



**Short Narrative Appraisal Report of:**

**Hawkwood Manor: 4822 - 54th Street, Red Deer, Alberta**

Prepared for: Prestigious Properties Group

Effective Date: January 12, 2017

Prepared By: Abhishek Paul, AACI, P.App.



Intelligent  
Real Estate  
Solutions

January 17, 2017

Mr. Mike Hammerlindl  
Prestigious Properties Group  
912, 743 Railway Avenue  
Canmore, Alberta  
T1W 1P2

RE: Short Narrative Appraisal Report: Hawkwood Manor  
4822 - 54th Street, Red Deer, Alberta

**Our File No. 10330A**

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In response to your request, we have conducted the required investigation, gathered the necessary data, and made certain analyses that have enabled us to form an opinion of the current market value, in Fee Simple Estate, of the above referenced property.

As a result of the research and analysis, it is our professional opinion that the Market Value of the subject apartment building in Fee Simple Estate, assuming an exposure period of up to six months, as of the effective date of January 12, 2017, is:

**--TWO MILLION ONE HUNDRED THOUSAND DOLLARS –  
--(\$2,100,000.00)—**

The Short Narrative Appraisal Report that follows sets forth the identification of the property, the critical assumptions and limiting conditions, pertinent definitions, facts about the area and the subject property, comparable market data, the results of the investigation and analyses, and the reasoning leading to the market value conclusion.

Yours truly,

**Avison Young Valuation & Advisory Services Alberta Inc.**

A handwritten signature in blue ink, appearing to read 'Abhishek Paul'.

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**Abhishek Paul, B.A., AACI, P.App.**  
**(RECA Licensed Appraiser)**

<b>Type of Property</b>	:	2 ½ storey walk up apartment with 18 2-bed suites.
<b>Civic Addresses</b>	:	4822 - 54th Street, Red Deer, AB
<b>Legal Description</b>	:	Condominium Plan: 0323558 Units: 1-18
<b>Land Use Classification</b>	:	C1, Commercial (City Centre) District
<b>Effective Date of Appraisal</b>	:	January 12, 2017
<b>Property Rights Appraised</b>	:	Fee Simple Estate
<b>Registered Property Owner</b>	:	Prestigious Properties Kings Castle GP Inc.
<b>Property Assessment</b>	:	\$2,174,000 (aggregate assessed value for 2016)

### **Critical Assumptions**

- a. Sketches, drawings, diagrams and photographs presented in this report are included for the sole purpose of illustration. No soil testing concerning the subject property has been provided. Accordingly, no responsibility is assumed concerning these matters, or other technical, engineering or survey techniques which would be required to discover any inherent or hidden condition of the property.
- b. We have assumed there are no environmental concerns pertaining to the subject site. Services of an appropriate expert should be obtained for certainty.
- c. The site and property legal information was provided by the Survey Department of the South Alberta Land Registration Land Titles Office and is assumed to be correct.
- d. The estimate of value included herein includes all permanent fixtures and the specific chattels presently located within the subject complex. These include refrigerators, dish washers, stoves, lighting fixtures, etc. (as applicable).
- e. The lease information pertaining to the existing residential tenancies as included in this report is assumed to be accurate. It should be noted that the appraiser did not review the leases.
- f. The suite areas presented within this report were taken from documents provided by the client and from information contained in our previous appraisal of the property, and are approximate only and they should not be relied upon for any other use. We assume no responsibility for the accuracy of the unit measurements.
- g. At the time of our inspection on January 12, 2017, access was given to select suites. We assume the remaining suites are of similar quality and condition as those inspected.
- h. The property is appraised as though free and clear of any long term assumable financing.

### **Purpose and Intended Use of the Appraisal**

The purpose of this appraisal is to estimate the Market Value of the Fee Simple Interest of the real property described herein, free and clear of financing, based upon accepted appraisal methodology for estimating current market value. The intended use of this appraisal is for the information and first mortgage financing purposes of Prestigious Properties Group.

In an effort to reduce appraisal related mortgage fraud, The Appraisal Institute of Canada (AIC) and Avison Young Valuation & Advisory Services Alberta Inc. strongly recommend that any third party users of this report confirm its authenticity with the author.

Further, this report assumes that only the addressee will rely upon it, and only for the intended use stated herein. No one else may rely on this report without written consent of the appraiser. We expressly deny any legal liability for unauthorized reliance and any other use.

### Scope of the Appraisal

The scope of this appraisal pertains to the collection, confirmation and reporting of data, and the analysis of same. The report has been prepared in compliance with the Canadian Uniform Standards of Professional Appraisal Practice ("The Standards") as required by the Appraisal Institute of Canada. The process involved in completing the appraisal is summarized as follows:

- *General information and data about the City of Red Deer is based on material obtained from the city website. Additionally, the neighborhood description section of this report is based on a physical inspection of the area by the appraiser.*
- *All definitions of terms contained herein are from The Dictionary of Real Estate Appraisal (3rd Ed.), published by THE APPRAISAL INSTITUTE, 1993 and The Appraisal of Real Estate (Canadian Edition), published by the APPRAISAL INSTITUTE, 1992.*
- *The legal description and ownership profile was confirmed by way of a title search at the South Alberta Land Registration District Land Titles Office. Further, information pertaining to land use/zoning and property taxes was obtained from the appropriate departments at City of Red Deer.*
- *The highest and best use of the land was estimated as vacant. Criteria considered in this analysis related to physical possibility, legal permissibility, financial feasibility and maximum profitability of potential land uses.*
- *The research conducted in this analysis relative to comparable land property sales has included data from our own files (Avison Young Valuation & Advisory Services Alberta Inc) as well as RealNet, CommercialEdge, sales agents, vendors, purchasers and other reliable and knowledgeable sources familiar with southern Alberta's real estate market.*
- *The valuation technique used in this appraisal is deemed relevant for the subject property type. Following completion of the research and analysis of all pertinent data, final estimate of market value was made as at the specified valuation date.*
- *Description in this report pertaining to the subject is based on information contained in our previous working file of the subject property (#10001A) along with our physical inspection of the property as of the effective date.*

### Sales History

The subject has multiple Certificates of Title as it is a condominium project. The Titles indicate ownership of the land in the name of Prestigious Properties Kings Castle GP Inc. The current Titles were created November 15, 2012 as a result of a market transaction with a total consideration of \$1,750,000. To the best of our knowledge the subject property is not currently listed for sale or under contract.

## Financing

In view of the purpose and function of this report, the property has been treated as though free of long term mortgage financing as at the effective date of this appraisal. This is consistent with the analysis of all comparable sales included herein.

## Definition of Market Value

“The most probable price which a property should bring in a competitive and open market as of the specified date under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.”

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

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto;
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Market Value Basis of Valuation, sub-section 3.1 of the International Valuation Standards (Eighth Edition, 2007) defines market value as:

“Market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

## Definition of Exposure Time

1. The time a property remains on the market.
2. 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 based upon an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.

With respect to a reasonable exposure period of the subject property, we are of the opinion, a period of up to six months is realistic at this time. The estimate of market value contained herein is

based on this exposure period prior to the effective date. Provided there are no changes in market conditions we would anticipate a sale marketing period similar to the exposure period estimate.

### Property Rights Appraised

The property rights appraised in this report relating to the subject property are assumed to be those of a Fee Simple Estate which are defined as:

*"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."*

### Date of the Appraisal

Date of Value : January 12, 2017  
Date of Inspection : January 12, 2017

### Site Description

- Land size of 19,859 sq. ft. (0.46 acres) more or less.
- Rectangle shaped interior parcel that is level in topography, serviced and accessible.
- Where not covered by the two and a half storey walk-up apartment building the site is paved and landscaped. Surrounding developments include similar apartment buildings, single family homes, and multi-family condominium developments.
- The site has good access to 49th Avenue and downtown Red Deer.

### Soil Characteristics

We have not been commissioned to secure a soil survey for the subject site. We assume sub soil conditions are such that should redevelopment occur, appropriate buildings could be constructed without extraordinary piling or supportive measures. Further, the land is assumed to be free of adverse environmental contamination.

### Description of Improvements

- Two and a half storey apartment building constructed in 1971 (43 years old) with a concrete block and wood frame construction with vinyl siding and decorative brick facade. Balconies are a mix of aluminum and painted wood.
- Entire suite mix consists of a total of 18 two-bedroom units.
- Flat roof (Estimated 10 yrs old) consists of tar and gravel on a wood deck.
- Approximately 7 year old boiler provides radiant hot water heat through perimeter baseboards. Domestic hot water is provided by a new 80 gallon hot water tank. 400 amp, 3 phase main power. Suites are individually metered.
- Laundry facilities consist of 2 washers and 2 dryers (Leased).
- 18 paved parking stalls are available at the rear of the building with access to plug-ins.

## Property Assessment

The units comprising the subject property are individually assessed. The aggregate assessed value is \$2,174,000 according to City records. The 2016 assessed value is based upon the City of Red Deer's perceived market value of the subject property as at July 1, 2015 with consideration given to the characteristics and physical condition of the improvements as at December 31, 2015. The 2017 assessment has not been released as of report writing date.

## Land Use Classification

The subject, like all land within the City of Red Deer, is classified as to use under Bylaw 3357/2006. Under this Bylaw the subject land falls under the C1, Commercial (City Centre) District land use guidelines. The existing improvements as a two and a half storey walk up apartment building appear to be a legal and conforming use under the land use guidelines.

## Highest and Best Use

Highest and Best Use is defined as "The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value".

### **A. Highest and Best Use of Land as Vacant**

#### i) Physical Possibility

The interior parcel being appraised has a level topography, is rectangle shaped and contains a site area of approximately 19,859 sq. ft. The lands are fully serviced with all municipal utilities and are well accessed by major transportation routes serving downtown Red Deer. There are no apparent physical deficiencies that would preclude typical development of the lands. Possibilities exist for a wide variety of uses.

#### ii) Legal Permissibility

Legal restrictions that apply to the subject include public restrictions. With respect to public restrictions, the site falls under C1, Commercial (City Centre) District land use guidelines. This land use allows for multi-family development.

#### iii) Financial Feasibility

Of the uses which could be physically and legally accommodated on the site, the economics are such that some form of commercial/residential development, in accordance with the C1 zoning, would provide the greatest monetary return to the land over the long term.

#### iv) Maximum Profitability

Given the location and physical attributes of the site, as well as permitted legal uses and financial feasibility of development, we are of the opinion, the development which would result in maximum profitability to the lands is of a commercial/residential nature. Given the rules of conformity, if the site were vacant today, it would likely be developed to a multi-family residential or mixed use in the short term.

### **B. Highest and Best Use of Land as Improved**

The subject parcel is currently developed with an 18-suite rental apartment building. Given the subject's location and the market, we are of the opinion, the existing development will deliver the greatest net return to the land over the longest period. No alternative, legal use could economically justify the removal of the existing building improvements at this time.

### **The Approaches to Value**

The subject is a two and a half storey apartment building in the City of Red Deer. The Income Approach will be employed in the valuation of the subject property. An adequate return on investment is the primary motivation for purchasing revenue generating real estate and, as such, the Income Approach is the most valid approach when estimating the fair market value of the property.

The Direct Comparison Approach has been applied as a secondary valuation technique to test the reasonableness of the Income Approach to Value estimate.

The Cost Approach has not been applied. Purchasers of properties such as the subject are not necessarily concerned with the cost to construct, but rather, the ability of the property to generate income and provide an adequate rate of return on invested capital.

To complete the valuation process, the appraiser integrates the information drawn from market research and data analysis and from the application of the approaches to form a value conclusion. An effective integration of all the elements in the process depends on the appraiser's skill, experience and judgment.

### **INCOME BASED VALUATION**

The Income Approach is the most common technique for apartment buildings. An adequate return on investment is the primary motivation for purchasing revenue generating real estate and, as such, the Income Approach is the most valid approach when estimating the fair market value of the property. Direct Capitalization is a method used to convert a single year's income estimate into a value indication. This conversion is accomplished in one step by dividing the income estimate by an appropriate rate derived from comparable sales. In direct capitalization, no precise allocation is made between the return on, and the return of, capital because the method does not simulate investor assumptions or forecasts concerning holding period, the pattern of income or changes in the value of the original investment. A satisfactory rate of return for the investor and recapture of

capital invested are implicit in the capitalization rate because it is derived from similar properties. The comparables considered in this appraisal are analysed in terms of a stabilized net income and, as such, the market derived capitalization rate will apply to the subject's stabilized net income after appropriate allowances for vacancy/collection loss and all applicable expenses.

## **Income Analysis**

### **A. Apartment Rental Revenues**

At present the subject property has one vacant unit. The property has historically realized low to no vacancy. In accordance with the current Rent Roll and 2016 Income statement (as of period ending November 30, 2016), the following residential rental revenues are reported:

Monthly Rental Income: \$14,930 (as reported for January 2017 in 17 occupied units)

Annual Rental Income: \$175,585 (prorated for 12 month period per Income statement)

The average rental income per occupied suite per month: \$878

The average rental income per occupied suite per month per square foot: \$1.18

The subject rents include heat and water, with tenants responsible for payment of electricity, cable and telephone. In order to estimate whether the existing rents reflect current market levels, other low rise apartment buildings located in close proximity to the subject City of Red Deer location have been surveyed. The surveyed buildings are considered most similar to the subject in terms of location, overall building quality, unit sizes and amenities. The summary of this survey is presented on the following page:

Project Name	Suite Type	Monthly Rent	Comments
Lexington Place 4820 47 Avenue	1 Bed 2 Bed	\$711 \$1,025	High Rise building located near the downtown district. Includes heat, water, and electricity. Rental incentives include one month free rent and free cable and internet for 1 year. Outdoor parking available for extra. 2 piece appliance package.
Westbrook Manor 3610 52 Avenue	1 Bed 2 Bed	\$725 \$1,050	Walk-up building located near the downtown district. Includes heat, water, and electricity. Rental incentives include one month free rent and free cable and internet for 1 year. Outdoor parking available for extra. 2 piece appliance package.
Cornett on the Park 122 Cornet Drive	1 Bed 2 Bed	\$689 \$736	Walk-up building located further east of the downtown district. Includes heat, water, and electricity. Rental incentives include one month free rent and free cable and internet for 1 year. 1 outdoor parking stall included with rent. 3 piece appliance package.
Bristol Place 86 Bell Street	1 Bed 2 Bed	\$949 \$1,149	3-storey apartment building located south of downtown district. Rent includes heat and water. 3 piece appliance package. Suite size is 631 sq.ft. (1b) and 810 sq.ft. (2b).
Eastview District 3838 39 street	2 Bed	\$750	Walk-up building of older construction. Typical suite size is 875 sq.ft. Rent includes heat and water only. 2 piece suite. 6 month lease term.

The preceding survey has considered five rental apartment buildings located in the City of Red Deer downtown and immediately surrounding districts and represents the most comparable listings/rents available at the time of this report. Units in the subject building are reportedly offered at (and achieving) an average rent of \$878 per month. The current rents range from \$795 to \$1,000/month depending on level of upgraded finish in the units. These rents have dropped slightly from our last appraisal of the subject in January of 2016.

In more general terms, the Red Deer rental market has seen an increase in vacancy in the past year due to the economic climate in the Province. According to CMHC's Fall 2016 Rental Market Report: Alberta Highlights, vacancy in Red Deer was reported at 12.7% (1 Bed) and 14.7% (2 Bed), a doubling of vacancy rates from 2015, and the largest increase among all the urban centres tracked by the report. Average rents reported for 1-bedroom suites at \$850 per month and for 2-bedroom suites reported at \$1,016 per month, also a drop from 2015. The foregoing is an average indication

of a snapshot in time (reflective of conditions in mid-2016). The market has somewhat stabilized since then with a more positive outlook expected for 2017, although uncertainty remains with the introduction of the Provincial levies and Municipal assessments and it's impact on operating costs.

Based on the survey, we have concluded the following:

The monthly rent for comparable 2-Bedroom suites is \$736 - \$1,149. The range in rents is attributed to various factors such as size, location, condition of units, and amenities provided. For the most part, centrally located apartments of larger size and fully renovated tend to achieve rates at the upper end.

When concluding applicable market rental rents for the subject property, the following was also given consideration:

- Good location of the property in downtown Red Deer.
- Good condition of the building and units.
- Modest vacancy.
- Overall condition of the building and assumed typical suite finish based on our inspection of select suites.

### **RENTAL CONCLUSION**

Based on this analysis, we have concluded that the existing rental rates are well within the market range with potential for income upside if the overall strength in the rental market starts to improve.

In our analysis to follow, we have applied a stabilized rent of \$925 per month to all units. This rate takes in to account the continued negative pressure on rental rates in the local market due to the economic uncertainty. The selected rate falls well within the recent survey of market rents obtained from comparable buildings located in proximity to the subject. This results in the following rental income:

<u>18 two bedroom (780 sq. ft.) suites at market rate of \$925/month</u>	<u>\$199,800</u>
<b>Total Rental Income</b>	<b>\$199,800</b>

## B. Laundry Income

The subject property has two washers and two dryers. Individual suites do not have in-suite laundry. Typically, revenues generated from leased washers and dryers range between \$15.00 and \$20.00 per suite per month. Financial documents supplied by the client indicate laundry revenue of \$10.12 per suite per month. The subject laundry revenue has consistently been at this rate suggesting a lower than average rate. For the purposes of this analysis, laundry revenue is stabilized at \$12.00/suite/month or \$2,600/annum has been applied in this analysis.

## EXPENSES

The following is a summary of the operating expenses associated with apartment buildings like the subject, the actual values indicated by statements provided by the owner, amounts typical for properties like the subject, and the stabilized value that will be utilized in the Direct Capitalization analysis.

<b>SUMMARY OF STABILIZED EXPENSES 4822 - 54<sup>TH</sup> STREET, RED DEER, ALBERTA</b>			
<b>Expense Item</b>	<b>Actual (2016)*</b>	<b>Typical</b>	<b>Stabilized</b>
Vacancy	5.5%	14.7%**	4%
Property Taxes	\$18,614		\$19,000
Insurance	\$252/unit	\$125-\$250/ unit	\$250/unit
Salaries	\$0	\$25 - \$40/suite/month	\$25/suite/month
Repairs and Maintenance	\$783/unit	\$700-\$1,200/unit	\$800/unit
Utilities	\$1,100/unit	\$1,000 - \$1,500/unit	\$1,100/unit
Advertising	\$33/unit	\$25-\$50/unit	\$50/unit
Miscellaneous	\$1,642	\$800-\$1,200	\$1,100
Management	9.25%	3%-5%	4.0%

\*December figures not available as of report writing date so expenses were prorated

\*\*Based on CMHC figure

<b>INCOME EXPENSE ANALYSIS                      HAWKWOOD MANOR APARTMENTS                      4822 54TH STREET, RED DEER, AB</b>			
<b>Suite</b>	<b># of Suites</b>	<b>Avg. Monthly Rent</b>	<b>Annual Rent</b>
2 Bedroom Suites	18	\$ 925	\$ 199,800
Laundry Income	18	\$ 12	\$ 2,592
<b>POTENTIAL GROSS INCOME</b>	<b>18</b>		<b>202,392</b>
<b>Less: Vacancy Allowance @ 4.0% of PGI</b>			<b>8,096</b>
<b>EFFECTIVE GROSS INCOME (EGI)</b>			<b>194,296</b>
<b>OPERATING EXPENSES</b>			
Property Taxes			\$ 19,000
Insurance			\$ 4,500
Salaries			\$ 5,400
Repairs & Maintenance			\$ 14,400
Utilities			\$ 19,800
Advertising			\$ 900
Management Fee (4.0% of EGI)			\$ 7,772
Miscellaneous			\$ 1,100
<b>TOTAL EXPENSES</b>	<b>-38% of EGI</b>		<b>72,872</b>
<b>NET OPERATING INCOME (NOI)</b>			<b>\$ 121,424</b>

The normalized expense allowance of \$72,872 results in a per suite expense of \$4,048 or 38% of the Effective Gross Income. As a percentage of EGI, it falls within the typical range.

### **SELECTION OF AN APPLICABLE CAPITALIZATION RATE**

An Overall Capitalization Rate is the annual rate which expresses the relationship between Net Operating Income and sale price. It contains a provision for a return on investment, as well as provision for capital recovery. The overall rate for each comparable sale is derived mathematically by dividing the net income by the applicable sale price.

In order to develop an applicable Capitalization Rate for the subject, we have analyzed recent investment sales data for apartment properties. This is summarized on the following page.

<b>COMPARABLE SALES SUMMARY CHART</b>					
<b>Index No.</b>	<b>Address</b>	<b>Sale Date</b>	<b>Sale Price</b>	<b>No. of Suites</b>	<b>Cap Rate</b>
1	5425 47A Avenue	11/16	\$7,165,000	72	6.28%
2	4624 45 Street	10/15	\$1,625,000	17	4.81%
3	4817/21 52 Street	09/15	\$1,300,000	16	6.10%
4	3513 51 Avenue	07/15	\$1,098,000	9	5.94%

There have been limited sales in the Red Deer market within the past twelve months. The comparables display a range in achieved capitalization rates between 4.81% and 6.28%. This range has remained relatively stable for the past few years. The rate at the low end is indicated in the 2015 sale of a 17-unit apartment building that underwent major capital upgrades, including a new boiler, prior to the sale. The sale price reflects the premium paid for the upgrades completed. The rate at the upper end is indicated in a recent sale of a larger apartment complex. The reported operating expenses were high for this property at 45% of EGI, reasons for which are not known, but could have factored in to the high cap rate.

The subject is a relatively small sized asset comprising 18 - 2 bedroom suites. The property has good location attributes in downtown Red Deer. The suites and building are in good condition. Contract rents are mostly at market levels with rental upside over time as the economy improves. The property represents a relatively small investment, resulting in a larger pool of potential investors. Our stabilized income has applied a market rent on all units. When considering the age, condition and building design, an overall Capitalization Rate of 5.75% has been concluded for the subject property.

**INDICATED MARKET VALUE BY THE INCOME APPROACH**

Net Income divided by capitalization rate equals value:

$$\frac{\$121,424}{5.75\%} = \$2,111,730$$

**Value Estimate by the Income Approach:      \$2,100,000 (Rounded)**

**DIRECT COMPARISON BASED VALUATION**

This approach involves direct comparison of the subject property to other similar properties that have sold. The Direct Comparison Approach has been included herein as a check against the Income Approach value estimate conclusion presented earlier. The apartment sales used and summarized in the Income Approach have been utilized to establish an applicable sale price per suite.

Price per suite is the broadest suite of comparison, and it is subject to the most adjustment to arrive at a meaningful and reliable indicator of value. It will vary depending on many factors including age, condition, quality of construction, suite size and room count, and amenities within the suite and within the complex and location factors. Making adjustment for some or all of these differences can be difficult to substantiate and somewhat arbitrary in nature, therefore one single adjustment has been made to the price per suite of each comparable based upon the ratio of the net income per suite of the subject versus that of the particular comparable. The apartment comparable sales analyzed herein are summarized below.

Index No.	NOI/unit	Sale Price/unit	Adjusted Sale Price/unit
1	\$ 6,249	\$ 99,514	\$ 107,420
2	\$ 4,598	\$ 95,588	\$ 140,249
3	\$ 4,956	\$ 81,250	\$ 110,590
4	\$ 7,247	\$ 122,000	\$ 113,569
Subject	\$ 6,746	Average	\$ 117,957

The adjusted sale price per suite is based on the ratio of the subject NOI/suite to the comparable NOI/suite multiplied by the comparable sale price per suite as follows:

$$\text{Adjusted Sale Price/Suite} = \frac{\text{Subject NOI/Suite} \times \text{Comparable Sale Price/Suite}}{\text{Comparable NOI/Suite}}$$

The chart above indicates a range in adjusted sale prices from \$107,420/suite to \$140,250/suite. The subject property is considered to have strong appeal among a wide range of potential purchasers. Given the downtown location, we expect a rate at the middle of the range, say \$115,000/suite. Therefore, the indicated market value estimate for the subject property by the Direct Comparison Approach is:

$$\$115,000/\text{suite} \times 18 \text{ suites} = \$2,070,000$$

**Value Estimate by the Direct Comparison Approach: \$2,100,000 (ROUNDED)**

## 2. Reconciliation and Final Value Conclusion

**INCOME APPROACH VALUE ESTIMATE** : **\$2,100,000**

**DIRECT COMPARISON APPROACH** : **\$2,100,000**

The subject consists of a C-1 Commercial (City Centre) District zoned site with an area of 19,859 sq. ft. The site is considered to be in a good location. The site is improved with one building, containing 18 rental suites over a two and a half storey design.

The valuation approach applied herein was the Income Approach. The Income Approach is based on the assumption there is a relationship between the income, specifically the net income, that a property is capable of earning, and its value.

The Income Approach valuation utilized a Direct Capitalization analysis. Market analysis undertaken included a survey of comparable investment property sales to establish an appropriate market derived Capitalization Rate. Research was also conducted on other similar rental apartment buildings to derive appropriate income and expense projections for the subject. The Income Approach indicated a rounded value estimate of \$2,100,000.

The Direct Comparison Approach was included as a secondary valuation technique to test the reasonableness of the Income Approach value estimate. This approach indicated a rounded value estimate of \$2,100,000, supporting the conclusion reached by the Income Approach.

As a result of the research and analysis, it is our professional opinion that the Market Value of the subject apartment building in Fee Simple Estate, assuming an exposure period of up to six months, as of the effective date of January 12, 2017, is:

**--TWO MILLION ONE HUNDRED THOUSAND DOLLARS –**  
**--(\$2,100,000.00)--**

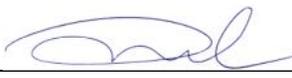
### 3. Certification

Re : 4822 - 54th Street, Red Deer, AB, I certify that to the best of my knowledge:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and contingent and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- my compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the "Standards" of professional appraisal practice of the AIC.
- I have made a personal inspection of the property that is the subject of this report.
- no one provided significant professional assistance to the person signing this report.
- the designated appraiser signing this report has fulfilled the Continuing Professional Development (CPD) Program for designed members of the Appraisal Institute of Canada.
- the designated appraiser is registered in the Professional Liability Insurance Program of the AIC.
- the designated appraiser is licensed in the Province of Alberta as a member of the Real Estate Council of Alberta (RECA).

As a result of the research and analysis, it is our professional opinion that the Market Value of the subject apartment building in Fee Simple Estate, assuming an exposure period of up to six months, as of the effective date of January 12, 2017, is:

**--TWO MILLION ONE HUNDRED THOUSAND DOLLARS --**  
**--(\$2,100,000.00)--**

Signature:  \_\_\_\_\_  
Name: Abhishek Paul  
Designation: AACI, P. App  
Date Signed: January 17, 2017

## **ADDENDA**

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## Contingent and Limiting Conditions

The certification that appears in the appraisal report is subject to the following conditions:

1. The use of our appraisal for the purpose of a tax assessment appeal may require different or other data to be scrutinized which may conflict with the conclusions reached in a report prepared for a different purpose or value. Unless expressly **authorized in writing** this report and contents are **not** to be used for the purposes of a tax assessment appeal by third parties other than the client to whom this report is addressed.
2. Because market conditions, including economic, social and political factors change rapidly and on occasion, without warning, the market value estimate expressed as of the date of appraisal cannot be relied upon as of any other date except with further advice from the appraiser confirmed in writing.
3. No responsibility is assumed for matters of a legal nature that affect either the property being appraised or the title to it. It has been assumed that the title is good and marketable and, therefore, no opinion is rendered about the title. The subject property must comply with government regulations, including zoning, building code and health regulations and, if it doesn't comply, its non-compliance may affect market value. To be certain of compliance, further investigation may be necessary. The property is appraised on the basis of it being under responsible ownership.
4. No survey of the property has been made. Any sketch in the appraisal report shows approximate dimensions and is included only to assist the reader of the report in visualizing the property.
5. This report is completed on the basis that testimony or appearance in court is not required as a result of this appraisal 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 appraisal report and data related thereto and the provision of appropriate compensation.
6. The appraiser is not qualified to comment on environmental issues 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. Unless expressly stated, the property is assumed to be free and clear of pollutants and contaminants, including but not limited to moulds or mildews or the conditions that might give rise to either, and in compliance with all regulatory environmental requirements, government or otherwise, and free of any environmental condition, past, present or future, that might affect the market value of the property appraised. If the party relying on this report requires information about environmental issues then that party is cautioned to retain an expert qualified in such issues. We expressly deny any legal liability relating to the effect of environmental issues on the market value of the property appraised.

7. Information, estimates, and opinions that have been expressed in the appraisal report are obtained from sources considered to be reliable and they are believed to be true and correct. No responsibility is assumed for the accuracy of such items that were furnished by other parties.
8. The opinions of value and other conclusions contained herein assume satisfactory completion of any work remaining to be completed in a good workmanlike manner. Further inspection may be required to confirm completion of such work.
9. The contents of this report are considered confidential and will not be disclosed by the author to any party except as provided for in the Standards of Professional Practice of the Appraisal Institute of Canada and/or when properly entered into evidence of a duly qualified judicial or quasi-judicial body.
10. Other than the permitted users and uses of the appraisal report outlined under the heading "Purpose and Intended Use of the Appraisal", written consent from the author and supervisory appraiser must be obtained before all (or any part) of the content of the appraisal report can be used for any purposes by anyone except: the client specified in the report and, where the client is the mortgagee, its insurer and the borrower, if he/she paid the appraisal fee. The author's written consent and approval must also be obtained before the appraisal (or any part of it) can be conveyed by anyone to any other parties, including mortgagees other than the client and the public through prospectus, offering memo, advertising, public relations, news, sales, or other media.
11. All factors known to the appraiser (and to the extent that the data permits) that have an impact on value have been taken into consideration to the extent felt necessary in rendering a considered opinion of value. No significant information has been knowingly withheld from the appraisal report and it is believed, to the best of my knowledge, that all statements and information in the appraisal report are true and correct.
12. This appraisal has been performed in conformity with the Standards of the Appraisal Institute of Canada, as well as the Canada Deposit Insurance Corporation Standards of Sound Business and Financial Practices - Real Estate Appraisals, and the appraisal standards under the regulations of the Canadian and British Insurance Companies Act.
13. No authorization has been given to anyone other than the appraiser to make a change to any item in the report; therefore, if an unauthorized change is made to the appraisal report, no responsibility for such changes is assumed.
14. The appraiser has no liability, obligation, or responsibility to any other person other than the party to whom the report is addressed.

## Qualification of Your Appraiser

Abhishek Paul, BComm, BA, AACI, P.App

### ACADEMIC:

Appraisal Institute of Canada - Accredited Appraiser Canadian Institute  
License# 904714

University of British Columbia - Diploma Urban Land Economics

Illinois Wesleyan University - B.A. Public Accounting

<b>EMPLOYERS:</b>	2013 -	Avison Young, Calgary Fee Appraiser
	2009 - 2013	Altus Group Limited, Calgary Consultant (Fee Appraiser)
	2007 - 2009	Wagner, Andrews & Kovacs Ltd., Toronto Candidate Appraiser

**AFFILIATIONS:** Member - Appraisal Institute of Canada  
Member – RECA Licensed Candidate Appraiser

**EXPERIENCE:** Property types include downtown and suburban office buildings, owner occupied and investment grade industrial properties, strip, neighborhood, community retail centers, commercial condominium projects, vacant and serviced land.

Assignments completed for mortgage financing and general information purposes, asset valuation, feasibility and market studies, and general consulting.