

Industrial Building

20 & 21-23 Marine Drive
Southern Harbour, NL

Effective Date: December 5, 2017



COMMERCIAL

MULTI-FAMILY

LAND

SENIORS' HOUSING

HOSPITALITY

DISPUTE &
SPECIAL SERVICES

SPECIAL PURPOSE

PREPARED FOR
BDO Canada Limited
Mr. Phil Clarke
255 Lacewood Drive, Suite 201
Halifax, NS
B3M 4G2

December 20, 2017

Project No.: 28520.100938.000

Mr. Phil Clarke

BDO Canada Limited
255 Lacewood Drive, Suite 201
Halifax, NS, B3M 4G2

Dear Mr. Clarke

RE: Industrial Building

20 & 21-23 Marine Drive, Southern Harbour, NL

In accordance with your request by way of a contract dated November 27, 2017 and as per the Terms of Reference provided herein, I have provided an opinion of the current market value and the forced sale price on an all-cash basis of the fee simple interest in the subject property as at the effective date of December 5, 2017. The intended user of this report is BDO Canada Limited ["Client"]. The intended use is to provide information for planning purposes and no other use. No additional intended users are identified or intended by the appraiser.

This Appraisal Report and Appendices should be read as a whole as sections taken alone may be misleading and lead the reader to an incorrect conclusion. Information provided by the client and collected through market research and analysis is stored in our working file. This assignment has been completed in accordance with the Scope of Work as outlined in Section 1.2.

Subject to the Standard Terms and Limiting Conditions in Appendix A and the Extraordinary Limiting Conditions in Section 1.3, it is my opinion that the current market value of the fee simple of the subject property, effective December 5, 2017, is:

\$1,240,000
One Million Two Hundred Forty Thousand Dollars

Based on this estimate of market value, the liquidity of the subject property is considered to be "Poor". I estimate that an exposure time of 12 to 24 months would have been required prior to the effective date to sell the subject property at its current market value.

In addition to the current market value already provided, you have requested that we provide an estimate of the forced sale price (also known as forced sale value) of the fee simple interest in the subject properties referenced above assuming a reduced exposure period of 3-6 months.

A 'forced sale' is a description of the situation under which the exchange (or sale) takes place, not a distinct basis of value. Forced sales arise where there is pressure on the vendor to sell at a specific time. A forced sale value is not a market value but rather a price that may be accepted in forced sale circumstances. This is a commercial judgment and a reflection of the investment value or worth to that particular vendor. Any relationship between the price achievable by a forced sale and the market value is coincidental; it is not a valuation that can be determined in advance. The below stated forced sale price is

an estimate of the likely realization of a purchase price for the subject properties under a forced sale circumstances under the following conditions / considerations:

1. Marketing / exposure period has been reduced from up to 24 months to 3 to 6 months.
2. The properties are listed for sale with an agent and not subject to a bidding process.
3. The market for commercial developments within the Town of Southern Harbour and surrounding area is declining and as such the market would be considered a bear market as of the effective date.

Under any of these circumstances, there may be a discount of up to 40% from the market value estimate to obtain a sale under forced sale conditions for the subject property. The range in likely sale price based on the above discount is \$744,000 to \$1,240,000

Should you have any questions, please contact Joanne Slaney, B.Comm, B.A., AACI or Jonathan Hynes, Candidate at your convenience.

Respectfully submitted,



Altus Group Limited

Table of Contents

1	Introduction.....	1
1.1	Terms of Reference	1
1.2	Scope of Work	1
1.3	Extraordinary Limiting Conditions	2
1.4	Extraordinary Assumptions	3
1.5	Hypothetical Conditions	3
1.6	Ownership and History	3
2	Property Description	4
2.1	Location Overview	4
2.1.1	Position and Access	5
2.1.2	Adjacent Land Uses.....	5
2.2	Site Description.....	5
2.3	Site Description.....	7
2.3.1	Site Survey / Plan	7
2.4	Land Use Controls	7
2.5	Building Description	9
2.6	Municipal Assessment and Taxes	10
2.7	Property Commentary.....	10
3	Economic Overview	12
4	Highest and Best Use.....	14
4.1	Highest and Best Use as Improved	14
4.2	Highest and Best Use as if Vacant Land	14
5	Valuation.....	15
5.1	Valuation Methodology Selected	15
6	Income Approach	16
6.1	Income Forecasts	16
6.1.1	Tenant and Income Profile.....	16
6.1.2	Market Rent Analysis.....	16
6.2	Other Revenue	17
6.3	Vacancy and Bad Debt Allowance.....	17
6.4	Recovery Expense Revenue and Operating Expenses.....	18
6.5	Income and Expense Pro Forma	19
6.6	Yield Selection	19
6.6.1	Alternative Investment Yields	19
6.6.2	Recent Investment Market Activity.....	20
6.6.3	Capitalization Rate Analysis	22
6.6.4	Capitalization Rate Rationalization	22
6.6.5	Capitalization Rate Conclusion	23
6.7	Direct Capitalization.....	23
6.7.1	Estimate of Market Value (Direct Capitalization).....	24
7	Direct Comparison Approach.....	25
7.1	Comparable Property Sales Activity	25
7.2	Sales Activity	26
7.3	Estimate of Market Value (Direct Comparison Approach).....	30
8	MegaDome Valuation	31
8.1	Estimate of Accrued Depreciation	31
8.1.1	Physical Depreciation	31

8.1.2	Functional Obsolescence	31
8.1.3	External Obsolescence	31
8.2	Estimate of MegaDome Value (Cost Approach)	32
9	Valuation of Excess Land	33
9.1	Land Valuation	33
10	Forced Sale Analysis	35
11	Reconciliation and Conclusion	37
11.1	Final Value Conclusion	37
12	Certification	39

Appendices

Appendix A Terms of Reference

Appendix B Visual Identification

Appendix C Survey Plans



Industrial Building
20 & 21-23 Marine Drive, Southern Harbour, NL

Executive Summary

Property Description

Property Summary		Site Information	
Address	20 & 21-23 Marine Drive	Site Area	Main Site: 10.83 ac Secondary Site: 3.38 ac
City, Province	Southern Harbour, NL	Coverage Ratio	3.22% (based on main site area only)
Property Type	Industrial	Parking	Ample paved parking located at the front of the building.
Property Class	Industrial	Zoning	Rural (RU)
Year Built	1990	Condition	Good
Number of Storeys	Two	Highest and Best Use	Current use

Valuation Reconciliation

Effective Date	December 5, 2017	Liquidity	Poor
Income Approach	\$1,000,000	Capitalization Rate	12.00%
Direct Comparison Approach	\$1,000,000	Unit Value	\$60.00 per sf
Megadome Value	\$90,000	Excess Land Value	\$100,000 (main site)
		Additional Parcel Value	\$50,000

Market Value

\$1,240,000

One Million Two Hundred Forty Thousand Dollars

Valuation Summary

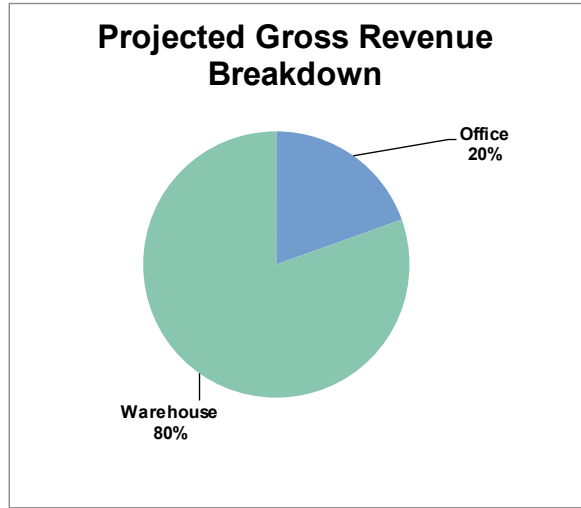
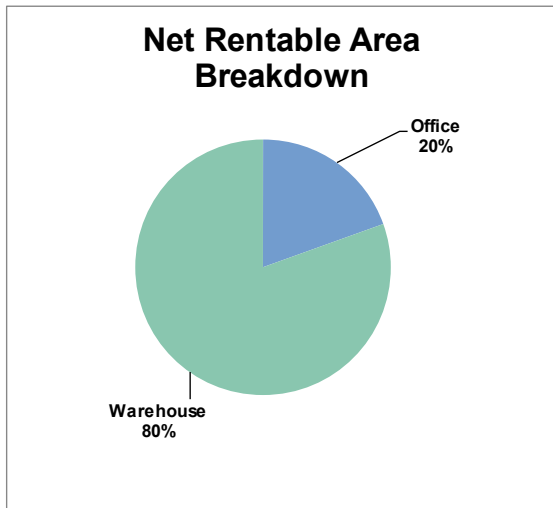
Valuation Summary				
Use	Area (SF)	% of Rentable Area	Market Rent PSF	Annual Rent Projected
Office	3,415	20%	\$7.00	\$23,905
Warehouse	14,092	80%	\$7.00	\$98,644
Total	17,507			\$122,549

Stabilized Income \$ PSF

Total Potential Base Rent	\$7.00
Reimbursements	\$3.26
Operating Expenses (excl. Realty Tax)	\$3.20
Realty Tax Expense	\$0.26
NOI	\$6.79

Valuation Assumptions






Average Market Rent	\$7.00
General Vacancy Allowance	0.00%
Structural Allowance	0.00%
Management Fee	2.00%



Economic Summary

#AltusEconomicFlash - Newfoundland and Labrador								
	Expected Trend*	Snapshot	Analysis	Newfoundland & Labrador vs Canada				
GDP 	▼ 2017 ● 2018		<p>The unwinding of major projects and fiscal austerity will likely dampen economic growth in 2017 before increased oil production pushes growth into positive territory thereafter.</p>					
	Annual % Change Real GDP							
	Employment 	▼ 2017 ● 2018		<p>A steep employment decline is projected for 2017, followed by improvement later in the forecast horizon as economic activity improves.</p>				
		Annual % Change Jobs						
Retail Sales 	▼ 2017 ▲ 2018		<p>Retail sales are likely to drop in 2017 before subdued but improving employment growth subsequently stimulates increased retail spending.</p>					
	Annual % Change Sales							
Key Financial Trends 	10 year bond yield to drift higher over longer-term amid sustained economic growth; higher oil prices, the cessation of sector-specific drags and stronger growth to result in accelerating inflation going forward; CAD to trend higher over the forecast horizon in tandem with higher oil prices and Bank of Canada policy rate increases		10 year bond yield (%)	1.97	1.73	2.08	2.28	2.83
			Inflation Rate (%)	1.36	2.71	2.59	1.80	2.11
			\$ Canadian Dollar (per US\$)	0.84	0.74	0.81	0.83	0.81
	Sources: • Statistics Canada • Conference Board of Canada		Key Takeaway: 2017 will likely be a weak year for the provincial economy, though prospects look brighter from 2018 onwards.	3-year Trend History	Last Year	This Year	Next Year	3-Year Trend Horizon
	All Forecasts by Altus Group Economic Consulting (as of September, 2017) Historical data / forecasts covers Newfoundland and Labrador and Canada			2013-2015	2016	2017	2018	2019-2021
* Expected Trend shows rise, steady or fall in rate of growth				Contact: economics@altusgroup.com				

SWOT¹ Analysis

	<ul style="list-style-type: none"> ▼ Good access to the Trans-Canada Highway and within close proximity to the Come By Chance oil refinery. ▼ Functional building layout. ▼ The subject property is 100% owner occupied.
	<ul style="list-style-type: none"> ▼ Located within a rural community with limited commercial development within the immediate area.
	<ul style="list-style-type: none"> ▼ None noted.
	<ul style="list-style-type: none"> ▼ Inactive leasing market within the Town of Southern Harbour. ▼ Southern Harbour is a rural location and the pool of potential investors is much smaller than that found in traditional investment markets. ▼ In recent years the area has been experiencing a bear market due to the conclusion of mega projects that were once active in the areas of Long Harbour and Bull Arm.
	<ul style="list-style-type: none"> ▼ The property is currently improved with a single-tenant industrial building of good quality with MegaDomes which were constructed in 2017. Given the site coverage of 3.22% we have concluded that there is excess land associated with the subject property. We have estimated some 6.83 ac of excess land for laydown or future development. The properties current development represents a discretionary use under the zoning regulations for the Rural zone. ▼ A property similar to the subject property would likely attract a number of local and regional investors given its size, age and condition, however the location of the property in a rural area of Southern Harbour and outside any key industrial markets results in a significant decline in potential investors. The most likely purchaser would be a local market investor.

¹ Strengths, Weaknesses, Opportunities, Threats



1 Introduction

1.1 Terms of Reference

The following table provides a summary of the Terms of Reference (TOR) guiding this appraisal assignment. The terms of reference were provided by Phil Clarke of BDO Canada Limited. Please refer to Appendix A of this report for definitions of Market Value, Liquidity, and Highest and Best Use. In addition to the TOR outlined below, this report is subject to the Standard Terms and Limiting Conditions, also outlined in Appendix A.

Terms of Reference	
Client and Intended User	Phil Clarke, BDO Canada Limited
Intended Use	To provide information for planning purposes and no other use
Purpose	To provide an opinion of the current market value as well as a forced sale price on an all-cash basis, of the fee simple interest in the property
Ownership	PTL Services (Equipment) Ltd., as detailed in Section 1.6
Interest to be Valued	100% fee simple
Effective Date	December 5, 2017
Signing Date of the Report	December 20, 2017
Current Use of the Property	Industrial
Property Identification	20 & 21-23 Marine Drive, Southern Harbour, NL

1.2 Scope of Work

The scope of work has included the following:

- ▼ Inspection of the interior and exterior of the subject property, as well as the surrounding neighbourhood
- ▼ Review of publically available physical, legal, social, political, economic and other factors that could affect the value of the subject property
- ▼ Collection of municipal information pertaining to the subject property such as zoning, assessment and taxes
- ▼ Review of documentation relating to the subject property provided by the client, including but not limited to the legal description and survey plan.
- ▼ Research of transactional data of land and buildings comparable to the subject property

- ▼ Determination of the highest and best use “as improved” and the highest and best use of the land “as if vacant”
- ▼ Valuation of the interest in the subject property utilizing the most appropriate appraisal methodology, which may include the Income Approach, the Direct Comparison Approach and the Cost Approach (unless otherwise stated)
- ▼ A market rental survey to estimate rental rates for the subject property
- ▼ Consideration of the possible effect on value of an assemblage and there is deemed to be none
- ▼ Consideration of the possible effect on value of anticipated public or private improvements and there is deemed to be none
- ▼ Completion of a narrative report outlining background, descriptions, analyses and value conclusion(s)

The following was not included in the scope of work for this assignment:

- ▼ A title search was not conducted
- ▼ This valuation does not consider any personal property
- ▼ Findings that may be discovered through more rigorous due diligence mandate

1.3 Extraordinary Limiting Conditions

An Extraordinary Limiting Condition refers to a necessary modification or exception of a Standard Rule in the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) that may diminish the reliability of the report.

This report is subject to the following Extraordinary Limiting Conditions(s):

Extraordinary Limiting Conditions	
Cost Approach	In preparing this report, I did not use the Cost Approach to value of the main industrial building as the property being appraised is an owner-occupied entity. The Cost Approach is very rarely used for this type of property in the marketplace.
Title Search	I did not carry out a title search as it is outside the scope of this assignment. This should be carried out by your legal counsel to ensure that there are no encumbrances on title.
Expense Information	No detailed expense statements were provided. I checked expenses in other similar buildings in the area as well as reviewed information of expenses that are publically available such as taxes payable. The estimate of the subject property expenses is based on this analysis.

1.4 Extraordinary Assumptions

An extraordinary assumption is an assumption, directly related to a specific assignment that, if found to be false, could materially alter the value conclusion.

During the course of appraising the subject property, no Extraordinary Assumptions were invoked.

1.5 Hypothetical Conditions

A hypothetical condition assumes something that does not currently exist, but is supposed to exist for the purpose of the valuation analysis.

During the course of appraising the subject property, no Hypothetical Conditions were invoked.

1.6 Ownership and History

The subject property is currently owned by PTL Services (Equipment) Ltd. The property was originally owned by Parsons Trucking Limited. In January, 2015 the company was purchased by new owners and renamed to PTL Services (Equipment) Ltd. The parcel located at 20 Marine Drive was received as a grant from the Province in September, 2015. To the best of our knowledge, the subject property is not under contract for sale. The subject property is not currently listed for sale nor has it been listed in the last 12 months on the open market.

2 Property Description

2.1 Location Overview

The subject property is located within the Town of Southern Harbour. The primary land use in this area is vacant treed land. The main site located at 21-23 Marine Drive is made up of three separate parcels and can be seen below. In addition to the main site, there is a parcel of land directly across the street which is located at 20 Marine Drive and is currently being used as laydown area. A map indicating the exact location of the subject property is contained below. Additional photographs of the subject property and maps are located in Appendix B.



Source: Google Earth – subject properties outlined in red

2.1.1 Position and Access

Property Description – Position and Access	
Site Position	Mid-block.
Regional / Local Access	Local access to the subject property is provided by Marine Drive. Regional access is provided by Marine Drive off the Trans-Canada Highway.
Public Transit	There is no public transit within the Town of Southern Harbour.
Amenities	Amenities are located further to the west and include a convenience store and a church.
Surrounding Land Use	Vacant, treed, undeveloped rural land.
Prominent Tenants in the Vicinity	None.

2.1.2 Adjacent Land Uses

Property Description – Adjacent Land Uses	
North	Directly north of the main subject site is the additional site which is used as laydown area across the street. Further north is vacant, treed land. The Come by Chance refinery and Bull Arm site entrance is located 17 kilometres north of the subject property.
South	South of the subject property is vacant, treed land. The Long Harbour site is located approximately 52 kilometres south of the subject property.
East	East of the subject property is vacant, treed land. Further east is the Trans-Canada Highway.
West	West of the subject property is vacant, treed land. Further west are the developments within the Town of Southern Harbour.

2.2 Site Description

Property Description - Site Description – 21-23 Marine Drive	
Site Area	10.83 ac
Topography	Somewhat level near the subject building, however, it slopes downward from the eastern site boundary towards the west along the slope of Marine Drive.
Frontage	590.60 feet along Marine Drive.

Property Description - Site Description – 21-23 Marine Drive	
Depth	Irregular.
Configuration	Irregular.
Services	On-site well and septic services.
Site Coverage	3.22% (Assuming a site size of 4.00 ac for the subject property results in a site coverage ratio of 8.71%).
Site Density	3.71% (Assuming a site size of 4.00 ac for the subject property results in a site density ratio of 10.04%).
Excess Land	Based on Altus Groups review of the location of the current improvements and typical site coverage ratios found in similar properties we determined that the subject property has land in excess of what is typical for the current built improvements. For the purpose of our analysis we have allocated a total area to the current built improvements of 4.00 ac with the remaining 6.83 ac being determined as excess land.
Ingress / Egress	The site is accessed directly via Marine Drive.
Parking	There is unlined paved parking located at the front of the building. The parking is deemed ample for the subject property's current use as an industrial development.
Truck Turning	There is ample truck turning for the property's current use.
Site Improvements	The site is improved with an industrial building of functional size and configuration. There are also two MegaDomes located on site which are of aluminium pole construction and supported by shipping containers on each side and being used for storage.
Special Features	Chain link fencing at the front of the property.
Encumbrances	There is a 5.4m wide powerline easement which passes through the subject site near the northern boundary and extends parallel with Marine Drive.
Legal and Title Limitations	A full search and interpretation of the title are beyond the scope of this appraisal and the report is based on the assumption that there are no material encumbrances that would affect value unless otherwise noted. However, as encumbrances can have a significant impact on the market value and / or marketability, legal advice should be obtained if this assumption is required to be verified.
Environmental Limitations	We are not experts in environmental matters and make no representations regarding them. For the purpose of this report it is assumed that there is no environmental contamination. In order to verify this assumption, an environmental assessment would be required.

Property Description - Site Description – 21-23 Marine Drive	
	As a result of this assumption, the impact on value of contamination, if any, has not been taken into account in this appraisal. If contamination does exist, this could have a negative impact on value.

2.3 Site Description

Property Description - Site Description – 20 Marine Drive	
Site Area	3.38 ac.
Topography	Generally level and at grade with Marine Drive.
Frontage	287.29 feet along Marine Drive.
Depth	449.36 feet along the eastern boundary of the site.
Configuration	Rectangular.
Services	Not applicable.
Ingress / Egress	The site is accessed directly via Marine Drive.
Encumbrances	None noted.

2.3.1 Site Survey / Plan

Site Survey / Plan	
	The main site is comprised of three separate parcels plus an additional parcel of land being located directly across from the main site. These survey plans are outlined in Appendix C.

2.4 Land Use Controls

Property Description – Land Use Controls	
Policy Plan Type	Municipal Plan.
Zoning / Land Use	Rural (RUR).
Permitted Uses	Agricultural, recreational open space.
Discretionary / Accessory Uses	Outdoor assembly, single dwelling, veterinary, outdoor market, general industry, scrap yard, solid waste, mineral working, cemetery, animal, transportation, forestry, antenna.
Permitted Height	Not applicable.

Property Description – Land Use Controls	
Parking Requirements	Not applicable.
Site Specific By-Law	Not applicable.
Allowable Density	Not applicable.
Excess Density / Expansion Potential	The subject property has excess land determined to be located at the western portion of the site. This portion of the site could be subdivided and sold separately from the current improved portion of the site or could be developed alongside existing site improvements.
Land Use Limitations	For the purposes of this appraisal, we have assumed the data obtained from others is correct and, except to the extent noted, the use of property either conforms to the applicable bylaws and regulations or is a legal non-conforming use. In order to verify this assumption legal and planning advice would be required.



Source: Municipal Affairs Department of Newfoundland – subject properties outlined in red

2.5 Building Description

The following is based on an inspection completed on December 5, 2017 and data obtained from the owner:

Property Description – Building Description	
Type	Industrial.
Year Built	1990.
Year Renovated	Extensions to the building were made in 2008, 2012 and 2016. In 2016 the upper level office space had undergone extensive renovations and upgrading which included new drywall, suspended T-bar ceiling and laminate flooring.
Sustainability Certification	Not applicable.
Number of Storeys	Single storey warehouse with upper level office portion.
Net Rentable Area	17,507 sf.
Structure	Steel frame.
Roof Type	Metal.
Exterior Cladding	Vertical metal siding.
Elevators	None.
Fire & Safety	Wall mounted fire extinguishers.
Electrical	The electrical was observed to be 3-phase, 600 amp services. This is assumed to be adequate for the building's current use.
Typical Floor Plate Area	15,190 sf.
Number of Bays	Seven.
Number of Units	One.
Clear Height	20 feet.
Lighting	Inset fluorescent lighting in the office areas with halogen lighting in the warehouse.
HVAC	Electric baseboard heating in office areas with waste oil heating in the warehouse.
Demising Walls	Drywall in office, plywood in warehouse.
Shipping	Seven 14' x 14' manual drive-in doors.
Washrooms	There are adequate washrooms for the property's current use.


Property Description – Building Description	
Special Features	The property features two MegaDome structures on the site which are made of aluminum pole construction and supported by shipping containers on each side.
Functional Utility	The building has average functional utility for industrial use.
Condition/Appeal	The condition/appeal of the building is below average. While the building is in good physical condition, the appeal of the building is severely affected by its rural location.
Building Description Limitation	A structural survey has not been undertaken, and for the purpose of this report, it is assumed that the building is structurally sound. In order to verify this assumption, a qualified engineer should be retained.

2.6 Municipal Assessment and Taxes

The assessment and taxes are based on information from the Municipal Assessment Agency and the Town of Southern Harbour. The Commercial Property Tax Rate for the town for 2017 is 16 mils. 2017 is the second year of a three-year assessment cycle in the Town of Southern Harbour with the values based on a 1 January 2014 base date. Municipal assessment and taxes are summarized as follows:

Property Description – Municipal Assessment and Taxes	
20 Marine Drive Assessment:	\$ 17,600
21-23 Marine Drive Assessment:	\$ 281,400
Total Assessment (2017)	\$ 299,000
Annual Taxes Payable:	\$ 4,784
Local Improvement Charges:	\$ 0
Total Annual Taxes:	\$ 4,784

2.7 Property Commentary

	<ul style="list-style-type: none"> ▼ The property is located along Marine Drive within the Town of Southern Harbour. ▼ The property is currently improved with a single-tenant industrial building of good quality with two MegaDomes which were constructed in 2017. This represents a discretionary use under the zoning regulations for the Rural zone.
---	--

	<ul style="list-style-type: none">▼ Given the site coverage of 3.22% we have concluded that there is excess land associated with the subject property and must estimate a market value for this land. We have estimated some 6.83 ac of excess land which could be subdivided and sold separately from the subject property.▼ The building is in good physical condition; however the overall the appeal of the building is severely affected by its rural location.
--	---

3 Economic Overview

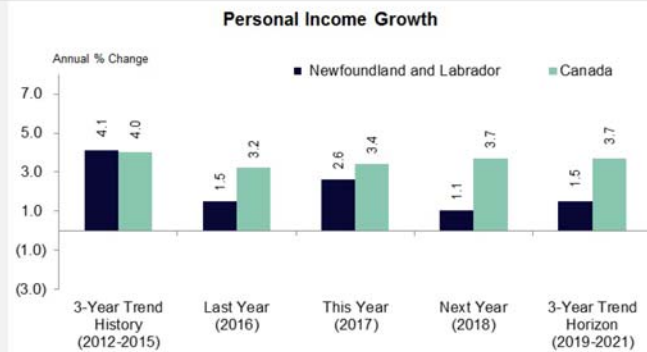
Economic Trends - Newfoundland and Labrador

Economic Conditions

- In Newfoundland and Labrador, real GDP advanced at a meagre 0.7% average annual pace from 2012-2015, slower than rest of the country. Economic growth likely bounced higher in 2016 on the back of increased oil production. However, 2017 is likely to be a weak year, as economic growth is hampered by the winding down of large construction projects and by provincial government fiscal austerity. Oil production should improve in 2018, owing to a full year of output from the Hebron oil platform, supporting economic growth. Additionally, provincial construction spending will be boosted by on-going construction of the West White Rose offshore project, expected to begin in late-2017. The impact of fiscal austerity should lessen going forward, removing a weight to growth, while the economy is lifted by increased oil production over the remainder of the forecast period.

Income Growth

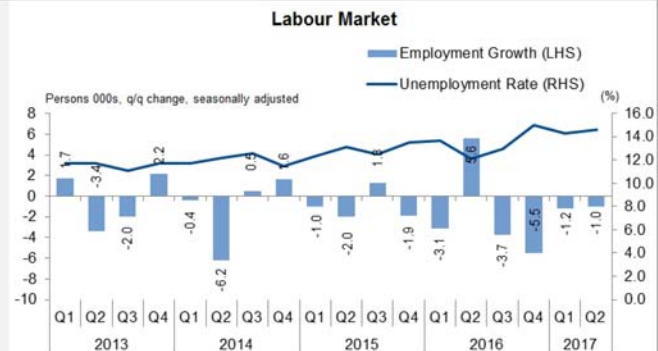
- Personal income growth is likely to decline slightly in 2017, owing to dropping employment, before accelerating from 2018 onwards, in tandem with improved economic fortunes.
- Weaker income growth in the province relative to the rest of Canada is anticipated throughout the forecast period.



Source: Altus Group Economic Consulting based on Conference Board and Statistics Canada

Labour Market

- Employment declined in Newfoundland and Labrador in the second quarter of 2017, representing the 8th such decline in the past 10 quarters. The oil and gas and manufacturing sectors as well as the wholesale and retail trade industries remain primarily responsible. The level of employment was 220,100 workers in the second quarter.
- The unemployment rate ticked higher in the second quarter and was above its long-term average.
- Employment growth is likely to decline this year before improving from 2018 onwards, supported by strengthening economic growth. Overall, employment is expected to increase by about 7,300 net new jobs between 2017-2021.



Source: Altus Group Economic Consulting based on Statistics Canada

Housing Market

- In the second quarter, work started on 310 new homes, 21% lower than the same period in 2016. After declining significantly in 2016, housing starts are expected to remain at a low level in 2017 and increase modestly over the forecast horizon.
- Consistent with declining employment, sales of existing homes Newfoundland and Labrador were 16% lower on a year-over-year basis in the second quarter.



Source: Altus Group Economic Consulting based on CMHC

Economic Trends - Newfoundland and Labrador (Continued)

Non-residential Construction

- In the second quarter, non-residential investment increased 6% to \$51 million (seasonally adjusted) versus the prior quarter.
- Despite the increase, non-residential spending was still significantly lower than recent levels.
- Looking ahead, spending should be supported in the near-term by on-going construction of a new \$590 million hospital in Corner Brook. However, the project will wrap up in 2018, which is negative for medium-term non-residential investment.

Investment in Non-residential Building Construction

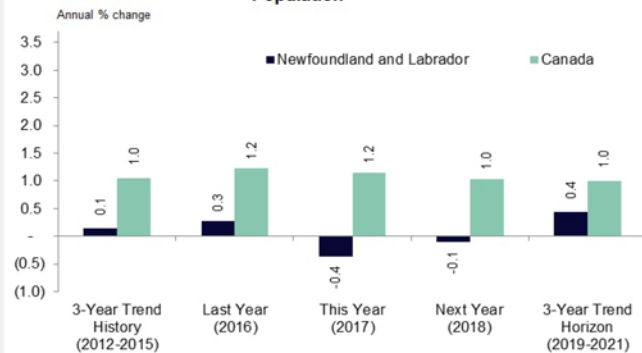


Source: Altus Group Economic Consulting based on Statistics Canada

Population Growth

- Though modest, population growth was slightly stronger in 2016 compared to the 2012-2015 period. Growth was boosted by increased international migration.
- Population growth is expected to decline modestly in 2017, as extremely weak economic conditions dampen international migration. However, some offset will likely come from the federal government's plan to settle between 280,000 and 320,000 immigrants in Canada in 2017 as some of these people will likely settle in Newfoundland. An improving economy should lead to stronger population growth from 2018 onwards.

Population



Source: Altus Group Economic Consulting based on Statistics Canada

National Economic Context

- Canadian economic growth advanced at a 2.0% average annual pace from 2012-2015, slightly slower than the long-term average. Growth then advanced at a comparatively modest 1.5% rate in 2016 as a consequence of turmoil in the oil and gas sector. In 2017, stabilization in the oil and gas sector is contributing to recovering growth in the oil-levered provinces. This, combined with solid nationwide consumer spending, on-going government expenditures and positive residential investment sets up for very strong growth in 2017. Economic growth will likely moderate from its robust 2017 pace thereafter, but still remain relatively firm, supported by improved investment, on-going U.S. demand and government spending. Forecast risks include potential negative impacts from a renegotiation of trade terms with the U.S. and potentially lower than expected business investment.

4 Highest and Best Use

The reader is referred to Appendix A for the definition of highest and best use.

4.1 Highest and Best Use as Improved

Based on a review of the existing by-laws, the subject property appears to conform to existing land use controls. A formal legal review would be required for certainty.

The subject property is improved with a steel-frame industrial building of functional size and configuration. There are also two MegaDome structures on the site which are made of aluminum pole construction and supported by shipping containers on each side. Based on Altus Group's review of the location of the current improvements and typical site coverage ratios found in similar properties we determined that the subject property has land in excess of what is typical for the current built improvements. For the purpose of our analysis we have allocated a total area to the current built improvements of 4.00 acres with the remaining 6.83 acres being determined as excess land. In addition to the excess land on the site, there is an additional site across the street comprising some 3.38 acres which is currently being use as laydown area. Having regard to the locational and physical characteristics of the subject property, the land use controls and current market conditions, it is concluded that the existing use of the subject property represents its highest and best use.

There does not appear to be an alternative use that could reasonably be expected to provide a higher present value than the current use, since the improvements are specifically adapted to the existing use. The current use is therefore concluded to be the most profitable. Based on the foregoing, it is concluded that the highest and best use of the subject property, as improved, is its present use as an industrial development with laydown area.

4.2 Highest and Best Use as if Vacant Land

Given the location of the subject property, the size and configuration of the site, as well as the current zoning, it is likely that its use would be consistent with similar properties in the immediate area if it were vacant land. Based on the foregoing, it is concluded that the highest and best use of the subject property, as vacant land, would be for speculative holding land.

5 Valuation

There are typically three approaches used to estimate market value: the Income Approach, the Direct Comparison Approach and the Cost Approach.

Income Approach

The Income Approach recognizes the principle of anticipation, where the anticipation of future benefits creates value. The Income Approach is usually used as the primary method of valuation when a property is expected to be acquired by an investor. The Income Approach is comprised of two primary methods:

Direct Capitalization: This procedure involves dividing the stabilized net annual operating income (NOI) by a singular rate that takes into account the investment characteristics of the subject property.

Discounted Cash Flow (DCF): This method calculates the present value of the future cash flows over a specified time period, including the potential proceeds of a deemed disposition, to determine market value.

Direct Comparison Approach

The Direct Comparison Approach recognizes the principle of substitution, according to which a buyer will not pay more for one property than for another that is equally desirable. By this approach, an opinion of value is developed by applying a comparative analysis of properties that are similar to the subject property that have recently sold, are listed for sale or are under contract, by focusing on the similarities and differences that affect value.

Cost Approach

The Cost Approach recognizes the principle of substitution, according to which a knowledgeable purchaser would not pay more for a property than it would cost to construct a property of similar design and utility, assuming no unreasonable delays. The Cost Approach involves adding the market value of the land to the depreciated value of the building and site improvements.

5.1 Valuation Methodology Selected

Given the size of the subject property and the position of the current built improvements, we have concluded that there is excess land located at the west of the current built improvements. This area is largely utilized for laydown area with the MegaDome also occupying a portion of the site. For the purpose of our analysis we have completed a valuation of the main building and allocated site area of 4 acres utilizing the Direct Comparison Approach as the primary method of valuation. For most owner-occupied properties, the Income Approach is developed in a rudimentary manner only. Typically, this method is developed merely to support the conclusions reached by the Direct Comparison Approach, rather than to act as a valuation conclusion in isolation. We did not use the Cost Approach for this portion of our analysis as it does not typically reflect the motives and actions of buyers and sellers of this type of property. The MegaDomes were constructed in 2017 and we have been provided with total costs for their purchase and installation for the currently owner we have estimated their contributory value to the overall property utilizing the Cost Approach. The excess land has been valued utilizing the Direct Comparison Approach.

6 Income Approach

The theory of the Income Approach is that the value of a property is the present worth of all the net income that it will produce for each year of its remaining useful life. Net income serves as a measurement that, in turn, is capitalized into a value estimate by the use of a capitalization rate taken from the experience of similar properties that have already sold or from the state of the financial market at the time of the appraisal. The rental income of a property will generally reflect all attributes and amenities inherent in that property.

6.1 Income Forecasts

The following section outlines an analysis of the subject property leasing activity, current tenant profile, market rent factors, and estimate of normalized vacancy and bad debt, operating expenses, and capital expenses.

6.1.1 Tenant and Income Profile

The subject is currently occupied by the owner. For area that is occupied by an owner, a net market rental rate is assumed. The lease rate assumes the owner to lease the premises over a lease term typical in the market.

6.1.2 Market Rent Analysis

The term “market rent” is generally defined as being the most probable rent that a rental unit would command if exposed to the open market for a reasonable period of time. The process of estimating the market rent presumes that the space in question is vacant and available for lease. Since no two rental units are alike, the estimation of market rent must account for the specific characteristics of each particular location, as well as the physical features and functional attributes of each space. In order to estimate market rent for the subject property, recent leasing activity in the subject property and at comparable premises have been reviewed. Details of the analysis are provided below.

Recent Leasing at the Subject Property

There has been no recent leasing at the subject property.

Comparable Leasing

For the purpose of our analysis we have reviewed commercial rental rate asking rates and recent lease deals within industrial developments throughout the Avalon Peninsula. Specific properties cannot be identified in order to protect confidentiality.

Based on a review of recent lease transactions of comparable developments, the rental rates range from \$6.00 to \$13.00 per square foot for similar properties was identified. The lower end of the range was a property within the Town of Carbonear which leased in December 2015 and was comprised of 2,400 square feet with the tenant being responsible for utility costs. The upper end of the range was a property located within the Town of Clarendville which rented on a gross basis. The property was some 5,808 square feet, with the majority of the area being finished space.

The most comparable lease transaction that we observed was an Industrial building within the Town of Placentia. The property was 17,128 square feet and leased for \$8.00 per square foot, net. The property was, however, located in a superior location within the main commercial area of the Town of Placentia. Overall, we would expect a rent slightly lower for the subject property.

A summary table outlining the net rental rate, common area maintenance expense and gross effect rental rates indicated from the Q3, 2017 Cushman & Wakefield report are located below.

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANT SPACE (SF)	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVE. NET RENT*	OVERALL WEIGHTED AVE. ADD. RENT	OVERALL WEIGHTED AVE. GROSS RENT
EAST	8	225,870	26,180	11.6%	1,697	-2,019	0	0	\$11.21	\$4.04	\$15.25
WEST	4	147,345	21,000	14.3%	7,000	-7,220	0	0	\$ 8.87	\$2.84	\$11.71
DOWNTOWN	6	170,951	28,600	16.7%	0	0	0	0	\$13.01	\$4.91	\$17.92
NORTH	37	744,947	108,945	14.6%	11,442	-10,560	0	0	\$10.86	\$3.96	\$14.81
MOUNT PEARL/PARADISE	104	2,496,741	500,837	20.1%	30,391	-13,569	20,000	0	\$12.46	\$2.88	\$15.34
ST. JOHN'S TOTALS	161	3,785,854	685,562	18.1%	50,530	-33,368	20,000	0	\$11.18	\$3.22	\$14.40

*Rental rates reflect asking \$psf/year

The subject property is located in a more rural location than the above properties. According to the information contained in the table above, the typical net rental range for industrial office / warehouse properties located within the St. John's CMA is \$8.87 to \$13.01 per square foot, net. We expect a lower rental rate for the subject property given its remote location outside of the main industrial area.

Given consideration to the location, age / condition and the size of the subject property and the information presented above, we have utilized a market rental rate of \$7.00 per square foot, net for the subject property.

Conclusions

Based on the discussion above and the review of the comparable rents outlined above, the estimate of market rental rates utilized in the Cash Flow Analysis is outlined below:

Market Rental Rate Conclusions	
Area Type	Rental Rate PSF
Office / Warehouse	\$7.00
Average Market Rent PSF	\$7.00

6.2 Other Revenue

No additional revenue streams have been identified for the subject property.

6.3 Vacancy and Bad Debt Allowance

No vacancy and bad debt allowance has been applied to the subject property, typical of investor attitude towards single-tenant assets. All sales are analyzed under the same parameters.

6.4 Recovery Expense Revenue and Operating Expenses

The concluded market rental rate is based upon a net rental term. In this circumstance, the tenant would be responsible for all operating expenses, including realty taxes and management fees.

Realty taxes for the subject property are calculated based on the current assessment from the Municipal Assessment Agency and the commercial mil rate of 16 mils. We have also included a management fee for the subject property. Typical management fees range from 2% to 5% of gross income for similar industrial developments. Due to the single-tenant nature of the property it is felt that a management expense near the low end of the range is reasonable. For the subject property, we have utilized a management expense of 2% of effective gross income. All other operating expenses have been estimated based on historical operating costs for the building and previous appraisal work of buildings of similar use and size and are shown below:

Operating Expenses		
Item	Total Estimated (standard)	Standard (PSF)
General Operating	\$35,000	\$2.00
In-Suite Power	\$17,500	\$1.00
Realty Taxes	\$4,784	\$0.27
Total Estimated Expenses	\$57,284	\$3.27

6.5 Income and Expense Pro Forma

Stabilized NOI					
Line No.					
1	Potential Rental Income	Rate		Area	
	Office / Warehouse	\$7.00	@	17,507	\$122,549
	Total Potential Rental Income				\$122,549
	Reimbursement Revenue				
	General Operating				\$35,000
	In-Suite Power				\$17,500
	Realty Taxes				\$4,784
2	Total Reimbursement Revenue				\$57,284
	Total Potential Gross Revenue				\$179,833
3	Vacancy Allowance		@ 0.00%		\$0
	Effective Gross Revenue				\$179,833
	Operating Expenses				
	General Operating				\$35,000
	In-Suite Power				\$17,500
	Realty Taxes				\$4,784
	N/R Management Fee		@ 2.00%		\$3,597
	N/R Structural Allowance		@ 0.00%		\$0
4	Total Operating Expenses				\$60,881
	Stabilized NOI				\$118,952

6.6 Yield Selection

In order to determine the appropriate yield for the subject property; specifically, the capitalization rate (CR); the following factors have been considered:

- ▼ Alternative investment yields
- ▼ An analysis of the subject property's income, physical and locational characteristics
- ▼ An analysis of relevant sales and other market activity

6.6.1 Alternative Investment Yields

The CR selected to value the subject property is expected to be higher than the average yield of 1.84% indicated by 10-year Canada Bonds as at December, 2017. The premium attributable to real estate is based primarily on the lack of liquidity, increased management and the greater overall risk associated with real property assets.

6.6.2 Recent Investment Market Activity

A review of recent market activity provides additional support for the selection of yields. The most relevant transactions that were found are summarized on the following page. To ensure comparability, the same methodology used for the analysis of the subject property has been applied to the analysis of the comparable property sales.

Recent Investment Market Activity

Index No.	Building Details	Sale Details	Rate Summary	Overall Comparison
1	 <p><i>Civic Address</i> 40 O'LEARY AVE <i>Municipality</i> St. John's, NL <i>Rentable Area</i> 22,648 SF</p>	<p><i>Date of Sale</i> Jul-17 <i>Adj. Sale Price</i> \$1,700,000 <i>Price PSF</i> \$75</p>	CR 8.10%	Superior
2	 <p><i>Civic Address</i> 30 O'LEARY AVE <i>Municipality</i> St. John's, NL <i>Rentable Area</i> 19,840 SF</p>	<p><i>Date of Sale</i> Apr-17 <i>Adj. Sale Price</i> \$1,750,000 <i>Price PSF</i> \$88</p>	CR 9.05%	Superior
3	 <p><i>Civic Address</i> 20 GLENCOE DR <i>Municipality</i> Mount Pearl, NL <i>Rentable Area</i> 15,536 SF</p>	<p><i>Date of Sale</i> Jun-16 <i>Adj. Sale Price</i> \$1,550,000 <i>Price PSF</i> \$100</p>	CR 8.50%	Superior

Rate Summaries

	Min	Median	Max
CR	8.10%	8.50%	9.05%
\$ PSF	\$75	\$88	\$100

6.6.3 Capitalization Rate Analysis

A review of recent market activity provides additional support for a capitalization rate selection. We have reviewed sales of a number of office/warehouse type properties located in and around the more active area of St. John's in order to extract reasonable capitalization rates. The rental market in the Southern Harbour area is very limited and hence little in the way of sales from which a capitalization rate can be derived. The CRs indicated by the recent property sales vary between 8.10% and 9.05%, with the recent trend suggesting increasing rates of return.

The upper end of the range is set by Index No. 2 at a CR of 9.05%. This comparable is a multi-tenant industrial building within the O'Leary Business Park within the City of St. John's. The comparable property is older than the subject property; however, it is located in a much superior location. Overall, a higher rate would be expected for the subject property.

The lower end of the range is set by Index No. 1 at a CR of 8.10%. This comparable property is located within the O'Leary Business Park within the City of St. John's. The building was recently renovated and upgraded and was in good condition at the time of sale. The comparable property is also located in a much superior location. A much higher rate would be expected for the subject property.

The remaining comparable sale is a smaller-scale multi-tenant building located within the Donovan's Industrial Park in the City of Mount Pearl. Since the location of our subject property is inferior, we would expect a higher cap rate for the subject property.

6.6.4 Capitalization Rate Rationalization

In addition to the analysis of alternative investment yields and recent market activity, the following factors have been ranked in order to assist me in selecting appropriate investment yields for the subject property. These factors compare the subject property's investment attributes with typical characteristics observed in the market for this type of property. An "average" rating indicates similarity with market expectations.

Factor	Item	Comments	Overall Rating
Physical	Asset Type	Industrial	Average
	Year Built	1990	
	Condition/Appeal	The building is in good physical condition with no deferred maintenance noted at the time of inspection. While the building is in good condition, the overall appeal is affected by the rural location of the property.	
	Size	The property is some 17,507 square feet which appears to be adequate for the buildings current use and provides a functional size for a variety of industrial uses.	

	Functional Utility	The property features a large warehouse section with upper level office portion. This is a typical layout for similar industrial developments and is considered to have good functional utility.	
Financial	Occupancy	100%	Below Average
	Tenant Profile	Owner Occupied	
	Rollover	The property is located within a rural area within the Town of Southern Harbour where there is limited potential for tenants and investors, and would likely remain owner occupied.	
	Market Rent	There is a very limited market for potential tenants in this area. Given the location of the property, the property would achieve a much lower rent than more established industrial areas within the province. We have estimated the market rent for the subject property to be \$7.00 psf, net.	
External	Neighbourhood	The property is located within the Town of Southern Harbour, which is a rural location with very limited demand for large industrial properties such as the subject.	Below Average
	Investment Appeal	Overall, the property has a poor investment appeal due to its rural location.	

6.6.5 Capitalization Rate Conclusion

The subject property is located within the rural community of the Town of Southern Harbour. This region is inherently riskier than the more established service areas such as those located within the St. John's CMA due to the lack of demand from potential investors and tenants. In recent years the real estate market in this area has become even more risky with the conclusion of mega projects in Long Harbour and Bull Arm there has been a shift in the area within a significant reduction in commercial and industrial activity within the region. Because of this we expect the capitalization rate for the subject property to be much higher than the range indicated in the above analysis. Based on the foregoing analysis, a capitalization rate (CR) of 12.00% has been selected.

6.7 Direct Capitalization

By this procedure, an estimate of stabilized net operating income (NOI) for a single year is converted into an indication of value. The stabilized NOI for the year starting at the effective date of appraisal was used.

This procedure entails three steps:

- ▼ The stabilized net operating income (NOI) was determined.
- ▼ In this section, the NOI was capitalized at a CR of 12.00%, as determined in the Yield Analysis section, to estimate the market value based on stabilized occupancy.
- ▼ This value will be adjusted, if applicable, for rent abatements, above/below market rent, existing vacancy, short-term leasing costs, capital expenditures and amortized capital expense revenue.

6.7.1 Estimate of Market Value (Direct Capitalization)

Direct Capitalization		
Line No.		
1	Total Stabilized NOI	\$118,952
2	Capitalization Rate	12.00%
	Final Value	\$991,270
	Final Value (Rounded)	\$1,000,000

7 Direct Comparison Approach

The Direct Comparison Approach has as its basis the comparison of the subject property with recent sales of properties that have similar characteristics in terms of location and building type. Where good, recent comparable property sales evidence is available; the approach can provide a dependable value estimate.

The Direct Comparison Approach is considered useful not only in terms of estimated value, but also in demonstrating that the final value estimate concluded in the appraisal falls within a reasonable range of value evident in the marketplace.

The typical procedure for undertaking the Direct Comparison Approach involves:

- ▼ researching the market for data from sales, contracts, offers and listings of competitive properties;
- ▼ verifying that the data is accurate and representative of arm's-length transactions;
- ▼ determining relevant units of comparison;
- ▼ comparing the subject with the comparable property sales and adjusting the comparable property sales for differences; and
- ▼ reconciling the multiple value indications into a single value or range of values for the subject property.

7.1 Comparable Property Sales Activity

We have conducted a survey of market evidence for properties having similar characteristics to the subject property. From our research, the most appropriate in terms of comparable property sales evidence for our Direct Comparison Approach is contained at and summarized below.

Recent Market Activity		
Index No.	Building Details	Sale Details
1	 <i>Civic Address</i> 1 PIKES LANE <i>Municipality</i> Carbonear, NL <i>Rentable Area</i> 14,000 SF	<i>Date of Sale</i> Dec-16 <i>Adj. Sale Price</i> \$800,000 <i>Price PSF</i> \$57
2	 <i>Civic Address</i> 5 BLACKMORE AVE <i>Municipality</i> Clarendville, NL <i>Rentable Area</i> 10,000 SF	<i>Date of Sale</i> Feb-16 <i>Adj. Sale Price</i> \$650,000 <i>Price PSF</i> \$65
3	 <i>Civic Address</i> 56 HARDY AVE <i>Municipality</i> Grand Falls-Windsor, NL <i>Rentable Area</i> 15,520 SF	<i>Date of Sale</i> Mar-15 <i>Adj. Sale Price</i> \$1,612,500 <i>Price PSF</i> \$104

7.2 Sales Activity

The Direct Comparison Approach requires adjustments to be made to the comparable property sales to reflect differing characteristics. The 'adjusted' comparable property sale price reflects the price that would have been paid if the comparable property sale had all the same characteristics as the subject.

The adjustment process can take the form of either 'quantitative' or 'qualitative' adjustments. The quantitative method applies specific plus and minus adjustments to each characteristic. The qualitative method provides an opinion as to whether the comparable property sale has superior or inferior characteristics to the subject but does not apply dollar or percentage quantum to each character difference. In our analysis, we have utilized the quantitative method.

The most important characteristics of each comparable property together with our time and quantitative adjustments for differences to the subject are shown in tabular form on the next page.

Direct Comparison Approach - Summary of Adjustments

Subject Property	Index No. 1	Index No. 2	Index No. 3
Address	21-23 Marine Drive Southern Harbour, NL	1 Pikes Lane Carbonear, NL	5 Blackmore Avenue Clareville, NL
			56 Hardy Avenue Grand Falls-Windsor, NL
Building Characteristics			
Building Type	Industrial	Industrial	Industrial
Occupancy Type	Owner Occupied	Owner Occupied	Owner Occupied
Year Built	1990	2002	1999
Rentable Area (sf)	17,507	14,000	15,520
# of Storeys	Two	One	Two
Finished Content (%)	20%	0%	40%
Industrial Content (%)	80%	100%	60%
Land Area (ac)	4.00	4.42	4.92
Sale Date	Dec-17	Dec-16	Mar-15
Sale Price		\$800,000	\$1,612,500
Price PSF		\$57.14	\$103.90
Time adjustment		0.0%	0.0%
Time adjusted Price PSF		\$57.14	\$103.90
QUANTITATIVE ADJUSTMENTS			
Other adjustments			
Location		-15.0%	-25.0%
Age / Condition		10.0%	0.0%
Building Size		0.0%	0.0%
Building Quality		20.0%	-15.0%
Overall Adjustment		15.0%	-40.0%
Adjusted Price per sf		\$65.71	\$62.34

The sales are time adjusted in order to bring the sale prices all to the same effective date. It is difficult to be precise on a time adjustment as we have no paired sales (the same parcel selling twice so that a price increase over time can be measured).

After a review of commercial sales that have transacted we have determined that historically a 2% per annum adjustment has been reasonable. Given consideration to the changes that occurred with commodity pricing and the impact on the Newfoundland economy, 2015 saw a general slowdown in real estate transactions and limited growth in both rental and purchase price. This is partly due to the lack of available property for purchase as owners decide to hold rather than sell during this time of transition. All transaction analyzed occurred after December 2015; therefore no time adjustment has been made.

Our analyses of the sales after the initial time adjustment has been made are discussed below.

Index #1

The comparable property is a steel frame industrial building within the Town of Carbonear that was purchased in December, 2016. The property features vertical metal siding at the exterior and had no finished office content. The property is some 14,000 square feet and borders Rossiter's Pond to the south.

As previously discussed no time adjustment has been made as the transaction occurred after December, 2014. The purchase price indicated a unit value to \$57.14 per sf. All other adjustments are as follows:

- ▼ Location The subject property is located within a rural area within the Town of Southern Harbour. The comparable property is well-located within the Town of Carbonear, which is a more established location. A downward adjustment of 15% has been applied.
- ▼ Age/Condition The comparable property was constructed in 2002 while the subject property was constructed in 1990 with several extensions being added since its initial construction. Overall, we expect the 'effective age' of the subject property to be higher than its chronological age. The comparable property also appears to be in inferior condition to the subject property. An upward adjustment of 10% has been applied.
- ▼ Building Size The subject property is comprised of some 17,507 square feet with the comparable being 14,000 square feet. While the comparable property is slightly smaller, we wouldn't expect this difference to have an impact on value. The properties are considered similar in this regard and no adjustment has been applied.
- ▼ Building Quality The subject property has some 20% office content with high quality finishes. The comparable property has no finished office content and is considered inferior. An upward adjustment of 20% has been applied.

Index #2

The comparable property is a retail / industrial building consisting of some 10,000 square feet with 2,000 square feet being finished office and retail space. The property is well located within the Town of Clarenville. The building features six drive-in doors with a fenced laydown area.

As previously discussed no time adjustment has been made as the transaction occurred after December, 2014. The purchase price indicated a unit value to \$65.00 per sf. All other adjustments are as follows:

- ▼ Location The comparable property is well-located within the Town of Clarendville, a commercial service centre for the region. A downward adjustment of 15% has been applied.
- ▼ Age/Condition The comparable property as constructed in 1997 while the subject property was constructed in 1990 with several extensions being added since its initial construction. Overall, we expect the 'effective age' of the subject property to be higher than its chronological age. An upward adjustment of 5% has been applied.
- ▼ Building Size The comparable property is smaller than the subject property. Typically smaller properties tend to transact at a higher unit rate due to economies of scale, therefore the comparable property is considered superior to the subject and a downward adjustment of 7.5% has been applied.
- ▼ Building Quality The comparable property has similar finished office content to the subject property; however, the clear height of the comparable property is 14 feet which is considered inferior to the subject property which has a clear height of 20 feet. The comparable property is considered inferior and an upward adjustment of 10% has been applied.

Index #3

The comparable property is an industrial building located in the Town of Grand Falls-Windsor. The property is well-located along Hardy Avenue which is a main industrial area within the Town. The property is a steel frame industrial building of some 15,520 square feet and features 40% finished office content. At the time of sale the property was used as a heavy transport repair facility.

As previously discussed no time adjustment has been made as the transaction occurred after December, 2014. The purchase price indicated a unit value to \$103.90 per sf. All other adjustments are as follows:

- ▼ Location The comparable property is well-located within a main industrial area within the Town of Grand Falls-Windsor, which is a commercial service centre for the region. A downward adjustment of 25% has been applied.
- ▼ Age/Condition The comparable and subject properties are of similar age and condition and no adjustment has been applied.
- ▼ Building Size The comparable property is comprised of some 15,520 square feet. While the comparable property is slightly smaller, this difference is not expected to have an impact on value. The properties are considered similar and no adjustment has been applied.
- ▼ Building Quality The comparable property has a clear height of up to 28 feet and also has more finished office content than the subject property. The comparable property is considered superior and a downward adjustment of 15% has been applied.

7.3 Estimate of Market Value (Direct Comparison Approach)

The previous adjustment charts shows original value range of the comparable properties to be between \$57.14 and \$103.90 per sf. After adjustment, the market value range indicated by the comparable ranges between \$60.13 and \$65.71 per sf. Index #2 is considered the most comparable to the subject property due its similar finished office content and location being the closest to the subject property location. We have placed the majority of our reliance on Index #2 and conclude the value for the subject property to be on the lower end of the above range.

Giving consideration to the discussion, our final unit rate conclusion for the subject property is \$60.00 per sf.

Based on this unit value conclusion, it is our opinion that the value of the subject property through use of the Direct Comparison Approach is \$1,000,000 as set out in the calculation below.

Final Value - Direct Comparison Approach	
Rentable Area	17,507
Unit Value Estimate (PSF)	\$60
Final Value	\$1,050,420
Final Value (Rounded)	\$1,000,000

8 MegaDome Valuation

In addition to the main industrial building, there are also two MegaDome storage buildings located on the property. Through discussion with both the owner and our client and review of typical cost of MegaDomes similar to those found at the subject property we have determined an estimate cost of the each MegaDome to be approximately \$50,000. Given consideration to the age (constructed in September 2017) and condition we have utilized a current replacement costs in our analysis of \$100,000.

8.1 Estimate of Accrued Depreciation

Accrued depreciation is the difference between the cost new of improvements and the current value of those improvements. Building depreciation occurs through three basic categories:

8.1.1 Physical Depreciation

Physical depreciation is a loss in value due to wear and tear, advanced age, dilapidation or construction defects. Curable physical deterioration (deferred maintenance) is the cost of bringing the physical aspects of the building to a state whereby a normal maintenance cycle can commence. Incurable physical deterioration pertains to major construction elements that age over the economic life of the building. The buildings were constructed in September, 2017 and appear to have no physical depreciation.

8.1.2 Functional Obsolescence

Function obsolescence is the adverse effect on value resulting from design defects that impair a structure's usefulness. It can be caused by changes over the years that make some aspect of the structure, material or design obsolete by current standards. Based on the current age of the improvements, there does not appear to be any functional obsolescence associated with the structures.

8.1.3 External Obsolescence

External obsolescence (sometimes referred to as locational obsolescence) is a temporary or permanent impairment of the utility or salability of an improvement or property due to negative influences outside of the property. These include changing property or land use patterns and adverse economic conditions. Because of the remote location of the subject property, it is likely that a potential purchaser would require transportation of the buildings to a more suitable location. Because of this, a potential purchaser would observe some external obsolescence. Based on the current location of the property, we have estimated the external obsolescence to be in the order of 10%.

Depreciation Conclusion

After a review of the nature of the site improvements, age, condition and typical life expectancy, I have estimated a reasonable overall depreciation rate to be in the order of 10%.

8.2 Estimate of MegaDome Value (Cost Approach)

The final estimate of value is calculated by combining the various value components discussed in the above sections. The table below indicates the calculation whereby the replacement cost new is depreciated for economic and functional obsolescence and physical deterioration.

The estimate of current market value of the MegaDome structures by the Cost Approach, based on the information contained above, is as follows:

Cost Approach Valuation - Megadomes		
Building Replacement Cost New		\$100,000
Depreciation Allowances		
Less: Physical Depreciation - incurable	0%	\$0
Less: Functional Obsolescence ¹	0%	\$0
Less: External Obsolescence ¹	10%	\$10,000
Depreciated Building Value		\$90,000
Final Value		\$90,000
Final Value (ROUNDED)		\$90,000

¹ Calculated after physical depreciation has been deducted from the replacement cost

9 Valuation of Excess Land

Excess land is defined as being either a portion of the total land holding that could be, or is already, subdivided and could be sold separately, or land that is excess to the current building use. The subject property is comprised of a total area of 10.83 ac. Given consideration to the current built improvements of the subject property and the amount of laydown area which is typically required for similar buildings, the total excess land within the subject property is estimated to be 6.83 ac for the purposes of this analysis. This area would need to be confirmed by a survey for certainty.

In addition to the excess land associated with the main site, there is also land which is located at 20 Marine Drive which comprises some 3.38 acres. The site is cleared as being used by the current owner as overflow laydown area for the main site. Given the location and size of this property, we estimate the value to be the same as the excess land value, on a per acre basis.

9.1 Land Valuation

The excess land has been valued by comparison with similar lands that have sold recently within the market area. Land transactions have been researched and sales compiled that show the greatest degree of comparability to the subject. These are shown in summary form on the table set out below. Full details have been kept on file.

Land Sales						
Index No.	Municipal Address	Sale Date	Area (ac)	Zoning	Sale Price	Price per ac
1	43-45 MAIN ST Pasadena, NL	Oct-16	1.41	CG & OS	\$22,000	\$15,603
2	ROUTE 202 Doyles, NL	Jun-16	2.11	Unincorporated	\$23,000	\$10,900
3	553 THORBURN RD St. John's, NL	May-16	66.49	R, W, O	\$1,200,263	\$18,052

Index No. 1

The comparable property is an irregular-shaped land sale within the Town of Pasadena. The property is zoned a mixture of Commercial General and Open Space, and has an irregular configuration. The property was treed and undeveloped at the time of sale; however, the condition is likely to have little impact on value of rural and open space zoned lands. Overall, we can expect a similar per acre rate for the subject property.

Index No. 2

The comparable property is located within the unincorporated community of Doyles. The property is irregular in shape. At the time of sale the property was mostly treed, with the front portion comprising

mostly low lying shrubs and bushes. There is no formal zoning designation, since the property is located within an unincorporated region. There are no municipal services available to the site. Overall, we expect a higher value for the subject property on a per acre basis due to its location within an incorporated community.

Index No. 3

The comparable property is located within the City of St. John's. The property is rectangular in shape with no direct road frontage. The property was purchased for speculative purposes in hopes to connect with the Kenmount Terrace area in the distant future. The property is zoned a mix of Rural, Watershed and Open Space which would limit most development. The comparable property is located in the vastly superior area of St. John's and we would expect a lower per acre rate for the subject property.

The parcel located at 20 Marine Drive (across the street from the main site) was purchased by the current owners in September 2015 via a crown grant for a purchase price of \$30,597 including HST (or \$9,052 per acre). At the time of purchase the property was vacant undeveloped treed land. Subsequent to the purchase the property was cleared, grubbed and graded to be utilized as laydown area. Discussion with active construction companies in the area indicated a cost for clearing, grubby and grading the site in the order of \$5,000-\$6,000 per acre. Combining the original purchase price with the cost of developing the site results in a per acre value in the order of \$15,000 per acre. This estimate is supported by the sales discussed above.

Given consideration to the above discussion and the location, size and condition of the subject property, it is my opinion that the value of the subject property's excess land would be \$15,000 per ac. On the basis of the above analysis and discussion, please see the table below for the market value estimate of the excess land of the subject property.

Excess Land Value	
Unit Value Estimate (per ac)	\$15,000
Excess Land (ac)	6.83
Site Value Estimate	\$102,413
Final Value (Rounded)	\$100,000

Land Value - 20 Marine Drive	
Unit Value Estimate (per ac)	\$15,000
Site Size (ac)	3.38
Site Value Estimate	\$50,700
Final Value (Rounded)	\$50,000

10 Forced Sale Analysis

A 'forced sale' or 'forced liquidation' is a description of the situation under which the exchange (or sale) takes place, not a distinct basis of value. Forced sales arise where there is pressure on the vendor to sell at a specific time. For example, because of the need to raise money or to extinguish a liability by a given date. The fact that a sale is 'forced' means that the vendor is subject to external legal or personal factors, and therefore the time constraint is not merely a preference of the vendor.

Below is a summary of some of the factors that would need to be considered as part of a forced sale scenario:

1. A reduced time period during which the property is offered for sale which results in reduced negotiating strength of the vendor due to lack of time to negotiate the deal.
2. Purchasers buying under forced sale conditions must act quickly which results in a compressed period to complete due diligence. The reduced period for due diligence results in additional risk for the prospective purchaser.
3. Reduced marketing period also means a prospective purchaser will have limited time to arrange financing.
4. Reduced marketing period may also limit exposure and number of potential purchasers, resulting in less competition.
5. The physical and functional aspect of the property will also create additional strain on the potential selling price under forced sale conditions.
6. Overall market condition; in a bear market when marketing periods are typically increased, a forced sales scenario with a shortened marketing period further amplifies this issue resulting in a larger discount than might be experienced in a bull market.

A forced sale value is not a market value but rather a forced sale value is a price that may be accepted in forced sale circumstances, this is a commercial judgment and a reflection of the investment value or worth to that particular vendor. Any relationship between the price achievable by a forced sale and the market value is coincidental; it is not a valuation that can be determined in advance. Consequently, the following discussion will provide advice to the likely realization of a purchase price for the subject properties under a forced sale circumstances under the following conditions / considerations:

1. Marketing / exposure period has been reduced from up to 24 month to 3 to 6 months
2. The properties are listed for sale with an agent and not subject to a bidding process
3. The market for commercial developments within the Town of Southern Harbour and surround area is declining and as such the market would be considered a bear market as of the effective date.

In order to assist in the determination of typical market discounts for properties under forced sale price scenario Altus Group has analyzed sales of properties that transacted under duress or as part of foreclosure proceedings throughout Newfoundland and Labrador as well as other areas within Atlantic Canada. The exercise in analyzing forced sales transactions can be challenging as there are many moving parts and each forced sales transaction typically occurs under a unique set of circumstances, considerations must be given to how the property is sold either through conventional marketing or auction, the type of property, the age and condition of the overall property, exposure period, location, etc.

From a general high level review of the information held on file of the discount applied to force sale properties within the Newfoundland and Labrador within the last 12 months the discounts range from

7.5% to 59.8% was indicated. The lower end of this range was a good quality industrial building with high utility in a main industrial park within the City of St. John's. The higher end of the range comprised of a poor quality, deteriorated building located within Happy Valley Goose Bay. A review of transactions within the Atlantic Region over the last 48 months indicated discounts ranging from a high of 70.3% to a low of 18.1%.

The subject property is located within a remote area with limited potential investors and purchasers. Given the location of the subject property within a rural area, the discussion and the conditions as outlined above for a forced sale scenario, a discount in the mid to upper end of the range for industrial transactions is considered applicable for the subject property. For the purpose of our analysis we have utilized a discount of up to 40% from our market value estimate. Based on the foregoing analysis and under the forced sales conditions as outlined, it is our opinion that there may be a discount of up to 40% from the market value estimate. The resulting possible value range under a forced sale condition would be in the order of \$744,000 - \$1,240,000.

11 Reconciliation and Conclusion

The estimates of value from the approaches used are:

Final Value Conclusions			
Valuation Methodology	Parameters		Conclusion
Direct Capitalization	Cap Rate	12.00%	\$1,000,000
Direct Comparison	Price PSF	\$60.00	\$1,000,000
Value Conclusion			\$1,000,000
Plus: Megadome Value			\$90,000
Plus: Excess Land Value			\$100,000
Plus: 20 Marine Drive Land Value			\$50,000
Final Value Conclusion (Rounded)			\$1,240,000
Final Value Conclusion PSF			\$70.83

In arriving at a final conclusion of market value, the Direct Comparison Approach is given the greatest weight given that the subject property is an owner/user property.

11.1 Final Value Conclusion

Further to the analysis of the subject property and of the market data outlined in this report, the current market value of the property located at 20 & 21-23 Marine Drive, Southern Harbour, as at December 5, 2017, subject to the Standard Terms and Limiting Conditions in Appendix A and the Extraordinary Limiting Conditions in Section 1.3, is:

Market Value Conclusion
\$1,240,000
One Million Two Hundred Forty Thousand Dollars

Based on this estimate of current market value, the liquidity of the subject property is expected to be "Poor". An estimated exposure time of 12 to 24 months would have been required prior to the effective date to sell the subject property at its current market value.

In addition to the current market value already provided you have requested that we provide an estimate of the forced sale price (also known as forced sale value) of the fee simple interest in the subject properties referenced above assuming a reduced exposure period of 3-6 months.

A 'forced sale' is a description of the situation under which the exchange (or sale) takes place, not a distinct basis of value. Forced sales arise where there is pressure on the vendor to sell at a specific time. A forced sales value is not a market value but rather a forced sale value is a price that may be accepted in forced sale circumstances, this is a commercial judgment and a reflection of the investment value or worth to that particular vendor. Any relationship between the price achievable by a forced sale and the market value is coincidental; it is not a valuation that can be determined in advance. The below stated

forced sale price is an estimate of the likely realization of a purchase price for the subject properties under a forced sale circumstances under the following conditions / considerations:

1. Marketing / exposure period has been reduced from up to 24 months to 3 to 6 months.
2. The properties are listed for sale with an agent and not subject to a bidding process.
3. The market for commercial developments within the Town of Southern Harbour and surrounding area is declining and as such the market would be considered a bear market as of the effective date.

Under any of these circumstances, there may be a discount of up to 40% from the market value estimate to obtain a sale under forced sale conditions for the subject property. The range in likely sale value based on the above discount is \$744,000 to \$1,240,000

12 Certification

Effective Date: **December 5, 2017**
Property Appraised: **20 & 21-23 Marine Drive, Southern Harbour, NL**

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

- ▼ The statements of fact contained in this report are true and correct.
- ▼ The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.
- ▼ I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved. I am therefore an independent and external professional.
- ▼ I am not in a conflict of interest to undertake this assignment.
- ▼ I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- ▼ My engagement in and compensation for this assignment was not contingent upon developing or reporting predetermined results, the amount of the value estimate, or a conclusion favouring the client.
- ▼ My analyses, opinions and conclusions were developed and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice, Valuation - Professional Standards 2016 of the Royal Institution of Chartered Surveyors and the International Valuation Standards.
- ▼ I have the knowledge, skill, experience and understanding to complete the assignment competently. Additionally, the signing appraiser has not had any previous material involvement with respect to this property, unless specifically addressed within the body of this report.
- ▼ The subject property was inspected by Jonathan Hynes, Candidate on December 5, 2017. The inspection was considered sufficient to describe the real estate, develop an opinion of highest and best use and make meaningful comparisons with other market data. A detailed inspection to report building condition is beyond the scope of this assignment.
- ▼ No one provided professional appraisal-related assistance in the preparation of this report.
- ▼ No one provided professional assistance or third-party professional assistance to the undersigned.
- ▼ As of the date of this report, Joanne Slaney, B.Comm, B.A., AACI and Jonathan Hynes, Candidate have fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for designated and candidate members, and are members in good standing of the Appraisal Institute of Canada.

In my opinion, the current market value and 'forced sale' value of the fee simple interest in the subject property, subject to the specific and extraordinary assumptions and limiting conditions as laid out clearly starting on page 2 of this report and the Standard Terms contained in Appendix A, as at December 5, 2017, is:

\$1,240,000

One Million Two Hundred Forty Thousand Dollars



Digitally signed by
Joanne Slaney
Date: 2017.12.20
11:04:16 -03'30'

Joanne Slaney, B.Comm, B.A., AACI



Jonathan Hynes, Candidate

Signing Date: December 20, 2017

Appendix A - Terms of Reference

Appendix B - Visual Identification

Appendix C - Survey Plans

Appendix A Terms of Reference

Standard Terms and Conditions

Definitions

Standard Terms and Conditions

The following Standard Conditions apply to real estate appraisals prepared by Altus Group ("Altus"). Any Special Conditions have been added as required.

Terms of the Engagement

Appraisal assignments are accepted with the understanding that there is no obligation to furnish services after completion of the original assignment. If the need for subsequent service related to an appraisal assignment (e.g., testimony, updates, conferences, reprint or copy service) is contemplated, special arrangements acceptable to Altus must be made in advance. The working papers for this engagement have been retained in our stored files and are available for your reference.

Altus maintains policies with respect to the handling of complaints, disclosure of previous involvement and a rotation of report signatories. A copy of these policies is available upon request.

I take no responsibility for any events, conditions or circumstances affecting the subject property or its value, that take place subsequent to either the effective date of value cited in the appraisal or the date of the field inspection, whichever occurs first.

The Addressee agrees to indemnify Altus and its respective affiliates, agents and employees, and its successors and assigns (Altus and each such person being an "Indemnified Party") from and against any and all losses, claims, damages and liabilities, joint or several, to which such Indemnified Parties may be subject under any applicable federal, provincial and territorial law, related to, or arising out of, the subject appraisal and/or the engagement of Altus pursuant to the appraisal assignment and will reimburse any Indemnified Party for all reasonable expenses (including counsel fees and expenses) as they are incurred in connection with the investigation of, preparation for, or defense of, any pending or threatened claim or action or proceeding arising therefrom, whether or not such Indemnified Party is a party. The Addressee will not be liable under the foregoing indemnification provisions to the extent that any loss, claim, damage, liability or expense is found in a final judgment by a court of competent jurisdiction to have resulted primarily from the bad faith, gross negligence or recklessness of an Indemnified Party.

Altus' maximum liability relating to services rendered under this report (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to Altus for the portion of its services or work products giving rise to liability. In no event shall Altus be liable for consequential, special, incidental, or punitive losses, damages, or expenses (including, without limitation, lost profits, opportunity costs, etc.) even if it has been advised of their possible existence.

This engagement may be terminated whether by the client or Altus at any time upon written notice to that effect to the other parties, it being understood that, unless Altus shall unilaterally terminate the engagement without the client's consent and without reasonable cause, the provisions related to the payment of fees and expenses through the date of termination will survive any termination, and it being further understood that the indemnification and hold harmless provisions shall survive any termination thereof, whether or not such termination is unilateral.

Invoices are due upon receipt. Invoices not paid after 30 days from issuance will be subject to a late fee calculated at a 12% per annum rate of interest. The client is responsible for all costs of collection, including legal fees.

Confidentiality

"Confidential Information" means non-public, confidential, or proprietary information that a party provides to the other party or marks as "confidential" or "proprietary" or that otherwise should be understood by a reasonable person to be confidential in nature. Subject to the provisions hereof, neither party, nor its Representatives (as defined below) will disclose any Confidential Information provided by the other party or on its behalf and shall only use such Confidential Information for the purpose of performing this Agreement. Confidential Information does not include information which (i) was in the receiving party's lawful possession prior to receipt from the disclosing party; (ii) is lawfully disclosed to the receiving party by a third party; or (iii) is independently developed by the recipient without any use of or reliance on Confidential Information; or (iv) is disclosed to a party's employees, officers, directors, affiliates, manager, agents and representatives (collectively, "Representatives") consistent with the purposes hereof and who shall be directed by such party to keep the Confidential Information confidential in accordance herewith.

Notwithstanding the foregoing, either party and its Representatives may disclose Confidential Information (including, for the avoidance of doubt, the services and the deliverables) of the other to a third party as may be required by law, statute, rule or regulation, legal process, including any subpoena or other similar form of process, or to any governmental or regulatory authority (including any self-regulatory authority) exercising applicable jurisdiction over a party, provided that (and without breaching any legal or regulatory requirement) the party to which the request is made provides the other party with prompt written notice thereof and, if practicable under the circumstances, allows the other party to seek a restraining order or other appropriate relief at such party's cost and expense.

This provision shall survive termination of this agreement.

Other Matters

Neither party may assign or transfer this letter, or any rights, obligations, claims, or proceeds from claims arising under it, without the prior written consent of the other party. Any assignment without such consent shall be void and invalid. If any provision of this letter is found to be unenforceable, the remainder of this letter shall be enforced to the extent permitted by law. Altus may not use Client's or its investment manager's name or refer to either of them or any of their affiliates, directly or indirectly in any advertisement, news release, marketing materials, customer lists, or professional trade or trade publications or represent directly or indirectly, that any product or service of Altus has been approved or endorsed by Client, or refer to the existence of this Agreement in press releases, advertising or other materials without the prior consent of Client. This letter supersedes any prior understandings, proposals or agreements with respect to the Services, and any changes must be agreed to in writing.

Report Content

Appraisals are performed and written reports are prepared in accordance with the *Canadian Uniform Standards of Professional Practice* of the Appraisal Institute of Canada (AIC), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the AIC, and the Valuation – Professional Standards 2014 of the Royal Institution of Chartered Surveyors (RICS), and the International Valuation Standards (IVS), published by the International Valuation Standards Council and any other Appraisal Organization to which they are members.

Unless specifically stated, the value conclusion(s) contained in the appraisal applies to the real estate only, and does not include personal property, machinery and equipment, trade fixtures, business value, goodwill or other non-realty items. The appraisal report covering the subject is limited to surface rights only, and does not include any inherent subsurface or mineral rights. Income tax considerations have not been included or valued unless so specified in the appraisal. I make no representations as to the value changes that may be attributed to such considerations.

The appraisal assumes market conditions as observed as of the current date of our market research stated in the letter of transmittal. These market conditions are believed to be correct; however, the appraisers assume no liability should market conditions materially change because of unusual or unforeseen circumstances.

No opinion is rendered as to property title, which is assumed to be good and marketable. Unless otherwise stated, no consideration is given to liens or encumbrances against the property. Sketches, maps, photos or other graphic aids included in appraisal reports are intended to assist the reader in ready identification and visualization of the property and are not intended for technical purposes.

It is assumed that legal, engineering or other professional advice, as may be required, has been or will be obtained from properly qualified legal professional sources and that the appraisal report will not be used for guidance in legal or technical matters such as, but not limited to, the existence of encroachments, easements or other discrepancies affecting the legal description of the property. It is assumed that there are no concealed or dubious conditions of the subsoil or subsurface waters including water table and flood plain, unless otherwise noted. I further assume there are no regulations of any government entity to control or restrict the use of the property unless specifically referred to in the report. It is assumed that the property will not operate in violation of any applicable government regulations, codes, ordinances or statutes.

It is assumed that any and all liabilities that might accrue against the real estate such as taxes, hypothecs, contracts or services of any kind, are paid when due. Taxes and other fees (e.g. broker commissions) incurred during the hypothetical sale of the real estate are not addressed in our valuation.

This report is not intended to be an engineering report. I am not qualified as a structural or environmental engineer; therefore, I am not qualified to judge the structural or environmental integrity of the improvements, if any. Consequently, no warranty or representations are made nor any liability assumed for the structural soundness, quality, adequacy or capacities of said improvements and utility services, including the

construction materials, particularly the roof, foundations, and equipment, including the HVAC systems, if applicable. Should there be any question concerning same, it is strongly recommended that an engineering, construction and/or environmental inspection be obtained. The value estimate(s) stated in this appraisal, unless noted otherwise, is predicated on the assumptions that all improvements, equipment and building services, if any, are structurally sound and suffer no concealed or latent defects or inadequacies other than those noted in the appraisal. I will call to your attention any apparent defects or material adverse conditions that come to my attention.

In the absence of competent technical advice to the contrary, it is assumed that the property being appraised is not adversely affected by concealed or unapparent hazards such as, but not limited to asbestos, hazardous or contaminated substances, toxic waste or radioactivity.

Information furnished by others is presumed to be reliable, and where so specified in the report, has been verified; but no responsibility, whether legal or otherwise, is assumed for its accuracy, and it cannot be guaranteed as being certain. No single item of information was completely relied upon to the exclusion of other information.

Appraisal reports may contain estimates of future financial performance, estimates or opinions that represent the appraiser's view of reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, that events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by my prospective financial analyses will vary from those described in my report, and the variations may be material.

Any proposed construction of rehabilitation referred to in the appraisal is assumed to be completed within a reasonable time and in a workmanlike manner according to or exceeding currently accepted standards of design and methods of construction.

Any inaccessible portions of the property or improvements not inspected are assumed to be as reported or similar to the areas that are inspected.

It should be specifically noted by any prospective mortgagee that the appraisal assumes that the property will be competently managed, leased and maintained by financially sound owners over the expected period of ownership. This appraisal engagement does not entail an evaluation of management's or owner's effectiveness, nor am I responsible for future marketing efforts and other management or ownership actions upon which actual results will depend.

Use of the Report

The report, the final estimate of value and estimates of future financial performance included therein, are intended for the information of the person or persons to whom they are addressed, solely for the purposes stated therein, and should not be relied upon for any other purpose.

Neither possession of this report nor a copy of it carries with it the right of publication. All copyright is reserved to the author and is considered confidential by the author and his client. This is subject only to confidential review by the Appraisal Institute of Canada and the Ordre des évaluateurs agréés du Québec.

The addressee shall not distribute the report to third parties without the prior permission of Altus. Before such permission shall be provided, the third party shall agree to hold Altus harmless relative to their use of the report. Neither this report, nor its contents nor any reference to the appraisers or Altus, may be included or quoted in any offering circular or registration statement, prospectus, sales brochure, other appraisal, loan or other agreement or document without my prior written permission. Permission will be granted only upon meeting certain conditions. Generally, Altus will not agree to the use of its name as a "named expert" within the meaning of the Securities Act.

The valuation applies only to the property described and for the purpose so stated and should not be used for any other purpose. This report is prepared on the assumption that no other person will rely on it for any other purpose, and that all liability to all such persons is denied. Any allocation of total price between land and the improvements as shown is invalidated if used separately or in conjunction with any other report.

Neither the report nor any portions thereof (especially any conclusions as to value, the identity of the appraisers or Altus or any reference to the AIC, The Royal Institution of Chartered Surveyors or other recognized appraisal organization or the designations they confer) shall be disseminated to the public through public relations media, news media, advertising media, sales media or any other public means of communication without the prior written consent and approval of the appraisers and Altus. The date(s) of the valuation to which the value estimate conclusions apply is set forth in the letter of transmittal and within the body of the report. The value is based on the purchasing power of the Canadian dollar as of that date.

Definitions

Altus InSite Investment Trends Survey

Altus InSite undertakes a survey of the Canadian real estate industry to determine the informed consensus opinion on investment performance trends and valuation parameters from Canada's key investors, lenders and other opinion leaders. The results of this quarterly survey are presented online as a series of data reports and charts for the Office, Retail, Industrial and Multiple Unit Residential asset classes for seven major markets across Canada.

Highest and Best Use

Highest and best use may be defined as:

“The reasonably probable use of a property, that is physically possible, legally permissible, financially feasible and maximally productive, and that results in the highest value.”¹

The highest and best use of both land as though vacant and the property as developed must meet four criteria. The highest and best use must be:

Physically Possible: The size, shape, terrain and soil conditions of a parcel of land affect its physical utility and adaptability. The size, design and condition of an improved property may suggest that rehabilitation, conversion or demolition is in order

Legally Permissible: Depends on public restrictions such as zoning, building codes, historic preservation regulations and environmental controls, as well as the private or contractual restrictions found in deeds and long-term leases

Financially Feasible: Uses that should produce returns that exceed the income required to satisfy operating expenses and debt service (interest and amortization)

Maximum Return: Among financially feasible uses, the use that produces the highest price or value consistent with the rate of return warranted by the market.

Fee Simple²

An interest consisting in absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, expropriation, police power and escheat.

¹ *Canadian Uniform Standards of Professional Appraisal Practice*, Ottawa. Appraisal Institute of Canada. 2016. Section 2.33

² *The Appraisal of Real Estate: 3rd Canadian Edition*. Vancouver. University of British Columbia Real Estate Division. 2010. Section 6.2

Leased Fee³

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

Leasehold⁴

The interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions.

Liquidity

I have provided my opinion on the liquidity of the subject property if it were placed on the open market for sale. The summary shows a single-word description from Excellent through Poor, explained as follows:

Excellent Liquidity

- May achieve a price above market value and within a brief marketing period
- ▼ High competition among buyers, keen and able to make an acquisition
- ▼ Rare availability of similar assets
- ▼ A high availability of both debt and equity
- ▼ Brief marketing period is possible
- ▼ Evidence of similar properties achieving price above a common view of market value
- ▼ Overwhelming strengths of investment character

Good Liquidity

- Likely to achieve market value within a reasonable marketing period
- ▼ Buyers, keen and able to make an acquisition
- ▼ Restricted availability of similar assets
- ▼ A good availability of both debt and equity
- ▼ Reasonable marketing period and brokerage effort required in order to achieve market value
- ▼ High confidence of brokers able to achieve market value estimate
- ▼ Similar properties demonstrate pricing at a common view of market value
- ▼ Investment character strengths outweigh the weaknesses

Modest Liquidity

- Value may be difficult to achieve; a more extensive marketing period may be required
- ▼ Selective and few buyers
- ▼ Demand/supply of investment opportunities is in balance
- ▼ A good availability of debt but at higher margins
- ▼ More cautious sources of equity
- ▼ Strengths and weaknesses of investment character offset each other
- ▼ More extensive marketing effort required in order to achieve value
- ▼ Similar properties demonstrate pricing at a common view of market value

³ *The Appraisal of Real Estate: 3rd Canadian Edition. Vancouver. University of British Columbia Real Estate Division. 2010. Section 6.4*

⁴ *Ibid.*

Poor Liquidity

Value is difficult to gauge and achieve notwithstanding an extensive marketing period

- ▼ Very few buyers and limited to a speculative nature only
- ▼ Unusual assets, or high, or potentially high availability of similar assets
- ▼ Poor availability of debt even at higher margins
- ▼ Very cautious sources of equity
- ▼ Limited trading activity
- ▼ Extensive marketing period required
- ▼ Overwhelming weaknesses of investment character
- ▼ Low broker confidence

Market Value

Market Value is defined by the Appraisal Institute of Canada in the *Canadian Uniform Standards of Professional Appraisal Practice*⁵ as:

“The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.”

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

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

Exposure Time

Exposure Time is an estimate of the length of time that 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.

Exposure Time is a retrospective estimate based upon our experience and the opinions gathered from real estate brokers active in the field. The estimate of time period for reasonable exposure is not intended to be a prediction, but is an estimate of the amount of time that the property would have required to be exposed for sale on the open market in an appropriate manner, and using an experienced broker.

⁵ *Canadian Uniform Standards of Professional Appraisal Practice*, Appraisal Institute of Canada. 2016. Section 16.14.3.i.

Appendix B Visual Identification

Photographs of Subject Property

Municipal Map

Photographs of Subject Property



View of the front of the subject property



View of the rear of the subject property



Looking southwest along Marine Drive



Looking northeast along Marine Drive



View of laydown area



View of Megadomes

Photographs of Subject Property



View of warehouse space



Alternate view of warehouse space



View of office space



Alternate view of office space

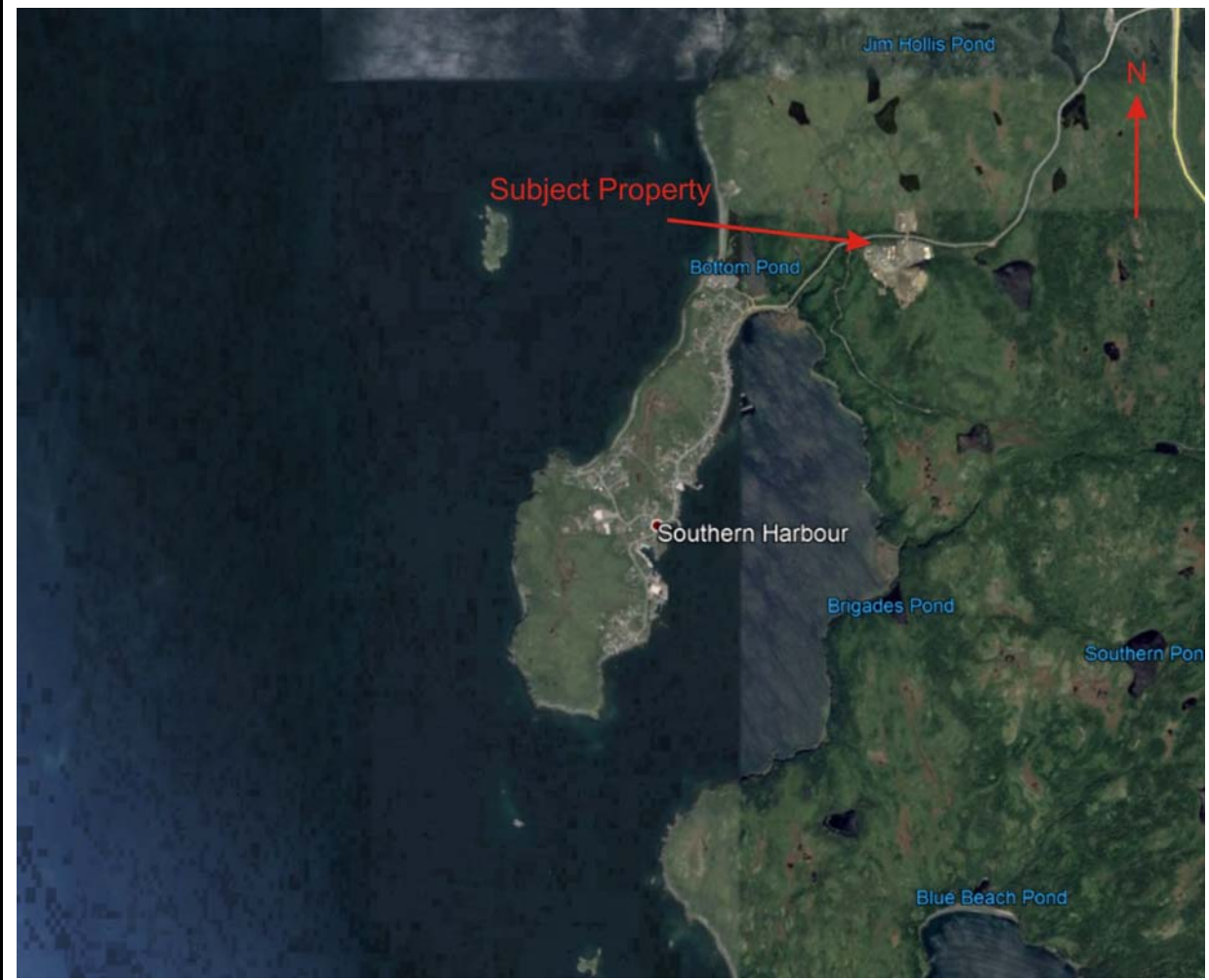


View of 20 Marine Drive



View of 20 Marine Drive

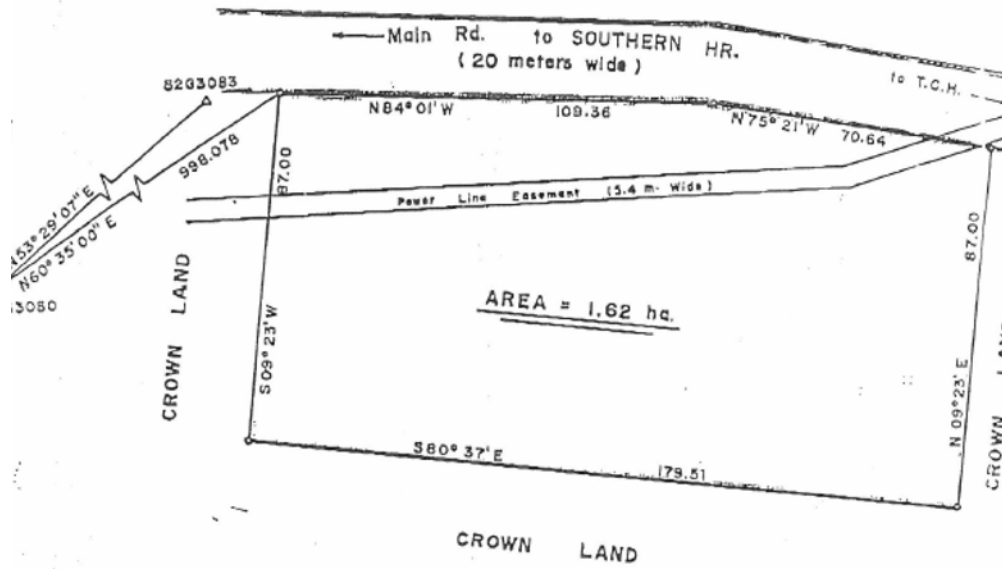
Municipal Map



Source: Google Earth

Appendix C Survey Plans

A.00 A110 9



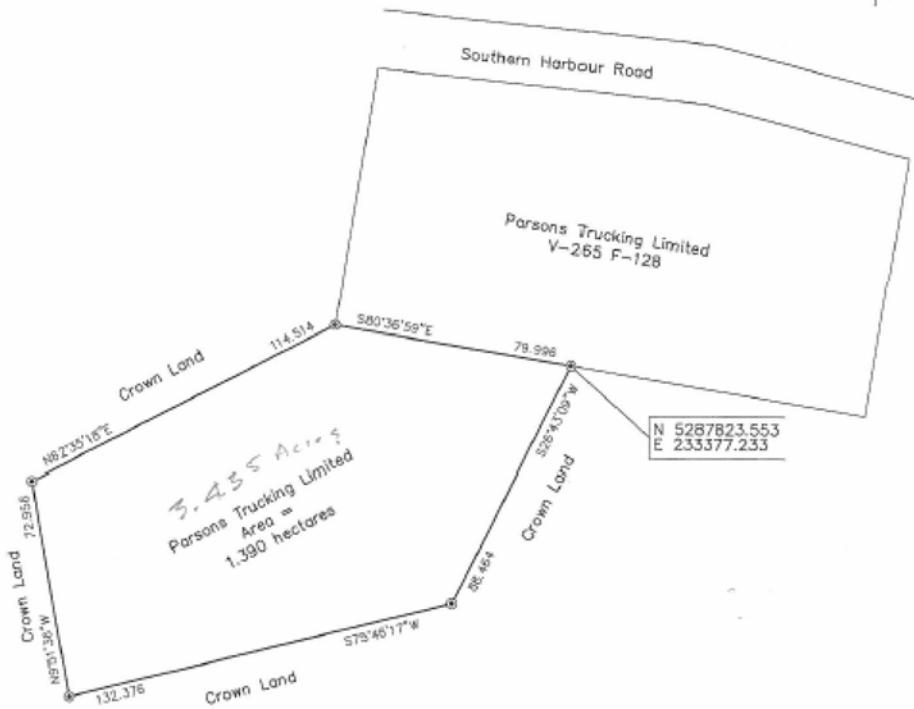
James Austin

NOTE: All lines clear
o ...Placed Iron Pin

NR E92004

— SCALE 1:1250 —

Schedule "B"



LEGEND

- FIB Found Iron Bar
- ⊙ Capped Iron Bar
- Iron Bar

Linear Measurement Horizontal Ground Distances.

All Boundary Lines Cut or Open.

NAD 83 Reference Datum.

Co-ordinates derived by RTK GPS.
Control Monument 82G3078 and
82G3083 used in Central Tie.

Scale: 1 : 1500
CL Appl. No. 131566



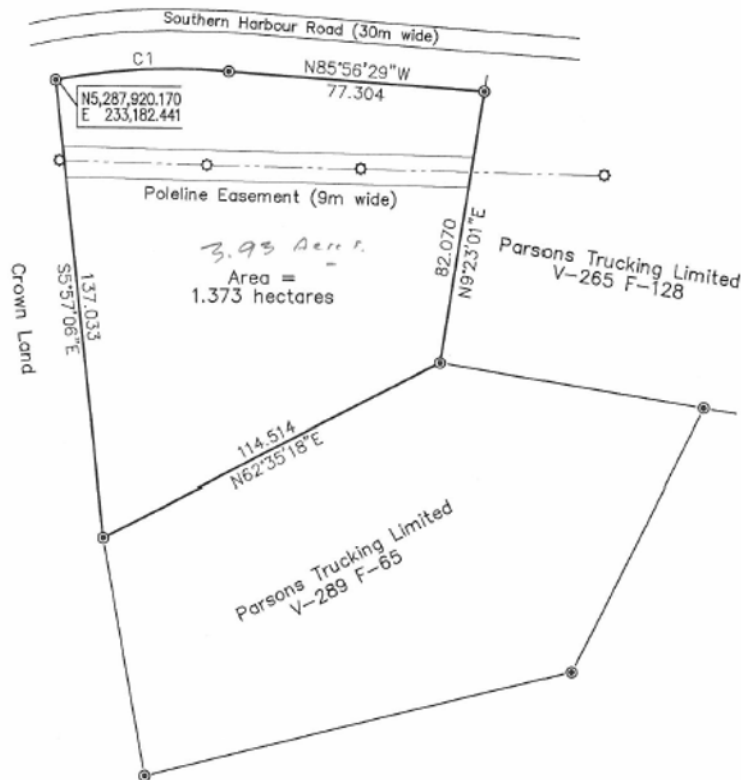
W.J. Thorne Surveys Limited

298 River Road, Blaketown, NL
Job No. 208138 Date : August 26, 2008

Schedule "B"



NUM	ARC	RADIUS	BEARING	DISTANCE
C1	52.377	192.542	S86°50'59"W	52.215



LEGEND

- FIB Found Iron Bar
- ⊙ Capped Iron Bar
- Iron Bar
- ⦿ Pole
- Pole Line

Linear Measurement Horizontal Ground Distances.

All Boundary Lines Cut or Open.

NAD 83 Reference Datum.

Co-ordinates derived by RTK GPS.

Control Monument 82G3078 & 82G3083 used in Control Tie.



Scale: 1 : 1500

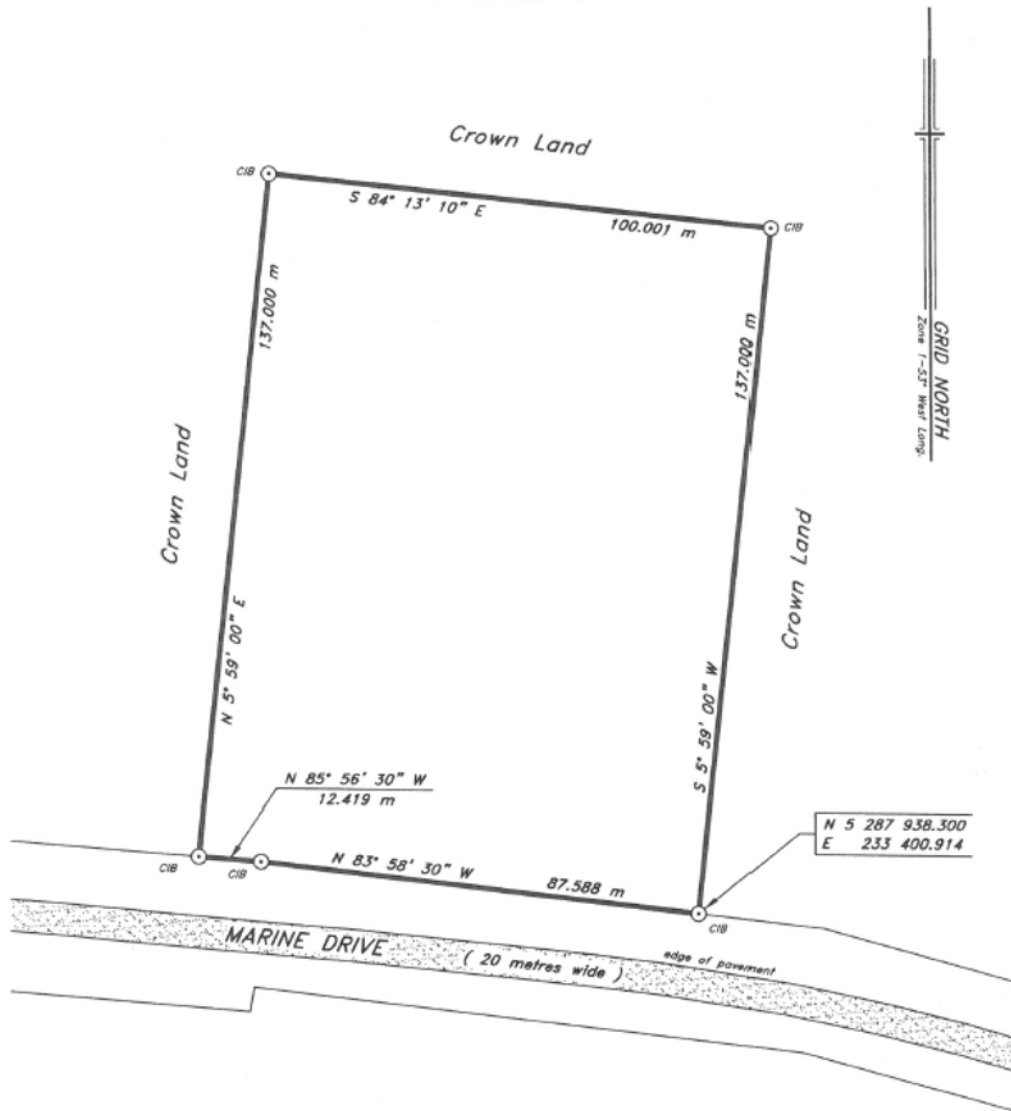
Appl. No. 136062

W.J. Thorne Surveys Limited

298 River Road, Blaketown, NL

Job No. 210259 Date : September 2, 2010

SCHEDULE "B"



Area = 1.3681 hectares

CONTROL MONUMENTS

(NAD-83)

82G3080	N 5 287 432.110
	E 232 443.095
82G3083	N 5 287 720.017
	E 232 831.957

NOTE: STARTING POINT DERIVED FROM
REAL TIME KINEMATIC GPS
OBSERVATIONS RELATIVE TO
CONTROL MONUMENT NO. 82G3080

NOTE ○ CIB CAPPED IRON BAR
○ IB IRON BAR
Fg. FOUND

ALL DISTANCES ARE GRID DISTANCES
SCALE FACTOR USED TO CALCULATE HORIZONTAL
GROUND DISTANCE IS 0.999963
ALL BOUNDARY LINES CLEAR



SCALE 1:1000

((Control Surveys Ltd.
May 14, 2015

146147