

NARRATIVE APPRAISAL REPORT



PROPERTY TYPE : Tom Patterson Theatre &
Kiwanis Community Centre

ADDRESS : 48 Water Street, Stratford, ON

APPRAISER : Matt Telford, BA, AACI, P. App

CLIENT : City of Stratford

EFFECTIVE DATE : September 1, 2017

REPORT DATE : September 14, 2017

FILE # : 0917-34357/MT



759 Hyde Park Road, Suite 251
London, Ontario, N6H 3S2
519.667.9050
800.305.2650
F:519.667.9087
www.valcoconsultants.com

City of Stratford
PO Box 874, 353 McCarthy Road,
Stratford, ON N5A 6W3

September 14, 2017
Valco File: # 0917-34357/MT

ATTENTION: Mr. Rob Horne | rhorne@stratford.ca

As requested, I completed an investigation and valuation analysis to estimate the September 1, 2017, Current Market Value, of the Fee Simple Interest, of the one storey, 32,084 square foot (as per Geowarehouse), commercial building, operating as the Tom Patterson Theatre & Kiwanis Community Centre, located at:

**48 WATER STREET,
STRATFORD, ONTARIO**

I, personally inspected the Subject Property on September 1, 2017 and analysed information considered pertinent to the valuation. Based on this inspection, analyses and subject to all assumptions and limiting conditions found in the following 72 page report and addenda, Current Market Value, as at the specified date, is estimated at:

TWO MILLION SEVENTY FIVE THOUSAND DOLLARS

\$2,075,000

This is a 'Narrative Appraisal Report' prepared in accordance with the Canadian Uniform Standards of Professional Appraisal Practice. The report describes the method and approach to value in support of the conclusions and contains pertinent data gathered in my investigation of the market.

Respectfully submitted,
VALCO CONSULTANTS INC.


Matt Telford, BA, AACI, P. App
1-519-667-9050, Extension 241
mtelford@valcoconsultants.com

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SUMMARY OF SALIENT FACTS AND CONCLUSIONS

NAME OF PROJECT	:	Multi User Commercial Building
MUNICIPAL ADDRESS	:	48 Water Street, Stratford, Ontario
LEGAL DESCRIPTION	:	The Subject Property is briefly and legally described as being composed of Lot 567, Plan 20, Stratford; Lot 568 Plan 20 Stratford; Lot 569 Plan 20 Stratford; Lot 570 Plan 20 Stratford, Except R241419 & R106988; Lot 571 Plan 20 Stratford, Except R241419, R106988 & ELY 36'; S/T Rights in R20487 & R236524; being all of PIN # 531240003, City of Stratford, Perth County, Province of Ontario.
INSPECTION DATE	:	September 1, 2017
EFFECTIVE DATE	:	September 1, 2017
DATE OF REPORT	:	September 14, 2017
TYPE OF REPORT	:	Narrative Report
MARKET VALUE	:	Current Market Value
PROPERTY INTEREST	:	Fee Simple Interest - 100% Interest
CLIENT/INTENDED USERS	:	City of Stratford
INTENDED USE OF THE APPRAISAL	:	The intended use of this appraisal and the Current Market Value estimate is to assist in establishing a Market Value for possible sale purposes. The appraisal was not based on a requested minimum valuation, a specific valuation or the approval of a sale or mortgage.
PERSONAL PROPERTY	:	No personal property is included in this estimate.
DESCRIPTION OF IMPROVEMENTS	:	The site is improved with a one storey, multi user, commercial building that was originally built in 1906 and had additions added in years following, containing a total building area of 32,084 square feet. The building is comprised of two main areas. The first being the Tom Patterson Theatre, which was originally constructed in 1906, and has undergone several significant upgrades and renovations and is in average to good condition. The theatre has a 400 person seating capacity, with front box office, washrooms and offices. There is also an actors dressing room, storage areas, etc. at the rear of the theatre. The 2 nd major area is the Kiwanis Community Centre, which is of newer

construction and in good condition, having been well maintained. This area contains several large, open meeting rooms, workshops, staff offices, commercial kitchen, washrooms and storage areas. The building as a whole is older in age, and the theatre is becoming less than ideal for its current use and needs.

- SITE DIMENSIONS & AREA** : The site is irregular in shape, containing approximately 3.64 acres, with frontage of 626.3' along Water Street and has secondary frontage along Lakeside Drive, Waterloo Street North and Morenz Drive. The site fronts onto Lake Victoria.
- UTILITIES** : Services that are indicated to be available at the site include municipal sanitary and storm sewers, municipal water, hydro and natural gas.
- OFFICIAL PLAN** : Residential Area
- ZONING** : P - Park Zone
- HIGHEST AND BEST USE** : It is the appraiser's opinion the Highest and Best Use for the Subject Property, as improved, would be represented by the continuation of the existing commercial use, in accordance with zoning and market demand within the area.
- : The Highest and Best Use for the Subject Property, as if vacant, would be represented by a commercial development as permitted by local zoning by-laws.

RIGHT TO REVISE

Care has been taken while collecting and confirming facts and writing this report. Contact the author of this report immediately should you discover any evident errors or omissions, corrections will be made immediately. Should any evident errors or omissions or additional undisclosed or unavailable information become known after the completion of the report, the author reserves the right to revise this report and its conclusions to account for this additional information.

ASSET ANALYSIS

LOCATION	
Positive Factors	Negative Factors
<ul style="list-style-type: none"> - located close to Stratford's downtown core - good visual exposure - strong residential base nearby - located across from Lake Victoria, beautiful natural setting 	<ul style="list-style-type: none"> - the current zoning is restrictive and will limit any type of redevelopment

IMPROVEMENTS	
Positive Factors	Negative Factors
<ul style="list-style-type: none"> - sections of the building are newer, and in good condition - building has been well maintained, with regular upgrades - new mechanical system installed in 2015 	<ul style="list-style-type: none"> - original building is of older construction - roof will reportedly need to be replaced in the short term - unique interior layout, will limit alternative users - large building size may limit the number of potential users

INCOME CHARACTERISTICS	
Positive Factors	Negative Factors
<ul style="list-style-type: none"> - none noted 	<ul style="list-style-type: none"> - none noted

INVESTMENT MARKET	
Positive Factors	Negative Factors
<ul style="list-style-type: none"> - low interest rates provide attractive leverage to the investor 	<ul style="list-style-type: none"> - none noted

ESTIMATED CURRENT MARKET VALUE

Two approaches to value were utilized in the valuation of the Subject Property. The two approaches suggested market supportable values in the following ranges. The ranges of values were then correlated to a most probable single value based on market conditions at date of valuation.

DIRECT COMPARISON APPROACH	:	\$1,925,000 to \$2,245,000
INCOME APPROACH	:	\$1,970,000 to \$2,200,000
FINAL ESTIMATE OF CURRENT MARKET VALUE	:	\$2,075,000

RATE ANALYSIS	
Final Estimate of Market Value	\$2,075,000
Total Square Feet	32,084
Market Value Per Square Foot Building Area	\$64.67
Potential Gross Annual Income (GAI)	\$208,546
Gross Income Multiple (GIM)	9.95
Net Operating Income (NOI)	\$187,160
Net Operating Income Per Square Foot	\$5.83
Overall Capitalization Rate (Ro)	9.02%

The estimate of value contained in this report is founded on a thorough and diligent examination and analysis of information gathered and obtained from numerous sources. Certain information has been accepted at face value; especially if there was no reason to doubt its accuracy. Certain empirical data required interpretive analysis pursuant to the objective of this appraisal. Certain inquiries were outside the scope of this mandate. For these reasons, the analyses, opinions and conclusions contained in this report are subject to the Assumptions and Limiting Conditions contained in the Addenda of the attached report, in addition to any which may be contained in the body of the report.

This report has been prepared for the information and guidance of **CITY OF STRATFORD**. It is not to be referred to or quoted in any prospectus for the sale or exchange of securities, and may not be reproduced, in whole or in part, without prior written agreement.

PURPOSE AND INTENDED USE OF THE APPRAISAL

The purpose and intended use of this appraisal and the estimated Current Market Value are to assist CITY OF STRATFORD exclusively. It is not reasonable for anyone other than the client shown to rely upon this report without first obtaining written authorization from the appraiser, and liability is denied to anyone who utilizes this report without authorization.

- Purpose** : To estimate the Current Market Value of the within described property as at September 1, 2017.
- Intended Use** : To assist in establishing a Current Market Value for possible sale purposes. The appraisal was not based on a requested minimum valuation, a specific valuation or the approval of a sale or mortgage.

PROPERTY RIGHTS APPRAISED

The property rights being appraised are those of the "Fee Simple Interest", which is defined as:

"An absolute fee; a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation."

This does not necessarily imply that the subject property, or comparable properties, are clear of encumbrances such as mortgages, liens, easements and rights-of-way.

Further, the estimated market value does not include consideration of any extraordinary financing, rental or income guarantees, special tax considerations or any other typical benefits which may influence the ordinary market value of the property, unless the effects of such special conditions, and the extent of any special value that may rise there from, have been described and measured in this report.

DEFINITION OF PERSONAL PROPERTY

The Appraisal of Real Estate Second Canadian Edition attempts to distinguish between Real Estate, Personal Property and Trade Fixtures. The distinction between fixtures and personal property is not always obvious and attempts must be made to read leases to determine how these items are treated. It is sometimes impossible to exclude personal property from an opinion of value. The characteristics of personal property are "movable items that are not permanently affixed to, or part of, the real estate". Personal property is not endowed with the rights of real property ownership. Personal property is generally considered in the valuation of hotels where a business enterprise value is a concern and in investment/rental properties including apartment buildings, townhouses etc where such items as refrigerators, stoves, washer/dryer and dishwasher may be included. In this instance the furniture, fixtures and equipment (FF & E) are not capitalized and have no affect on cash flow.

TYPES OF APPRAISAL REPORTS

Narrative: A detailed report where an Extraordinary Limiting Condition has been invoked.

Short Narrative: Concise and briefly descriptive.

Form: A standardized format combining check-off boxes and narrative comments.

This report was completed to the Standards of a Narrative Appraisal Report.

ANTICIPATED PUBLIC OR PRIVATE IMPROVEMENTS

There are no known public or private improvements planned that will have a significant impact on the Subject Property.

DEFINITION OF MARKET VALUE

The Canadian Uniform Standards of Professional Appraisal Practice prepared by the Appraisal Institute of Canada define market value as:

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

Implicit in this definition is the consummation of a sale as of a specific 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 sale concessions granted by anyone associated with the sale.”

ASSEMBLAGE

Assemblage is defined as "the combining of two or more parcels, usually but not necessarily contiguous into one ownership or use; the process that creates plottage value". Plottage is the increment of value created when two or more sites are combined to create greater utility. For the purchase of property by an adjacent property owner to qualify as an assemblage, the objective of the purchase must be "to create greater utility". This normally involves increasing returns through increasing size.

In the case of the Subject Property no assemblage, or plottage value, would be created by an assemblage of adjacent properties.

DEFINITION OF THE PRINCIPLE OF CONTRIBUTION

Contributory Value generally relates to the value that a building improvement contributes to the overall market value of the real estate. The concept of contribution is defined in *The Appraisal of Real Estate, Third Canadian Edition* as:

"The concept that the value of a particular component is measured in terms of its contribution to the value of the whole property or as the amount that its absence would detract from the value of the whole. The cost of an item does not necessarily equal its value."

DEFINITION OF CONTRIBUTORY VALUE

The Contributory Value of a particular building improvement, is essentially the reproduction or replacement cost of that improvement minus all forms of depreciation. Again, referencing *The Appraisal of Real Estate, Third Canadian Edition*:

"The depreciated cost of the improvement can be considered an indication of the improvement's contribution to the property's market value."

DEFINITION OF REASONABLE MARKETING TIME

The reasonable marketing time is an estimate of the amount of time it might take to sell a property interest in real estate at the estimated market value level during the period immediately after the effective date of an appraisal.

The reasonable marketing time is a function of price, time, use and anticipated market conditions such as changes in the cost and availability of funds; not an isolated estimate of time alone.

The estimate of value assumes a marketing time of three (3) to nine (9) months which allows for required presentation to the market, a due diligent period and legal requirements. Given the nature of the Subject Property, this time frame is considered reasonable under current market conditions. This marketing period is also predicated on the prerequisites to "market value" as more fully defined elsewhere in this report. It is also noted that market conditions can change quite significantly over a relatively short period of time and property values can be impacted accordingly. No such adjustments (favourable or otherwise) are indicated at this time; however, it is beyond the scope of this appraisal to undertake an in-depth, long-range analysis of related property value trends.

DEFINITION OF REASONABLE EXPOSURE TIME

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

The fact that exposure time is always presumed to occur prior to the effective date of the appraisal is substantiated by related facts in the appraisal process; supply/ demand conditions as of the effective date of the appraisal; the use of current cost information; the analysis of historical sales information (sold after exposure and after completion of negotiations between the seller and buyer); and, the analysis of future income expectancy estimated from the effective date of the appraisal.

Assuming that the Subject Property would have been listed and marketed by a recognized commercial brokerage firm at an asking price that would be about 5% to 10% higher than the market value estimate in this report, an 'Exposure Time' of three (3) to nine (9) months prior to the effective date would be reasonable.

CURRENT VALUE OPINION

Refers to an effective date contemporaneous with the date of the report, at the time of inspection or at some other date within a reasonably short period from the date of inspection when market conditions have not or are not expected to have changed.

RETROSPECTIVE VALUE OPINION

Refers to an effective date prior to the date of the report. The use of clear language and consistent terminology in a retrospective report (eg. past tense throughout) is necessary for the reader not to be misled and to understand market conditions as of the retrospective effective date.

PROSPECTIVE VALUE OPINION

Refers to an effective date following the date of the report; it is a forecast. The use of clear language and consistent terminology in a prospective report (eg future tense throughout) is necessary for the reader not to be misled and to understand market conditions as of the prospective effective date. Prospective value opinions are intended to reflect the current perceptions of market participants as to the future. These opinions should be judged on the market support for the forecasts when made, not whether in hindsight they in fact occurred. An Extraordinary Assumption must be clearly portrayed in the report citing the market conditions from which the prospective value opinion was developed, and absolving the appraiser from responsibility for unforeseeable events that alter market conditions prior to the effective date.

UPDATED VALUE OPINION

Refers to an extension of an original appraisal, changing the effective date. In the update any changes in the status of the Subject, in market conditions or in any respect affecting value since the prior appraisal must be reported, with analyses of these changes in developing an updated opinion. All approaches to value developed in the original appraisal should be updated with new data. The updated report must clearly show that it can only be relied upon by a reader familiar with the original.

A Current Value Opinion has been used in this report.

EXTRAORDINARY LIMITING CONDITIONS

An extraordinary limiting condition refers to a necessary modification or exclusion of a Standard Rule. The burden is on the appraiser in the report to explain and justify such necessity, and to conclude before accepting an assignment and invoking an extraordinary limiting condition, that the scope of work applied will result in opinions/conclusions that are credible. Examples include: exclusion of a relevant valuation approach; no interior inspection of the Subject improvements; no title search and no liability insurance coverage.

In accordance with the Canadian Uniform Standards of Professional Appraisal Practice, certain conditions are unacceptable in any assignment where they:

- i) compromise an appraisers impartiality, objectivity, or independence;
- ii) limit the scope of work to such a degree that the results are not credible given the purpose of the assignment and the intended use of the results;
- iii) limit the contents of a report that results in the report being misleading.

The following Extraordinary Limiting Conditions apply to this report.

- i) the Cost Approach to Value has not been utilized in this instance. In many instances the asset cost does not indicate the overall Market Value;
- ii) interior inspections of all comparable sales was not possible; the building condition, design and layout have been confirmed through a variety of alternative sources where applicable;
- iii) no Registry Office title search was completed;
- iv) that the Subject site is not contaminated by any hazardous substance, thus there is no negative or adverse effect to the value estimate.

EXTRAORDINARY ASSUMPTION AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions presume as fact, otherwise uncertain information about physical, legal or economic characteristics of the Subject Property, or about conditions external to the Subject Property such as market conditions or trends, or the integrity of data used in an analysis. Extraordinary Assumptions (Hypothetical Conditions) presume as fact simulated but untrue information about physical, legal or economic characteristics of the Subject Property or external conditions. Examples would include: that non-existent improvements were already in place and ready to use, as proposed; a change in land use planning; or full occupancy in a development not yet constructed.

The following assumption(s) and condition(s) have been identified in the valuation report for the Subject Property:

- i) Nil.

SCOPE OF THE ASSIGNMENT

In the process of preparing this appraisal, I

- viewed and photographed the immediate neighbourhood area surrounding the Subject Property;
- inspected the Subject site and the building's exterior and interior on September 1, 2017. This inspection, however, did not involve a technical investigation for items such as the structure, roof or mechanical systems which are assumed to be in similar condition to the building, in keeping with the observed appearance of the development;
- reviewed the Official Plan and Zoning designations for the Subject Property;
- obtained assessment information on the Subject Property through the municipality, the local real estate board, Geowarehouse or MPAC;
- considered the Highest and Best Use of the Subject Property as though vacant, and as improved;
- reviewed appraisal methodologies and procedures employed in arriving at indications of value;
- conducted market research with regard to comparable commercial transactions. Sources of market evidence included, as appropriate, the local real estate board, Land Title Office transactions - including those reported by MPAC, London and St. Thomas Real Estate Board, Geowarehouse, Realtrack Inc., local assessors, real estate agents, vendors and purchasers active in the market;
- exterior inspections and discussions were held with vendors, purchaser or real estate agents of each of the comparable sale transactions utilized where feasible;
- considered physical and economic factors, as well as market conditions and analysed their potential effect on the property;
- the analysis set out in this report relied on written and verbal information obtained from a variety of sources considered reliable. Unless otherwise stated herein, I did not verify client supplied information, which I assumed to be correct.

After analysing the data, I estimated the property's market value using the Direct Comparison Approach and the Income Approach. The collected data was then reconciled into a single most probable Current Market Value as of the Effective Date of the appraisal.

AREA AND NEIGHBOURHOOD DESCRIPTION

The Subject Property is located in the central sector of the City of Stratford, located just south of Lake Victoria, along Lakeside Drive, being bordered by Waterloo Street North, Water Street and Morenz Drive.

Stratford is located in the heartland of South-Central Ontario which offers the largest concentration of manufacturing industries in Canada. The City is linked to Ontario's major transportation artery, Highway 401, by Highways 7 and 8 or through County Roads 20 and 6. Stratford had a 2011 population of 30,886, which is a slight increase of 1.2% from the 2006 population of 30,516.

The City is located approximately 65 km northeast of London and 48 km west of Kitchener/Waterloo. The City benefits from being within a two-hour drive of over six million people and four major border crossings to the United States.

Transportation from a variety of sources is readily available. Over 20 trucking firms provide local and national shipping with warehouse and terminal facilities. Passenger rail service is provided by Via Rail while daily freight service is via three carriers; Canadian National Railways, Canadian Pacific Railway

and the Goderich-Exeter Railway Company. Direct airway transit services are available to both Pearson International Airport (Toronto) and London's International Airport. Stratford Municipal Airport is located six kilometres north of the City and is equipped to handle air traffic ranging from DC-8's to helicopters. Water service is one hour away with the port of Goderich, located on Lake Huron, providing seaway depth berthing and modern docking facilities. Locally, Stratford transit provides affordable and convenient transportation within the City through ten regular scheduled transit routes.

Community services include several senior citizen facilities, Stratford General Hospital, Community Health programs and miscellaneous services, 680 acres of parkland, 170 acres of national parkland, Shakespearean Gardens, Stratford Golf & Country Club, YM-YWCA, 29 churches, as well as all major service clubs.

The Stratford Festival Theatre which began in 1953 is today the largest repertory company in North America and ranks among the three great theatres of the English speaking world. The "Festival" was founded on two principals; the sheer architectural presence of the revolutionary thrust stage concept and the uncompromising mandate for a quality theatre in all its endeavours.

Led by a local resident, Tom Patterson, the Festival by the early 1990's had grown from the original six week season to 28 weeks taking place on three permanent stages; the Festival Theatre, the Avon Theatre and the Tom Patterson Theatre. Over the years, the Stratford Festival has produced all of William Shakespeare's plays and has staged works by many other great playwrights including Beckett, Brecht, Chekhov, Ibsen, Moliere, Sheridan, Racine and Pirandello. Each season approximately 450,000 visitors come to Stratford between May and October to view the twelve productions and 512 performances. A comprehensive training program is also undertaken through courses, workshops and productions. Each



seasons workshops are held for the Company in dramatic interpretations, stage combat, choreography, mime, choral speaking and other theatrical techniques. Because of the acute shortage of centres in North America that provide intense training in the special skills required for classical theatre, the Stratford Young Company was formulated in the late 1970's.

Stratford has a diversified economic base which includes manufacturing, tourism, commercial, financial and service industries. The top two sectors of Stratford's economy are manufacturing and tourism - a unique combination that works well. A new Toyota parts supplier has chosen Stratford as the site of its new plant (November 2012). A new, 25 room luxury hotel was recently built (2013) beside the Arden Place Hotel, known as the Bruce Hotel. A local bed and breakfast operator built this facility which includes a full service hotel, pool, lounge, gym and a fine dining restaurant.

Stratford's Top 10 Employers (2011) are (# of employees along the right side);

Stratford's Top Ten Employers (2011)

Stratford Festival of Canada	Theatre company	1,200
Stratford General Hospital	Life Sciences	880
DYNA-MIG	Manufacturing	500
Hendrickson Spring	Manufacturing	500
FAG Aerospace	Manufacturing	420
Stackpole	Manufacturing	330
Clemmer Steelcraft	Manufacturing	330
Scotiabank and Trust	Financial Processing Centre	300
Aisin Canada Inc.	Manufacturing	279
Spruce Lodge	Life Sciences	200
FIO Canada	Manufacturing	100

The Stratford - Perth area is also a strong agricultural and agri-food sector, which generates 1.5 to 2 million dollars a day, and is one of the most agriculturally productive counties in all of Ontario. Stratford is also home to the new University of Waterloo Stratford Campus, which accelerates the advancement of education, research and commercialization, focussing on technology.

More specifically, the Subject Property is located just south of Lake Victoria, along Lakeside Drive, being bordered by Waterloo Street North, Water Street and Morenz Drive. The immediate area is mixed use in nature and is composed of low to medium density residential, institutional developments (Allman Memorial Arena) and single family dwellings. The main commercial area of Stratford is situated to the south of the Subject Property, along Ontario Street. Overall, the Subject Property is located in a good mixed use area, in close proximity to the city's downtown core. The proximity to and view of Lake Victoria are strong positives, creating a beautiful natural setting.

In summary, the Subject Property is located in an established mixed use area, in close proximity to Stratford's downtown core.



VIEW ALONG WATER STREET



VIEW ALONG WATER STREET



LAKE VICTORIA



ALLMAN ARENA

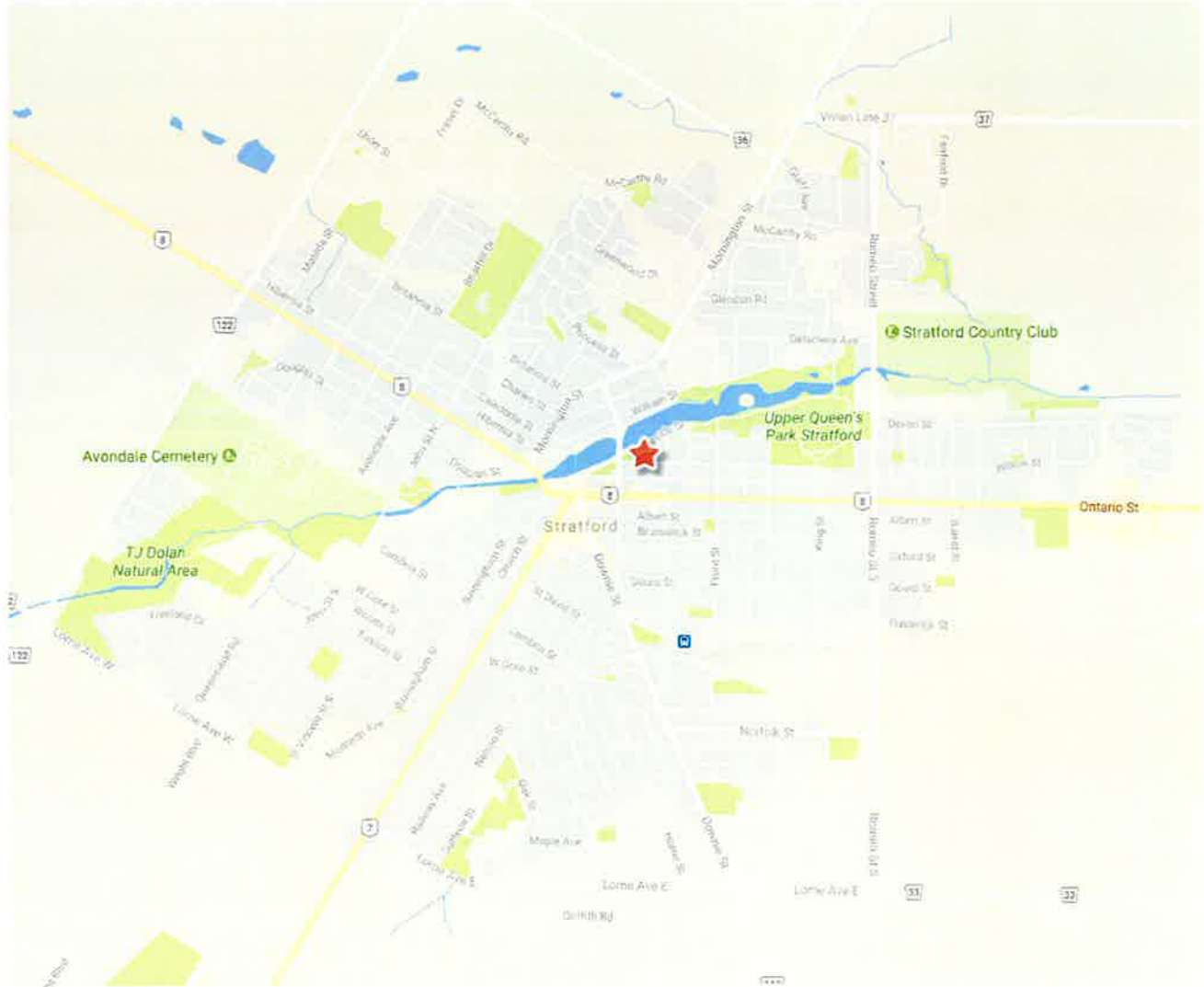


NEARBY PROPERTIES

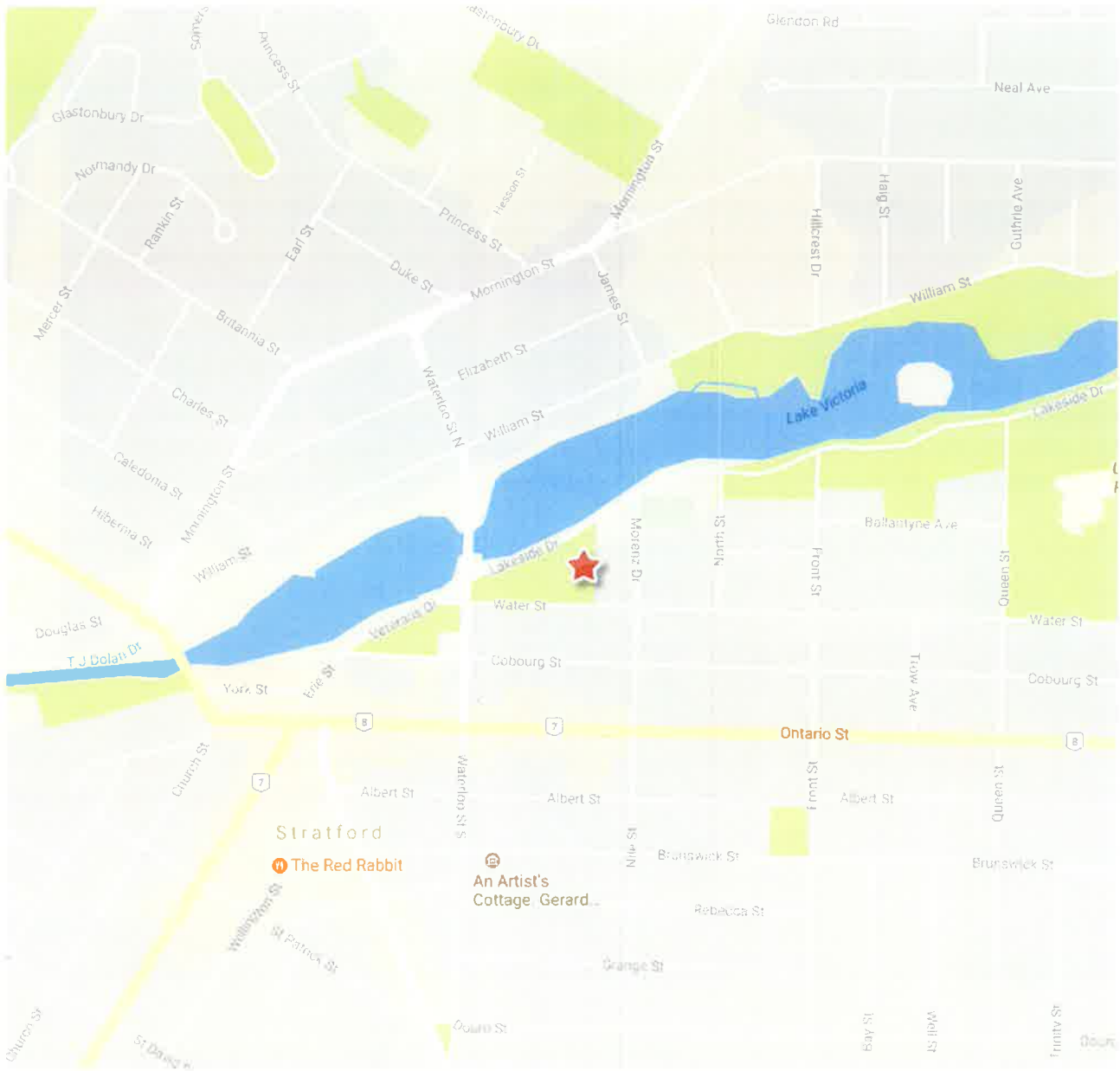


NEARBY PROPERTIES

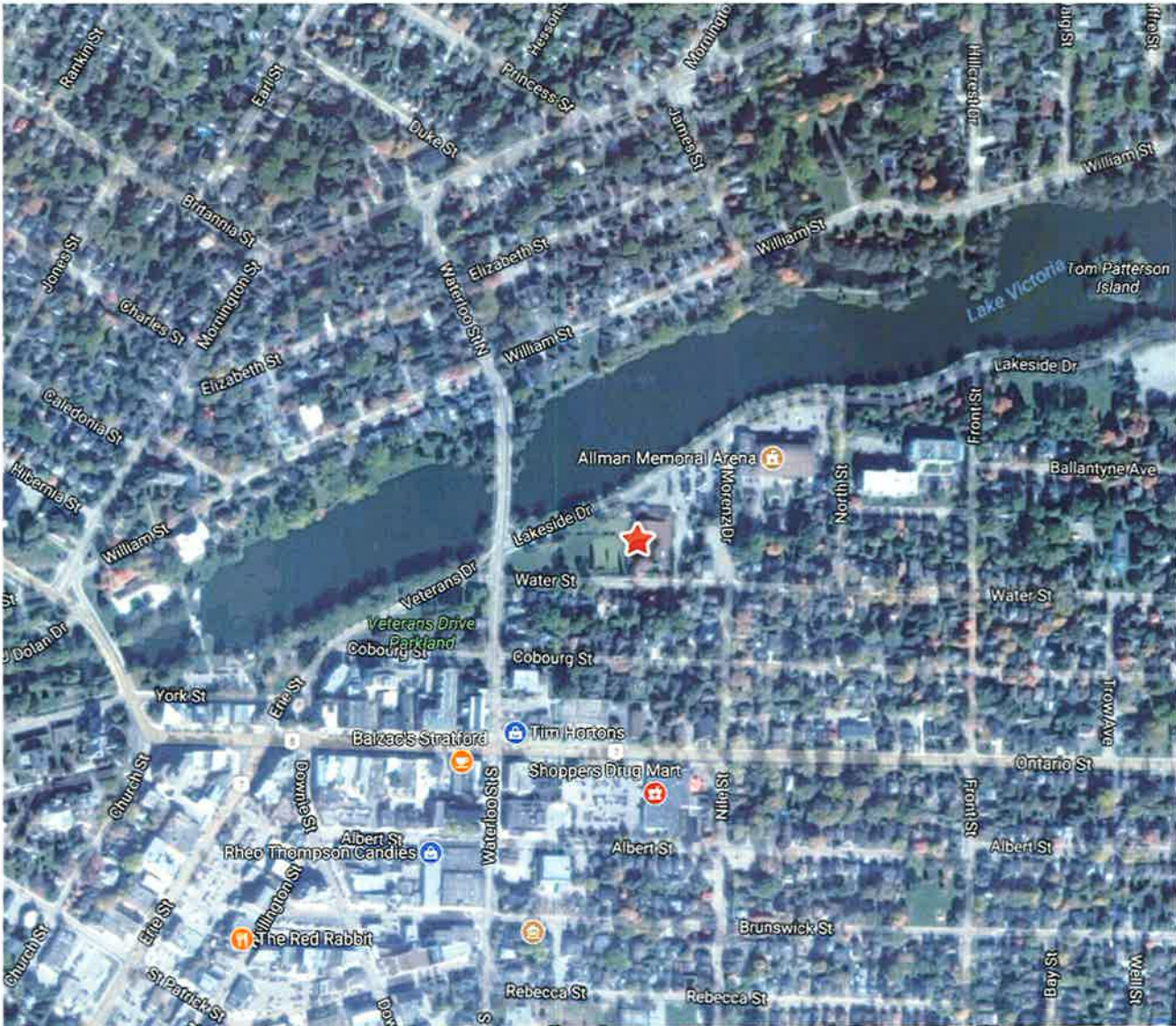
LOCATION MAP: CITY VIEW



LOCATION MAP: NEIGHBOURHOOD VIEW



AERIAL VIEW



LEGAL DESCRIPTION

The Subject Property is briefly and legally described as being composed of Lot 567, Plan 20, Stratford; Lot 568 Plan 20 Stratford; Lot 569 Plan 20 Stratford; Lot 570 Plan 20 Stratford, Except R241419 & R106988; Lot 571 Plan 20 Stratford, Except R241419, R106988 & ELY 36'; S/T Rights in R20487 & R236524; being all of PIN# 531240003, City of Stratford, Perth County, Province of Ontario.

SITE DESCRIPTION

The site is irregular in shape, containing approximately 3.64 acres, with frontage of 626.3' along Water Street and has secondary frontage along Lakeside Drive, Waterloo Street North and Morenz Drive. The site fronts onto Lake Victoria.

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may be present on the property or other environmental conditions, were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existing of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde foam insulation, or other hazardous substances or environmental conditions, is identified, the value of the property could be affected. The value estimated is therefore predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them.



MUNICIPAL SERVICES, ROADS AND UTILITIES

Services that are indicated to be available at the site include municipal sanitary & storm sewers, municipal water, hydro, and natural gas.

Water Street, Waterloo Street North, Morenz Drive and Lakeside Drive, in the vicinity of the Subject Property are two lane, asphalt paved roads with concrete curbs, overhead street lights and sidewalks.

SITE SKETCH



ASSESSMENT AND TAXES

According to municipal records for the City of Stratford, the Subject Property is assessed and taxed as follows.

48 WATER STREET, STRATFORD, ONTARIO			
Roll Number		31 11 020 010 09700 0000	
Phased In Assessed Value - January 1, 2016		\$2,017,500	
Taxes (2017)		n/a	
Building Area	Taxes Per Sq. Ft.	32,084	\$0.00 Per Square Foot
	Assessment Per Sq. Ft.		\$63 Per Square Foot

The 'Current Value' means, in relation to land, the amount of money the fee simple interest, if unencumbered, would realize if sold at arm's length by a willing seller to a willing buyer. This value excludes any long term leases and mortgages in place as of the effective date of the valuation. In addition, the 'Current Value' of eligible land is based on current use, not potential use using the Highest and Best Use Principle. This in effect eases the burden to owners of vacant land which has development potential.

PROPERTY OWNERSHIP HISTORY

The Subject Property has been under the same ownership in excess of three years. The Subject Property is not currently listed for sale, nor is it subject to a purchase and sale agreement. This report is to aid in a potential sale of the property.



48 WATER ST
STRATFORD | N5A3C1

[Search By Block](#) | [Enhanced Report](#) | [GeoWarehouse Store](#)

ACTIVE | PIN: 531240003 | ARN: 311102001009700

Land Registry Information - PIN: 531240003 [Print](#) [Store](#) [Parcel Register](#)

Address: 48 WATER ST
Municipality: STRATFORD LRO: 44 Area: 14,744 m²
Land Registry Status: ACTIVE Registration Type: LT Perimeter: 564 m
Description: LT 567 PL 20 STRATFORD; LT 568 PL 20 STRATFORD; LT 569 PL 20 STRATFORD; LT 570 PL 20 STRATFORD; EXCEPT R241419, R106558; LT 571 PL 20 STRATFORD; EXCEPT R241419, R106558 & ELY 36; S/T RIGHTS IN R204547 & R236524; STRATFORD
Party To: THE CORPORATION OF THE CITY OF STRATFORD;

Assessment Information [Store](#) [Assessment Reports](#)

Assessment Roll Number: 311102001009700
2017 Tax Year, Phased In Assessment: \$2,017,500 Depth: 0.00 A Frontage: 656.30 A
Assessed Value based on January 1, 2016: \$2,067,000 Property Type: 710 Recreational sport club - non-commercial (excludes golf clubs and ski resorts)

Sales History Information

DATE:	TYPE:	AMOUNT:
03/31/1995	T	\$120,000
PARTY TO:	THE CORPORATION OF THE CITY OF STRATFORD;	
06/12/1977	T	\$6,000
PARTY TO:	THE CORPORATION OF THE CITY OF STRATFORD;	

DESCRIPTION OF IMPROVEMENTS

The site is improved with a one storey, multi user, commercial building that was originally built in 1906 and had additions added in years following, containing a total building area of 32,084 square feet. The building is comprised of two main areas. The first being the Tom Patterson Theatre, which was originally constructed in 1906, and has undergone several significant upgrades and renovations and is in average to good condition. The theatre has a 400 person seating capacity, with front box office, washrooms and offices. There is also an actors dressing room, storage areas, etc. at the rear of the theatre. The 2nd major area is the Kiwanis Community Centre, which is of newer construction and in good condition, having been well maintained. This area contains several large, open meeting rooms, workshops, staff offices, commercial kitchen, washrooms and storage areas. The building as a whole is older in age, and the theatre is becoming less than ideal for its current use and needs.

GENERAL CONSTRUCTION

Year Built:	1906 / 1960's / 1970's / 1992
Construction:	steel frame; concrete/concrete block foundation
# of Stories:	one
Exterior Walls:	decorative concrete block; wood;
Power:	800 amp; 3 phase; 347/600 volt
Roof:	pitched, torched down sheets - redone in 2004; reportedly will need to be replaced in 3-4 years
Heating & Cooling:	new HVAC / mechanical system; 2 boilers, air handlers, VAV boxes - 2015; \$1,000,000 cost
Basement:	no
Parking:	asphalt parking, ample spaces
Other:	backup generator;

INTERIOR FINISH

The main floor had a unique layout that was essentially separated into two portions, one being the community centre, and the other being the theatre. The Tom Patterson Theatre is the original building, being of older construction. It has received regular upgrades and maintenance and is in average to good condition. The layout of this section is unique to its current user, with a front box office, washrooms, followed by a 400 seat theatre. The design would limit the number of potential purchasers / users.

The second section of this building is the Kiwanis Community Centre, and is of newer construction (circa 1992). This section also has a unique layout, with numerous, larger open rooms used as meeting rooms and workshops. It was design built for its current user, and well suited for its use as a community centre. The finish is average, and in good condition, being primarily vinyl tile flooring, drywall walls and drywall / acoustic tile t-bar ceiling. The front section of this space is office space, used by the City of Stratford, with private and general office, washrooms and storage rooms.

SITE IMPROVEMENTS

- asphalt paved parking lot
- landscaping, large lawn area
- lawn bowling area
- access from Water Street, Morenz Drive and Lakeside Drive

REMARKS

The building is in average to good condition, having been well maintained, however is of older construction. The building has a unique layout, that is well suited for its current users, however, would limit the number of alternative users. The property also benefits from good on site parking and is in close proximity to Stratford's downtown core, as well as having a beautiful natural setting with frontage on Lake Victoria.



NORTH ELEVATION



NORTHWEST ELEVATION



WEST ELEVATION



SOUTHWEST ELEVATION



SOUTHWEST ELEVATION



SOUTH ELEVATION



SOUTHEAST ELEVATION



NORTHEAST ELEVATION



NORTHEAST ELEVATION



NORTHEAST ELEVATION



NORTH ELEVATION



NORTH ELEVATION



THEATRE ENTRANCE



THEATRE



REAR OF THEATRE



REAR OF THEATRE



COMMUNITY CENTRE - OFFICES



COMMUNITY CENTRE



COMMUNITY CENTRE



COMMUNITY CENTRE



COMMUNITY CENTRE



COMMUNITY CENTRE



COMMUNITY CENTRE



COMMUNITY CENTRE



COMMUNITY CENTRE



BOILERS



MECHANICALS



MECHANICALS



LAWN BOWLING



PARKING LOT

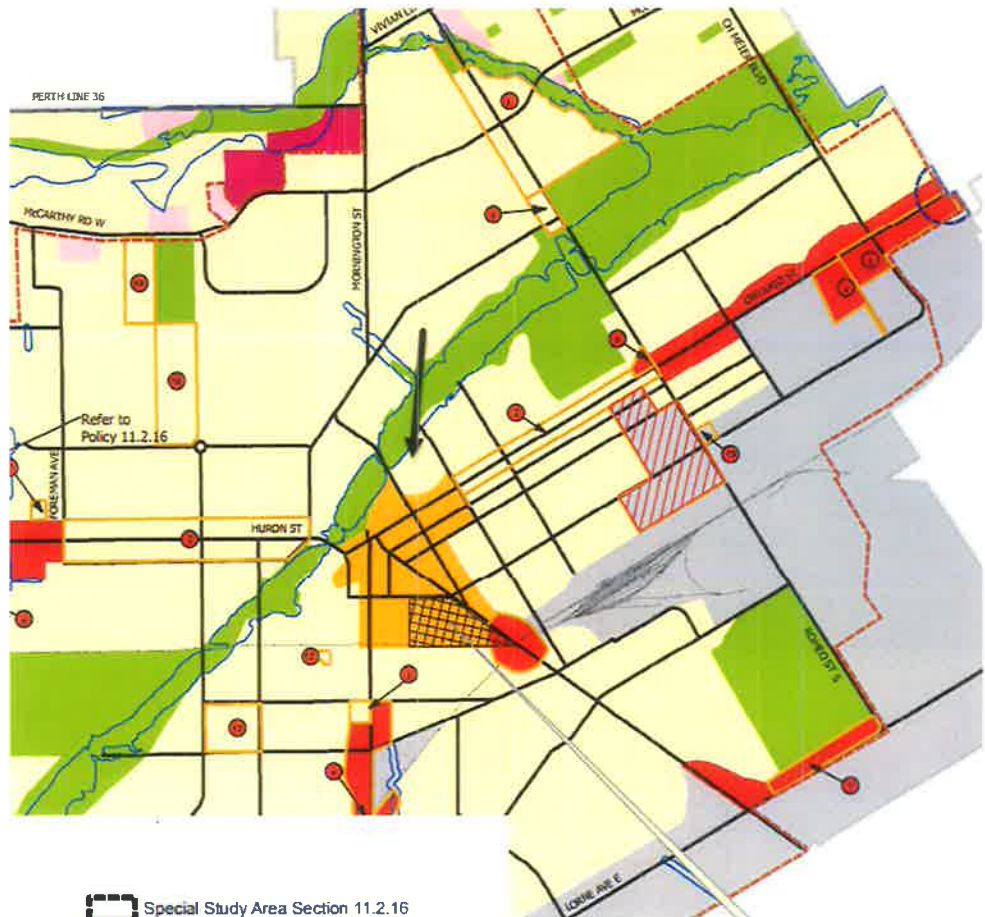
OFFICIAL PLAN

The Official Plan is defined in The Planning Act as follows:

“A document approved by the Minister of Municipal Affairs and Housing containing objectives and policies established primarily to provide guidance for the physical development of a municipality while having regard to relevant social, economic and environmental matters.”

The Official Plan for the City of Stratford designates the Subject Property ‘RESIDENTIAL AREA’.

This designation appears to be consistent with the existing use of the Subject Property.



Legend

General Land Use

Class

- Agricultural Area
- Commercial Area
- Downtown Core
- Industrial Area
- Medium Density Residential
- Medium Density Residential Special
- Parks and Open Space
- Residential Area
- High Density Residential

- Special Study Area Section 11.2.16
- Factory District Area (Section 4.9)
- Cooper Site - Major Institutional Use Focus Area
- Built Boundary
- Municipal Boundary
- Gateway Areas
- Special Policy Areas
- Regulatory Flood Hazard

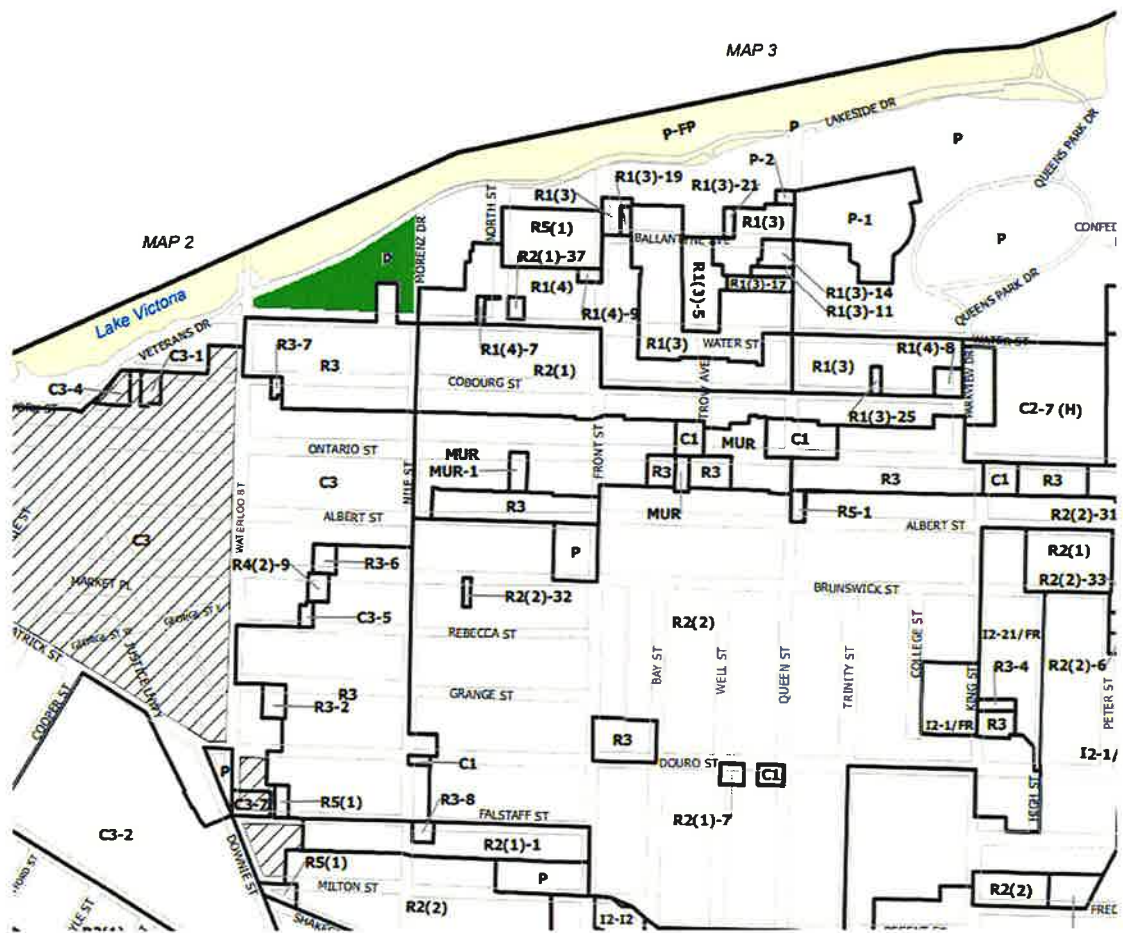
ZONING

While Official Plans set out the general long-range policy framework for future land use, Zoning By-Laws take precedence and put those objectives of the Official Plan into effect and provide for their day-to-day administration.

Unlike the Official Plan, the Zoning By-Law contains very specific and legally enforceable regulations. Any new development or construction that fails to comply with a municipality's Zoning By-Law is not permitted and will be denied a building permit.

Zoning By-Laws define zones for various types of uses and establish the specific type of land use in each zone (i.e. residential, commercial, agricultural, institutional, industrial, etc.). The by-laws will also set standards for erecting buildings (i.e. minimum lot size, frontage, set-backs from streets, side yard clearances, building heights, parking requirements, etc.).

According to the Zoning By-Law for the City of Stratford, the Subject Property is zoned 'P - PARK ZONE'. It is not within the scope of this report to determine if all regulations have been met. This report assumes that the existing use is legal. The permitted uses are quite limited, as outlined on the following page.



ZONING EXCERPTS

SECTION 21 PARK (P) ZONE

No land shall be used, no buildings or structures shall be erected and no lot shall be altered in the Park (P) Zone except in accordance with the General Provisions of Section 3 and the following:

21.1 PERMITTED USES

- auditorium
- cemetery
- golf course
- park
- private club
- public use
- recreational park
- theatre

HIGHEST AND BEST USE

The term "Highest and Best Use" is generally considered in appraisal terminology as relating to the most profitable, likely use to which a property can be put, which will result in the greatest net return over a given period of time. For an asset to have value, it must be capable of providing some form of beneficial utility or enjoyment to the owner or user. An examination of the Highest and Best or most probable use is, therefore, critical to the appraisal process.

The Highest and Best Use analysis provides a focus for the choice of an appropriate valuation methodology. If a property's current use is its highest and best use, its most probable selling price will ordinarily be a function of the existing use. Should the use of either the land as if vacant, or an alternative use of the land and structures as developed be found to represent the most beneficial use, the market value of the asset will likely be governed by this alternative.

The estimation and analysis of this optimum and probable use to which the property may be put, normally encompasses consideration of the compatibility of the existing use and any suggested alternative use for which a property may be utilized with:

- (a) the Zoning, Official Planning and other legal and political restraints on the use of the property;
- (b) the economic and market trends, supply and demand situation for the suggested use;
- (c) the expectations of the surrounding community;
- (d) the financial feasibility of the contemplated use;
- (e) the physical attributes and limitations of the site and its location, including the availability of services necessary to support alternative uses.

In the analysis of this specific site several additional factors were considered.

- The Subject site is zoned **P - PARK ZONE**; which allows a limited range of uses which is consistent with the existing development and the development in the surrounding area;
- Based on the existing zoning and official plan designation for the area, the use of the Subject Property would appear to be in keeping with the expectations of the surrounding community;
- The Subject site has services necessary to support development. Although no engineering reports were provided, based on the existing developments in the area, the property would appear to be physically capable of supporting development;
- The location of the site, its' physical access and visual exposure would suggest that its most probable economic viability would be for commercial uses.

It is the appraiser's opinion the Highest and Best Use, for the Subject Property, as if improved, would be represented by the existing commercial use, in accordance with zoning and market demand within the area. The structure is functional and offers competitive space within the existing level of similar rental accommodations.

It is the appraiser's opinion the Highest and Best Use, for the Subject Property, as if vacant, would be represented by a commercial development, in accordance with zoning and market demand within the area.

APPROACHES TO VALUE

In estimating the Market Value of an improved property, there may be three important factors:

- (a) The current cost of replacing a property including the underlying site value, less accrued depreciation from all identifiable sources. Depreciation includes actual physical deterioration as well as functional and economic or locational obsolescence.
- (b) The value indicated by market activity including recent sales of comparable properties and the availability of similar facilities offered for sale.
- (c) The value that the property's actual or potential net achievable income would support based on a market acceptable capitalization of the net income.

This results in three basic approaches to value:

- (1) The Cost Approach
- (2) The Direct Comparison Approach
- (3) The Income Approach

The three approaches, if all applicable, result in three estimates of value. These estimates are then considered in light of the accuracy, importance and relevancy of the data on which they are based, resulting in a Final Estimate of Value.

The property being appraised is a commercial building.

The Cost Approach was concluded to have limited or no application in the valuation of the Subject Property. Although the construction costs new of the Subject facility would be available through a variety of methods, the calculation of accrued depreciation from all sources without sufficient market evidence would contribute to the unreliability of this approach. Although the utilization of the Cost Approach in the calculation of 'Feasibility Rent' is often utilized in the valuation of special-use properties, it was concluded that in the Subject case the asset costs would not generally be indicative of value.

The Income Approach was considered and based on the availability of market supportable evidence was considered applicable to the Subject assignment. The selection of stabilized rental rates, and under what terms, although subject to potential wide variation, was considered supportable based on current market activity. The anticipated going-in rate of return, and the selection of a capitalization rate from the market is possible.

The Direct Comparison Approach involves the analysis of actual market transactions as well as the availability of competitive facilities. It was concluded that the Direct Comparison Approach would provide a reliable indication of value for the Subject Property, providing both physical and economic units of comparison.

The Direct Comparison Approach and the Income Approach are more particularly developed on the following pages.

This type of property does not typically trade based on Income, therefore, greater weight has been given to the Direct Comparison Approach.

DIRECT COMPARISON APPROACH

The Direct Comparison Approach entails the gathering, analysing and comparison of data on similar properties that have sold, on which offers have been made, or that are available for sale. This approach involves the study of the actions and reactions of buyers and sellers in the marketplace and is basic to the appraisal process. The analysis of sales provides an historic overview of the marketplace which is then updated on the basis of current offers to purchase and the future predictions suggested by those properties currently offered for sale.

Basically, the Direct Comparison Approach implies the 'Principle of Substitution' which states that a prudent purchaser will not pay more for a property than it would cost to acquire an equally desirable substitute. The properties selected for comparison should be similar in most essential aspects to the Subject Property. In addition to comparing the similar characteristics between the properties, the dissimilar characteristics must also be weighed. The comparable properties may require adjustments to measure the reaction in the market to the differences between the properties.

The underlying basic principle involved in the adjustment process is the 'Principle of Contribution'. Adjustments may be made, where applicable, for influencing factors such as neighbourhood, zoning, time of sale, terms of sale, condition, quality and physical features of the property and any other factors affecting value.

In an ideal market situation for applying the Direct Comparison Approach, the following conditions would prevail:

- A reasonable number of sales have occurred between buyers and sellers who are knowledgeable of the local market;
- The sales are closely comparable to the Subject Property;
- The terms of the sale are similar;
- The sales are all very recent; and,
- The sales are 'normally distributed' in a statistical sense.

Unfortunately, even in the best of conditions, there are often insufficient sales that are reasonably comparable. The limits on comparability depend on the types of properties involved. A good comparable is one that would be a reasonable alternative for most prospective buyers who would be interested in the Subject Property.

The market data used was collected from the Valco Consultants Inc. data files, various Real Estate Boards, realtors, persons knowledgeable of the commercial market and other real estate professionals.

The data search of the City of Stratford revealed a limited number of sales involving properties comparable to the Subject. Therefore, the search was expanded to include properties throughout Southwestern Ontario. This type of property is unique in the marketplace, with very limited comparable sales in recent years. The search included different property types, being legions/community centres, office buildings and churches.

The following schedule outlines those transactions considered to provide evidence as to the Subject Property's value by comparison. While none of these properties are the same as the Subject Property, they were considered to lend insight collectively into the market's potential reaction to the Subject Property.

The sales were analysed physically on the basis of sale price per square foot of building area inclusive of land (sale price divided by building area). This measurement generally minimizes the margin of error that can result from differences between the properties being compared. However, when comparing commercial properties under lease, the rental amounts, the age of the improvements and financing can result in a significant variation between the high and low units of comparison.

Economically, the transactions were analysed where possible on the basis of the properties' existing or potential gross incomes as well as their adjusted net operating incomes, before debt service, depreciation or taxation. These two units of comparison result in (1) Gross Income Multiple [G.I.M.] (sale price divided by gross income) and (2) Adjusted Overall Capitalization Rate (net income adjusted before debt service expressed as a percentage of the sale price - overall or going-in return on investment), the latter factor being primarily used in the Income Approach to Value section of the report.

COMPARABLE SALES

COMPARABLE SALE #1



PROPERTY IDENTIFICATION:

PIN# : 531410052

Address: 207 St. Patrick Street, Stratford

Location: Southeast corner of St. Patrick Street and Church Street

Legal Desc.: Lot 307 Plan 20 Stratford; Lot 308 Plan 20 Stratford; Part Lot 309 Plan 20 Stratford; Part Lane Between Erie Street & Church Street Plan 31 Stratford as Closed by R111499; Part Lot 8 Plan 31 Stratford; Part Lot A Plan 31 Stratford; Part Lot 1 Plan 31 Stratford as in R152021, R112342, R162455 & R112050, Save and Except R162454; Description May Not Be Acceptable in Future in R112342, Re: Direction

SALE DATA:

PROPERTY DATA:

Vendor: Trustees of Stratford Branch Number 8 of the Royal Canadian Legion

Purchaser: Larson Holdings Inc.

Sale Date: March 2017

Sale Price: \$550,000

Building Area: 10,226 Square Feet

Site Area: 0.68 Acres

Site Coverage: 35%

Sale Price/S.F.: \$53.78

REMARKS:



This transaction involved the purchase of the Fee Simple Interest in a one storey, commercial building. The site is improved with a one storey, single user, commercial building that was originally built in 1870 and had additions added in 1948 and 1975, containing 10,226 square feet. The building is used as the Stratford Canadian Legion, being in fair condition, with several portions of the building having dated finishes. The building is split into four separate levels, with two levels being below grade, and two above. The main floor of the original front building contains offices, open meeting rooms, washrooms and a central hallway. The rear above grade space is primarily open space, being a large area with average finish, and also containing a large commercial kitchen. The two lower levels are finished, setup as large meeting rooms, with average finish, being somewhat dated and worn.

COMPARABLE SALE #2



PROPERTY IDENTIFICATION:

FILE # 33640

PIN #: 53098-0066

Address: 100 Gordon Street, Stratford

Location: West of Gordon Street, north of Ontario Street

Legal Desc.: Lot 93 Plan 125 Stratford; Lot 94 Plan 125 Stratford; Lot 95 Plan 125 Stratford; Lot 96 Plan 125 Stratford

SALE DATA:

PROPERTY DATA:

Vendor: Mp Booker Assets Inc.
 Purchaser: The Canadian Red Cross Society
 Sale Date: December 2016
 Sale Price: \$789,000

Building Area: 7,000 Square Feet
 Site Area: 0.32 Acres
 Use: Office
 Sale Price/S.F.: \$112.71

REMARKS:



This transaction involved the purchase of the Fee Simple Interest in an office building. The property was improved with a one and a half storey, 7,000 square foot building that was currently set up for office space. The building was built circa 1994 that had an elevator and numerous windows and private offices. In addition the site also had onsite parking for approximately 10 vehicles.

COMPARABLE SALE #3



PROPERTY IDENTIFICATION:

FILE # 33944

PIN# 531070193

Address: 219 Oak Street, Stratford
 Location: south sector of Stratford, north of Lorne Avenue
 Legal Desc.: Part Lot 3, Concession 2 (Downie Gore), Parts 3 & 4, 44R3943

SALE DATA:

PROPERTY DATA:

Vendor: 1476597 Ontario Limited
 Purchaser: N/A
 Sale Date: October 7, 2016
 Sale Price: \$1,350,000
 Zoning: I2-19 - General Industrial Zone
 Property Use: Office Building

Building Area: 8,568 Square Feet
 Site Area: 1.09 Acres
 Sale Price/S.F.: \$157.56
 Capitalization Rate: N/A
 GIM: N/A
 NOI/S.F.: N/A

REMARKS:



This transaction involves the Fee Simple Interest in a multi tenant, office building located in Stratford. The site is improved with a one storey, brick office building containing approximately 8,568 square feet. The building also contains a partial basement, with 5,508 square feet of useable space. The building is in very good overall condition, with a good quality level of finish, good layout. The building is of relatively newer construction, having been built in 2001. The main floor is divided into three separate office units. Unit # 1 was occupied by Southwest Ontario Vet Services, which is a related party to the property owners, and have since vacated. This space has a very good level of finish, with a typical office layout, providing a mixture of general and private office space, meeting room, kitchen/staff area, as well as two - 2 piece washrooms. This unit also occupies the front portion of Unit # 2, being setup as a large boardroom with kitchenette and two - 2 piece washrooms. Unit # 3 is tenanted by a physiotherapist, having a very good level of finish and typical office layout. This unit contains several private offices, general office area, front reception, staff area, kitchen, as well as two - 2 piece washrooms. This tenant also occupies the rear of Unit # 2, which contains staff and office areas. Each unit has a very good level of finish, being in very good condition, with an adaptable layout that would be suitable to a wide range of users. The building also contains a partial basement (5,508 square feet), which is partially finished, and was used primarily for storage purposes.

COMPARABLE SALE #4



PROPERTY IDENTIFICATION:

FILE # 33944

PIN # 531580111

Address: 413 Hibernia Street, Stratford

Location: northwest sector of Stratford, north of Huron Street

Legal Desc.: PT LOT C PLAN 23 STRATFORD AS IN R118392 & R117540 SAVE AND EXCEPT PT 3, 44R2720; PT LOT 2 PLAN 93 STRATFORD AS IN R118984 ; STRATFORD

SALE DATA:

Vendor: J. Leo Murray Investments Limited
 Purchaser: 2136693 Ontario Inc.
 Sale Date: July 22, 2016
 Sale Price: \$1,300,000
 Zoning: C2
 Property Use: Multi Tenant Commercial Building

PROPERTY DATA:

Building Area: 7,764 Square Feet
 Site Area: 1.44 Acres
 Sale Price/S.F.: \$167.44
 Capitalization Rate: N/A
 GIM: N/A
 NOI/S.F.: N/A

REMARKS:



This transaction involves the Leased Fee Interest in a multi tenant, commercial property located in Stratford. The site is improved with a 7,764 square foot, multi tenant (3) commercial building. The one storey building is on a 1.44 acre site, with frontage along Highway # 8 (Huron Street), with good visual exposure and traffic volume.

COMPARABLE SALE #5



PROPERTY IDENTIFICATION:

PIN # :00129-0156

Address: 576 Brant Street, Woodstock
 Location: South of Brant Street, east of Victoria Street North
 Legal Desc.: Lot 38 Plan 579; Part Lot 39 Plan 579 as in B21037; Woodstock

SALE DATA:

Vendor: Branch 55 Royal Canadian Legion
 Purchaser: Trustees of Faithway Baptist Church
 Sale Date: April 2016
 Sale Price: \$650,000

PROPERTY DATA:

Building Area:	16,710	Square Feet
Site Area:	1.46	Acres
Site Coverage:	8.6%	
Sale Price /S.F.:	\$38.90	

REMARKS:



This transaction involved the purchase of the Fee Simple Interest in a commercial building, being a former Royal Canadian Legion. The site is improved with a 1.5 storey, masonry building, containing a total building area of 16,710 square feet. The building was built in 1951 and was reported to have 10 bathrooms and have an elevator between the two floors. The site also has ample onsite parking. The property is now occupied by a church.

COMPARABLE SALE #6



PROPERTY IDENTIFICATION:

PIN#: :00107-0275

Address: 900-904 Dundas Street, Woodstock
 Location: Central Woodstock, on Highway # 2
 Legal Desc.: Part Lot 1 Plan 495; Part Lot 1-2 Plan 1127 as in WK50871 & 296195

SALE DATA:

PROPERTY DATA:

Vendor:	The Roman Catholic Episcopal Diocese of London	Building Area:	10,700	Square Feet
Purchaser:	Southside Construction Management Ltd.	Site Area:	1.27	Acres
Sale Date:	June 2015	Uses:	Church	
Sale Price:	\$735,000	Sale Price/S.F.:	\$68.69	

REMARKS:



This conditional offer involves the potential purchase of the Fee Simple Interest. It is scheduled to close in April, 2015. This property is located in the centre of Woodstock, on Highway # 2. The buildings contain approximately 10,700 square feet above grade, plus a finished basement. The lower level was finished and contains a hall, kitchen and other rooms. The church building was built approximately 55 years ago, and the rectory 31 years ago. The listing agent indicated that the buildings were in good condition, and it was being used as a church at the date of sale. The site benefits from its prominent location along an arterial road, with 249' of frontage, and good exposure and traffic volume. The site provides parking for 54 vehicles. The building improvements have since been razed and the site has been improved with a Goodwill Retail Outlet.

COMPARABLE SALE #7



PROPERTY IDENTIFICATION:

PIN# :08379-0150

Address: 250 Commissioners Road East, London

Location: North side of Commissioners Road East and secondary frontage and access, along Wortley Road

Legal Desc.: Concession 1, Part Lot 28, Reg Comp Plan 1012, Lot 12

SALE DATA:

PROPERTY DATA:

Vendor: Hillside Church of London

Building Area: 33,345 Square Feet

Purchaser: Harvest Bible Chapel of London

Site Area: 3.71 Acres

Sale Date: February 2015

Uses: Church

Sale Price: \$2,725,000

Sale Price/S.F.: \$81.72

REMARKS:



This transaction involves the Fee Simple Interest of a church property located on a main arterial road in south central London. The 3.47 acre site was improved with a two storey (walk out lower level) church, that was originally built circa 1961, with an addition in 1975 / 1976 (3,672 square feet). The building contains approximately 33,345 square feet, with 17,469 square feet on the main floor and 15,876 square feet on the lower, walk out level. The church is in average overall condition, with an average quality level of finish. The layout is typical for this type of use, and was designed specifically for a church user. The main floor contains a large sanctuary, with peripheral offices, classrooms and washrooms. The lower walk out level contains a gymnasium, classrooms, lounge, library, kitchen, washrooms and mechanical rooms. There were no significant items of deferred maintenance noted or reported at the time of sale. The property was sold to a religious group who will continue to utilize the property as a church.

COMPARABLE LISTING #8 (EXPIRED)



PROPERTY IDENTIFICATION:

FILE #: 33640

PIN #: 08122-0143

Address: 70 Charterhouse Crescent, London
 Location: East sector of London, north of Charterhouse Crescent
 Legal Desc.: Parcel 12-1, Section M62 Lot 12, Plan M62, Subject to LT56321

SALE DATA:

Vendor: The Maltese Canadian Club of London
 Purchaser: N/A
 Listing Date: October 2016 (expired)
 Listing Price: \$899,500

PROPERTY DATA:

Building Area: 8,825 Square Feet
 Site Area: 0.78 Acres
 Use: Commercial
 Listing Price/S.F.: \$101.93

REMARKS:



This transaction involved the purchase of the Fee Simple Interest in a commercial building. The site was improved with a brick, commercial building that contains 8,825 square feet. The main floor seats 250 people and also has a complete kitchen, bar and stage. The second floor can hold an additional 70 people and also has a kitchenette. Both floors were self contained and the second floor was serviced by an elevator. In addition the site also includes onsite parking.

The following chart summarizes the physical and economic units of comparison developed through analysis of the various transactions.

COMPARABLE SALES CHART								
48 WATER STREET, STRATFORD, ONTARIO								
FILE #0917-34357/MT								
#	Date of Sale	Address	Sale Price	Building Area (Sq. Ft.)	Sale Price per S. F.	GIM	Overall Cap. Rate (Adjusted)	NOI/Sq. Ft.
1	March 2017	207 St. Patrick Street, Stratford	\$550,000	10,226	\$53.78	--	--	--
2	December 2016	100 Gordon Street, Stratford	\$789,000	7,000	\$112.71	--	--	--
3	October 2016	219 Oak Street, Stratford	\$1,350,000	8,568	\$157.56	--	--	--
4	July 2016	413 Hibernia Street, Stratford	\$1,300,000	7,764	\$167.44	--	--	--
5	April 2016	576 Brant Street, Woodstock	\$650,000	16,710	\$38.90	--	--	--
6	June 2015	900 - 904 Dundas Street, Woodstock	\$735,000	10,700	\$68.69	--	--	--
7	February 2015	250 Commissioners Road East, London	\$2,725,000	33,345	\$81.72	--	--	--
8	Expired Listing	70 Charterhouse Crescent, London	\$899,500	8,825	\$101.93	--	--	--
INVESTMENT SALES								
A	January 2017	40 & 42 West Street, Goderich	\$700,000	9,873	\$70.90	10.4	8.4%	\$6.39
B	August 2016	1900 Hyde Park Road, London	\$2,450,000	12,630	\$193.98	15.0	6.3%	\$12.25
C	May 2016	699 Ontario Street, Stratford	\$950,000	1,916	\$495.82	15.8	6.0%	\$29.75
D	May 2016	692 Dundas Street, Woodstock	\$158,000	3,773	\$41.88	5.0	8.5%	\$3.57
E	September 2015	469 Colborne Street, London	\$485,000	2,660	\$182.33	10.0	6.7%	\$12.25
F	May 2014	10 Downie Street, Stratford	\$3,615,000	42,885	\$84.30	5.5	7.6%	\$6.41
SUBJECT		48 WATER STREET, STRATFORD		32,084				

The sales involve a mixture of comparable property purchases throughout Southwestern Ontario. Several investment sales were also included, which aid in the economic analysis.

Although of varying age, size, design and type, it was concluded that the transactions utilized presented a good overall view of the investor requirements associated with this type of investment property. Prior to adjustment, the benchmark physical units provided a significant variation between the high and low units. The economic analysis provided units of comparison within a reasonably consistent range, however, consideration must be given to the timing of the transaction along with the quality of the investment as well as with mortgage interest rates and investor equity requirements.

The documented transactions have been summarized in the following chart on the basis of the high and low benchmarks Gross Income Multipliers and Adjusted Overall Capitalization Rates:

RANGE	BLDG. AREA (S.F.)	SALE PRICE PER S.F.	G.I.M.	ADJ. OVERALL CAP. RATE	NOI/SF
LOW	7,000	\$38.90	5.0	6.0%	\$3.57
HIGH	33,345	\$167.44	15.8	8.5%	\$29.75
TRUNCATED MEAN	10,466	\$96.07	10.2	7.3%	\$9.33

SALES ANALYSIS PROCEDURE

In order to adjust the sales, a unit of comparison must be established. In valuing the overall Subject Property the sales were analysed on an overall selling price per square foot of building area.

Adjustments

The underlying principle in terms of which adjustments are made is contribution or marginal productivity. In relating this principle, the appraiser must acknowledge the influence of the presence or absence of factors being considered on the probable price of the Subject. The actual sale price of each comparable is known. The element being sought in each adjustment are the estimated price at which the comparable would have sold if it were identical to the Subject.

Some of the most critical elements of comparison have been addressed as follows:

Property Rights Conveyed

The property rights conveyed for the comparable sales used were Fee Simple or Leased Fee, adjustments were made, where necessary.

Financing Terms

The sale price of one property may differ from that of an identical property due to the financial arrangements provided. This is particularly the case where the comparable has a preferable financing package as contrasted to that which is available in the prevailing market. The comparable sales used in this report were similar in comparison to the Subject and no significant adjustments for financing were warranted.

Conditions of Sale

Adjustments for conditions of sale typically reflect the motivation of buyer and the seller. No adjustments were applied for this factor.

Market Conditions

The date of sale identifies market conditions prevailing at the time the transaction occurred. Market conditions may change between the date of sale of the comparable, and the effective date of the appraisal. The comparable sales analysed transacted between February 2015 and March 2017. From this period to the effective date, the market in general was increasing slightly, depending on the location and quality of the building. The monthly sales volume in Stratford was increasing in comparison to the previous few years and the sale prices were also modestly increasing. Historically, low interest rates seem to be the catalyst for this increase in sales volume and sale prices. As such, where applicable, an increase for time is warranted.

Location

Market Value is highly sensitive to location. The Subject Property is located in a very good quality, mixed use area of Stratford, just north of the downtown core. The proximity to Lake Victoria is a strong positive. The improved comparable sales identified and used as at the Effective Date were located in a variety of locales, some superior and some inferior. Adjustments were required for their respective locations with appropriate locational adjustments made.

Economic Characteristics

This item includes all the attributes of a property that affect its net operating income and is usually an element of comparison applied to income-producing properties. If applicable, adjustments were made.

Zoning and Land Use

Properties may exhibit similar locational and physical attributes but have different zoning or land use classifications. The comparable sales had somewhat similar zoning, most of which were commercial in nature and required minimal (if any) adjustments.

Physical Characteristics

This is a term that includes the physical differences between the comparable and the Subject. With regard to comparison of commercial buildings, factors included under physical items would be building size, condition, level of interior finish, layout, age of building, site size, parking, building upgrades/updates, etc. The Subject Property was in average to good overall condition, being of older construction. The comparable sales ranged in terms of condition and level of finish, and were adjusted accordingly.

In arriving at adjustments for these factors exclusive of the building size adjustments, market driven adjustments were made. These adjustments were subjective, however, were based on the objectivity of purchasers and sellers.

QUALITATIVE ANALYSIS CHART
48 WATER STREET, STRATFORD, ONTARIO
FILE #0917-34357/MT

Element	Subject	Comp. #1	Comp. #2	Comp. #3	Comp. #4	Comp. #5	Comp. #6	Comp. #7	Comp. #8
Sale Price	--	\$550,000	\$789,000	\$1,350,000	\$1,300,000	\$650,000	\$735,000	\$2,725,000	\$899,500
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing	Normal	Normal	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Market	Sept. 2017	Similar	Inferior	Inferior	Inferior	Inferior	Inferior	Inferior	Similar
Location	Very Good	Inferior	Inferior	Inferior	Inferior	Inferior	Inferior	Similar	Similar
Physical	Avg. -	Inferior	Similar	Superior	Similar	Similar	Similar	Similar	Similar
Interior Finish	Average	Inferior	Similar	Superior	Similar	Similar	Similar	Similar	Similar
Building Area	32,084	10,226	7,000	8,568	7,764	16,710	10,700	33,345	8,825
Site Area	3.64	0.68	0.32	1.09	1.44	1.46	1.27	3.71	0.78
Use	Inst./Com	Comm.	Office	Office	Comm.	Inst./Com	Church	Church	Inst./Com
Price Per Sq. Ft.	--	\$53.78	\$112.71	\$157.56	\$167.44	\$38.90	\$68.69	\$81.72	\$101.93
Overall Rate	--	Similar	Superior	Superior	Superior	Inferior	Similar	Superior	Superior

COMPARABLE	INFERIOR	SIMILAR	SUPERIOR
1	--	\$54	--
2	--	--	\$113
3	--	--	\$158
4	--	--	\$167
5	\$39	--	--
6	--	\$69	--
7	--	--	\$82
8	--	--	\$102

Prior to the adjustments, the comparable sales ranged from a low of \$39 per square foot to a high of \$167 per square foot.

The Subject Property is average to good overall condition, being of older construction, however, having been well maintained over the years. The large building size and unique layout will limit the number of potential users. The large site size, very good location, new mechanical system and other recent upgrades are strong positives.

After carefully weighing all available information, a square foot rate between \$60 and \$70 is considered to be applicable for the Subject Property. Applying this unit range to the Subject's building area of 32,084 square feet provides a value range from \$1,925,000 to \$2,246,000.

This value range takes into account the large building size, age and condition of the building, recent upgrades, layout and design, as well as, location.

For the purposes of this report a stabilized value range from **\$1,925,000 to \$2,245,000** was found to be reasonable.

INCOME APPROACH

The Income Approach involves an analysis of the actual and/or estimated income potential of the Subject Property which is rendered into an estimate of value by a capitalization process. The process provides an indication of the present worth of the future benefits of the income stream. The rate at which the net income is capitalized is consistent with its quality, quantity and durability. These returns generally fall into two categories. First, there is the annual net income stream receivable during the investment period or cycle. Second, there is the residual value of the assets at the end of the investment cycle.

The investment cycle is the period of time over which an investor commits capital. Except for speculative investments, this time period is generally related to the anticipated remaining productive life of a property and the term over which the property will satisfy the investor's objectives. The location; trends; age and condition of the site improvements; cost of the investment capital; ability to provide security and tax shelter; and, the availability of alternative investment vehicles are the basic factors on which an investment cycle is determined. The investor's tax position is often a major influencing factor.

The probability of a property increasing in value over the investment cycle is also an important consideration in the selection of an appropriate rate. First, if there is little or no probability of real growth or gain in value, the investor must look to the income stream to provide a full return on investment. This will result in a relatively high capitalization rate when alternative investments offer real growth potential. Second, in the case of an investment in property that may or will decline (depreciate) in value, the investor must recover from the income stream both the full return on the invested capital plus recapture of the depreciation. This situation also results in a high capitalization rate including both return on and return of the investment. The third alternative is where the real value of a property is expected to increase over the investment cycle. This results in a lower capitalization rate because no recapture of depreciation is required and part or all of the return on the capital invested is achieved by way of the growth or gain in value. This gain (capital gain) may be taxed at a lower effective rate resulting in a further benefit to the investor in the way of a greater after tax return.

LEASE ANALYSIS

The following definitions have been outlined as provided by the Appraisal of Real Estate; Third Canadian Edition and has been used throughout this report.

Rent

Seven different types of rent can affect income; namely, contract rent, market or economic rent, effective rent, excess rent, deficit rent, percentage rent and overage rent.

- i) Contract Rent is the actual rental income specified in a lease. It is the rent agreed on by the landlord and the tenant and may be higher than, less than or equal to market rent.
- ii) Market Rent or Economic Rent is the rental income a property would most probably command in the open market. It is indicated by the current rents that are either paid or asked for comparable space with the same division of expenses as of the date of the appraisal.
- iii) Effective Rent (or actual occupancy cost) is an analytical tool used to compare leases with different provisions and develop an estimate of market value. Effective rent may be defined as the total of base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions, e.g. free rent, excessive tenant improvements, moving allowances, lease buyouts, cash allowances and other leasing incentives.
- iv) Excess Rent is the amount by which contract rent exceeds market rent at the time of appraisal. Excess rent is created by a lease that is favourable to the lessor and may reflect superior management or a lease that was negotiated in a stronger rental market.
- v) Deficit Rent represents the amount by which market rent exceeds contract rent at the effective date of the appraisal. Is created by a lease favourable to the tenant and may reflect uninformed parties, inferior management, or a lease executed in a weaker rental market.
- vi) Percentage Rent is the rental income received in accordance with the terms of a percentage clause in a lease. Percentage rent is typically derived from retail tenants and is based on a certain percentage of their sales revenue. It is usually paid at the end each year and may be more difficult to collect than other forms of rent paid on a more regular basis.
- vii) Overage Rent is the rent paid and above the guaranteed minimum rent or base rent. The level of sales at which a percentage clause is activated is specified in a lease called a "breakpoint".

Leases

- i) Gross Lease is a lease in which the landlord receives stipulated rent and is obligated to pay all or most of the operating expenses and real estate taxes.
- ii) Net Lease is a lease in which the tenant pays all property charges in addition to the stipulated rent.

Level and Schedule of Rental Payment

- i) Flat Rental Lease or Level Payment is the lease has specified level of rent that continues throughout the lease term. In a stable market, this type of lease is typical and acceptable.
- ii) Variable Rental Lease is common, particularly when an owner anticipates periodic changes in market rent. This type of lease may specify a periodic percentage change, at other times, the change may be tied into a specific index such as the 'Consumer Price Index'.
- iii) Step-up or Step-down Lease provides for a certain rent for an initial period followed by an increase or decrease in rent over stated periods during the term of the lease.
- iv) Annual Increase Lease is one of the most common leases which simply increases the rent annually by a dollar amount specified in the lease.
- v) Revaluation Lease provides for rent adjustments at periodic intervals based on the revaluation of the market rent under prevailing market conditions. If a short term lease with a renewal option cannot agree on the rent, revaluation through appraisal or arbitration may be stipulated in the lease.
- vi) Percentage Leases in some or all gross leases is based on a specified percentage of the volume of business, productivity or use achieved by the tenant. They may be short or long and are most frequently used in retail properties.

Building Area

- i) Gross Living Area (GLA) is the total area of finished, above-grade residential space, calculated by measuring the outside perimeter of the structure and includes only finished, habitable, above-grade living space. Finished basements and attic areas are not generally included in total gross living area.
- ii) Gross Building Area (GBA) is the total area of a building, excluding unenclosed areas, measured from the exterior of the walls; includes both the superstructure floor area and the substructure or basement area.
- iii) Gross Leaseable Area (GLA) is the total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the centre of joint partitioning to the outside wall surfaces.
- iii) Rentable Area is described as the useable area of the tenanted space plus an allocation of floor common areas. (e.g. lobby, janitorial areas, washrooms). The rentable area is normally used as the basis for determining base and additional rent.

Note: The acronym GLA can stand for two different area measurements. Residential appraisers use it for the Gross Living Area while commercial appraisers use it for Gross Leaseable Area.

POTENTIAL GROSS ANNUAL INCOME

The Subject Property consists of a freestanding, multi user, commercial building with a total building area of 32,084 square feet. The building is in average to good condition, with areas being dated, and worn, and other areas having been upgraded in recent years. The Theatre section of the building is subject to a long term lease (March 31, 2008 - March 30, 2028) with 'The Stratford Shakespeare Festival of Canada'. The contract rent appears to be at market levels, based on the rental study. This tenant occupies approximately 50% of the building, sharing the common space with City of Stratford. The City of Stratford owner occupy the other 50% of the building, used as the Kiwanis Community Centre. A blended market rent of \$6.50 per square foot, on a Net basis has been selected as the most appropriate and used throughout the Income Approach.

The Income Approach is most meaningful when market leasing is in effect for the Subject building and operating statements are available, whereby the revenue and operating expenses actually being experienced can be analysed and interpreted. In this instance, where the property is being valued as if occupied, the basis of the Income Approach is to use the contract rent where applicable with the market rent inserted where leases are owner occupied or may be coming due in the near future. Adjustments are made for recoverable expenses and any other source of ancillary income that may be present. This income stream is used to determine a net income which is then capitalized into a present value as an investment. Under this assumption, the economic aspect of the real estate holdings must be developed on the basis of estimates or projections that are considered to apply. Market rent is defined as the most probable rent the property would command on the open market, as indicated by current market rentals being paid for comparable space. Appropriate adjustments must be made for building size, quality of finish, layout and design, location, etc.

The Subject Property is of older construction, with some areas having a dated level of finish, however, overall it has been very well maintained and was in average to good condition. The unique layout / setup and large building size are factors that will lower the attainable market rent. There are some positive factors that the Subject Property has that must also be addressed and reflected in the rental rate. This includes the large site size, and very good location. Taking all of the factors into account, a rental rate below the market range was deemed most appropriate.

POTENTIAL GROSS REVENUE SUMMARY			
48 WATER STREET, STRATFORD, ONTARIO			
Area	Area Leased (Sq.Ft.)	Rent/ S. F.	Total Revenue
Main Floor	32,084	\$6.50	\$208,546
Total	32,084	--	\$208,546

RENTAL STUDY

A rental study was conducted to determine the most appropriate market rent for the Subject Property, as it was primarily owner occupied as of the Effective Date.

RENTAL STUDY			
48 WATER STREET, STRATFORD, ON			
SEPTEMBER 1, 2017			
Address	Area	Rate per S. F.	Remarks
10 Downie Street, Stratford	2,113	\$12.00	- commercial building in downtown Stratford - Net lease, 3 year term, commenced May 2016
342 Erie Street, Stratford	various	\$12.00 - \$15.00	- medical related office building - good condition, well maintained - good location
168 - 174 Ontario Street, Stratford	2,693	\$10.00	- net lease, expires 2021 - professional office building - good location
182 - 194 Ontario Street, Stratford	2,068	\$11.50	- net lease, expires 2018 - office space in a retail plaza - good location
100 Erie Street, Stratford	1,200	\$10.00	- semi gross lease (plus CAM), active listing - professional office building
202-75 Waterloo Street South, Stratford	5,600	\$10.00	- net lease, active listing - professional office building - 2 nd floor space
617 Douro Street, Stratford	6,300	\$10.00	- professional office space - 2 nd floor space
100 Gordon Street, Stratford	3,500	\$11.95	- active listing - professional office space
240 Graff Avenue, Stratford	1,776	\$8.00	- Net lease - retail Plaza - in good condition, onsite parking
101-386 Cambria Street, Stratford	1,100	\$11.00	- Net lease - professional office building
426 Huron Street, Stratford	2,200	\$8.72	- Net lease - free stranding commercial building - onsite parking

LEASE ANALYSIS

Location

The Subject Property is located in a good quality, mixed use area of Stratford, just outside of the downtown core, with frontage along Lake Victoria. The design of the Subject Property provides good visual exposure and would be classified as an average commercial / institutional development in a very good location.

Physical access is considered to be good with ingress and egress provided off of Water Street, Morenz Drive and Lakeside Drive. This location would be considered favourable from the stand-point of commercial / institutional accommodation.

Parking

The Subject Property has ample on-site parking.

Market

The City of Stratford's commercial market has been negatively affected by the recent economic downturn, however, vacancy levels for commercial accommodations are considered to be in a balanced level. Location remains to be a primary factor in the selection process. Good sites still maintain a "premium" designation. This would suggest the market will see limited upward movement, with owners unable to increase rates and reduce inducements. The historically low mortgage interest rates have allowed owners to maintain the same or greater return on overall equity.

Quality of Tenant

The covenant of leases enhances the investment quality of a rental project, with tenants perceived by investors to be AAA being the most desirable. In this instance, the property is projected to be tenanted by a good quality user and are deemed to be able to meet their financial requirements.

EXPENSES

Vacancy and Collection Loss

In projecting a vacancy factor for the Subject Property, consideration must also be given to the fact that the Subject's location is considered to be very good. However, the building has a unique layout and is of a large size which may be difficult to rent. The projected user is deemed to be financially strong and capable of meeting their financial obligations. After carefully considering all available information, it is the appraiser's opinion that a vacancy and collection loss of 7.0% is applicable on a stabilized basis.

Operating Expenses

The Subject Property's operating expenses would be paid for by the tenant, as the lease is projected to be on a Net basis.

Management, Structural and Miscellaneous Expense

An allowance must be considered for these factors. The building is of older construction and was in average to good overall condition. The lease would stipulate that the tenant will be responsible for the majority of the building expenses. An allowance of 3.5% was found to be reasonable.

Non-Recoverable Expenses

In addition to the above operating expenses, consideration must be given to the non-recoverable expenses contributed to a vacant unit. Under our vacancy and bad debt allowance a projection of 7.0% has been made for the Subject. In this instance no additional allowance will be made.

48 WATER STREET, STRATFORD, ONTARIO
 SEPTEMBER 1, 2017
 INCOME AND EXPENSE SUMMARY

Potential Gross Revenue

Rental Revenue		\$208,546
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Total Potential Gross Revenue		\$208,546
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Less: Vacancy & Collection Loss @	7.0%		\$14,598
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Effective Gross Income		\$193,948
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Less: Operating Expenses

Structural&Miscellaneous @	3.5%		\$6,788
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Net Income (Before Debt Service)		\$187,160
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CAPITALIZATION

This is the process of converting into a Present Worth a series of anticipated future annual instalments of income. The formula is as follows:

$$V = \frac{I}{R_o}$$

In Which:

I = Annual Income

R_o = Overall Composite Rate

V = Value

Investors purchasing properties similar to the Subject have been seeking returns within a fairly narrow range, with the ultimate rate usually dependent upon the age and conditions of the improvements, its location, liquidity and the positive or negative leverage which results from financing, as well as the availability of competitive investments.

Ideally, the capitalization rate would be derived from actual market sales of similar properties. This requires both a number of comparable property sales and a thorough knowledge of the debt service and equity capital positions in each case. Detailed and reliable financial information is not always available from a sufficient number of comparable properties and in its absence the Band of Investment Method of developing a capitalization rate can provide a reliable indication of value. In the case of special use properties or properties of a type infrequently traded, the Band of Investment Method generally provides a reliable indication of the appropriate capitalization rate aided by findings in the Direct Comparison Approach.

Projects similar to the Subject are almost always purchased with borrowed funds. Consequently, it follows that the availability and terms of borrowed capital will have a profound influence upon the value of the real estate.

OVERALL CAPITALIZATION RATES ANALYSED

The following rates have been developed by analysis of the sales in the Direct Comparison Approach and the utilization of the Mortgage Equity technique.

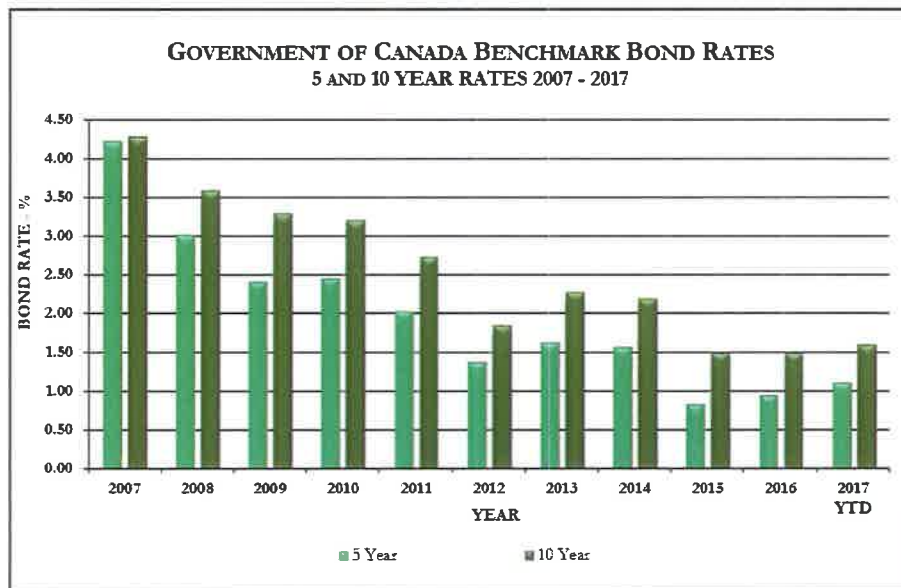
OVERALL CAPITALIZATION RATE (MARKET)	
LOW	6.0%
HIGH	8.5%

ALTERNATIVE MARKET RATES OF RETURN

The following outlines some current alternative yields as reported by the Bank of Canada.

	CURRENT	1 YEAR AGO
Chartered Banks Prime Rates	2.95	2.70
Bank of Canada	1.00	0.75
Treasury Bill Yield (91 Days)	0.71	0.51
Long Term Canada Bond Yield	2.27	1.63

The chart below provides a history of the above bond scheduled rates.



SELECTION OF CAPITALIZATION RATES

The selection of the most appropriate discount rate or capitalization rate is a process whereby the characteristics of the property being valued are ranked against the investment features of comparable properties in the marketplace which have transacted at known rates of return. The salient investment features of the Subject Property are also interpreted in light of the prevailing rate structure which the investment community would use in pricing comparable investments.

The sales documented in the Direct Comparison Approach provided a range in overall capitalization rates from 6.0% to 8.5%.

Major variables associated with the most applicable rate for the Subject Property would include the following:

The location of the property will have a positive or negative impact on the capitalization rate and the end value of the property. The location of the Subject is considered to be in a very good area, close to Stratford's downtown core and Lake Victoria.

The tenant profile affects the security and stability of the income stream and can have an effect on value, as investors consider the risk associated with the investment. The tenant and owner occupier are considered to be financially viable and able to meet their obligations. The risk factor associated with this fact is low.

The physical condition of the improvements, which takes into consideration age and on-going maintenance practices is a significant variable. The Subject Property is in average to good condition, being of older construction, suggesting that an investor may be faced with capital improvements in the short term. It is anticipated that investors would judge the Subject Property to be in average to good condition.

The market for this type and size of property is considered to be limited.

Taking all matters into consideration, it was concluded that the most applicable capitalization or discount rate for the Subject's net income before debt service would be between 8.50% and 9.50%.

DIRECT CAPITALIZATION OF NET OPERATING INCOME

Estimated Net Operating Income		\$187,160
Selected Capitalization Rates	9.50%	8.50%
Indicated Capitalized Values	\$1,970,105	\$2,201,882
ROUNDED VALUES	\$1,970,000	\$2,200,000

CORRELATION AND FINAL ESTIMATE OF VALUE

Two approaches to value were investigated resulting in the following indications of value:

DIRECT COMPARISON APPROACH	\$1,925,000 to \$2,245,000
INCOME APPROACH	\$1,970,000 to \$2,200,000

Investment properties are purchased for the sole purpose of producing profit for the owner. Hence, the primary criterion of value associated with this type of property is the amount of the periodic income and the ultimate yield which will be produced during the investment cycle.

Although two separate approaches to value were utilized, the economic information utilized in the Income Approach is primarily derived from actual market transactions. Therefore, the actions of typical investors and their market demand can be interpreted for utilization in the economic analysis of the Subject Property. The historic findings can then be tempered by current investment yields, trends and mortgage interest rates.

Analysis using a price per square foot analysis and making adjustments for the income generating ability of the Subject in comparison to the comparable sales produced a range from \$1,925,000 to \$2,246,000. The final value range for the Direct Comparison Approach was **\$1,925,000 to \$2,245,000**.

The second method utilized in this report involved the use of Overall Capitalization Rates. Two methods were investigated, the first being the "Direct Method" with the rates obtained from actual market transactions. The overall rate extracted from the market data is computed by dividing the Net Operating Income (N.O.I.) by the sales price. This result is the rate of return of the entire purchase capital, without regard to the contributor, being the equity investor or the mortgage lender. By subtracting the mortgage payments, the initial rate of return or cash flow to the investor's equity can be extracted.

In summary, economic analysis of the Subject facility indicated a market supportable value ranging from **\$1,970,000 to \$2,200,000**.

The following are considered to be negative factors affecting the value of the Subject Property:

- the building is of older construction;
- the building has a unique layout, and the large building size may limit the number of users;
- the roof is nearing its remaining useful life.

The following are considered to be positive factors affecting the value of the Subject Property:

- the site is located just outside of Stratford's downtown core, and along Lake Victoria;
- the building is well laid out for its current users;
- recent building upgrades, most notably the mechanical system;
- the site offers ample onsite parking;


The positive factors balance the negative factors, resulting in an indicate that the most probable single value is near the middle of the overall value range.

Considering the data investigated and market conditions in general, the most probable single Current Market Value, of the Subject Property, as at September 1, 2017, was

TWO MILLION SEVENTY FIVE THOUSAND DOLLARS

\$2,075,000

Respectfully submitted,
VALCO CONSULTANTS INC.


Matt Telford, BA, AACI, P. App
1-519-667-9050, Extension 241
mtelford@valcoconsultants.com

APPRAISER'S CERTIFICATION

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


- the statements and opinions contained in this appraisal report are true and correct;
- that I personally inspected 48 Water Street, Stratford, Ontario on September 1, 2017 and investigated the information and data contained in this report;
- I have no present or prospective interest in the property being appraised and I have no personal interest or bias with respect to the parties involved. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event;
- the reported analyses, opinions and conclusions, limited only by the reported assumptions and limiting conditions (Addenda) and are my personal, unbiased, professional analyses, opinions and conclusions;
- my analyses, opinions and conclusions developed within this report have been prepared in conformity with the requirements of the Code of Professional Ethics and the Canadian Uniform Standards of Professional Appraisal Practice of the Appraisal Institute of Canada;
- the Appraisal Institute of Canada has a mandatory Continuing Professional Development Program. I hereby certify that I have fulfilled the requirements of the program;
- that it is my opinion that, as at September 1, 2017, the Subject Property has an estimated Current Market Value, of:

TWO MILLION SEVENTY FIVE THOUSAND DOLLARS

\$2,075,000

DATED at London, Ontario, on September 14, 2017.

Respectfully submitted,
VALCO CONSULTANTS INC.



Matt Telford, BA, AACI, P. App
1-519-667-9050, Extension 241
mtelford@valcoconsultants.com

ADDENDA

Underlying Assumptions and Limiting Conditions
Resume of Qualifications

UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is made expressly subject to the conditions and assumptions as follows:

1. The report is prepared for the exclusive and confidential use of **CITY OF STRATFORD**. It is not reasonable for any other person(s) to rely on this appraisal, or any portion thereof, without the written authorization of the addressee and the author of the report. The appraisal is prepared on the expressed assumption that no other person(s) will rely on it for any purposes and all liability to all such person(s) is denied.
2. The appraiser's/consultant's responsibility is limited to the client and use of this appraisal by third parties shall be solely at the risk of the third parties.
3. That the legal description as provided or obtained for use in conjunction with this report is correct.
4. That no responsibility is assumed for matters legal in character, nor is any opinion rendered as to title which is assumed to be marketable.
5. That the improvements (if any) are within lot lines and that there are no encroachments from without. Further, the plans and/or sketches contained in this report are included solely to aid the recipient in visualizing the location of the property, its configuration, indicated boundaries, etc.
6. Investigations have been undertaken in respect of matters which regulate the use of land. However, no inquiries have been placed with the Fire Department, the Building Inspector, the Health Department, or any other government regulatory agency, unless such investigations are expressly represented to have been made in this report. The Subject Property must comply with such regulations and, if it does not comply, its non-compliance may affect the market value of this property. To be certain of such compliance, further investigation may be necessary.
7. It is assumed that the real estate complies in all material respects with any restrictive covenants affecting the site and has been built, occupied and is being operated, in all material respects, in full compliance with all requirements of law, including all zoning, land use classification, building, planning, fire and health by-laws, rules, regulations, orders and codes of all federal, provincial, regional and municipal governmental authorities having jurisdiction with respect thereto. It is also assumed that there are no work orders or other notices of violation of law outstanding with respect to the real estate and that there is no requirement of law preventing occupancy of the real estate as described in this report.

It is imperative that the reader or any other interest party be aware that the appraiser did not inspect the premises for fire detection or smoke detection systems, or for the presence of carbon monoxide detectors, nor did the appraiser inspect the condition of such equipment, if present. The appraiser takes no responsibility whatsoever for the lack of, or condition of, detection devices that may be located on the premises, nor does the appraiser warrant compliance in any manner of such equipment, if present.

8. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, poly-chlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may be present on the properties or other environmental conditions, were not called to the attention of, nor did the appraiser become aware of such during the inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test for such substances or conditions. If the presence of substances, such as asbestos, urea formaldehyde foam insulation, or other hazardous substances or environmental conditions are identified, the value of the property could be affected. The value estimate is therefore predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them.
9. That the estimate of value herein applies only to the premises described. Any separate valuations of land and buildings as shown must not be used for any other purposes or used separately; otherwise, they are invalid. A re-evaluation should be made if the improvements are removed or substantially altered and/or if the land is utilized for another purpose.
10. That certain opinions, estimates, data and statistics furnished by others in the course of investigation are correct; however, this data is not guaranteed for accuracy even though attempts have been made to verify said information, where possible.
11. Responsible ownership and competent property management are assumed.
12. That neither all nor any part of the contents of this report will be conveyed to the public through advertising, public relations, news, sales or other media without consent and approval of the author, particularly, as to the valuation conclusions, the identity of the appraiser or firm with which he is connected, or any reference to the Appraisal Institute of Canada, the CRA or AACI designation.
13. Because market conditions, including economic, social and political factors, change rapidly and, on occasion, without notice or warning, the estimate of market value expressed herein, as of the effective date of this appraisal, cannot necessarily be relied upon as of any other date without subsequent advice of the author of this report.
14. Should the author of this report be required to give testimony or appear in court or at any administrative proceeding relating to this appraisal, prior arrangements shall be made therefore, including provisions for additional compensation, adequate time for preparation and for any appearances which may be required. However, neither this nor any other of these Assumptions and Limiting Conditions is an attempt to limit the use that might be made of this report should it properly become evidence in a judicial proceeding. In such a case, it is acknowledged that it is the judicial body which will decide the use of this report which best serves the administration of justice.
15. This report is only valid if it bears the original signature of the author.

RESUME OF QUALIFICATIONS
MATTHEW TELFORD, BA, AACI, P. APP

EDUCATION & PROFESSIONAL DESIGNATIONS

- AACI Accredited Appraiser Canadian Institute
- P.App Professional Member of the Appraisal Institute of Canada
- BA Bachelor of Arts Degree: M.I.T. - University of Western Ontario
- Pg. D. Post Graduate Diploma: Human Resources Management - Sheridan College

MEMBERSHIPS & ASSOCIATIONS

AIC Appraisal Institute of Canada
AACI Accredited Appraiser Canadian Institute
O.E.A. Ontario Expropriation Association, member through Valco Consultants Inc.

AIC - London Chapter

- Member of the Executive Committee

EDUCATION & EXPERIENCE HISTORY

2015 - Present Partner / Real estate appraiser with Valco Consultants Inc.
2005 - 2014 Real estate appraiser with Valco Consultants Inc.
2006 - 2012 University of British Columbia, AIC Education Program
2003 - 2004 English teacher in South Korea, with ECC Changwon.
2002 - 2003 Human Resources Management - Post Graduate Diploma - Sheridan College.
1998 - 2001 BA, M.I.T. - University of Western Ontario.

AREAS OF PRACTICE

INDUSTRIAL BUILDINGS

Within this category, buildings ranging in size from 1,000 to 700,000+ square feet have been analyzed. These single and multi-tenant structures were occupied by a wide range of occupants including general manufacturing, warehousing and automotive related manufacturing.

RETAIL BUILDINGS

Valuations within this segment of the market have included newly built/to be built retail developments, older core area and neighbourhood mixed-use structures, retail strip malls and single-tenant structures.

OFFICE BUILDINGS

Reports have been completed on existing single-storey owner-occupied buildings as well as high-rise, single and multi-tenant structures in the core area of various municipalities as well as suburban structures. Unusual situations have included buildings developed on leased land, or constructed with a head lease agreement for the entire structure.

MULTI FAMILY RESIDENTIAL BUILDINGS

Projects ranging in size from three to 180 units have been valued, including those with a mixture of unit types including lower level retail or office accommodation.

VACANT LAND

This would include residential sites available for single family dwellings, townhouse or apartment buildings. Industrial sites and sites available for construction of a wide range of retail, office or commercial developments.

SPECIAL USE PROPERTIES

These would include public and private golf courses, fast food restaurants, service stations, car washes, mini-storage warehousing, car dealerships, owner-occupied and lease-back arrangements, restaurants, motels, hotels, taverns, schools and churches.