size and superior building. Overall, a value similar to \$803/sq.ft. is appropriate for the subject.

Comparable 3 (2200, 2230, 3315 – 8181 Cambie Road, Richmond) is the current listing for 3 commercial strata units in the President Plaza for \$831/sq.ft. The comparable is a strata warranting an upward adjustment; however, the listing nature of the comparable points to a lower value than \$831/sq.ft. for the subject.

The upper end of the range is established by Comparable 4 (#385 & #450 – 6928 Pearson Way, Richmond) which sold for \$1,013/sq.ft. comprising two commercial units in a modern mixed use development in the Oval Village. The superior location of the comparable suggests a value less than \$1,013/sq.ft. for the subject.

DIRECT COMPARISON APPROACH (continued)

The Income Approach estimate concluded with a value of \$11,210,000 and based on a rentable area of 13,916 sq.ft. indicates a value per sq.ft. of approximately \$806/sq.ft. which is within the range of the comparables.

Rentable Area (sq.ft.)		Value per sq.ft.		Value Estimate
13,916	x	\$800	=	\$11,132,800

Based on the preceding, the estimated market value of the Subject under the Direct Comparison Approach, as of the date of valuation of December 20, 2022 is as follows:

ROUNDED TO:
ELEVEN MILLION ONE HUNDRED THIRTY THREE THOUSAND DOLLARS
(\$11,133,000)

14.0 RECONCILIATION AND FINAL ESTIMATES OF VALUE

Income Approach:	\$11,210,000
Direct Comparison Approach:	\$11,133,000

The subject property is an income-producing property and the typical buyer for this type of property is interested in the net returns from the property over the investment period. This approach reflects the behaviour of the typical buyer in the marketplace and is an accurate indicator of value. In the Income Approach we have adopted a capitalization rate from the market and capitalized the stabilized net income based on the projected market rental income for the subject as of the valuation date. The approach provides a good indicator of value for the subject.

The Direct Comparison Approach implies the Principal of Substitution that states that a prudent purchaser will not pay more for a property than the price to acquire an equally desirable substitute property. Usually, where there is adequate market evidence involving similar properties, the Direct Comparison Approach is favoured since it analyzes the interaction of purchasers and vendors. Sales involving commercial properties were analyzed and provided good evidence for the valuation of the subject property.

FINAL ESTIMATE OF VALUE

With consideration to the above, it is our opinion that the Income Approach best reflects the subject owner's interest in the subject property and a value closer to this estimate is appropriate. It is our opinion that the market value of the Subject Property, subject to the Assumptions and Limiting Conditions herein, as of the date of valuation of December 20, 2022, was:

ELEVEN MILLION TWO HUNDRED THOUSAND DOLLARS

(\$11,200,000)

15.0 CERTIFICATION

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

1. The statements of fact contained in this report are true and correct;
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are my impartial and unbiased professional analyses, opinions and conclusions;
3. I have no past, present or prospective interest in the property that is the subject of this report and no personal and/or professional interest or conflict with respect to the parties involved with this assignment.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. My engagement in and compensation is not contingent upon developing or reporting predetermined results, the amount of value estimate, a conclusion favouring the client, or the occurrence of a subsequent event.
6. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the CUSPAP.
7. I have the knowledge and experience to complete this assignment competently, and where applicable this report is co-signed in compliance with CUSPAP;
8. Except as herein disclosed, no one has provided significant professional assistance to the person(s) signing this report;
9. As of the date of this report the undersigned has fulfilled the requirements of the AIC's Continuing Professional Development Program;
10. The undersigned is (are all) members in good standing of the Appraisal Institute of Canada.

CERTIFICATION (continued)

PROPERTY IDENTIFICATION

Address: **2899 No.3 Road**

City: Richmond

Province: British Columbia

Postal Code: V6X 2B2

Lot 1, Section 21, Block 5 North Range 6 West, New Westminster District Plan EPP54236

PID: 029-782-937 **Civic Address: 2899 No. 3 Road, Richmond**

Based upon the data, analysis and conclusions contained herein, the market value of the interest in the property described as at **December 20, 2022** is estimated at **\$11,200,000**

As set out elsewhere in this report, this report is subject to certain assumptions and limiting conditions, the verification of which is outside the scope of this report.

NAME: **John Ho**

AIC DESIGNATION/STATUS: **AACI, P.App.**

Membership #: **902109**

DATE OF REPORT/DATE SIGNED: **December 21, 2022**

PERSONALLY INSPECTED THE SUBJECT PROPERTY Yes

DATE OF INSPECTION: **December 20, 2022**

NOTE: For this appraisal to be valid, an original or a password protected digital signature is required.

APPRAISER

SIGNATURE:

16.0 ASSUMPTION AND LIMITING CONDITIONS

The estimates of value contained in this report are based on an analysis of information obtained from various sources. Some of this data has required subjective interpretation and my terms of reference have, in some instances, required me to make certain assumptions in arriving at my value conclusions. The certification that appears in this report is subject to compliance with the Personal Information and Electronics Documents Act (PIPEDA), Canadian Uniform Standards of Professional Appraisal Practice ("CUSPAP") and the following conditions:

1. This report is prepared only for the client and authorized users specifically identified in this report and only for the specific use identified herein. No other person may rely on this report or any part of this report without first obtaining consent from the client and written authorization from the authors. Liability is expressly denied to any other person and, accordingly, no responsibility is accepted for any damage suffered by any other person as a result of decisions made or actions taken based on this report. Liability is expressly denied for any unauthorized user or for anyone who uses this report for any use not specifically identified in this report. Payment of the appraisal fee has no effect on liability. Reliance on this report without authorization or for an unauthorized use is unreasonable.
2. Because market conditions, including economic, social and political factors, may change rapidly and, on occasion, without warning, this report cannot be relied upon as of any date other than the effective date specified in this report unless specifically authorized by the author(s).
3. The author will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it. The property is appraised on the basis of it being under responsible ownership. No registry office search has been performed and the author assumes that the title is good and marketable and free and clear of all encumbrances. Matters of a legal nature, including confirming who holds legal title to the appraised property or any portion of the appraised property, are outside the scope of work and expertise of the appraiser. Any information regarding the identity of a property's owner or identifying the property owned by the listed client and/or applicant provided by the appraiser is for informational purposes only and any reliance on such information is unreasonable. Any information provided by the appraiser does not constitute any title confirmation. Any information provided does not negate the need to retain a real estate lawyer, surveyor or other appropriate experts to verify matters of ownership and/or title.

ASSUMPTIONS AND LIMITING CONDITIONS (continued)

4. Verification of compliance with governmental regulations, bylaws or statutes is outside the scope of work and expertise of the appraiser. Any information provided by the appraiser is for informational purposes only and any reliance is unreasonable. Any information provided by the appraiser does not negate the need to retain an appropriately qualified professional to determine government regulation compliance.

5. No survey of the property has been made. Any sketch in this report shows approximate dimensions and is included only to assist the reader of this report in visualizing the property. It is unreasonable to rely on this report as an alternative to a survey, and an accredited surveyor ought to be retained for such matters.

6. This report is completed on the basis that testimony or appearance in court concerning this report is not required unless specific arrangements to do so have been made beforehand. Such arrangements will include, but not necessarily be limited to: adequate time to review the report and related data, and the provision of appropriate compensation.

7. Unless otherwise stated in this report, the author has no knowledge of any hidden or unapparent conditions (including, but not limited to: its soils, physical structure, mechanical or other operating systems, foundation, etc.) of/on the subject property or of/on a neighbouring property that could affect the value of the subject property. It has been assumed that there are no such conditions. Any such conditions that were visibly apparent at the time of inspection or that became apparent during the normal research involved in completing the report have been noted in the report. This report should not be construed as an environmental audit or detailed property condition report, as such reporting is beyond the scope of this report and/or the qualifications of the author. The author makes no guarantees or warranties, express or implied, regarding the condition of the property, and will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. The bearing capacity of the soil is assumed to be adequate.

ASSUMPTIONS AND LIMITING CONDITIONS (continued)

8. The author is not qualified to comment on detrimental environmental, chemical or biological conditions that may affect the market value of the property appraised, including but not limited to pollution or contamination of land, buildings, water, groundwater or air which may include but are not limited to moulds and mildews or the conditions that may give rise to either. Any such conditions that were visibly apparent at the time of inspection or that became apparent during the normal research involved in completing the report have been noted in the report. It is an assumption of this report that the property complies with all regulatory requirements concerning environmental, chemical and biological matters, and it is assumed that the property is free of any detrimental environmental, chemical legal and biological conditions that may affect the market value of the property appraised. If a party relying on this report requires information about or an assessment of detrimental environmental, chemical or biological conditions that may impact the value conclusion herein, that party is advised to retain an expert qualified in such matters. The author expressly denies any legal liability related to the effect of detrimental environmental, chemical or biological matters on the market value of the property.

9. The analyses set out in this report relied on written and verbal information obtained from a variety of sources the author considered reliable. Information as presented to the appraiser by others has been investigated where possible and is assumed to be correct but cannot be guaranteed by the author. Unless otherwise stated herein, the author did not verify client-supplied information, which the author believed to be correct.

10. The term "inspection" refers to observation only as defined by CUSPAP and reporting of the general material finishing and conditions observed for the purposes of a standard appraisal inspection. The inspection scope of work includes the identification of marketable characteristics/amenities offered for comparison and valuation purposes only.

ASSUMPTIONS AND LIMITING CONDITIONS (continued)

11. The opinions of value and other conclusions contained herein assume satisfactory completion of any work remaining to be completed in a good and workmanlike manner. Further inspection may be required to confirm completion of such work. The author has not confirmed that all mandatory building inspections have been completed to date, nor has the availability/issuance of an occupancy permit been confirmed. The author has not evaluated the quality of construction, workmanship or materials. It should be clearly understood that this visual inspection does not imply compliance with any building code requirements as this is beyond the professional expertise of the author.

12. The contents of this report are confidential and will not be disclosed by the author to any party except as provided for by the provisions of the CUSPAP and/or when properly entered into evidence of a duly qualified judicial or quasi-judicial body. The author acknowledges that the information collected herein is personal and confidential and shall not use or disclose the contents of this report except as provided for in the provisions of the CUSPAP and in accordance with the author's privacy policy. The client agrees that in accepting this report, it shall maintain the confidentiality and privacy of any personal information contained herein and shall comply in all material respects with the contents of the author's privacy policy and in accordance with the PIPEDA.

13. The author has agreed to enter into the assignment as requested by the client named in this report for the use specified by the client, which is stated in this report. The client has agreed that the performance of this report and the format are appropriate for the intended use.

14. This report, its content and all attachments/addendums and their content are the property of the author. The client, authorized users and any appraisal facilitator are prohibited, strictly forbidden, and no permission is expressly or implicitly granted or deemed to be granted, to modify, alter, merge, publish (in whole or in part) screen scrape, database scrape, exploit, reproduce, decompile, reassemble or participate in any other activity intended to separate, collect, store, reorganize, scan, copy, manipulate electronically, digitally, manually or by any other means whatsoever this appraisal report, addendum, all attachments and the data contained within for any commercial, or other, use.

ASSUMPTIONS AND LIMITING CONDITIONS (continued)

15. If transmitted electronically, this report will have been digitally signed and secured with personal passwords to lock the appraisal file. Due to the possibility of digital modification, only originally signed reports and those reports sent directly by the author can be reasonably relied upon.

16. Where the intended use of this report is for financing or mortgage lending or mortgage insurance, it is a condition of reliance on this report that the authorized user has or will conduct lending, underwriting and insurance underwriting and rigorous due diligence in accordance with the standards of a reasonable and prudent lender or insurer, including but not limited to ensuring the borrower's demonstrated willingness and capacity to service his/her debt obligations on a timely basis, and to conduct loan underwriting or insuring due diligence similar to the standards set out by the Office of the Superintendent of Financial Institutions (OSFI), even when not otherwise required by law. Liability is expressly denied to those that do not meet this condition. Any reliance on this report without satisfaction of this condition is unreasonable.