



Market Value Appraisal

**Multi-Tenant Industrial Strata Property
2648 Kyle Road
West Kelowna, British Columbia**

June 23, 2020

Prepared for:

**Kadestone Capital Corp.
Suite 2600, Three Bentall Centre
P.O. Box 49314
5959 Burrard Street
Vancouver, V7X 1L3**

Prepared by:

**Russ Martinuik, AACI, P.App.
NCA Commercial Inc.
250-868-9244
russ@ncacommercial.com**

June 23, 2020

**Kadestone Capital Corp.
Suite 2600, Three Bentall Centre
P.O. Box 49314
5959 Burrard Street
Vancouver, V7X 1L3**

Attn: Mr. David Negus, CFO

**Re: Market Value Appraisal
Multi-Tenant Industrial Strata Property
2648 Kyle Road, West, Kelowna, British Columbia**

In accordance with your instructions, I have completed an inspection of 2648 Kyle Road, West Kelowna, BC, and an analysis of relevant data for the purpose of providing an opinion of the current market value upon completion of construction.

Conditional to the qualifications, assumptions and limiting conditions expressed herein, it is concluded that the market value of the subject property's fee simple interest, at June 23, 2020, is reflected in the reconciled income and direct comparison approach estimate of **\$9,000,000**.

NINE MILLION (\$9,000,000) DOLLARS

Extraordinary assumptions pertinent to this assignment are:

- the satisfactory construction completion of the units and site improvements to a good standard of workmanship and material quality described herein, and
- the strata survey plan has been completed, filed and registered at the Kamloops Land Title Office.

As of the date of this report Canada and the Global Community is experiencing unprecedented measures undertaken by various levels of government to curtail health related impacts of the Covid-19 Pandemic. The duration of this event is not known. While there is potential for negative impact with respect to micro and macro-economic sectors, as well as upon various real estate markets, it is not possible to predict such impact at present, or the impact of current and future government countermeasures. There is some risk that the Covid-

19 Pandemic increases the likelihood of a global recession, however without knowledge of further anticipated government countermeasures at the national and global levels it is not possible to predict any impact at this point in time. Accordingly, this point-in-time valuation assumes the continuation of current market conditions, and that current longer-term market conditions remain unchanged. Given the market uncertainties of the Covid-19 pandemic, a force majeure event, we reserve the right to revise the value estimation set out in this report for a fee, with an update appraisal report under a separate appraisal engagement, incorporating market information available at that time.

The attached report, containing 64 pages of text and 3 exhibits in the Addenda, represents the basis for the opinions expressed herein.

Sincerely,

NCA COMMERCIAL INC.

Per:



Russ Martinuik, AACI, P.App.

/rgm

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ADDENDA

- Exhibit A – Land Title Document
- Exhibit B – Zoning Regulations
- Exhibit D – Appraiser’s Qualifications

Summary of Salient Facts and Important Conclusions

TYPE OF PROPERTY:	-	Multi-Tenant Industrial Strata Property.
CIVIC ADDRESS:	-	2648 Kyle Road, West Kelowna, B.C.
LEGAL DESCRIPTION (Parent Parcel):	-	Lot 1, Plan KAP7670, District Lot 2601, Osoyoos Division of Yale Land District, Except Plans 13775, 14130, 15302, 15847, 16899, 19651 and 31194.
PARCEL IDENTIFIER NO.:	-	009-944-095.
TITLE NUMBER:	-	CA7052753.
DATE OF OPINION:	-	June 23, 2020.
GROSS FLOOR AREA:	-	25,844 square feet (Main)
	-	<u>8,931 square feet (Mezzanine)</u>
	-	34,775 square feet (Total)
ZONING:	-	I1; Light Industrial.
OFFICIAL COMMUNITY PLAN:	-	Industrial.
HIGHEST AND BEST USE:	-	As currently developed.
ESTIMATE OF MARKET VALUE: BY INCOME APPROACH	-	\$9,000,000.
ESTIMATE OF MARKET VALUE: BY DIRECT COMPARISON APPROACH	-	\$9,000,000.
FINAL ESTIMATE OF VALUE:	-	\$9,000,000.

Definition of the Appraisal and Property Identification

Purpose, Use and Scope

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate the market value of the subject property's fee simple interest, conditional to the qualifications, assumptions and limiting conditions expressed herein.

INTENDED USE AND INTENDED USERS

This report is prepared for the exclusive use of Kadestone Capital Corporation c/o Mr. David Negus, CFO (the "client"). The intended use of the report is to assist in obtaining conventional first mortgage financing. If the client provides this report to a conventional first mortgage lender, in support of a financing application on the property, then the lender would also be an intended user, once identified by the appraiser in a letter of reliance, but not our client. This report and its contents are considered confidential between the client and the appraiser and will not be conveyed or disclosed to any other party without the client's permission. No other person or party, other than the identified intended users, should rely on this report for any other purpose or use and liability to all such persons or parties is denied.

SCOPE OF WORK

The scope of work utilized in this appraisal assignment is in conformance with the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) and is specific to the needs and requirements of the intended users and purpose as defined herein. All relevant material is contained within this report including discussion and reasoning of appropriate data and analyses utilized in the appraisal process to develop an opinion of value. Additional documentation has been retained on file if required for future reference. The scope work carried out to complete this assignment includes, but is not necessarily limited to, the following:

- An inspection of the subject property and cursory inspections of the comparables and/or the use of Google Earth and ParcelMap BC and on-line GIS mapping websites to review locations and property attributes of the subject and comparables.
- Compilation of geographic and economic factors relating to the region and subject location.
- Research to verify statistical market and economic data, market transactions, land use regulations, highest and best use as well as the servicing and physical attributes of the subject property.

- Data sources include the Land Title Office, Landcor Data Corporation, the real estate board and real estate professionals knowledgeable in the local market, the local municipality (discussions with various departments if necessary), and our NCA Commercial Inc. data bank. Additional information was obtained through BC Assessment including current and historical assessed land and improvement values, property identifier numbers and civic addresses.
- Applied the direct comparison and income valuation methodologies and analysis to conclude values of the subject and comparables.
- Reviewed and considered any information provided by the property owners in relation to the subject property's physical attributes and etcetera.

Property Identification

CIVIC ADDRESS

2648 Kyle Road, West Kelowna, British Columbia.

LEGAL DESCRIPTION (Parent Parcel)

Lot 1, Plan KAP7670, District Lot 2601, Osoyoos Division of Yale Land District, Except Plans 13775, 14130, 15302, 15847, 16899, 19651 and 31194.

Parcel Identifier No.: 009-944-095

A copy of the current property title search is included in the Addenda which outlines the registered owner, Certificate Title Number and encumbrances.

Property Rights Appraised and Definitions

EFFECTIVE DATE OF THE OPINION OF VALUE

Effective Date is defined in Section 3.20 of the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP 2020) as:

“The date at which the analyses, opinions and conclusions in an assignment apply.”

The Effective Date may be different from the inspection date and/or the report date. The Effective Date of the Appraisal is June 23, 2020. An inspection of the property occurred on June 16, 2020.

PROPERTY RIGHTS APPRAISED

The property rights appraised are those of the fee simple interest. With reference to the *Appraisal of Real Estate*, Third Canadian Edition, 2010, the fee simple interest/estate is defined as an:

"...absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the four powers of government: taxation, expropriation, police power, and escheat."

MARKET VALUE

The definition of market value accepted by the Appraisal Institute of Canada, as indicated in Section 3.44 of the 2020 edition of the *"Canadian Uniform Standards of Professional Appraisal Practice"* are as follows:

"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 seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under duress."

EXPOSURE TIME

With reference to the 2020 edition of the *"Canadian Uniform Standards of Professional Appraisal Practice"*, as indicated in Section 3.21, exposure time is defined as:

"The estimated length of time the property interest being appraised would have been offered on the market before the hypothetical consummation of a sale at the estimated value on the Effective Date of the appraisal."

The *Appraisal of Real Estate*, Third Canadian Edition, 2010, defines exposure time as:

"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."

And further clarified:

"The overall concept of reasonable exposure time encompasses not only adequate, sufficient and reasonable time, but also adequate, sufficient and reasonable marketing effort. The reasonable exposure period is a function of price, time and use, not an isolated opinion of time alone."

The exposure time linked to the estimate of market value, considering building scope, quality and condition, location and current economic and real estate market conditions, is estimated at up to 9 months.

Assumptions and Limiting Conditions

CONFIDENTIALITY AND USE PARAMETERS

This report is prepared at the request of the client and for the specific use referred to herein. The client has agreed that the performance of this appraisal and the report format are appropriate for the intended use. It is not reasonable for any other party to rely on this appraisal without first obtaining written authorization from the client, the author and any supervisory appraiser. Liability is expressly denied to any other party that does not obtain written consent and, accordingly, no responsibility is accepted for any damage suffered by any such person as a result of decisions made or actions based on this report. Diligence by the client and all intended users is assumed.

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 Canadian Uniform Standards of Professional Appraisal Practice (“The Standards”) and/or when properly entered into evidence of a duly qualified judicial or quasi-judicial body. The appraiser 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 Canadian Uniform Standards of Professional Appraisal Practice (the “Standards”) and in accordance with the appraiser's privacy policy. The client and any authorized intended user 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 and in accordance of the appraiser's privacy policy and with the Personal Information Protection and Electronic Documents Act (PIPEDA).

This appraisal report, its content and all attachments/addendums and are the property of the author who has signed this report. The client, intended users and any other party are 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.

If transmitted electronically, this report will have been digitally signed and may be 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 appraiser, can be relied upon without fault.

Where the intended use of this report is for financing or mortgage lending, it is the lender's responsibility to complete thorough due diligence which reasonably concludes that the borrower has the intention and capacity to repay the loan. We assume no responsibility for loans made where the borrower lacks the ability or motivation to repay the loan, or where the lender has not followed prudent lending practices.

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 this appraisal cannot be relied upon as of any other date except with further advice from the appraiser and confirmed in writing.

This report is completed on the basis that testimony or appearance in court concerning this appraisal 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 appraisal report and data related thereto and the provision of appropriate compensation.

ACCURACY OF GATHERED INFORMATION

Any/all exhibits presented are for illustration purposes only. A survey of the property has not been completed by the appraiser. Any sketch in the appraisal report shows approximate dimensions and is included only to assist the reader of the report in visualizing the property. It is assumed that the utilization of land and improvements is within the boundaries of the subject property.

The analysis set out in this report relied on written and verbal information obtained from a variety of sources we considered reliable. Except as noted herein, a reasonable attempt has been made to verify all such information.

The term "inspection" refers to our observation and reporting of site characteristics and the general material finishing and conditions seen 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, in accordance with the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP).

LEGAL AND ENVIRONMENTAL PARAMETERS

The subject property is presumed to comply with government regulations including zoning, building codes and health regulations and, if it doesn't comply, its non-compliance may affect market value.

The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it. The appraiser assumes that the title is good and marketable and free and clear of all encumbrances including leases, unless otherwise noted in this report. The property is appraised on the basis of it being under responsible ownership and/or professional management.

Unless otherwise stated in this report, the appraiser has no knowledge of any hidden or unapparent conditions of the property (including, but not limited to, its soils, physical structure, mechanical or other operating systems, its foundation, etc.) or adverse environmental conditions (on it or a neighbouring property, including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable. It has been assumed that there are no such conditions unless they were observed at the time of inspection or became apparent during the normal research involved in completing the appraisal. 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 appraiser. 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.

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 subject property.

Extraordinary Assumptions

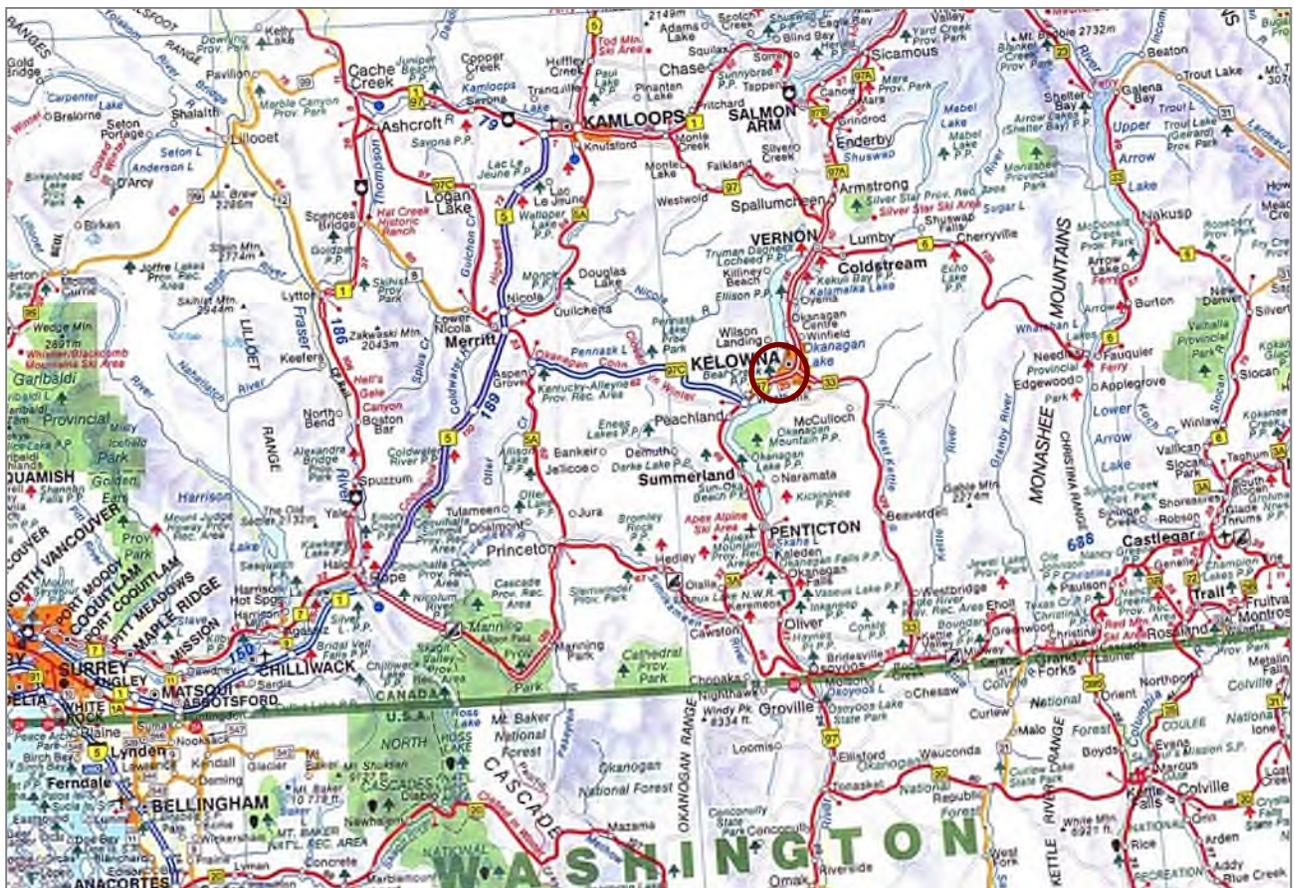
Extraordinary assumptions pertinent to this assignment are:

- the satisfactory construction completion of the units and site improvements to a good standard of workmanship and material quality described herein, and
- the strata survey plan has been completed, filed and registered at the Kamloops Land Title Office.

Overview

LOCATION

The subject property is located in the City of West Kelowna which lies within the Regional District of Central Okanagan (RDCO). RDCO encompasses the City of Kelowna, the City of West Kelowna, the District of Lake Country, the District of Peachland and East and West Electoral Areas. Kelowna is the largest urban community within the interior of British Columbia. Kelowna is located on the east side of Okanagan Lake between Vernon and Penticton, 385 km northeast of Vancouver via the Coquihalla and Okanagan Connector, and 600 km southwest of Calgary, Alberta.



POPULATION

The following table summarizes population estimates for the Kelowna CMA that was produced by Census Canada.

JURISDICTION	STATISTICS CANADA CENSUS ESTIMATES				
	2001	2006	2011	2016	2011 – 2016 % GROWTH
City of Kelowna	96,288	106,707	117,312	127,380	8.6%
City of West Kelowna*	---	---	30,902	32,655	5.7%
District of Lake Country	9,267	9,606	11,708	12,922	10.4%
District of Peachland	4,654	4,883	5,200	5,428	4.4%
Electoral Areas & Reserves	37,530	41,080	14,717	16,497	12.1%
RDCO Population	147,739	162,276	179,839	194,882	8.4%

West Kelowna was formerly part of the Regional District Electoral Area until 2007 when it was incorporated as a district municipality. In June 2015, West Kelowna was officially designated a city.

The population of the RDCO exceeded the overall provincial growth and most regional districts outside the lower mainland except for Squamish-Lillooet. Kelowna is the seventh largest municipality in the province following the greater Vancouver and Fraser Valley communities of Coquitlam, Abbotsford, Richmond, Burnaby, Surrey and Vancouver.

The 2016 Kelowna census population was 127,380, an 8.6% increase over the 2011 population and remains the sixth-fastest growing city in Canada. The District of Lake Country has increased 34.5% in the last decade and is reported as one of the fastest growing municipalities in BC.

ECONOMIC OVERVIEW

Kelowna and the Central Okanagan is the largest trading centre between greater Vancouver and Alberta. The Okanagan has a diverse economy with prime industry sectors including agriculture, tourism, retail trade, manufacturing, forestry and construction. Key growth industries for the Valley include information and high technology, film, viticulture and wine production as well as aviation and health care. With much in the way of available business resources, the Valley is an ideal destination for business start-ups, expansion and relocation. The Okanagan has become a prime destination for residential and small business relocations due to the exceptionally moderate climate, strong transportation, trained labour force and availability of diverse recreational opportunities.

The Central Okanagan region has experienced significant growth in population and construction over the past five years. Key economic drivers in the region include the University of British Columbia, Okanagan Campus (UBCO) with an annual economic impact of \$1 billion and YLW Kelowna International Airport with an annual economic output of \$610 million. Kelowna General Hospital and Okanagan College are also major contributors to employment and economic impact in the region.

UBC Okanagan currently accommodates 9,000± undergraduate and graduate students and faculty and staff of 1,800±. The UBC Okanagan Campus Plan (2015), approved in September 2015 by the Board of Governors, addresses future campus development needs in order to accommodate a potential doubling of academic and residential capacity over the next 20 years.

The Kelowna General Hospital embarked on a \$250 million expansion in 2009 to include a 360,000 square foot 6 storey patient care tower, a 34,000 square foot clinical academic campus, an expanded emergency department and a new parking structure. Construction of the \$450 million Interior Heart and Surgical Centre (IHSC), the cost of which is inclusive of the completed 140,000 square foot clinical support building on the east side of Pandosy Street, was completed in 2015.

The Kelowna International Airport (YLW) multi-phase expansion has contributed to the community's economic well-being during the past 20 years. YLW served 2.08 million passengers in 2018 and offers more than 60 daily non-stop commercial flights with nine airline partners. As one of the top 10 busiest airports in Canada, YLW's total economic impact is 4,545 jobs and \$789 million. Between 2019 and 2020, YLW plans to invest more than \$240 million in new airport infrastructure and the rehabilitation of existing airport facilities.

The region's positive economic activity has been buoyed by recently completed large scale projects including the RCMP services building, the Ellis Street Parkade expansion, the Okanagan College Trades building, the Interior Health Authority Community Health and Services Centre building, the Center for Innovation building and Landmark 6 office tower. Landmark 7 office tower is currently construction. Large scale residential strata developments currently planned, under construction or recently completed include Bernard Block, Live at Ella, 1151 Sunset, One Water Street, Brooklyn, Urbana, Green Square, and U buildings on Academy Way. Large scale rental apartment projects recently completed comprise Glenmore Central, Lindgren Manor, Mission Flats, Central Green and Veda. New rental projects under construction are PC Urban on Clement Avenue and Trio on Drysdale Boulevard.

Kelowna's office vacancy rate is 4.9%, down from 6.5% a year ago. Class A office space is leasing for up to \$26 per square foot. Currently 312,600 square feet of new office space is under construction, nearly six times higher than in 2018, yet the latest new towers - Landmark 6, 196,000 square feet, the Innovation Centre –a high-tech incubator, and Macintosh Centre, 74,000-square-foot, are 100 per cent leased. With 3.9 million square feet of office space in the City, less than 200,000 square feet was available as of the third quarter of 2019. In September 2019, Rogers Communications confirmed it is leasing 32,000 square feet in the Landmark complex for a new call centre that will employ up to 350 people when it opens next summer.

Kelowna is also emerging as an investor draw for office and industrial strata, with office space selling for \$361 per square foot and new industrial buildings cresting over \$280 per square foot. Commercial strata units are a cornerstone of Kelowna's Packing District, emerging on the edge of downtown. In 2019, Vancouver-based PC

Urban Properties began its fourth Kelowna project there with the Powerhouse, a 56,000-square-foot complex that will offer small-bay, commercial flex strata for retail on the main floor and upper floor office space.

Kelowna's industrial sector is also active. The industrial vacancy rate is at record low of 0.7% which has attracted nearly 180,000 square feet of new construction, but it has also driven industrial land prices higher. Prime sites are selling for up to \$1.3 million an acre.

BC REAL ESTATE ASSOCIATION

The following excerpts were extracted from BCREA articles released in April 2020 and May 13, 2020:

Market Intelligence April 2020:

- Our current forecast is for the Canadian economy to contract approximately 4 per cent in the first quarter of 2020, followed by a startling 21 per cent decline in the second quarter on a seasonally adjusted annualized basis (on a non-annualized basis, the second quarter decline is roughly 5 per cent). The peak-to-trough decline in total Canadian output will likely be on the order of about 7 per cent before the economy starts to grow again.
- Likewise, our tracking of the BC economy indicates that provincial real GDP growth will turn negative in February and the contraction of the economy may reach double digits by April, reflecting the shutdown in economic activity.
- The COVID-19 recession is unprecedented in that it is not man-made. It did not evolve due to collective poor business decisions, bad loans, or misadventures in financial engineering. Rather, the economy has been purposely halted for the greater good. The implication being that, the shorter the duration of this unusual period, the more likely it is that demand can snap back to near where it was pre-COVID-19. However, the longer the duration, the more likely that jobs do not return, businesses fail, and the recovery is much slower.
- While a recession looks to be unavoidable, the country has already experienced staggering job losses in March and, just as there are necessary measures to flatten the curve of COVID-19, we can also implement measures to flatten the recession curve. Fortunately, Canadian policy makers are following the playbook to do just that. If these policies are working, we expect the pace of job losses to slow considerably, and the number of EI claims and business failures to decline.
- In the COVID-19 recession, we expect home sales will decline approximately 30-40 per cent year-over-year in April 2020 and remain depressed over the summer as households and the real estate sector adhere to social distancing. As measures to mitigate the spread of COVID-19 are gradually lifted, we expect that pent-up demand and low interest rates will entice buyers back into the market. We project home sales will return to a baseline 85,000-unit annual pace by early 2021.
- While a recession in Canada and BC is at this point unavoidable, the one thing all recessions have in common is that they end. We know from history that the housing market bounces back with vigor following recessions, usually aided by a steep drop in interest rates. We expect this time around will be no different. Given historically low interest rates and pent-up demand, we expect the impact of this recession will evolve as in the past, with home sales and prices recovering into 2021.

May 13, 2020 Article - Housing Market Slows, but Resilient in Response to Pandemic:

- Vancouver, BC – May 13, 2020. The British Columbia Real Estate Association (BCREA) reports that a total of 3,284 residential unit sales were recorded by the Multiple Listing Service® (MLS®) in April 2020, a decline of 50.8 per cent from April 2019. The average MLS® residential price in BC was \$737,834, a 7.8 per cent increase from \$684,430 recorded the previous year. Total sales dollar volume in March was \$2.4 billion, a 46.9 per cent decrease over 2019.
- “We expected to see a sharp drop in sales for April as we confronted the COVID-19 pandemic,” said BCREA Chief Economist Brendon Ogmundson. “However, buyers and sellers are adapting to a new normal, and activity should pick up as the economy gradually re-opens.”
- While home sales were down by more than half compared to this time last year, the supply of homes for sale, which normally rises through the spring, was down close to 10 per cent on a seasonally adjusted basis and down 23.7 per cent year-over-year. That slide in total active listings means that prices remained firm despite the sharp fall in sales.
- Year-to-date, BC residential sales dollar volume was up 9.6 per cent to \$15.3 billion, compared with the same period in 2019. Residential unit sales were down 1.7 per cent to 20,164 units, while the average MLS® residential price was up 11.6 per cent to \$758,614.

April 2020 Residential Average Price, Active Listings and Sales-to-Active-Listings Data by Board

Board	Average Price			Active Listings			Sales-to-Active-Listings	
	April 2020 Residential Average Price (\$)	April 2019 Residential Average Price (\$)	% change	April 2020 Residential Active Listings (Units)	April 2019 Residential Active Listings (Units)	% change	April 2020 Residential Sales to Active Listings (%)	April 2019 Residential Sales to Active Listings (%)
BC Northern	316,046	308,137	2.6	1,806	2,061	-12.4	8.7	17.6
Chilliwack	523,287	534,684	-2.1	912	1,529	-40.4	17.4	18.3
Fraser Valley	769,666	706,159	9	4,759	6,476	-26.5	13.8	20.2
Greater Vancouver	1,031,321	1,016,888	1.4	10,115	15,060	-32.8	11.1	12.3
Kamloops	416,204	414,858	0.3	978	1,116	-12.4	12.3	24.4
Kootenay	331,919	323,791	2.5	1,521	1,797	-15.4	6.6	13.4
Okanagan Mainline	526,272	528,736	-0.5	3,467	4,046	-14.3	8.6	17.6
Powell River	322,980	349,269	-7.5	135	128	5.5	7.4	27.3
South Okanagan	453,681	421,215	7.7	1,256	1,297	-3.2	5.6	14
Northern Lights	253,786	231,422	9.7	332	386	-14	4.2	9.6
Vancouver Island	522,309	503,757	3.7	2,455	2,606	-5.8	12.3	27.9
Victoria	701,632	704,177	-0.4	1,774	2,171	-18.3	15.6	30.6
Provincial Totals*	737,834	684,430	7.8	29,510	38,673	-23.7	11.1	17.2

*Numbers may not add due to rounding

Source: Housing Market Slows, but Resilient in Response to Pandemic article, May 13, 2020

April 2020 BC Residential Multiple Listing Service® Data by Board

Board	Dollar Volume (000s)			Units		
	April 2020 Residential Sales (\$)	April 2019 Residential Sales (\$)	% change	April 2020 Residential Sales (Units)	April 2019 Residential Sales (Units)	% change
BC Northern	49,619	111,546	-55.5	157	362	-56.6
Chilliwack	83,203	149,712	-44.4	159	280	-43.2
Fraser Valley	504,901	923,655	-45.3	656	1,308	-49.8
Greater Vancouver	1,154,048	1,881,243	-38.7	1,119	1,850	-39.5
Kamloops	49,944	112,841	-55.7	120	272	-55.9
Kootenay	33,524	77,710	-56.9	101	240	-57.9
Okanagan Mainline	157,355	376,989	-58.3	299	713	-58.1
Powell River	3,230	12,224	-73.6	10	35	-71.4
South Okanagan	31,758	76,661	-58.6	70	182	-61.5
Northern Lights	3,553	8,563	-58.5	14	37	-62.2
Vancouver Island	158,260	365,728	-56.7	303	726	-58.3
Victoria	193,650	468,278	-58.6	276	665	-58.5
Provincial Totals*	2,423,045	4,565,150	-46.9	3,284	6,670	-50.8

*Numbers may not add due to rounding

**NOTE: The Northern Lights Real Estate Board (NLREB) became part of the South Okanagan Real Estate Board (SOREB) on May 1, 2011.

Source: Housing Market Slows, but Resilient in Response to Pandemic article, May 13, 2020

BUILDING PERMIT STATISTICS

Regional Overview:

The following table summarizes Central Okanagan Regional District building permit construction values for the five-year period, January 1, 2015 - December 31, 2019.

JURISDICTION	2015	2016	2017	2018	2019
District of Lake Country	\$ 68,913,700	\$ 92,832,229	\$ 89,436,378	\$ 89,146,983	\$ 101,687,340
District of Peachland	\$ 13,061,013	\$ 11,129,780	\$ 18,041,361	\$ 19,229,053	\$ 13,800,635
Westbank First Nation	\$ 34,980,146	\$ 23,357,700	\$ 44,603,800	\$ 41,063,682	\$ 53,104,900
West & East Electoral Areas	\$ 19,637,957	\$ 41,380,403	\$ 24,380,403	\$ 18,466,539	\$ 43,155,601
City of West Kelowna	\$ 63,413,224	\$116,347,617	\$ 131,090,439	\$ 112,315,603	\$ 140,352,509
RDCO Subtotal	\$200,006,040	\$ 285,047,729	\$ 307,552,381	\$ 286,019,393	\$ 352,100,985
City of Kelowna	\$464,236,912	\$537,797,311	\$ 696,770,032	\$ 912,817,993	\$ 887,549,237
TOTAL	\$664,242,952	\$822,845,040	\$1,004,322,413	\$1,198,837,386	\$1,239,650,222

RDCO construction values declined for 5 consecutive years since the peak in 2007, \$1.0 billion, bottoming in 2012, \$428.0 million. RDCO construction values upward trended the following seven consecutive years, 2013 - 2019, from \$485.4 to \$1.24 billion. Most jurisdictions saw gains in 2019 except for a slight decrease in Kelowna and a significant drop in Peachland.

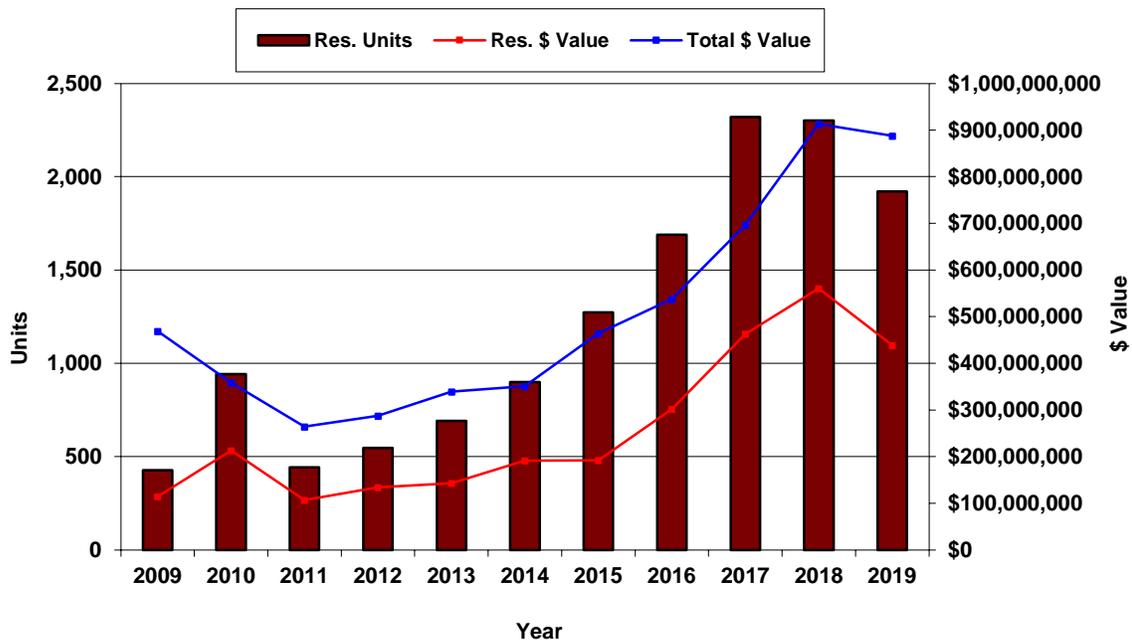
City of Kelowna:

YEAR	RESIDENTIAL UNITS*	PERCENT CHANGE	BUILDING PERMIT CONSTRUCTION VALUES	PERCENT CHANGE
2009	428	-67%	\$469,095,187	-10%
2010	942	+120%	\$358,525,026	-27%
2011	422	-53%	\$264,552,786	-26%
2012	547	+30%	\$287,297,693	+ 9%
2013	692	+27%	\$339,362,866	+18%
2014	900	+30%	\$350,832,660	+3%
2015	1,273	+41%	\$464,236,912	+32%
2016	1,688	+33%	\$537,797,311	+16%
2017	2,319	+37%	\$696,770,032	+30%
2018	2,301	---	\$912,817,993	+31%
2019	1,920	-16.6%	\$887,549,237	-2.8%
YTD Apr 30, 2019	532	---	\$308,942,048	---
YTD Apr 30, 2020	143	-73%	\$149,152,753	-52%

* Single family dwellings, residential suites, apartments, mixed use apartments, congregate care, mobile homes, duplex, triplex, 4plex & townhomes. Carriage homes added and mobile homes deleted since 2012.

Total construction value and housing starts in 2019 at \$887.6 million and 1,920 units were 16.6% and 2.8% lower than last year respectively. Year-to-date April 30, 2020 housing starts were 73% lower than last year and total construction values were down 52% (-\$160 million). While the decrease may be largely attributable to the impact of COVID-19, it is also due to a decrease of \$72 million in apartment/mixed use construction. There were permits for 173 apartment units issued by the end of April 2019 and none by year-to-date April 30, 2020. The reason for the reduction in apartment construction may be due in part to developers receiving permits before 2020 as an increase in Development Cost Charges (\$7,180 per unit) take effect in 2020.

City of Kelowna - Building Permits - Residential Units and Total Permit \$ Value



Residential construction values dropped from \$560.5 million in 2018 to \$438.2 million in 2019. While there were decreases in nearly all residential categories, the \$112.3 million decrease is primarily attributable to \$26.5 million less in commercial/mixed use, \$21.9 million in congregate housing (\$0 this year), \$10.7 million in four-family, \$33.3 million in single family, and \$21.3 million less in townhouse construction.

City of West Kelowna:

The following table summarizes the City of West Kelowna building permit construction values for the 10-year period January 1, 2010 - December 31, 2019 and year-to-date May 31, 2020.

YEAR	SINGLE/TWO FAMILY RESIDENTIAL STARTS	MULTIPLE FAMILY RESIDENTIAL STARTS	TOTAL STARTS	CONSTRUCTION VALUE
2010	118	-----	118	\$ 56,150,249
2011	82	17	99	\$ 53,148,175
2012	113	5	118	\$ 55,098,933
2013	155	8	163	\$ 65,888,837
2014	129	7	136	\$ 66,126,658
2015	83	50	133	\$ 63,413,224
2016	186	90	276	\$116,347,617
2017	176	167	343	\$131,090,439
2018	137	176	313	\$112,315,603
2019	77	438	515	\$140,352,509
YTD May 31, 2019	22	4	26	\$ 24,524,679
YTD May 31, 2020	26	181	207	\$ 57,865,895

Residential construction values increased in 2019 by 25% or \$25 million due to a few large-scale apartment projects. Single/two-family starts decreased by 44%, however. Year-to-date May 31, 2020 construction value is up by 136% but this is due to two apartment projects comprising 181 units and a construction value of \$28.7 million. Year-to-date May 31, 2020 industrial, commercial, and Institutional construction at \$6.0 million is on par with the same period last year.

REAL ESTATE OVERVIEW

Market Rental Survey:

The following data was extracted from the Canada Mortgage and Housing Corporation's (CMHC) Fall 2019 – 2012 Rental Market Report in the Kelowna CMA.

CATEGORY (APARTMENT)	FALL 2012	FALL 2013	FALL 2014	FALL 2015	FALL 2016	FALL 2017	FALL 2018	FALL 2019
Avg Monthly Rent	\$851	\$885	\$899	\$903	\$976	\$1,043	\$1,133	\$1,222
Avg Vacancy Rate	4.0%	1.8%	1.0%	0.7%	0.6%	0.2%	1.9%	2.7%

The following highlights were extracted from the CMHC's Fall 2019 Rental Market Report for the Kelowna census metropolitan area (CMA).

- Average apartment rents increased for all unit types. While bachelor, 1-bedroom and 2-bedrooms increased $\pm 9\%$, 3-bedroom units increased by 12%.
- The primary apartment rental market universe increased by 1,307 in October 2019 as compared to the October 2018 survey. Of the increase, 3-bedroom unit supply only increased 10%. By contrast, the bachelor, 1-bedroom and 2-bedroom supply increased $\pm 78\%$, $\pm 18\%$, and $\pm 21\%$ respectively. Two-bedroom units accounted for 565 of the 1,307 units or 43%. Bachelor and 1-bedroom units accounted for 371 and 356 units respectively or $\pm 28\%$. Three-bedroom units only increased by 15 units or 1.1%.
- Primary apartment vacancy rates for all unit types, regardless of the age of structure, increased to 2.7% in October 2019 relative to 1.9% in October 2018. Of interest is that the vacancy rate for units built after 2005 increased from 1.5% in October 2018 to 4.5% in October 2019 while vacancy rates fell for older stock built pre-1960 to 2004. The total apartment rental universe increased by over 24.5% or 1,307 units in 2019 in the core area, but the Rutland area decreased 1.7% or by 14 units. The increasing vacancy in newer product coupled with decreasing vacancy of older stock suggests price (rental rate) resistance rather than just an over-supply of newer product.
- The vacancy rate for rental condominium apartments (strata apartments that are rented) doubled to 1.2% as of October 2019 versus 0.6% as of October 2018. Meanwhile the rental condominium apartment universe decreased by 290 units in October 2019 relative to last year. While the overall condominium universe sampled increased in 2019 by 304 units, of which 26.4% were rental condos, the overall percentage of rental condos decreased from 29.3% in 2018 to 26.4% in 2019.

Multiple Listing Service Statistics:

The Central Okanagan Division of the Okanagan Mainline Real Estate Board (OMREB) includes the CORD area between the District of Lake Country in the north to the District of Peachland in the south. Central Okanagan Division MLS sales for the 10-year period, 2010 to 2019, are summarized on the following table.

YEAR ENDING DECEMBER 31	TOTAL LISTINGS	UNITS SOLD	SALES RATIO	SALES DOLLARS	AVERAGE UNIT PRICE	PERCENT CHANGE
2010	11,869	3,644	30.7%	\$1,495,143,540	\$410,303	+3.0%
2011	10,896	3,637	33.4%	\$1,428,908,510	\$392,881	-4.3%
2012	10,411	3,900	37.5%	\$1,523,692,393	\$390,690	-1.0%
2013	9,696	4,429	45.7%	\$1,710,919,189	\$386,299	-1.1%
2014	9,915	5,374	54.2%	\$2,250,284,120	\$418,735	+8.4%
2015	10,184	5,787	56.8%	\$2,473,908,730	\$427,494	+2.1%
2016	10,329	7,314	70.8%	\$3,575,400,106	\$488,843	+14.4%
2017	10,573	6,574	62.2%	\$3,487,045,327	\$530,430	+8.5%
2018	11,060	5,020	45.4%	\$2,825,159,490	\$562,781	+6.1%
2019	10,729	4,940	46.0%	\$2,758,271,349	\$558,355	-0.6%

The real estate market upward trended for the 6-year period, 2012 – 2017, and then declined for the following two consecutive years, 2018 - 2019. Despite a drop in dollar sales volumes and sold units, the 2019 average price is virtually identical to the peak of 2018.

The following table summarizes year-to-date December 31, 2019 OMREB statistics relative to the 2018 period.

CATEGORY	YEAR-TO-DATE DECEMBER 31		% CHANGE
	2019	2018	
ALL CATEGORY			
Total Sold Units	4,940	5,016	-1.5%
Total Listings	10,729	11,061	-3.0%
Sale-to-List Ratio	46%	45%	2.2%
Total Sales Volume	\$2,758,271,349	\$2,817,804,590	-2.1%
Average Unit Price	\$558,355	\$561,763	-0.6%
SINGLE FAMILY DWELLING			
Total Sold Units	2,045	2,126	-3.8%
Total Listings	4,313	4,688	-8.0%
Sale-to-List Ratio	47%	45%	4.4%
Total Sales Volume	\$1,437,862,342	\$1,509,390,087	-4.7%
Median Unit Price	\$650,000	\$659,800	-1.5%
Average Unit Price	\$703,111	\$709,967	-1.0%
TOWNHOUSE			
Total Sold Units	791	690	14.6%
Total Listings	1,508	1,450	4.0%
Sale-to-List Ratio	52%	48%	8.3%
Total Sales Volume	\$396,319,451	\$343,058,037	15.5%
Median Unit Price	\$484,000	\$490,000	-1.2%
Average Unit Price	\$501,036	\$497,186	0.8%
APARTMENT			
Total Sold Units	1,181	1,313	-10.1%
Total Listings	2,215	2,302	-3.8%
Sale-to-List Ratio	53%	57%	-7.0%
Total Sales Volume	\$427,494,082	\$455,720,033	-6.2%
Median Unit Price	\$336,000	\$328,000	2.4%
Average Unit Price	\$361,976	\$347,083	4.3%
RESIDENTIAL LOT			
Total Sold Units	163	181	-9.9%
Total Listings	735	699	5.2%
Sale-to-List Ratio	22%	26%	-15.4%
Total Sales Volume	\$55,503,132	\$53,812,772	3.14%
Median Unit Price	\$294,900	\$279,999	5.3%
Average Unit Price	\$340,510	\$297,308	14.5%

The table below summarizes year-to-date May 31, 2020 OMREB statistics relative to the 2019 period.

CATEGORY	YEAR-TO-DATE MAY 31		% CHANGE
	2020	2019	
ALL CATEGORY			
Total Sold Units	1,538	1,877	-18.1%
Total Listings	4,029	5,107	-21.1%
Sale-to-List Ratio	38%	37%	2.7%
Total Sales Volume	\$862,549,599	\$1,015,129,890	-15.0%
Average Unit Price	\$560,825	\$540,826	3.7%
SINGLE FAMILY DWELLING			
Total Sold Units	655	764	-14.3%
Total Listings	1,589	2,026	-21.6%
Sale-to-List Ratio	41%	38%	7.9%
Total Sales Volume	\$473,554,553	\$530,237,991	-10.7%
Median Unit Price	\$665,000	\$645,000	3.1%
Average Unit Price	\$722,984	\$694,029	4.2%
TOWNHOUSE			
Total Sold Units	256	319	-19.6%
Total Listings	604	762	-20.7%
Sale-to-List Ratio	42%	42%	0%
Total Sales Volume	\$126,647,811	\$154,077,621	-17.8%
Median Unit Price	\$497,500	\$476,250	4.5%
Average Unit Price	\$494,718	\$483,002	2.4%
APARTMENT			
Total Sold Units	334	457	-26.9%
Total Listings	875	1,088	-19.6%
Sale-to-List Ratio	38%	42%	-9.5%
Total Sales Volume	\$115,426,110	\$165,629,321	-30.3%
Median Unit Price	\$325,000	\$340,000	-4.4%
Average Unit Price	\$345,587	\$362,427	-4.7%
RESIDENTIAL LOT			
Total Sold Units	63	49	28.6%
Total Listings	256	333	-23.1%
Sale-to-List Ratio	25%	15%	66.6%
Total Sales Volume	\$16,584,699	\$15,302,853	8.4%
Median Unit Price	\$279,000	\$275,000	1.5%
Average Unit Price	\$263,249	\$312,303	-15.7%

Sales dollars and sold units are down in most categories except for residential lots. However, the statistical sampling for lots is too small to be reliable. Of the decrease in sales volume, single family dwellings fared the best (-10.7%) followed by townhouses (-17.8%) and apartments (-30.3%). However, listings are also down in all categories which has improved the sale-to-list ratio overall and for single family dwellings. The ratio for townhouses is on par with last year but the ratio for apartments is down $\pm 10\%$. Average and median prices are slightly improved for single family and townhouses, but apartments are down $\pm 4.5\%$.

CONCLUSION

Central Okanagan real estate market conditions levelled off in 2018 and 2019, after strong increases between 2014 and 2017, indicating balanced market conditions. Up until the COVID-19 pandemic the short-term expectations were that strong economic and real estate market conditions would continue through 2020 and into 2021, albeit at a tempered pace as compared to previous years.

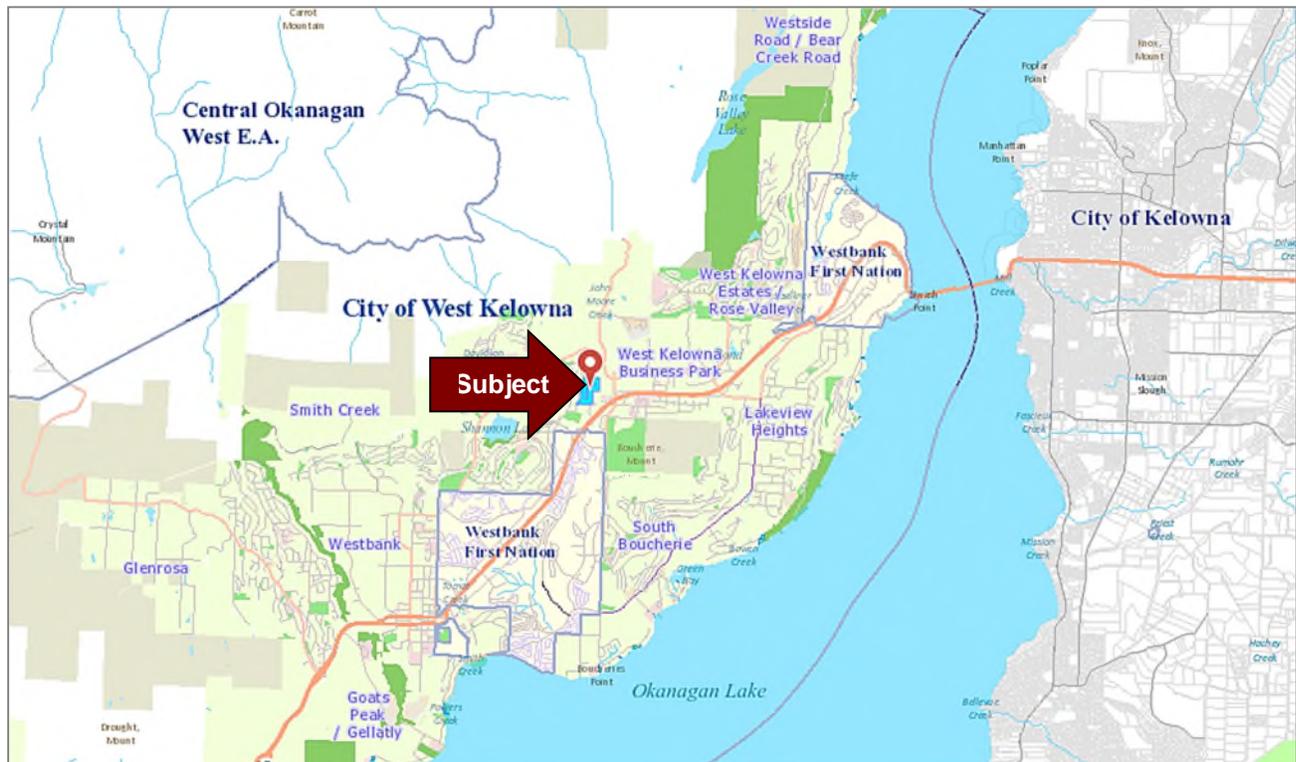
The duration of the COVID-19 pandemic is not known. While there is potential for negative impact with respect to micro and macro-economic sectors, as well as upon various real estate markets, it is not possible to predict such impact at present, or the impact of current and future government countermeasures.

The long-term outlook of the Okanagan real estate market is positive due to the Okanagan Valley's diverse and growing economic sectors, continued improvements and expansions to the Kelowna International Airport, Kelowna General Hospital, UBCO and Okanagan College and the desirability of the region as a recreation and retirement destination.

West Kelowna

OVERVIEW

The City of West Kelowna extends from the District of Peachland in the south, to Bear Creek Provincial Park in the north, on the west side of Okanagan Lake and includes the neighbourhoods of Westbank, Shannon Lake, Smith Creek, Mission Hill, Lakeview Heights, Rose Valley/West Kelowna Estates, Casa Loma and Glenrosa. In addition, there are two Indian Reserves of the Westbank First Nation known as Tsinstikeptum Indian Reserve No. 9 and No. 10. These neighbourhoods/reserves are illustrated on the West Kelowna map below.



West Kelowna's diverse economy includes agriculture, construction, finance, food and retail services, light industry, lumber manufacturing, technology, tourism and world-renowned wineries. More than 2,200 business licences are issued annually.

The Greater Westside economic region has a population of more than 52,000 inclusive of 34,883 in the City of West Kelowna, 5,671 in Peachland (BC Stats, 2018), $\pm 2,000$ in the surrounding rural areas and $\pm 10,000$ in Westbank First Nation (primarily within IR #9 and based on projections since the 2016 national census). The vast majority of the WFN residents are non-aboriginal.

Westbank First Nation Lands are governed under a comprehensive set of community laws and has full jurisdictional control over its Lands and resources. Westbank First Nation is governed under the WFN Self Government Agreement, an agreement between WFN and the Government of Canada. The use and development of Westbank Lands is subject to Part XI of the WFN Constitution ("Land Rules").

Westbank, located toward the southeast boundary and bisected by Highway 97, historically served as West Kelowna's downtown core. Today, West Kelowna's commercial needs are primarily met by the $\pm 1,400,000$ square feet of commercial space within Tsinstikeptum Indian Reserve #9 located adjacent to Westbank's commercial core. The reserve is approximately 45.0% developed and 60.0% of the land is urban serviced. There are in excess of 400 businesses located within Westbank First Nation including a large representation from national and international companies and a dozen major financial institutions. As a result of significant commercial expansion on Tsinstikeptum Indian Reserve #9, commercial development in the Westbank town centre has stagnated.

West Kelowna's industrial sector is centrally located north of Highway 97 bounded by Auburn Road to the west and Westlake Road to the east. This area is substantially developed to light industrial and service commercial uses, with highway-oriented service commercial businesses along the highway. The Gorman Brother's Lumber Ltd. sawmill and wood manufacturing plant, one of the larger industrial enterprises in West Kelowna, is located west of the Westbank core.

West Kelowna is an attractive, rapidly developing area with elementary and secondary schools, with diverse commercial, retail, industrial, agricultural and resort-oriented sectors, and popular residential neighbourhoods.

Site Description

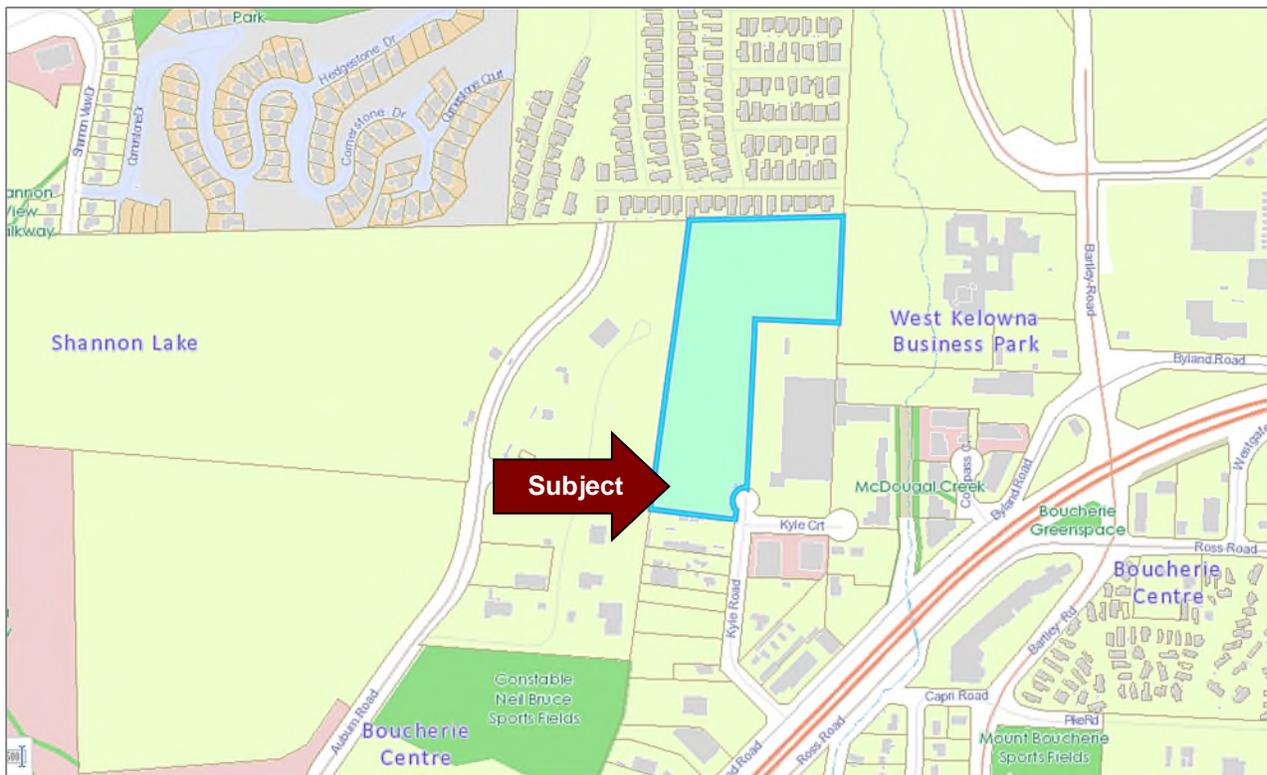
LOCATION

The subject property is located at the north end of Kyle Road, 0.25 km north of Byland Road, a commercial frontage road paralleling Highway 97S, within the West Kelowna Industrial Park. This industrial area is located ± 4 km northeast of the downtown Westbank commercial core and ± 7 km west of downtown Kelowna and is accessed at three signal-controlled Highway 97 South intersections including Westlake Road, Ross Road and

Bartley Road. West Kelowna Industrial Park is bounded by Stevens Road to the north, Highway 97 to the south, Auburn Road to the west and Westlake Road to the east.

Surrounding properties include:

- East - Various industrial and service commercial uses.
- South - Industrial and service commercial uses such as Rock World, Howie's Garage, Westside Rentals, Boyd Auto body and the Boucherie Bottle Depot.
- North - Mobile home park.
- West - Various industrial properties.





INGRESS/EGRESS

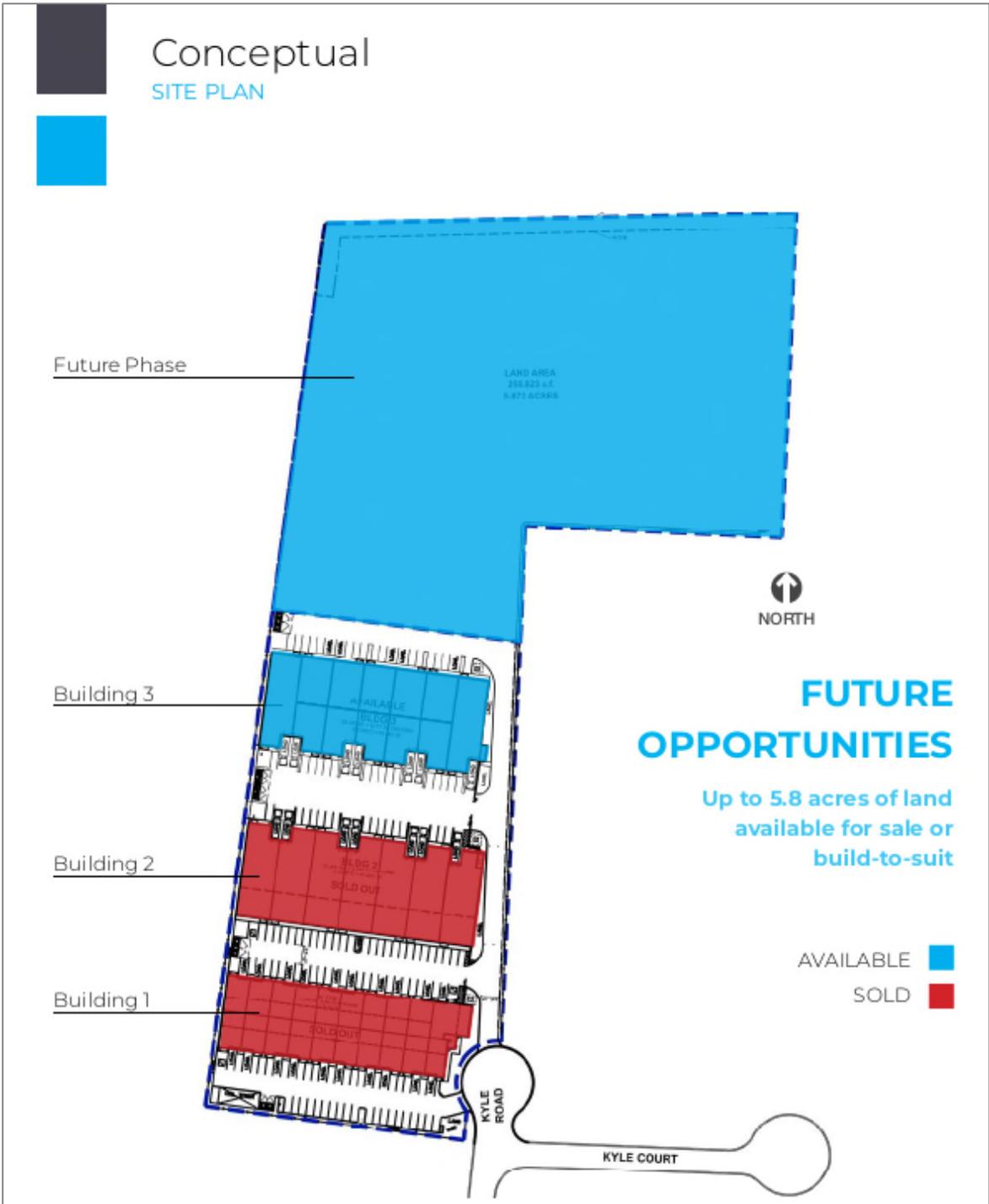
Legal and physical access to the subject property is provided from Kyle Road.

SIZE & SHAPE

According to the provided plans the parent site is 41,751 m² or 10.317 acres. The subject building (Building 1 of 3) is within Phase 1. The provided plans do not specify the Phase 1 site area but note the remaining lands are 256,727 square feet or 5.89 acres equating to a Phase 1 site area of 4.42 acres. Of this area the approximate site area attributable to subject Building 1 is 1.45 acres.

Dimensions of the parent parcel are:

- North lot boundary - 569.60 feet
- West lot boundary - 1,077.16 feet
- East lot boundary - 1,154.42 feet (excludes east-west jog, includes cul-de sac)
- South lot boundary - 315.15 feet



Site Plan from leasing brochure

TOPOGRAPHY

The parcel is level but for the land along the north and east lot boundaries which slopes steeply. The property lies below the adjacent properties to the north and to the east (north portion of the site) and lies above the adjacent property to the west.

SERVICES

Neighbourhood services include community domestic water, sanitary and storm sewer, overhead hydro and telecommunications, and natural gas.

NON-FINANCIAL ENCUMBRANCES

A title search reveals the following non-financial encumbrances registered on title which have been reviewed and considered. A copy of the title is contained in the addenda.

Nature:	STATUTORY RIGHT OF WAY
Registration Number:	KN1921
Registration Date and Time:	1999-01-08 13:54
Registered Owner:	LAKEVIEW IRRIGATION DISTRICT
Remarks:	PART ON PLAN KAP63598

Statutory Right of Way KN1921 was in favour of the Lakeview Irrigation District for the purposes of installation maintenance, access and etcetera for water works. The right of way parallels the north lot boundary and is 19.69 feet (6 m) wide containing a total area of 0.257 acre.

Nature:	STATUTORY RIGHT OF WAY
Registration Number:	LB371609
Registration Date and Time:	2010-03-02 10:17
Registered Owner:	TM MOBILE INC. INCORPORATION NO. A56593

Statutory Right-of-way LB371609 was registered in favour of TM Mobile Inc. The right of way was required for the installation, operation and maintenance of Telus works (cell tower). The lease comprises 6 consecutive 5-year terms of a 30-year lease. According to the lease, the 5-year term commenced on December 1, 2009. The fee rate is \$9,600 per annum for years 1 to 5; \$10,599.18 per annum for years 6 to 10; \$11,702.35 per annum for years 11 to 15; \$12,920.34 per annum for years 16 to 20; \$14,265.10 per annum for years 21 to 25; and \$15,749.82 per annum for years 26 to 30.

Nature: STATUTORY RIGHT OF WAY
Registration Number: CA8015714
Registration Date and Time: 2020-02-03 09:25
Registered Owner: BRITISH COLUMBIA HYDRO AND POWER AUTHORITY

This document obtained from LTO for Statutory Right-of-way CA8015714 is also referenced as CA8015717 which is a priority agreement over a financial encumbrance (Mortgage No. CA7928922).

Nature: STATUTORY RIGHT OF WAY
Registration Number: CA8015715
Registration Date and Time: 2020-02-03 09:25
Registered Owner: TELUS COMMUNICATIONS INC.
INCORPORATION NO. 1101218

Statutory CA8015715 is reported as a duplicate document of SRW CA8015714 above, according to the Land Title Office.

Nature: STATUTORY RIGHT OF WAY
Registration Number: CA8043405
Registration Date and Time: 2020-02-19 12:50
Registered Owner: FORTISBC ENERGY INC.
INCORPORATION NO. BC1023718

Covenant KP110495 was registered in favour of FortisBC. The purpose is to install operate and maintain underground pipelines. Although the document references the land described, "Form C – Part 1, item 2 hereto" this information was not included with the document obtained. The location of the SRW is therefore unknown. For the purposes of appraisal, this SRW is assumed to not negatively impact the utility/use of the subject site and/or its market value. If this is cause for concern it is recommended that legal advice be sought.

Improvement Description

OVERVIEW

The subject is an under-construction 20-unit industrial strata building known as Building 1 of 3 buildings that are planned within Phase 1. Subject Building 1 has a footprint of 25,844 square feet and a mezzanine area of 8,931 square feet for a total gross floor area of 34,775 square feet. 18 of the 20 strata units will provide 1,260 square feet of main floor area and a mezzanine of 439 to 450 square feet. End Unit #1 will be 1,056 square feet with a 358 square foot mezzanine and Unit 120 will provide 1,895 square feet and 495 square feet of mezzanine. Total saleable main floor area equates to 25,631 square feet; a 213 square foot mechanical room makes up the difference attributable to the footprint area noted above. Building 1 will be allocated 40 parking stalls and 20 loading bays.

Construction and building details as provided by the client are as follows:

"The building is one storey plus mezzanine in height and is generally constructed of: concrete foundations, painted tilt up exterior concrete walls, internal and roof steel structure, pre-finished thermally broken glazing systems, and automatically operated overhead loading doors. The units are generally completed with: concrete or gypsum board wall finishes that are taped, filled, and sanded ready for priming and painting by the Purchaser; concrete floors; and roughed-in sanitary service for one handicapped accessible washroom on the main floor level (construction of the washroom by Purchaser). All lighting, power and mechanical is as per the description following. The building is being constructed to the latest edition of the BC Building Code (2018).

Floors, Walls, Ceiling

- Ground floor typical loading capability is 300 lbs psf on ground level and 100 lbs psf on the mezzanine level. Ground level floor structure is concrete slab on grade. Mezzanine is comprised of a concrete topping on metal-deck and steel joists.
- Strata units will have an applied clear sealant on the concrete ground floors.
- Demising walls will be full height, fire rated gypsum wallboard over insulated steel studs or full height concrete walls or a combination thereof.
- Structural Steel to have spray on cementitious fire-resistant coating where required by the BC Building Code (2018).
- The warehouse height from floor to underside of steel joists will be approximately 24'-0".
- The mezzanine height from floor to underside of steel joists will be approximately 13'-0".
- All ceilings (T-bar & grid) will be the responsibility of the Purchaser to supply & install.
- Exterior walls will be concrete, tilt-up panels with integral insulation. Exterior walls will receive a paint finish on the exterior (colours as determined by Vendor). Interior walls will be exposed concrete or gypsum wallboard (taped & sanded). Purchaser to note the interior face of the exterior concrete walls may not be smooth due to the process of constructing the walls.
- Due to the nature of tilt construction, lift pockets and connection plate joints will be left exposed.

Doors and Windows

- Entry doors and windows will be pre-finished thermally broken aluminum frames with double glazed vision panels.
- Each unit will be provided with an automatic operated 12'-0" (w) x 14'-0" (h), overhead loading door complete with vision panels.

Heating and Cooling

- Heating on the ground floor is provided by gas fired unit heaters installed by the Vendor. The warehouse area will also be equipped with a ceiling fan to assist in air circulation.
- A rooftop curb has been installed by the Vendor to allow for a future rooftop air conditioning unit to be supplied and installed by the Purchaser.

Plumbing and Hot Water

- 1 1/2" cold water connection, 4" sanitary connection, 3" plumbing vent, and 8" exhaust vent. Washroom construction by Purchaser.
- 3/4" capped gas for future connection.

Electrical, Telephone, Data

- One 100-amp, 120/208-volt, three phase electrical panel will be provided. One duplex plug will be provided next to each electrical panel. One empty conduit complete with pull string from the electrical room to a demarcation point will allow for telephone adjacent to the unit's electrical panel. Purchasers are responsible for the cost and installation of telephone or data cabling from the main telecom room to the purchaser's space.
- Stumble lighting will be installed in the warehouse and mezzanine areas to meet the minimum requirements of the BC Building Code (2018). Additional lighting on the main and mezzanine will be the responsibility of the Purchaser to supply & install.
- Life safety, including exit signs, will be provided on an open plan basis to meet the current BC Building Code (2018) requirements.
- Power distribution within the Property will be by Purchaser.

Sprinklers and Fire Separations

- The building is sprinklered as required by the BC Building Code (2018) and in general compliance with NFPA-13. ESFR sprinklers are designed to minimum coverage requirement based on an open floor plan. Some uses and/or higher occupant uses may require additional fire protection measures and/or adjustments, which are at the Purchaser's cost to supply, install and/or modify. To maintain the one (1) year warranty, Purchasers are required to use the base building sprinkler contractor.
- Floors and interior walls are provided with a fire resistance rating as required by the BC Building Code (2018)."

Subject Photography



South and east elevations looking west.



North and east elevations looking west.



North elevation looking east.



South elevation looking east.



Kyle Court looking east.



Kyle Road looking south.



Unit #118 looking through to Unit #103.



Unit #118 looking through to Unit #117.



Mezzanine of #118 and #117.



Mezzanine of #103 and #104.



Unit #112.



Unit #112.

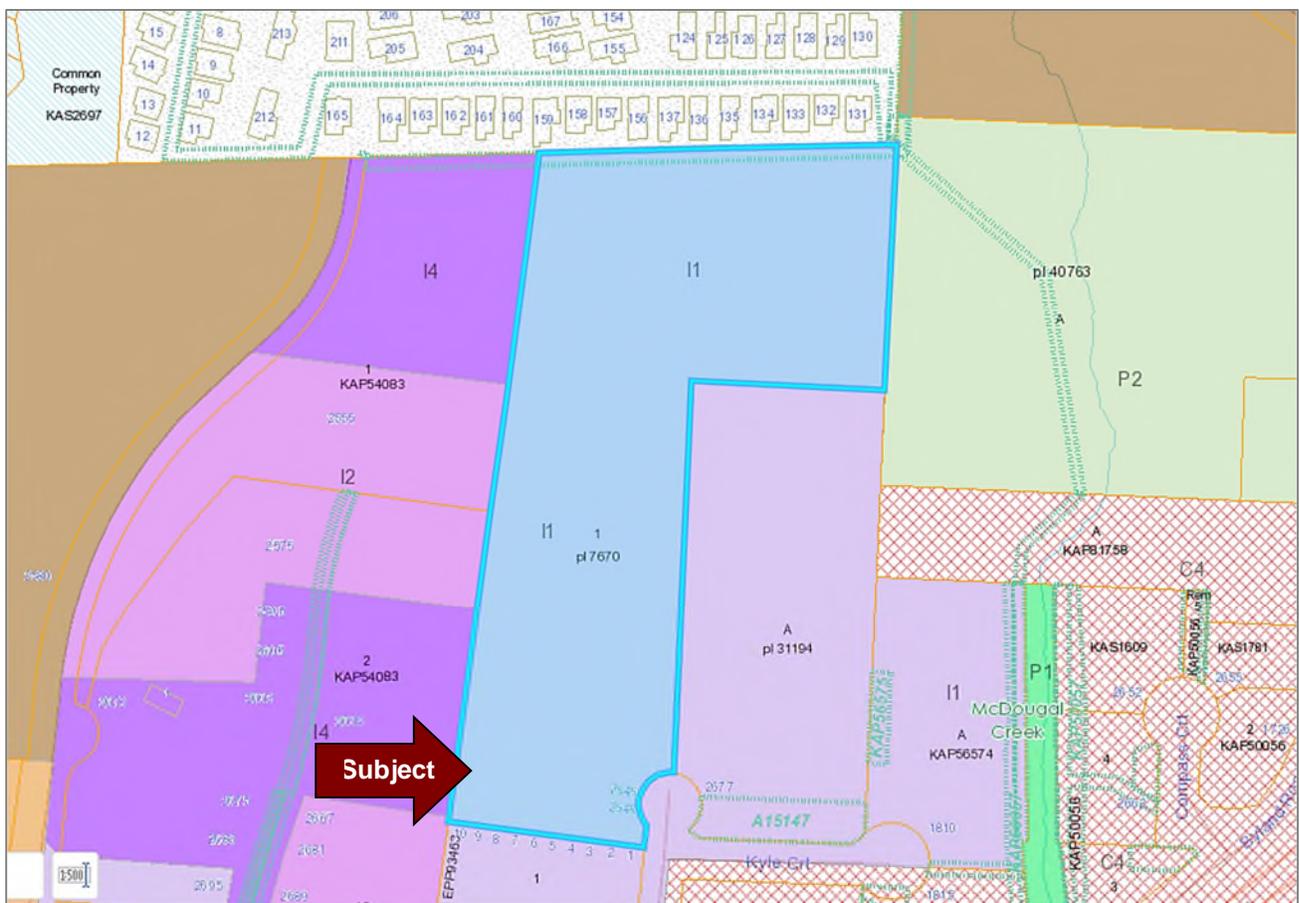
Land Use Controls

ZONING

The subject lot is zoned I1, Light Industrial, pursuant to the City of West Kelowna Zoning Bylaw No. 0154. The purpose of the I1 zone is:

"...to accommodate light industrial uses and associated uses."

Permitted uses within the I1 zone are numerous and varied. For further detail, reference is directed to the I1 zoning bylaw attached in the Addenda.

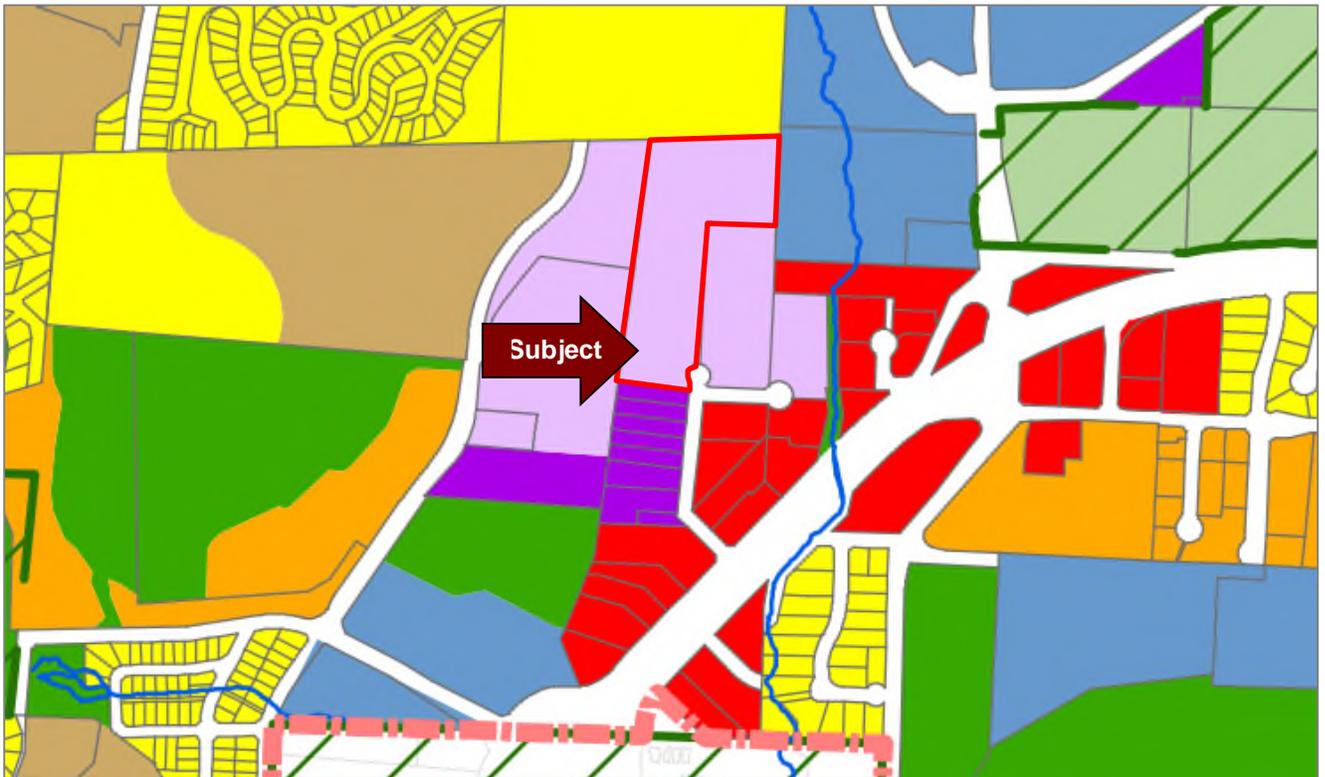


Zoning Map.

OFFICIAL COMMUNITY PLAN

The subject property is designated Industrial on the Schedule 1 Land Use Plan, pursuant to the City of West Kelowna Official Community Plan Bylaw No. 0100.

The Industrial Land Use Designation indicates where industrial areas are desired in the City of West Kelowna. It is intended to accommodate a range of light and heavy industrial development. The OCP recognizes CWK's increasing role as a regional industrial centre and also looks to diversify the industrial land base with new uses that add to the employment base and economy of the City.



OCP map.

Assessment and Market History

PROPERTY ASSESSMENT

Each property in British Columbia is assessed for taxation purposes by BC Assessment, which is established under provincial legislation and is independent of the municipality. Municipalities are not involved in determining assessed values but set the tax rates to be applied to each property classification established by BC Assessment. As per the BC Assessment website:

BC Assessment operates as an independent, provincial Crown corporation, governed by a Board of Directors and is accountable to the Government of BC.

The mandate of BC Assessment is to establish and maintain uniform real property assessments throughout British Columbia in accordance with the Assessment Act. The Act also requires that BC Assessment produce annual rolls with assessments at market value.

The corporation determines ownership and tax liability, classifies and values each property in British Columbia. To meet its goal, BC Assessment completes an Assessment Roll every December 31 based on the valuation date of July 1 and a physical condition and permitted use date of October 31.

The subject strata lots have not yet been assessed. The chart below summarizes the property assessments for the parent parcel for the past 3 years.

Assessment Area: Central Okanagan
Jurisdiction: West Kelowna
Neighbourhood: Westside Industrial
Roll Number: 014127001
Property Taxes: N/A

BC Assessment Data					
Year:	2020	%Chg	2019	%Chg	2018
Land:	\$5,459,000	0.12	\$4,874,000	0.09	\$4,484,000
Improv.:	\$86,800	0.33	\$65,200	0.33	\$48,900
Total:	\$5,545,800	0.12	\$4,939,200	0.09	\$4,532,900
Land/Total:	0.98		0.99		0.99

"Market Value" assessments determined by BC Assessment are carried out via statistically generated mass appraisal techniques. Mass appraisal, as it is entirely dependent on the availability of sufficient market sales evidence, works well enough for common or relatively simple property types such as residential housing; particularly in urban areas. However, for industrial, commercial and investment properties, unique properties, or in instances where BC Assessment records on property inventory/condition/income are out of date, the assessed values can differ significantly from actual market value. This is primarily due to the lack of BC Assessment resources/expertise and/or the property not having been recently inspected.

MARKET HISTORY

The Canadian Uniform Standards of Professional Appraisal Practice requires the sales history of the subject property to be reported within the most recent three-year period. According to the provided sale agreement, a purchase price of \$8,975,000 plus GST was agreed to based on \$260 per square foot on September 18, 2019. The outside completion date was by December 31, 2020.

Highest and Best Use

CONCEPT

With reference to the *Appraisal of Real Estate*, Third Canadian Edition, 2010, highest and best use may be defined as follows:

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

CRITERIA

As per the *Appraisal of Real Estate*, Third Canadian Edition, 2010:

"In the analysis of pertinent data, four steps are implicit and are applied in the following order to develop adequate support for the appraiser's highest and best use opinion:

- **Legally permissible**
- **Physically possible**
- **Financially feasible**
- **Maximally productive"**

The analysis of highest and best use of land as though vacant focuses on testing each probable use for the above criteria. For improved properties the four tests above are applied but the focus is not on alternative uses but on three possibilities: continuation of the existing use, modification of the existing use, or demolition and redevelopment of the land.

ANALYSES AND CONCLUSION

The subject property's highest and best use, as vacant and unimproved, considering the land use regulations is for development of an industrial property.

Considering the aforementioned factors and further considering that the subject is newly constructed, the highest and best use of the subject property, as improved, is continuation of the existing strata industrial use.

Valuation Preamble

METHODOLOGY OVERVIEW

There are three conventional appraisal techniques employed in valuing real estate. As per the *Appraisal of Real Estate*, Third Canadian Edition, 2010:

“Appraisers develop an opinion of property value with specific appraisal procedures that reflect three distinct methods of data analysis:

- **Direct Comparison**
- **Cost**
- **Income**

One or more these approaches are used in all estimations of value. The approaches employed depend on the type of property, the intended use of the appraisal, the applicable scope of work, and the quality and quantity of data available for analysis.”

The employment of the direct comparison approach requires the collection of data on sales of similar properties which is analyzed, compared, and adjusted to provide a value indication for the property being appraised. In the comparison process the similarity or dissimilarity of the properties is considered. The process is similar for vacant properties.

The employment of the income approach requires the capitalizing of the subject property's stabilized net operating income by an appropriate overall capitalization rate extracted from concurrent sales of similar income producing investment properties. The capitalization rate or price-earnings ratio relates the subject property's net operating income to its most probable selling price.

The cost approach considers land and buildings as separate elements and is based on the assumption that overall property value is the sum of land acquisition cost and the depreciated replacement cost of improvements. This approach has weaknesses, however, particularly where there are few sales of comparable unimproved properties to establish land value. Another factor giving rise to error is the difficulty of accurately estimating depreciation in all its forms. This approach is best for new or proposed construction when it represents the highest and best use of the site. It is also applicable to estimating the market value of unique or special purpose properties when sales information is unavailable or scarce.

CONCLUSION

Due to the inherent weaknesses of the cost approach and the fact that it does not reflect the basis upon which purchasers and vendors tend to base their decisions, this methodology is not employed in this instance. The direct comparison approach is the primary methodology for properties such as the subject as a majority of purchasers are owner-occupiers. Prospective purchasers make comparisons to similar properties available on the market on a per unit or per-square-foot basis. The income approach is also a relevant methodology as this property type is commonly leased and may be purchased by investors.

Income Approach

METHODOLOGY

For income producing properties, the income approach represents the most reliable valuation technique considering investors utilize the income capability of an investment as a measure of value. Although there are various methods, the most common in the local market for the subject property type is the direct capitalization method. Direct capitalization is a method used to convert a single year's income expectancy into a value indication in one direct step by dividing the net income estimate by an appropriate capitalization rate extracted from concurrent sales of similar income producing investment properties.

The direct capitalization method comprises the following steps:

- Estimate the subject property's potential gross annual rental income, based on 100% occupancy.
- Estimate the vacancy and collection loss; subtract this amount from the potential gross income to arrive at the effective gross income.
- Estimate the total operating expenses by adding fixed expenses, variable expenses, and a replacement allowance (where applicable).
- Subtract the estimate of total operating expenses from the estimate of effective gross income to arrive at the net operating income (NOI).
- Apply the appropriate capitalization rate (Ro) to the net operating income to generate an estimate of value ($\text{NOI} \div \text{Ro}$).

In the local market, properties such as the subject are typically leased on a net basis (base rent) whereby the tenant agrees to pay for all operating expenses (additional rent) except for major structural repairs which is the responsibility of the landlord. In this instance the estimation and subtraction of operating expenses for the subject and comparables is not necessary. The NOI is derived by subtracting allowances for vacancy and collection loss and non-recoverable expenses from the base rent.

POTENTIAL NET LEASE INCOME (BASE RENT)

The valuation of revenue producing real estate investments involves estimating the property's actual or potential stabilized income. This includes revenue from all sources associated with the operation of the real estate but excludes, for appraisal purposes, interest income, dividends on reinvested earnings and other revenue which are not produced directly from the operation of the property. It is also important to distinguish the revenue estimate as one that is sustainable, not necessarily the highest or lowest that might be achieved in a short period of time. This estimate of "market rent" is the amount that is capitalized to an estimate of value, which can then be adjusted, if appropriate, for any excess revenue or shortfall relative to this sustainable net income.

Market Rent Overview:

The subject units are currently offered for lease at \$13.00 per square foot of main floor and mezzanine area. To confirm if the current asking lease rate is indicative of current market rates, an investigation of market rental rates was undertaken, the results of which are summarized in the following table.

NO.	ADDRESS	START DATE	LEASE AREA (SF)	LEASE RATE (\$/SF)	COMMENTS
1	Stevens Road	1/19	1,653	\$13.50	2005-built strata unit. 50/50 office/whse. 20' ceilings. No mezzanine. 4 parking stalls.
2	Juliann Road	Asking	3,504	\$12.50	2004-built strata unit. Concrete block construction. 473 square foot storage mezzanine.
3	Clement Ave	Pending	2,000 – 2,500-	\$16.00 to \$18.00	Clement Business Park. New upscale strata warehouse/commercial units with mezzanine. Negotiated/asking rents.
4	3190 Sexsmith Rd.	Asking	2,000 to 5,000	\$15.00 to \$16.00	Asking & lease rates for various units in newer multi-tenant industrial building.
5	1945 Pier Mac Way	Asking	1,352	\$14.00	Asking rate for shell space in new building. 21' ceilings.
6	2085 Pier Mac Way	Asking	1,726	\$15.00	Asking rate for interior unit in new building. 22' ceilings.
7	Grigg Road	Asking	1,000	\$13.50	Storehouse Kelowna Industrial Park (Jim Bailey/Winfield). New warehouse unit. Shell. No mezzanine.
8	8747 Jim Bailey Rd.	Pending	2,300	\$11.75	Pending lease for under-construction building. Shell space. 24' height.
9	Jim Bailey Area	7/20	14,000	\$11.25	Pending, confidential lease in 2020-built shell building in Jim Bailey area. Steps to \$12.00 years 3 to 5. \$5 TI allowance.
10	Dilworth Drive	Asking	907	\$15.00	Asking rate for shell mezzanine space in new strata industrial development
11	Dilworth Drive	Asking	3,143	\$16.00 to \$17.00	Interurban Enterprise Way. New upscale strata warehouse/commercial units with mezzanine.
12	716 Adams Court	Asking	3,328	\$16.00 to \$18.00	Asking rates for 2020 building backing Highway 97. Typical unit comprises 2,560 SF of main floor and 768 SF of mezzanine. Rate is based on main floor area only.
13	3312 Appaloosa Rd.	11/19	1,338	\$12.16	2006 building. 1,098 SF on main inc. 240 SF of office plus 240 SF open & partially finished mezzanine. Effective rate on main floor = \$14.82/SF. 3 stalls.
14	3-3302 Appaloosa Rd.	Asking	2,379	\$14.00	Asking rate within 2006-built building. 220 SF finished mezzanine included.
15	210 Lougheed Rd.	11/19	2,400	\$13.16	2018 building. 336 SF office on main & storage mezzanine above. 4 parking stalls
16	210 Lougheed Rd.	1/19	1,768	\$13.00	2018 building. Shell space. 4 parking stalls

Observations:

Rental agreements go by any number of names but are commonly referred to as some form of either a "net" or "gross" lease. A gross lease is whereby the tenant makes a single payment to the landlord and the landlord in turn pays all expenses related to the property; this type of lease is relatively uncommon for industrial/commercial premises in the current local market.

Net leases are most commonly referred to as "Triple-Net", "Absolute Net" or "Carefree to the landlord" and are typically structured so that the tenant is responsible for all costs associated with the operating, maintenance and management of the property with the landlord responsible for structure repairs, insurance and major capital costs. The foregoing comparable indices, to the best of my knowledge, have leases structured to be net to the landlord. The market most commonly refers to this as a Triple Net Rent although the terminology has become somewhat of an outdated misnomer. The leases of the comparable indices and this market rent estimate are based on similar terms.

For industrial premises a number of factors drive economic rent. Overall location and visibility/exposure are some of the key factors. Exposure to arterial routes typically commands higher rents. Proximity and/or easy access to trucking routes enhances desirability and more urban locations with superior access to amenities and labour force also fetch premiums. Suitable ingress/egress for large trucks and ample staff/customer parking are vital to any industrial business and these attributes are largely accommodated by lower site coverages; site coverages over 40% hinder available parking and ingress/egress. The number of parking stalls assigned also justifies higher rent. Building quality, interior ceiling height, condition, amount and quality of interior finish as well as storefront/fenestration also play important roles. Length of term affects lease rates; leases beyond 5 years will typically include a ratchet clause with increases often based on the CPI index or an average annual inflation rate of say 2%. Premise size also plays an important role; smaller units tend to fetch higher rates.

Analysis & Conclusion:

The foregoing indices provide a range from \$11.25 to \$18.00, a reflection of building age, condition, utility, location, size and amount of office build-out. The low end of the range is generally indicative of premises with less desirable attributes be it age/condition, lower ceiling height, minimal office build-out and/or larger floor plates. The upper end of the range is generally indicative of asking rates or current rates for either newer, high ceiling industrial space, smaller floor plates and/or premises with a high office build-out.

There is a dearth of comparative market indices for newer strata product in West Kelowna, particularly for small units like the subject and that include unfinished mezzanine area. Most of the indices are located in Kelowna and/or are larger units. Considering the subject's shell state, mezzanine quality, parking, site coverage, location and comparatively small size, the subject property's current asking rental rate of \$13.00 per square foot for main floor and mezzanine area is deemed to be market related. The annual base rental revenue equates to:

Total Annual Base Rent:	34,562 square feet x \$13.00 = \$449,306
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VACANCY AND COLLECTION LOSS ALLOWANCE

Most investment properties, throughout their economic life, will experience income loss due to vacancy, tenant turnover and collection loss caused by concessions or default by tenants. The magnitude of the vacancy and rent loss is approached from a long-term perspective, not necessarily what might occur over the next few years and is dictated by location influences, improvement scope, quality and condition, and supply and demand.

Although neighbourhood demand is good, it is anticipated that vacancies would occur over the building's remaining economic life expectancy. Considering the location, the building scope and quality, the single tenant design and the projected rental rate structure, the long-term allowance for vacancy and collection loss during subject property's remaining economic life expectancy is estimated at 2% of the annual base rental revenue.

NON-RECOVERABLE OPERATING EXPENSE ALLOWANCE

Although tenants are usually responsible for operating costs in a net rental situation, the property owner usually remains responsible for required maintenance to the foundations, floor slab, roof, exterior walls, and periodic upgrades or replacement of major mechanical systems such as electrical and heating services. This type of maintenance is not required on a routine or scheduled basis. Therefore, the amount estimated for this type of expense represents an annual increment that would allow for a larger periodic expenditure when necessary. The percentage allotted is to reflect an annualized figure over the full life of the property, and also reflects the current condition of the property. This cost is projected at 1% per year of the projected effective base income.

An allowance must be made for non-recovery of operating costs due to vacancy, as the landlord must cover the costs of property taxes, insurance, utilities and repairs and maintenance during the vacant period. The unallocated operating expenses are projected at 1% per year of the projected effective base income.

Considering the foregoing, the aggregate non-recoverable expenses are estimated at 2% per year of the projected effective base income.

Modern lease agreements include management fees which are typically charged at 5% of base rental or 15% of operating costs. Management expenses are assumed to be fully recoverable within the context of this appraisal.

NET ANNUAL OPERATING INCOME PROJECTION

Projected Annual Base Rental Income	=	\$449,306
Vacancy and Bad Debt Allowance	=	<u>\$ 8,986</u>
Effective Annual Base Rental Income	=	\$440,320
Non-Recoverable Expenses	=	<u>\$ 8,806</u>
Net Annual Operating Income	=	\$431,514

CAPITALIZATION RATE

A capitalization rate is generally defined as a percentage rate relating the net operating income of a property to its most probable selling price, or market value. There are a number of factors influencing the overall capitalization rate selection including the tenant covenant strength, the relationship between contract rent and current market levels, income growth and security, building scope and adaptability to alternate uses, management requirement, ratio of land value to total value, inflation and interest rates and investor confidence.

COMPARATIVE SALES SCHEDULE

In order to determine an overall capitalization rate applicable to the subject's projected net income, sales of comparative income producing, and investment properties have been researched and analysed. The following pages include the most recent and relevant sales of industrial strata units.

Index 1

Civic Address:	-	Building 2 of 2648 Kyle Road, West Kelowna
Parcel Identifier No.:	-	009-944-095 (parent parcel)
Zoning:	-	I1; Light Industrial
Strata Lot Size:	-	41,481 square feet (aggregate of main floor & mezzanine)
Sale Date:	-	July 2019 (Contract Date)
Sale Price:	-	\$10,473,953
Rate/Sq. Ft.:	-	\$252.50 (blended main floor & mezzanine rate)
Net Annual Income:	-	\$497,979
Capitalization Rate:	-	4.75%



Index 1 is in the West Kelowna Industrial Park ± 4 km northeast of the downtown Westbank commercial core and ± 7 km west of downtown Kelowna. Building 2 is one of three buildings to be constructed in the 1st phase. The Strata Plan is not yet available for review, but the latest market information shows 18 strata units ranging in size from 2,050 to 2,300 square feet comprising a main floor area of 1,600 to 1,850 square feet and a mezzanine area of 450 square feet. Each unit is provided with a rough-in main floor washroom and a concrete and steel mezzanine with concrete topping. One gas-fired space heater is provided and there is provision to install a rooftop HVAC unit at the purchaser's cost. Sale details were provided by the purchaser of Building 1 which reportedly obtained the information from the vendor. Current asking lease rates in Building 1 approximate \$13.00 per square foot but the units are $\pm 20\%$ smaller than the units in Building 2. Assuming an average \$12.50 rate and after allowing 2% for vacancy and 2% for non-recoverable expense allowance, the indicated capitalization rate was 4.75%.

Index 2

- Project Name:** - Adams Court Industrial Park
- Civic Address:** - 716 Adams Court, Kelowna.
- Zoning:** - I2, General Industrial.
- Lot Area:** - 3.15 acres; 137,214 square feet.
- Proposed Yield:** - 28 strata lots
- Proposed Floor Area:** - 81,036 sq. ft (62,335 main floor + 18,701 mezzanine or 30% of main)
- Site Coverage:** - 43%
- Floor Area Ratio:** - 0.59
- Units Per Acre:** - 8.9
- Net Annual Income:** - \$189,779 (aggregate of 5 units)
- Capitalization Rate:** - 5.7%



Unit No.	Main Floor (Sq. Ft.)	Mezzanine (Sq. Ft.)	Total Area (Sq. Ft.)	Sale Price	Price/ Main Floor (Sq. Ft.)	Price/ Total Floor (Sq. Ft.)
2	2,560	768	3,328	\$637,175	\$249	\$191
3	2,560	768	3,328	\$631,735	\$247	\$190
5	2,560	768	3,328	\$674,307	\$263	\$203
6	2,560	768	3,328	\$674,307	\$263	\$203
8	2,978	893	3,871	\$745,120	\$250	\$192
	13,218	3,965	17,183	\$3,362,644	\$254	\$196

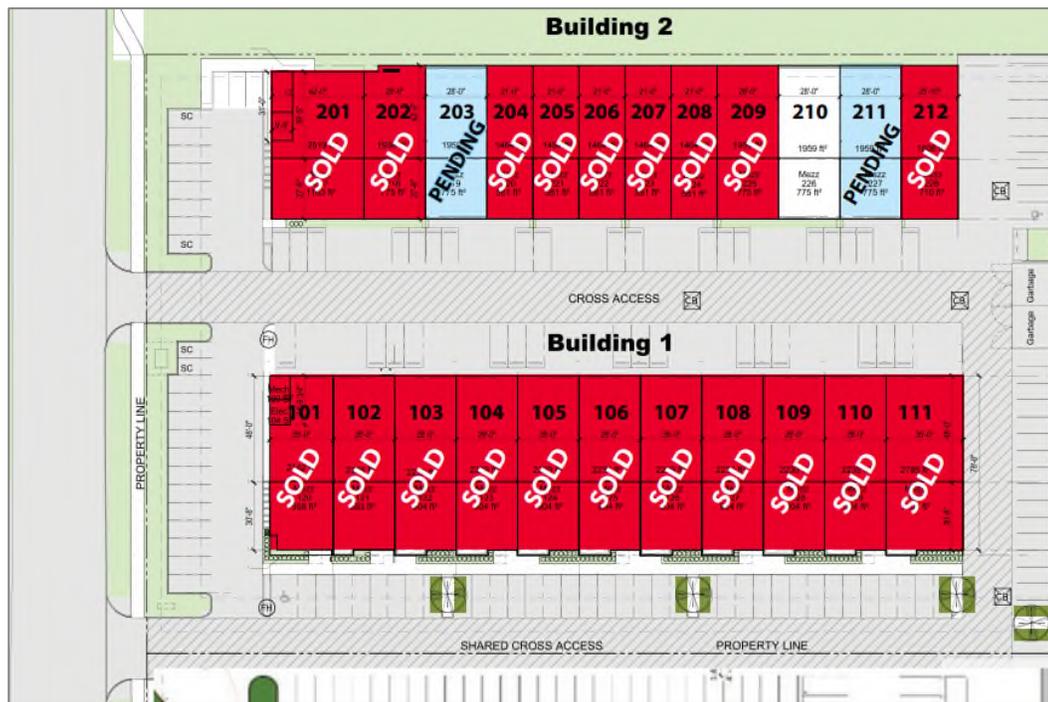
Adams Court Industrial Park Phase One is 100% presold when including the 3 non-arm's length sales to a related party. The 5 arm's length sales, which comprise 63% of the total area of 26,975 square feet, were acquired in May 2019 prior to construction. Rates range from \$190 to \$203 blended overall or \$247 to \$263 per square foot of main floor area. Unit 5 and 6 appear to have sold at \$203 but the price may be adjusted downward as reportedly there is a size discrepancy between the plans and what was built. Unit 5 and 6 also included construction of a 2-piece bathroom for additional charge of \$10,000. Assuming a market rent of \$15.00 per square foot of main floor area or a blended overall rate of \$11.50 inclusive of mezzanine area, less deductions of 2% for vacancy and 2% for non-recoverable expense allowance, the indicated capitalization rate is 5.7%.

Index 3

- Project Name:** - Intra Urban Enterprise
- Civic Address:** - 1625 - 1645 Dilworth Drive, Kelowna
- Zoning:** - I2, General Industrial
- Lot Area:** - 2.57 acres; 111,949 square feet
- Yield:** - 23 strata lots
- Building Area:** - 62,193 sq. ft (44,252 main floor + 17,941 mezz. or 41% of main)
- Site Coverage:** - 40%
- Floor Area Ratio:** - 0.55
- Units Per Acre:** - 8.9



Unit No.	Main Floor (Sq. Ft.)	Mezzanine (Sq. Ft.)	Total Area (Sq. Ft.)	Sale Price	Price/Main Floor (Sq. Ft.)	Price/Total Floor (Sq. Ft.)
105	2,239	904	3,143	\$ 911,470	\$407	\$290
107	2,239	904	3,143	\$ 895,755	\$400	\$285
108	2,239	904	3,143	\$ 895,755	\$400	\$285
109	2,239	904	3,143	\$ 942,900	\$421	\$300
110	2,239	904	3,143	\$ 942,900	\$421	\$300
Total	11,195	4,520	15,715	\$4,588,780	\$410	\$292
201	2,519	1,163	3,682	\$1,104,600	\$439	\$300
203	1,958	775	2,733	\$ 800,570	\$409	\$293
204	1,464	581	2,045	\$ 593,050	\$405	\$290
205	1,464	581	2,045	\$ 582,825	\$398	\$285
206	1,464	581	2,045	\$ 572,600	\$391	\$280
209	1,959	775	2,734	\$ 785,360	\$401	\$287
210	1,959	775	2,734	\$ 792,860	\$405	\$290
211	1,959	775	2,734	\$ 820,200	\$419	\$300
Total	14,746	6,006	20,752	\$6,052,065	\$410	\$292



Intra Urban Enterprise is located on the east side of Dilworth Drive, mid-block between Enterprise Way and Leckie Road. The 2019/2020-constructed development comprises 23 strata lots in two buildings aligned perpendicular to Dilworth Drive. Features include 24' clear ceiling heights; 10' x 12' bay doors; 300 lbs per sq. ft. live floor; grade loading access; 200 amp 3-phase electrical service. Building 1 provides storefront entries facing a shared access road and rear loading. Building 2 backs onto the north property line and both the storefront entries and overhead loading doors are on the front side of the building.

According to the latest advertised information (June 2020), the project is mostly pre-sold with Unit 211 under contract and Unit 210 still available. Rates average \$292 but range from \$280 to \$300 per square foot. Actual sale prices may differ slightly, however the listing agent stated that all sales are within 2% of the listing price. Assuming a blended market rent of \$16.00 per square foot, less deductions of 2% for vacancy and 2% for non-recoverable expense allowance, the indicated average capitalization rate is 5.3%.

Index 4

Project Name:	-	Clement Business Park
Civic Address:	-	889 Vaughan Avenue, Kelowna
Zoning:	-	I4, Central Industrial
Lot Area:	-	1.93 acres, 84,071 square feet
Yield:	-	24 strata lots
Building Area:	-	57,575 sq. ft (41,857 main floor + 15,718 mezz. or 38% of main)
Site Coverage:	-	51%
Floor Area Ratio:	-	0.70
Units Per Acre:	-	12.4
Capitalization Rate:	-	5.8%



Clement Business Park is an upscale, good quality industrial strata development comprising three detached buildings, two fronting Clement Avenue containing 13 strata lots and one building fronting Vaughan Avenue containing 11 strata lots. Strata units are comprised of main floor and mezzanine areas (35% of main floor) and range in size from 1,737 square feet to 2,554 square feet, averaging 2,399 square feet. Five units pre-sold in April & May of 2018 and rates ranged from \$247 to \$306 blended overall or \$320 to \$433 per square foot of main floor area. In addition to sales, some units leased for rates between \$16.00 and \$18.00 per square foot, with the more recent deals at the upper end of the range. Applying the average lease rate of \$17.00 per square foot and allowing 2% for vacancy and 2% for non-recoverable expense allowance, the indicated average overall capitalization rate is 5.8%.

Index 5

Project Name:	-	Airport Link Commercial
Civic Address:	-	1945 Pier Mac Way, Kelowna
Zoning:	-	CD15IN.
Lot Area:	-	1.092 acres; 47,567 square feet
Yield:	-	10 units
Building Area:	-	23,748 sq. ft (net), 23,949 sq. ft (gross)
Site Coverage:	-	50%
Floor Area Ratio:	-	0.50
Units Per Acre:	-	9.2
Capitalization Rate:	-	5.0%



Unit No.	Main Floor (Sq. Ft.)	Mezzanine (Sq. Ft.)	Total Area (Sq. Ft.)	Sale Date	Sale Price	Price/Main Floor (Sq. Ft.)
1	2,051	---	2,051	Jan-20	\$ 584,112	\$285
2	1,929	---	1,929	Nov-19	\$ 554,114	\$287
3	1,941	---	1,941	Dec-19	\$ 545,000	\$281
4	4,694	---	4,694	Listed	\$1,189,888	\$253
5	1,352	---	1,352	Dec-19	\$ 370,000	\$274
6	1,352	---	1,352	Dec-19	\$ 359,832	\$266
7	4,694	---	4,694	Listed	\$1,253,736	\$267
8	1,941	---	1,941	Listed	\$ 552,888	\$282
9	1,929	---	1,929	Mar-20	\$ 550,000	\$288
10	1,865	---	1,865	Nov-19	\$ 524,000	\$281
Total	23,748	---	23,748		\$6,483,570	\$273

Airport Link Commercial is a 2019-constructed industrial strata development at the Airport Business Park, on the east side of Pier Mac Way, above Highway 97N, in the northeast sector of the City. The development comprises 10 strata lots ranging in size from 1,352 to 4,694 square feet for an aggregate strata ground floor area of 23,748 square feet, an average unit size of 2,375 square feet. Although no mezzanine area is provided, they can be constructed at the purchaser's cost. The units are front loaded and feature extensive glazing, and the location is well suited to light industrial/service commercial uses commensurate with the CD-15 zoning. There are 19 surface parking stalls, reflecting a ratio of 0.8 stalls per 1,000 square feet of strata floor area. Pre-sales reportedly began in February 2019 and sale and listing prices ranged from \$266 to \$288 per square foot, averaging \$273 per square foot. Asking lease rates approximate \$14.00 and after allowing 2% for vacancy and 2% for non-recoverable expense allowance, the indicated average capitalization rate is \pm 5.0%.

COMPARATIVE SALES SUMMARY

INDEX NO.	CIVIC ADDRESS	SALE DATE	SALE PRICE	NET INCOME	CAP. RATE
1	Bldg. 2 – 2648 Kyle Road, West Kelowna	7/19	\$10,473,953	\$497,979	4.75%
2	716 Adams Court, Kelowna	5/19	Various	---	5.7%
3	1625-1645 Dilworth Drive, Kelowna	Various	Various	---	5.3%
4	889 Vaughan Avenue, Kelowna	Various	Various	---	5.8%
5	1945 Pier Mac Way, Kelowna	Various	Various	---	5.0%

ANALYSIS AND CONCLUSION

Indices 1 to 5 include sales of newer strata industrial properties acquired for investment and/or owner-occupancy and exhibit a range of capitalization rates from 4.75% to 5.8%. None of the sales were leased at the date of sale but may have been offered for lease or leased shortly after acquisition. Capitalization rates were derived by estimating the market rent as of the dates of sale.

At the upper end of the range are Indices 2 and 4 at 5.7% and 5.8% respectively. Units in Index 4 pre-sold in early 2018 in an escalating market and this development is also the most dissimilar to the subject in location and use being located along an arterial route intended for service commercial use. Index 2, at 5.7% overall is calculated based on limited information regarding lease rates. For these reasons, limited weight is placed on these two indices.

The indicated capitalization rates of the remaining indices range from 4.75% to 5.3%. Emphasis is placed on Index 1 as it is located next to the subject with secondary support from Indices 3 and 5.

Further consideration is given to the subject's contract price of \$8,975,000. Imputing the asking lease rate of \$13.00 per square foot and after allowing 2% for vacancy and 2% for non-recoverable expense allowance, the indicated capitalization rate equates to 4.8%.

In capitalizing the subject property's projected net annual operating revenue, hence, estimating market value, the following factors impact on the selection of the overall capitalization rate:

- the Kyle Road, West Kelowna location,
- the application of a market related rental rate,
- the building and strata lot size and quality, and
- the small unit sizes and lack of interior build-out, and
- the strong demand for good quality industrial strata units for owner-occupancy or investment purposes.

Based on the foregoing, the appropriate overall capitalization rate to be applied to the subject property's projected net annual operating income is concluded to be 4.8%.

INCOME APPROACH SUMMARY

Projected Annual Base Rental Income	=	\$ 449,306
Vacancy and Bad Debt Allowance	=	<u>\$ 8,986</u>
Effective Annual Base Rental Income	=	\$ 440,320
Non-Recoverable Expenses	=	<u>\$ 8,806</u>
Net Annual Operating Income	=	\$ 431,514
Capitalized at 4.8%	=	<u>÷ 0.048</u>
Income Approach Estimate	=	\$8,989,875
Rounded	=	\$9,000,000

NINE MILLION (\$9,000,000) DOLLARS

Direct Comparison Approach

METHODOLOGY

In the direct comparison approach, an opinion of market value is developed by comparing properties similar to the subject property that have recently sold, are listed for sale, or under contract. The basis of this valuation approach is the principle of substitution and the influences of the concepts of anticipation and change, supply and demand, balance and externalities. The principle of substitution holds that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time.

To apply the direct comparison approach, the following is required:

- Research the competitive market for information on properties similar to the subject that have recently sold, are listed for sale, or under contract,
- Verify the information to ensure the data is factually accurate and that the transactions reflect arm's-length market considerations,
- Select the most relevant units of comparison in the market (e.g., price per square foot, net income per square foot) and develop a comparative analysis for each unit,
- Look for differences between the comparable sale properties and the subject property using all appropriate elements of comparison and adjust the price of each sale accordingly,

- Reconcile the various value indications produced from the analysis of comparables to a value bracket and then to a single value indication.

The unit of comparison in this instance, which is defined as the component into which a property may be most logically divided for comparison purposes, is the selling price per square foot of main floor area.

Appropriate elements of comparison are based on a study of the market over time, which has demonstrated the types of factors that require adjustment between the sale properties and the subject. Date of sale, location, land-to-building ratio, site coverage/floor area ratios, building quality and condition, amount and quality of finish are the most common points of comparison that require adjustment. Other salient property characteristics with respect to income producing properties include income producing levels and growth potential and tenant mix and quality. It is also necessary to consider whether something other than physical characteristics may have influenced a selling price such as a non-market lease rate or favourable financing.

COMPARATIVE SALES SUMMARY

The following table summarizes the comparable sales of strata industrial units described within the income approach and illustrates the main and second floor area, and the sale price per square foot as the unit of comparison. All of the indices comprise multi-tenant buildings and multiple sales with the average rates shown.

INDEX NO.	ADDRESS	MAIN FLOOR (SQ. FT.)	MEZZANINE (SQ. FT.)	TOTAL AREA (SQ. FT.)	SALE DATE	PRICE/ MAIN FLOOR (SQ. FT.)	PRICE/ TOTAL FLOOR (SQ. FT.)
1	Bldg. 2 – 2648 Kyle Road, West Kelowna	Unavailable	Unavailable	41,481	7/19	---	\$253
2	716 Adams Court, Kelowna	13,218	3,965	17,183	5/19	\$254	\$196
3	1625-1645 Dilworth Drive, Kelowna	25,941	10,526	36,467	Various	\$410	\$292
4	889 Vaughan Avenue, Kelowna	18,922	7,162	26,084	4/18	\$382	\$277
5	1945 Pier Mac Way, Kelowna	23,748	---	23,748	Various	\$273	---
	Subject	25,631	8,931	34,562	9/19	\$350	\$260

ANALYSIS

To reiterate, the subject agreement was based on initially based on \$260 per square foot of the total saleable floor area, or \$350 per square foot of main floor area.

All of the indices are relatively new or under construction and show a range of rates from \$196 to \$292 based on the total size including mezzanine. Except for Index 5, they all provide mezzanine area and therefore an analysis of the overall rate is the most appropriate. Index 5 is thus further excluded from analysis. The variance in rates in this instance is primarily due to location and unit size. Generally, smaller units fetch higher rates per square foot. The subject units are smaller than all of the indices requiring upward adjustment to the indicated rates.

Index 1, at \$253 per square foot, is the most similar but the units are ±20% larger than the subject justifying a slightly higher rate. Index 2, at \$196, provides units roughly twice the size of the subject and a periphery Kelowna location; these units will have highway exposure, however. Index 3, at \$292, provides a superior overall location but also larger average unit sizes. Index 4, at \$277, requires upward adjustment for the date of sale and average unit size but downward adjustment for its superior location.

CONCLUSION

Considering the foregoing analysis, the market value of the subject property's fee simple interest is concluded in the rate of \$260 per square foot area. The subject valuation, based on the foregoing, is:

34,562 square feet x \$260	=	\$8,986,120
Rounded to	=	\$9,000,000

NINE MILLION (\$9,000,000) DOLLARS

Reconciliation and Final Estimate of Value

SUMMARY

The market value of the subject property as indicated by the income and direct comparison approaches is:

• Income Approach Estimate	=	\$9,000,000
• Direct Comparison Approach Estimate	=	\$9,000,000

The values exhibited by the direct comparison and income approaches offer mutual support even though they were calculated on different factors.

For industrial, commercial and investment properties, the income approach generally represents the most reliable valuation technique considering investors utilize the income capability of an investment as a measure of value. However, strata industrial/commercial units are more often purchased by owner-occupiers. The net

income for some of the comparable indices were based on projected rents resulting in a somewhat less reliable income approach in this instance.

The reliability of the direct comparison approach is dependent on the degree of comparability of the sales data with the subject property, which was considered reasonably good within the context of this appraisal.

CONCLUSION

Conditional to the qualifications, assumptions and limiting conditions expressed herein, it is concluded that the market value of the subject property's fee simple interest, at June 23, 2020, is reflected in the reconciled income and direct comparison approach estimate of **\$9,000,000**.

NINE MILLION (\$9,000,000) DOLLARS

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported critical assumptions, contingent and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the affected property which is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- The client for whom this appraisal report has been prepared, and any third parties, are advised that the Appraisal Institute of Canada retains the right to review this report.
- 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.
- Analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute of Canada.
- I made a personal inspection of the subject property located at 2648 Kyle Road, West Kelowna, British Columbia, which is the subject of this report, June 16, 2020.
- No one provided significant professional assistance to the person signing this report.

It is my opinion that the market value of the subject property, conditional to the qualifications and assumptions and contingent and limiting conditions contained herein, at June 23, 2020, is estimated at **\$9,000,000**.

The Appraisal Institute of Canada has a Mandatory Recertification Program for designated members. As of the date of this report, Russ Martinuik, AACI, P.App, BBA, has fulfilled the requirements of this program.

Certified on June 23, 2020.

NCA Commercial Inc.



Per: _____

Russ Martinuik, AACI, P. App

/rgm

Exhibit A – Land Title Document
Exhibit B – Zoning Regulations
Exhibit C – Appraiser’s Qualifications

EXHIBIT A

Land Title Document

TITLE SEARCH PRINT

File Reference: 20-1864-RGM

Declared Value \$10250000

2020-06-09, 13:22:55
Requestor: Roxane Wyma

****CURRENT INFORMATION ONLY - NO CANCELLED INFORMATION SHOWN****

Land Title District KAMLOOPS
Land Title Office KAMLOOPS

Title Number CA7052753
From Title Number CA6793369

Application Received 2018-09-07

Application Entered 2018-09-11

Registered Owner in Fee Simple
Registered Owner/Mailing Address: DENCITI KYLE RD HOLDINGS LTD., INC.NO. BC1178060
1620 - 1185 WEST GEORGIA STREET
VANCOUVER, BC
V6E 4E6

Taxation Authority Vernon Assessment Area

Description of Land
Parcel Identifier: 009-944-095
Legal Description:
LOT 1 DISTRICT LOT 2601 OSOYOOS DIVISION YALE DISTRICT PLAN 7670
EXCEPT PLANS 13775, 14130, 15302, 15847, 16899, 19651 AND 31194

Legal Notations
THIS TITLE MAY BE AFFECTED BY A PERMIT UNDER PART 14 OF THE LOCAL
GOVERNMENT ACT, SEE CA7702471

Charges, Liens and Interests
Nature: STATUTORY RIGHT OF WAY
Registration Number: KN1921
Registration Date and Time: 1999-01-08 13:54
Registered Owner: LAKEVIEW IRRIGATION DISTRICT
Remarks: PART ON PLAN KAP63598

Nature: STATUTORY RIGHT OF WAY
Registration Number: LB371609
Registration Date and Time: 2010-03-02 10:17
Registered Owner: TM MOBILE INC.
INCORPORATION NO. A56593

TITLE SEARCH PRINT

File Reference: 20-1864-RGM

Declared Value \$10250000

2020-06-09, 13:22:55
Requestor: Roxane Wyma

Nature: MORTGAGE
Registration Number: CA7052756
Registration Date and Time: 2018-09-07 12:28
Registered Owner: FIRST WEST CREDIT UNION
INCORPORATION NO. FI 156

Nature: ASSIGNMENT OF RENTS
Registration Number: CA7052757
Registration Date and Time: 2018-09-07 12:28
Registered Owner: FIRST WEST CREDIT UNION
INCORPORATION NO. FI 156

Nature: MORTGAGE
Registration Number: CA7928922
Registration Date and Time: 2019-12-13 13:50
Registered Owner: NORTHLAND PROPERTIES CORPORATION
INCORPORATION NO. C0839976
AS TO AN UNDIVIDED 3923960/9809900 INTEREST
DENCITI CAPITAL KR GP CORP.
INCORPORATION NO. BC1174580
Registered Owner: AS TO AN UNDIVIDED 1961980/9809900 INTEREST
SPIRE VA (KYLE RD) G.P. LTD.
INCORPORATION NO. BC1172327
AS TO AN UNDIVIDED 3923960/9809900 INTEREST

Nature: STATUTORY RIGHT OF WAY
Registration Number: CA8015714
Registration Date and Time: 2020-02-03 09:25
Registered Owner: BRITISH COLUMBIA HYDRO AND POWER AUTHORITY

Nature: STATUTORY RIGHT OF WAY
Registration Number: CA8015715
Registration Date and Time: 2020-02-03 09:25
Registered Owner: TELUS COMMUNICATIONS INC.
INCORPORATION NO. 1101218

Nature: PRIORITY AGREEMENT
Registration Number: CA8015716
Registration Date and Time: 2020-02-03 09:25
Remarks: GRANTING CA8015714 PRIORITY OVER CA7928922

Nature: PRIORITY AGREEMENT
Registration Number: CA8015717
Registration Date and Time: 2020-02-03 09:25
Remarks: GRANTING CA8015715 PRIORITY OVER CA7928922

TITLE SEARCH PRINT

File Reference: 20-1864-RGM

Declared Value \$10250000

2020-06-09, 13:22:55

Requestor: Roxane Wyma

Nature:	STATUTORY RIGHT OF WAY
Registration Number:	CA8043405
Registration Date and Time:	2020-02-19 12:50
Registered Owner:	FORTISBC ENERGY INC. INCORPORATION NO. BC1023718

Duplicate Infeasible Title NONE OUTSTANDING

Transfers NONE

Pending Applications NONE

EXHIBIT B

Zoning Regulations

PART 12 – INDUSTRIAL ZONES

12.1. LIGHT INDUSTRIAL ZONE (I1)

Bylaw No.
154.36

.1 Purpose

To accommodate light industrial uses and associated uses.

.2 Principal Uses, Buildings and Structures

- (a) Auctioneering establishment
- (b) Brewery, distillery or meadery
- (c) Bulk fuel depot
- (d) Commercial storage
- (e) Contractor service
- (f) Fire, police or ambulance service
- (g) Food bank
- (h) Freight or distribution outlet
- (i) Greenhouse or plant nursery
- (j) Heavy equipment sales, rental and repair
- (k) Heliport facility
- (l) Industry, general
- (m) Kennels
- (n) Office
- (o) Outdoor storage
- (p) Recreation services, indoor
- (q) Restaurant
- (r) Retail, service commercial
- (s) Utility service
- (t) Veterinary clinic
- (u) Warehouse
- (v) Cannabis production facility

Bylaw No.
154.64

Bylaw No.
154.46

.3 Secondary Uses, Buildings and Structures

- (a) Accessory uses, buildings and structures
- (b) Caretaker unit

Bylaw No.
154.64

Bylaw No.
154.02

.4 Site Specific Uses, Buildings and Structures

- (a) On Lot 1, Plan KAP51408, DL 506 cannabis production facility in a multi-tenant building
- (b) On Plan KAS1290, DL 2683 cannabis production facility in a multi-tenant building.
- (c) On Lot 2 DL 506 ODYD Plan 18464 Except Plan H16956 (#104-1195 Industrial Road): one Non-Medical Cannabis Retail Store as indicated on Schedule 'B' of Zoning Amendment Bylaw No. 0154.80.

Bylaw No.
154.80

.5 Regulations Table

SUBDIVISION REGULATIONS		
(a)	Minimum parcel area	400 m ² (4,305.6 ft ²)
(b)	Minimum parcel frontage	12.0 m (39.4 ft)
DEVELOPMENT REGULATIONS		
(c)	Maximum density	1 caretaker unit per parcel
(d)	Maximum parcel coverage	75%
(e)	Maximum building height	12.0 m (39.4 ft)
SITING REGULATIONS		
(f)	Buildings and structures shall be sited at least the distance from the feature indicated in the middle column below, that is indicated in the right-hand column opposite that feature:	
.1	Front parcel boundary	4.5 m (14.8 ft)
.2	Rear and interior side parcel boundary	0.0 m (0.0 ft), except it is 4.5 m (14.8 ft) where the parcel does not abut an Industrial Zone or Service Commercial Zone
.3	Exterior side parcel boundary	4.5 m (14.8 ft)

Other Regulations - Reserved

EXHIBIT C

Appraiser's Qualifications

Qualifications and Affiliations

Russ Martinuik, AACI, P. App.

EDUCATION

- **Accreditation** – Appraisal Institute of Canada (AACI), 2003.
- **Diploma** - Real Estate Appraisal, Langara College.

DESIGNATIONS

- AACI, P.App - Accredited Appraiser Canadian Institute, Professional Appraiser.

PROFESSIONAL AFFILIATIONS

- Accredited member of the Appraisal Institute of Canada.
- Member of the Okanagan Chapter of the Appraisal Institute of Canada.
- Member of the British Columbia Expropriation Association

PROFESSIONAL BACKGROUND

- Thirty-three years employed as an independent fee appraiser, consultant and government assessor of residential, agricultural, commercial, industrial, major industrial, institutional, multi-family residential, and development land located throughout the lower mainland, Okanagan and parts of British Columbia;
- **Appraiser** (Associate) – NCA Commercial Inc., Kelowna, British Columbia, July 2014 to Present
- **Appraiser** (Associate) – Kent-Macpherson Appraisals Ltd, Kelowna, British Columbia, January 2005 to July 2014
- **Senior Appraiser** – (Property Assessment Appeal Board Specialist) BC Assessment – Richmond/Delta Office, Richmond, British Columbia, February 1996 to January 2005.
- **Appraiser** (Associate) – Campbell & Pound Ltd., Royal LePage & Canamera Appraisals from 1987 to 1996.
- Qualified as expert witness – Supreme Court of British Columbia; Provincial Court of British Columbia; Vancouver Board of Arbitration; Property Assessment Review Panel.