Appraisal Report

1 Connecticut Drive ,
Stephenville,NL

Prepared for:
The Town of Stephenville

By:
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File No. NL-COMM2018-040
Date :August 22,2018

August 22,2018

The Town of Stephenville
Attn: Brian Kinsmen

Re: Valuation of 1 Connecticut Drive, Stephenville, NL

As per your instructions, we have completed an investigation and analysis of the above-mentioned property and herewith submit our report for your consideration.

The Appraisal was made for the purpose of expressing our opinion of the *Market Value* of the Fee Simple Interest in the subject property. The definition of *Market Value*, as employed in this report, is outlined under the *Terms of Reference* section of this report.

This report complies with the Canadian Uniform Standards of Professional Appraisal Practice and is subject to the Contingent and Limiting Conditions outlined in section 2.0 of the report.

Based on our interpretation and analysis of the data outlined in this report as well as a personal inspection of the property, it is our considered option that the As Is *Market Value* of the Fee Simple Interest in the subject property as July 13,2018 is: **$11,500,000.00**

If you have any questions regarding this report, please contact the undersigned at your convenience.

Respectfully Submitted,

Rex Seaward

Rex A. Seaward AACI, P. App.
NSREAA – Registration no. 264840

TABLE OF CONTENTS

1.0 EXECUTIVE SUMMARY

Property Identification:	**1 Connecticut Drive, Stephenville , NL**
Property Type:	Industrial Fabrication Building
Owner/Client:	The Town of Stephenville
Assessed Value (2018):	$1,091,400
Zoning:	CG
Highest and Best Use:	Existing use.
Site Area:	9.81 acres
Building Area:	Main Level 112,068 $ft^2\pm$
Projected NOI:	n/a
Value by Cost Approach:	$ 12,108,500
Value by Direct Comparison:	$ 11,207,000
Final Value Estimate:	$ 11,500,000
Estimated Selling Time:	12 months
Typical Purchaser:	Local or regional end user.
Effective Date:	July 13,2018
Date of Report:	August 22,2018

2.0 CONTINGENT AND LIMITING CONDITIONS

1. This appraisal has been prepared at the request of the client for the purpose of providing an estimate of the market value. It is not reasonable for any other person to rely upon this appraisal without first obtaining written authorization from this appraiser. There may be qualifications, assumptions, or limiting conditions in addition to those set out below relevant to that person's identity or his intended use. The report is prepared on the assumption that no other person will rely on it for any other purpose and that all liability to all such persons is denied.

2. While expert in appraisal matters, the author is not qualified and does not purport to give legal advise. It is assumed that:

i) the legal description employed in this report is correct;
ii) title to the property is good and marketable;
iii) there are no encroachments, encumbrances, restrictions, leases or covenants that would in any way affect the valuation, except as expressly noted therein;
iv) the existing use is a legally conforming use which may be continued by any purchaser from the existing owner;
v) rights-of-way, easements, or encroachments over other real property and leases or other covenants noted herein are legally enforceable.

Because these assumptions have been made, no investigation, legal or otherwise, has been undertaken which would verify these assumptions except as expressly noted herein.

3. The author is not a qualified surveyor. Sketches, drawings, diagrams, photographs, etc. are presented in this report for the limited purpose of illustration and are not to be relied upon in themselves.

4. The author is not qualified to give engineering advice. It is assumed that there are no patent or latent defects in the subject improvements, that no objectionable materials are present, that they are structurally sound and in need of no immediate repairs, unless expressly noted within this report. No soil tests have been done, nor have tests been done of the heating, plumbing, electrical, air-conditioning, or other systems and, for the purpose of this opinion, they are assumed to be in good working order.

5. No investigation has been undertaken with the local zoning office, 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 government regulations and, if it does not comply, its non-compliance may affect market value. To be certain of compliance, further investigations may be necessary.

6. Neither possession of this report nor a copy of it carries with it the right of publication. All copyright is reserved to the author and is considered confidential by the author and his client. It shall not be disclosed, quoted from or referred to, in whole or in part, or published in any manlier, without the express written consent of the appraiser. This is subject only to confidential review by the Appraisal Institute of Canada as provided in the Code of Ethics, Standards of Professional Conduct and Standards of Professional Practice of the Institute.

7. Market data has been obtained, in part, from documents at the land registry office, or as reported by the real estate board. As well as using such documented and generally reliable evidence of market transactions, it was also necessary to rely on hearsay evidence. Except as noted herein, a reasonable attempt has been made to verify all such information. WHERE INFORMATION HAS BEEN SUPPLIED BY OTHERS, ABSOLUTELY NO OBLIGATION IS ASSUMED BY THE APPRAISER FOR ITS ACCURACY.

8. Because market conditions, including economic, social and political factors, change rapidly and, on occasion, without warning, the market value expressed as of the date of this appraisal cannot be relied upon to estimate the market value as of any other date except with further advice of the appraiser.

9. The compensation for services rendered in this report does not include a fee for court preparation or court appearance, which must be negotiated separately. However, neither this nor any other of these 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 the report which best serves the administration of justice.

10. The appraiser reserves the right to review all calculations referred to in this report and, if necessary, revise his opinion in the light of any new facts, trends, or changing conditions existing at any date prior to or at the valuation date which became apparent to him subsequent to the date of this appraisal.

11. We have not inspected woodwork or other parts of the structure which are covered, unexposed, or inaccessible, and we are therefore unable to report that such parts of the property are free of rot, beetle or other defects.

12. Unless otherwise noted in this report, the appraiser is not qualified to comment on environmental issues that may affect the market value of the property appraised, including but not limited to hazardous materials, pollution or contamination of land, buildings, water, groundwater or air. Unless expressly stated, the property is assumed to be free and clear of pollutants and contaminants, including but not limited to moulds or mildews or the conditions which may give rise to either, and in compliance with all regulatory environmental requirements, government or otherwise, and free of any environmental condition, past, present or future, that might affect the market value of the property appraised. If the party relying on this report requires information about environmental issues then that party is cautioned to retain an expert qualified in such issues. We expressly deny any legal liability relating to the effect of environmental issues on the market value of the property appraised.

13. It is assumed that all rents referred to in this report are being paid in full and when due and payable under the terms and conditions of the attendant leases, agreements to lease or other contractual agreements. Further, it is assumed that all rents referred to in this report represent the rental arrangements stipulated in the leases, agreements to lease or other contractual agreements pertaining to the tenants occupancy, to the extent that such rents have not been prepaid, abated, or inflated to reflect extraordinary circumstances, unless such conditions have been identified and noted in this report.

3.0 TERMS OF REFERENCE

3.1 Property Rights Appraised

The property rights being appraised in this report are those which will accrue to the owner of the property described herein. This encompasses the rights normally attached to the freehold (or fee simple) interest in the property as outlined in this report.

The property has been appraised on a debt free basis.

3.2 Purpose of the Assignment

This investigation and appraisal was made for the purpose of estimating the **"As Is Market Value "** of the subject property as of July 13, 2018.

3.3 Intended Use of the Report

This report is intended for the use of the client to assist in determining value for internal accounting purposes and/or listing or Sale Purposes.

3.4 Definition of Market Value

The term "Market Value" as used in this report is defined as:

> *The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and the seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*
>
> *1) buyer and seller are typically motivated;*
> *2) both parties are well informed or well advised, and acting in what they consider their best interests;*
> *3) a reasonable time is allowed for exposure in the open market;*
> *4) payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto; and*
> *5) the price represents the normal consideration of the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

3.5 Exposure Time

The value estimate assumes that the subject property was exposed for sale on the open market in a manner typical for this class of property for at least 12-18 months prior to the effective date.

3.6 Sales History

The subject is currently vacant with an offer to lease currently proposed and utilized as large industrial fabrication/storage facility . For this report the property is considered potentially tenant occupied. The Subject was has not been listed or sold within the past 3 years.

3.7 Scope of the Appraisal

The scope of this appraisal encompassed those methods, procedures and investigations considered to be typical and appropriate for this class of property and the intended use of this report.

A physical inspection of the subject property was undertaken on (July 13,2018). The neighbourhood was inspected noting relevant competition characteristics and general physical make-up. Zoning information was obtained from the Stephenville Town office , as were the property tax rates. Ownership and assessment information were obtained from the *Municipal Assessment Agency* database. Comparable sales and rental data was obtained from vendors, purchasers, property managers and brokers, as well as MLS data and information retained on file. Reference has also been made to the various rental surveys for commercial property in the local district that were conducted by the appraiser.

4.0 LOCATIONAL OVERVIEW

4.1 Macro-market Characteristics

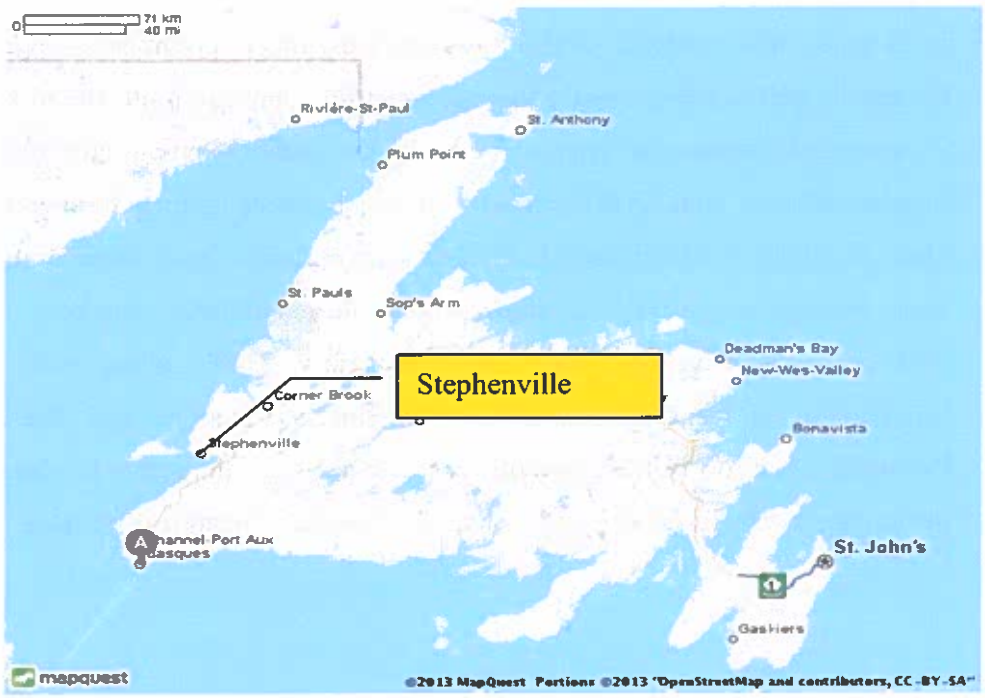
The subject is located on Connecticut Drive near the Port Harmon harbour facility just of route #490 to the Trans Canada Highway, Connecticut Drive is a Commercial/Industrial corridor of Stephenville located near the Abitibi Mill site within the District of St. Georges . The Town itself is situated on the west coast of Newfoundland and is considered the Hub of the Port au Port Peninsula . The Town of Stephenville is regarded as the main hub for several communities along the Port au Port Peninsula and the west coast ,providing many of the necessary facilities including Hospitals, shopping, schools, employment and other services. Select statistics from the Town are summarized in the following table:

	Stephenville (CA)	Bay St George	Newfoundland
Land Area (km²)	35.69	8650	111,361
2017 Population	8000	27,000	508,270
Population Change from 2011	4.0%	1.2%	1.0%
Average Earnings (full year, full time)	$45,228	$33,455	$30,709
Number of Private Occupied Dwellings	3033	N/A	376,845
Percent Rented	15%	N/A	17.6%

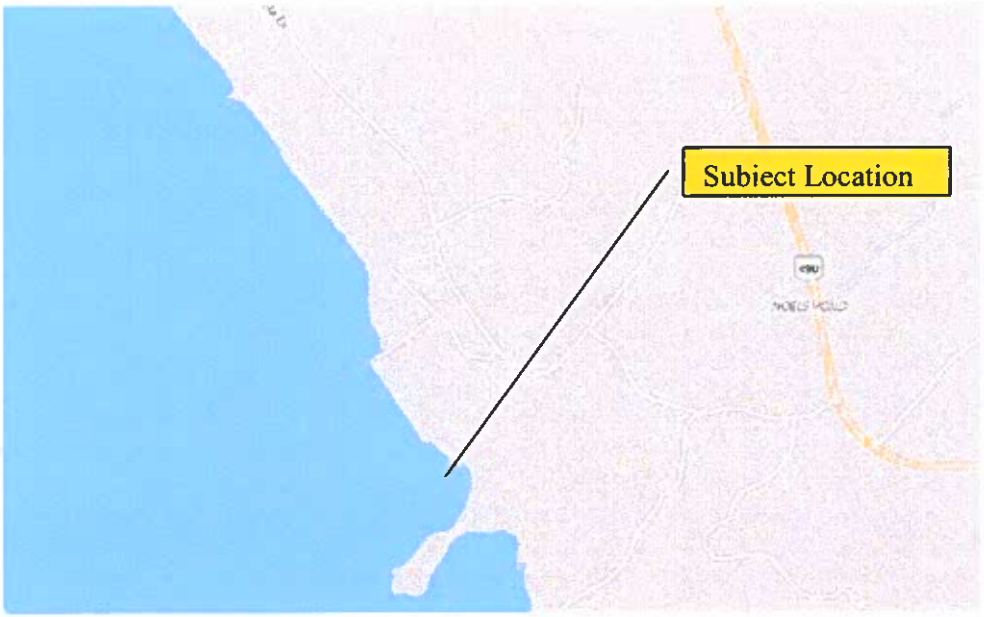
The APEC forecast for Provincial real GDP growth is +2.1% in 2018. As of June 2018 , the provincial unemployment rate was 9.4 %.

4.2 Location Maps

Provincial Location Map



Local Map



4.3 Micro-market Characteristics

The subject is located on Connecticut Drive in the Port Harmon industrial area of Stephenville(old Mill site), the street is two lane , two way , asphalt paved street. Subject street experiences moderate traffic flows servicing other current commercial interests in the area as well as being a major through street for connector route 490 to TCH. There is a variety of commercial type property in the area including, institutional, general commercial and industrial(Garages) . There is street lighting throughout the street. There are a variety of buildings in the area with masonry, wood frame or pre-engineered steel construction, typically 1-2 storey with single and multiple tenants.

This area has been developing since the early 1940's along with the adjacent communities of Kippens, Stephenville Crossing, St. Georges and The Port au Port Peninsula. The town of Stephenville provides many of the major services for the area including schools, hospitals, government services and recreational facilities.

4.4 Real Estate Market Summary

4.4.1 Industrial Sector

There is stable industrial activity in the subject area with many small to medium sized commercial/industrial property with the airport being the only major industrial site near the downtown core , there is also several institutional facilities near the downtown area.

Stephenville– Commercial– June 2017		
		Overall
Vacancy	• Current	8%
	• Previous Year	8%
	• % change	0%
Net Rent (average)	• Current	$12
	• Previous Year	$11.50
	• % change	4%
Operating Costs (average)	• Current	$4.00
	• Previous Year	$4.00
	• % change	0%

Source: Local developers and offices

4.4.2 Office Sector ***

As of June 2017, an analysis of the local area revealed approximately 55,000 + sq.ft office space in the Stephenville area with an average vacancy rate of 7.0%. The rental rates for office space in the region averaged $11-18 per ft² on a Gross and net basis . Additional charges for operating costs and property taxes averaged $5.00/ft² .

5.0 PHYSICAL AND FUNCTIONAL DATA

5.1 Site Details

5.1.1 Site Description

The subject site is situated at the south side of Connecticut drive within the Port Harmon Industrial area, on a straight section of the street. The total property consists of a single parcel . The site has street frontage on Connecticut Drive . Total area is 7.08 acres. The site is generally level at building location and front parking area. There is a power line service drop electrical service to side of the dwelling. It is assumed that appropriate easements exist for these lines.

5.1.2 Site Improvements

The subject has the following site improvements:

- Paved/Gravel parking areas. .
- Minimal landscaping
- Paved access road

5.1.3 Services

The subject has the following services available:

- Town water service and private septic system
- Electricity.
- Street lighting.
- Police and fire protection.

5.1.4 Easements and Rights-of-way

There are assumed utility easement along with electrical service easements across the property line. There were none indicated on the survey plan attached.

5.1.5 Environmental considerations

The value indicated in this report assumes an environmentally clean site. No environmental assessment reports have been reviewed.

5.2 Building Details

5.2.1 Overview

The subject building is a large, steel frame structure measuring 330' wide x 330' long with attached electrical space 44 ' by 72' . Area of the main floor is therefore 112,068 sq. ft. Ceiling height is 60' in the garage section with 50' working height below the electric cranes and 16' ceiling height in the utility room section. The layout on the main building is open industrial space with 3- 110' wide fabrication bays . The attached utility building has bathrooms, open areas , sprinkler room and Electrical transformer room.

The foundation is noted as concrete footer, frost walls with full slab foundation.

Steel exterior framing is used throughout. The main floor is concrete slab poured . Exterior walls are steel frame with metal siding exterior .

The roofing is as built steel suspension trusses with steel sheathing and torch on roofing material.

There are no windows and several steel framed entrance doors along with 5 overhead garage doors 14'x14' . There is also two large fabric doors measuring 46'x46' to allow for large fabricated structures to be moved through.

The building interior finishes is batts insulation under the steel cladding with some wood/drywall sheathing in some of the service areas. There are also noted several concrete block fire separation walls in the utility space.

Plumbing consists of 2 - large washrooms for the all areas. Hot water is off electric heaters. Heat is mainly provided by 3- electric fired forced air heating units in main building, and two large hvac system Heat/Air exchange pumps . There is a large electrical transformer servicing the building with various drop panels, sub-panels placed strategically around the building. This service has a total amperage of 6000 amp/15000 volt . Lighting is a combination of strip and recessed LED lighting appliances; in all areas.

The building is utilized for Industrial Fabrication space. Floor Plan Appendix "B".

5.2.2 Finished Areas

Level	Area (ft²)
Main level	112,068
Total LFA	112,068 sf

Areas have been derived from measurements taken at the time of inspection.

5.2.3 Brief Specifications

Foundation:	Concrete frost wall perimeter foundation.
Structure:	Steel framed
Roof:	Steel roof structure and sheathing with torched on roofing material
Interior Walls:	Steel sheathing in fabrication shop, mix of block, drywall,plywood
Ceilings:	Open in all areas.
Interior Floors:	Concrete floor throughout
Windows:	None
Doors:	Exterior Steel famed entrance doors
HVAC System:	Forced air electric furnaces. (3)
Electrical:	1- 6000 amp(15000volts) main entrance with additional sub- panels Large Transformer
Hot Water:	Electric hot water tanks
Plumbing:	2- multi stall bath s
Sprinkler:	Yes- dry system
Elevator:	None.
Miscellaneous:	5 Overhead garage doors noted , 2 large fabric garage doors

5.2.4 Condition and Appearance

The subject is in good condition and is currently unoccupied . The building is understood to have been constructed in 1971 and there have been major renovations which started in 2012(phase 1) and concluded in 2016 (phase 2). These renovations included new siding, roofing, new electrical servicing and additional site work. The second phase included retrofitting and reinstatement for sprinkler system with new fire pump and alarm systems. Installed 3 new 30 ton cranes, installed new heating and ventilation systems and upgrades to the washroom facilities and office.

The client also advised that the a previous tenant completed the two new large fabric doors for a specific project along with additional electrical facilities to accommodate additional fabrication equipment. This infrastructure was left in place by the previous tenant.

The effective age is considered 15 years. Subject structure appears to be maintained and to be in Good condition for this report.

Life expectancy considered at 75 years and a remaining life of 60 years with regular maintenance.

5.3 Municipal Data

5.3.1 Assessed Value and Annual Taxes

		AAN
2018	Assessment	$1,091,400
	Tax Rate ($/100)	8.0 mils
	Property Tax(includes water)	$8731.00

5.3.2 Zoning and Planning Considerations

USE ZONE TABLE

INDUSTRIAL GENERAL (IG) ZONE

ZONE TITLE	INDUSTRIAL GENERAL (IG)
PERMITTED USE CLASSES - (see Regulation 108) All uses in the Assembly Use group except Educational, All uses in the Business Professional and Personal Service Uses group, Commercial-Residential (Condition 3), Conservation, General Industry, Light Industry, all uses in the Mercantile Uses group, Recreational Open Space, Service Station, Transportation, and Antenna.	
DISCRETIONARY USE CLASSES - (see Regulations 24 and 109) Hazardous Industry, Mineral Exploration, Mineral Working, Scrap Yard,	

The Subject appears to meet the use requirements of the IG zone.

6.0 HIGHEST AND BEST USE

The *Highest and Best Use* of a property is defined for the purposes of this report as "the use, at the time of appraisal, from among reasonably probable and legal alternative uses found to be physically possible, appropriately supported and financially feasible, that is likely to produce the greatest net return over a period of time."

6.1 As if Vacant

Given the zoning and location of the subject as well as the surrounding land uses, the highest and best use of the property, as if vacant, is considered to be a Medium to Heavy Industrial/ Commercial use.

6.2 As Improved

The subject has been developed with a industrial building over the past 30+ years and a consistent use for that time. The improvements are maintained and remain functional for their current use. No alternate uses of the property are considered probable or feasible at the present time. Therefore, the highest and best use of the improved property is considered to be the existing use as a medium to heavy duty industrial building.

7.0 VALUATION METHODOLOGY

There are three basic approaches available to the appraiser in the estimation of the market value of the subject property. The methods and procedures of these approaches are summarized as follows:

7.1 Income Approach

This approach is applied in the valuation of income producing or investment properties. The basic steps of this procedure are the estimation of gross income less expenses resulting in net income and the determination of an appropriate method of capitalization which, when applied to net income, results in an indication of economic value. This approach has been not been employed due to lack of supporting data from the market.

7.2 Direct Comparison Approach

This approach involves the analysis of properties of comparable nature which have sold on the open market of recent date. Where applicable, the sale price of a comparable sale is adjusted for dissimilar features such as differences in location, market conditions and physical characteristics. Adjustment for differences equates the sale price of a comparable sale to an expression of market value for the subject. This approach will also be employed utilizing available sales data.

7.3 Cost Approach

The Cost Approach consists of two basic components. Firstly, the valuation of the land as if free and clear of improvements under its highest and best use and secondly, the estimation of the reproduction cost new of the improvements less any loss in value (depreciation) due to deterioration or obsolescence. The actions of typical buyers and sellers in the subject property market would not generally reflect this approach for established properties however due to size and utilization of the subject the Cost Approach will be utilized.

8.0 REVENUE ANALYSIS

8.1 Previous Leasing (Up to January 31,2018)

The subject property was tenant occupied (100000 sf rentable area). There were two leases available for review and additional rental market analysis was utilized to verify subject market rent which is considered within the market range .

The first Lease was for term of Feb 1,2013 to Jan 31,2016 (5 years) with a monthly rent of $16500 or annual $198,000 + hst. Also noted with this lease , the tenant completed additional work and upgrades to various parts of the building with a total cost $2,160,000 and all equipment/materials associated with this upgrade was left with the building after the tenant vacated.

The second lease was for a term of Sept 1,2016 to August 30,2018 (2years) with a monthly rent of $21000 or annual $252,000 + hst.

The lease assumes that the landlord is responsible for exterior maintenance of the building(repairs, maintenance etc.) and building insurance.

The tenant would be responsible for utilities, business taxes, property taxes, snowclearing , cleaning (general) and internal insurance.

8.2 Market Rent

The data analysis from the above information indicates actual rent /ft² is between $1.98 and $2.52 . There are no published industrial rates for buildings such as this in the general area , local agents and landlords indicate the gross and net rents for commercial buildings ranges from $4 - 8 / sf annually. Considering the age, size , location , condition and configuration of the subject property, the rents near the low mid of the range of similar type large industrial property would be considered reasonable .

8.3 Conclusion

The appraiser has noted that there is minimal supporting data available for an income analysis on this type of building . This building is a one of a kind structure and unique in many aspects however demand for such a structure is limited at best and due to its large size , substantial electrical and maintenance costs and semi rural location overall demand is considered fair at best from a rental perspective.

This approach will not be utilized in this report.

9.0 COST APPROACH

Underlying the theory of the Cost Approach is the principle of substitution, which suggests that no prudent person will pay more for a property than the amount for which he/she can obtain, by purchase of a site and construction of a building(s) without delay, a property of equal desirability and utility. Consequently, current reproduction cost (exact replica) or replacement cost (similar utility), prior to any deduction for accrued depreciation, plus land value, plus entrepreneurial profit, provide a measure against which prices for already improved properties may be judged. For the Cost Approach to produce a valid indication of market value, it is necessary to consider the accrued depreciation evident in the property being appraised due to all causes - physical, functional, and external. This section of the report will begin with the valuation of the land. This will be followed by the estimation of the depreciated reproduction cost of the improvements leading to a value conclusion by Cost Approach.

Land Value

The total land value derived from an internal land analysis is summarized on the following chart:

Conclusions				
7.08 acre	@	$25,000/ac		$177,000
		(rounded)	Total	$177000

(a total of 6 sales were analyzed and based on this analysis the overall value per acre of vacant land in the Stephenville area is $25000/acre)

9.1 Costing Analysis

Replacement Cost of Improvements

For this assignment, the replacement cost of the new building/warehouse was estimated using various sources of data including cost provided by various contractor familiar with the construction of Steel framed industrial warehouse/fabrication buildings and the Marshall & Swift Commercial Costing Software. The following chart summarizes the new building costs from these various sources.

The rates per square foot are within a reasonable range. For the purpose of this valuation, the Marshall & Swift Costing will be utilized. This will be applied to the other buildings as well. Detailed cost sheets are kept on file.

9.2 Depreciation

Depreciation is a loss in property value from a variety of causes. In essence, depreciation is a deduction of value from a building's maximum utility when it is new to its present state and remaining utility. Forms of depreciation stem from a variety of sources. In theory as soon as a building is completed it begins to depreciate, the wear and tear of the materials result in some form of physical deterioration, functional obsolescence and economic or locational obsolescence.

Physical deterioration or depreciation is loss in value occurring within a structure and caused by such factors as wear and tear from use, structural defects, and exposure to the outside elements. The observation of deterioration is a basic process requiring the exercise of trained faculties. It involves consideration of materials, the adaptability of materials to the purpose used, the bearing power of soils or foundation material, the character of maintenance, the replacement of parts, and any other evidences of wear and tear or disintegration.

In the valuation of real estate, physical depreciation also takes into account terms of deferred maintenance that the potential purchaser will immediately repair upon purchasing the property. The amount of deterioration accrued to individual building components can reasonably be estimated 1) by actual observation and 2) by comparing expired life to total physical life. An analysis of the effective age of each building in relation to its economic life is completed in order to estimate the physical deterioration as a percentage.

The effective age of the building can be equal to the chronological age if, for example, the building has not been renovated, upgraded, or modernized during its entire life. This is generally not the case with any building as renovations, repairs and retrofits are routinely required and completed. Such repairs and renovations have the effect of decreasing the effective age of the building. The economic life of the building is an estimate of the normal life expectancy of a new building. We have calculated the physical depreciation consistently based on our estimate of the effective age and the estimated economic life.

Functional obsolescence is a loss in value due to a change in the design, materials, or process, and is always caused by factors from within the property. Inadequacy, overcapacity, excess construction, lack of functional utility, use of obsolete materials, and excess operating costs attributed to the property are all factors of functional obsolescence. Functional obsolescence can also be curable or incurable. Often it is necessary to consider other functional obsolescence caused by overall building layout, or appearance of design which make the building as a whole less desirable. In this instance, a Functional obsolescence is noted in that the subject is a large industrial fabrication facility with a large size capacity in an area where smaller sized buildings are considered more easily rented/utilized.

External depreciation is the loss in value due to external forces from outside the building or structure. It is usually incurable because it is beyond the property owner's control. It can be caused by a variety of factors such as neighbourhood decline, proximity to negative influences such as an airport or factory, or market conditions in relation to the type of property.

In the Cost Approach, the total loss in value due to external depreciation is subtracted from the physically depreciated replacement or reproduction cost estimate allocated to the improvements. The land value is also affected in some instances, however if a current estimate of land value is applied, external obsolescence should be reflected in the sales used to support the land value estimate.

External forces usually affect an entire city or type of properties when the influence is broad in nature. If the influence is locational such as the subject's proximity to a negative influence, obsolescence may only be applicable to a single or a small group of properties.

We do not feel external obsolescence exists for this type of property.

9.3 COST APPROACH SUMMARY

The cost approach incorporates the entire analysis of market data and physical inspection data collected for this report. The chart below is a summary of the conclusions.

CoreLogic - SwiftEstimator
Commercial Estimator - Detailed Report

General Information

Estimate ID:	1 Connecticut Drive	**Date Created:**	08-16-2018
Property Owner:	Town of Stephenville	**Date Updated:**	08-16-2018
Property Address:	1 Connecticut Dr Stephenville, NL A2N0C8	**Date Calculated:**	08-16-2018
Local Multiplier:		**Cost Data As Of:**	using report date
Architects Fee:		**Report Date:**	08-2018

Section 1

Area	112068	**Overall Depreciation %**	
Stories in Section	1	**Physical Depreciation %**	15
Stories in Building	1	**Functional Depreciation %**	10
Shape	rectangular	**External Depreciation %**	
Perimeter	(auto-calc)		
Effective Age	15		

Occupancy Details

Occupancy	**%**	**Class**	**Height**	**Quality**
453 Industrial Flex Building	100	S	60	2.0
Occupancy Total Percentage	100			

System : HVAC (Heating)

	%/Units	**Quality**	**Depr %**	**Other**
603 HVAC (Heating) : Forced Air Unit	100	Occ.	10	2
Total Percent for HVAC (Heating):	**100**			

System : Sprinklers

	%/Units	**Quality**	**Depr %**	**Other**
683 Sprinklers : Wet Sprinklers	100	2.5	10	
Total Percent for Sprinklers:	**100**			

Remark / Note Details

Remark Date : 08-16-2018 **Reference Date :** 08-16-2018
Note:

	Units	Unit Cost	Total Cost New	Less Depreciation	Total CostDepreciated
Basic Structure					
Base Cost	112,068	$103.82	$11,634,900	$1,745,235	$9,889,665
Exterior Walls	112,068	$19.18	$2,149,464	$322,420	$1,827,044
Heating & Cooling	112,068	$14.30	$1,602,572	$160,257	$1,442,315
Sprinklers	112,068	$3.47	$388,876	$38,888	$349,988
Basic Structure Cost	**112,068**	**$140.77**	**$15,775,812**	**$2,266,800**	**$13,509,012**
Less Depreciation					
Physical	14.4%			$2,266,800	$13,509,012
Functional	10.0%			$1,577,581	$11,931,431
Depreciated Cost	**112,068**	**$106.47**		**$3,844,381**	**$11,931,431**

Conclusion

As Per the above cost estimates:
Depreciated cost value of the subject building : $11,931,431.00
add:

Land value : $ 177,000.00

Total $12,108,431 Rounded $12,108,500

10.0 DIRECT COMPARISON APPROACH

10.1 Comparable Sales Data

SCHEDULE OF COMPARABLE SALES

#	Property	Sale Date	Sale Price	Area (ft²)	Price /ft² Price /Unit	Land size	Cap Rate	Remarks
1]	14 Maple valley rd Corner Brook	Jan-18	1,700,000	15,000	113	2.0 ac	7.1%	Two- One storey steel frame commercial buildings Similar location , average+ condition Older age/condition Cap rate based on market rents
2]	2-4 Hallet Ces St Johns	Dec-17	1,675,000	20,880	80	2.25 ac	8.0%	One storey Steel frame building, 16+ years old Average + Condition and quality Warehouse Office building Good street exposure and ample parking at front Cap rate based on actual and market rents.
3]	2 Lundrigan dr Corner Brook	Jun-16	570,000	8,520	67	2.57 ac	8.00%	One storey Steel frame building, 30 years old Average Condition and quality Office/ warehouse building Good street exposure and ample parking Cap rate based on actual and market rents.
4]	1 Hemlock Rd Corner brook	Nov-16	2,550,000	15,306	167	1.80 ac	7.9%	One storey steel and wood frame building 8+ years old and renovated car dealer ship, Office space , Good parking and location Cap rate based on market rents.
5]	68 Lundrigan Dr Corner Brook	Dec-13	1,400,000	16210	86	3 ac	9.00%	One storey masonry and steel frame building Commercial warehouse/industrial use 20 Years old, Above Average condition Cape rate from Market rents.
6.]	117 Clyde Avenue St Johns	Mar-12	4,852,800	60,000	81	3.8 ac	n/a	Large Industrial steel building Warehouse . Industrial fabrication yard Good condition . Good access no cap rate available
7]	68 Lundrigan Dr Corner Brook	Dec-13	1,400,000	16210	86	3 ac	9.00%	One storey masonry and steel frame building Commercial warehouse/industrial use 20 Years old, Above Average condition Cape rate from Market rents.
		Average			97		8%	

The foregoing schedule outlines sales of comparable properties in the general area or similar areas to the subject and the sales have been evaluated based on the price/ sf for Direct Comparison purposes. The rates/sf range from $67 to $167 / SF averaging $97 /sf .

10.2 Comparative Analysis and Adjustment

Adjustment has been made to the transactions for date of sale, location , age/condition and quality. The basis for adjustments is summarized as follows:

- Date of Sale (Time) - Adjustment has been made to the sales to reflect changing market conditions between the effective date and the date of the sale. The adjustment reflects an average price increase of 1.0% per annum.
- Location - Some of the comparable sales have similar locations while some of the sales have superior location in higher market areas.
- Quality/Condition - Adjustments have been made to the comparables for quality and condition relative to the subject .

Based on the foregoing considerations, adjustments to the comparable transactions are summarized as follows:

Summary of Adjustments							
Index	$/SF	Time	Time adjusted	Location	Quality Condition	Net Adjustment	Adjusted $/SF
1	113	0%	113	0%	10%	10%	125
2	80	1%	81	-5%	0%	-5%	77
3	67	2%	68	0%	10%	10%	75
4	167	2%	170	0%	-10%	-10%	153
5	86	5%	91	0%	5%	5%	95
6	81	6%	86	-5%	0%	-5%	81
7	86	5%	91	0%	10%	10%	100
						Average	$100.87
Avg	$97.24						

The adjusted rates range from $75 to $153 averaging $101.00. All sales represent local market values for typical commercial property in the subject area and other industrial area, several will be given weight for overall comparability. All sales present relevant support for a value conclusion with consideration given the subject overall use, age/condition, location and construction type. Sale 1,2,5,6 and 7 were considered most relevant against the subject in size and utilization with the estimated value considered to be near the median of the market range.

10.3 Summary and Value Conclusion

Based on the foregoing considerations, a rate of $100 / sq.ft is considered to be reasonably representative of the subject and will be applied to the area of the main floor. Therefore, the estimate of value by the Direct Comparison Approach is calculated as follows:

DCA Conclusion					
Main Building(new)					
	112,068 ft²	@	$100.00	=	$11,206,800.00
				Total(rounded)	$11,207,000.00

11.0 CONCLUSIONS

11.1 Final Value Estimate

The indications of value arrived at by the methods employed in this report are summarized as follows:

Approach	Value Indication
Cost Approach Method	$12,108,500
Direct Comparison Approach	$11,207,000

The subject is an above average quality industrial property , which would typically be acquired for owner/tenant occupancy and has been utilized as an tenant occupied property only over the past 3+ years. Assuming availability of sufficient comparable sales data, the Direct Comparison Approach would typically provide the strongest basis for valuation of this type of property.

The value indications from the Cost and Direct Comparison Approaches provide some mutual support however commercial activity of similar type buildings are minimal and there have been a number of motivated sales(foreclosure, long term vacancy, deteriorated ,etc) that have affected overall market values in the area . In the final analysis, some emphasis would be placed on the findings of both approaches to value , with both representing the current range of value as it relates to industrial property of various type and size. The appraiser has noted that market analysis indicates building size relates to market values overall, due to demand and scale of size .

Extra weight given to the Direct Comparison approach , it is considered representative of market actions for this class of property and based on the foregoing, the As Is market value of the subject property, as of (July 13,2018), is considered to be fairly represented at:

$11,500,000

Eleven Million Five Hundred Thousand

12.0 CERTIFICATION

Subject Property: 1 Connecticut Drive, Stephenville, NL

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

- The statements of fact contained in this report are true and correct.
- The property was personally inspected on (**July 13,2018**) and I have not withheld any comments or observations which might affect the opinion of value stated in this report.
- The analyses, opinions and conclusions reported herein are my personal and unbiased views and are limited only by the Contingent and Limiting Conditions contained herein.
- I have no past, present or contemplated future interest in the real estate which is the object of this report and that I have no personal interest or bias with respect to the property or the parties involved.
- My compensation is not contingent upon any action or event resulting from the analyses, opinions or conclusions in, or the use of, this report.
- This appraisal has been made in conformity with, and is subject to, the Canadian Uniform Standards of Professional Appraisal Practice, as well as the By-laws and regulations of the Appraisal Institute of Canada and the Local Real Estate Appraisers Association. The report is subject to review by duly authorized representatives of this Institute.
- I have the knowledge and experience to complete the assignment competently.
- No one provided significant professional assistance to the person signing this report.
- I have fulfilled the requirements of the Appraisal Institute of Canada Continuing Professional Development program for designated members.

In my opinion, the As Is market value of the subject property, as of July 13,2018 is: $11,500,000.

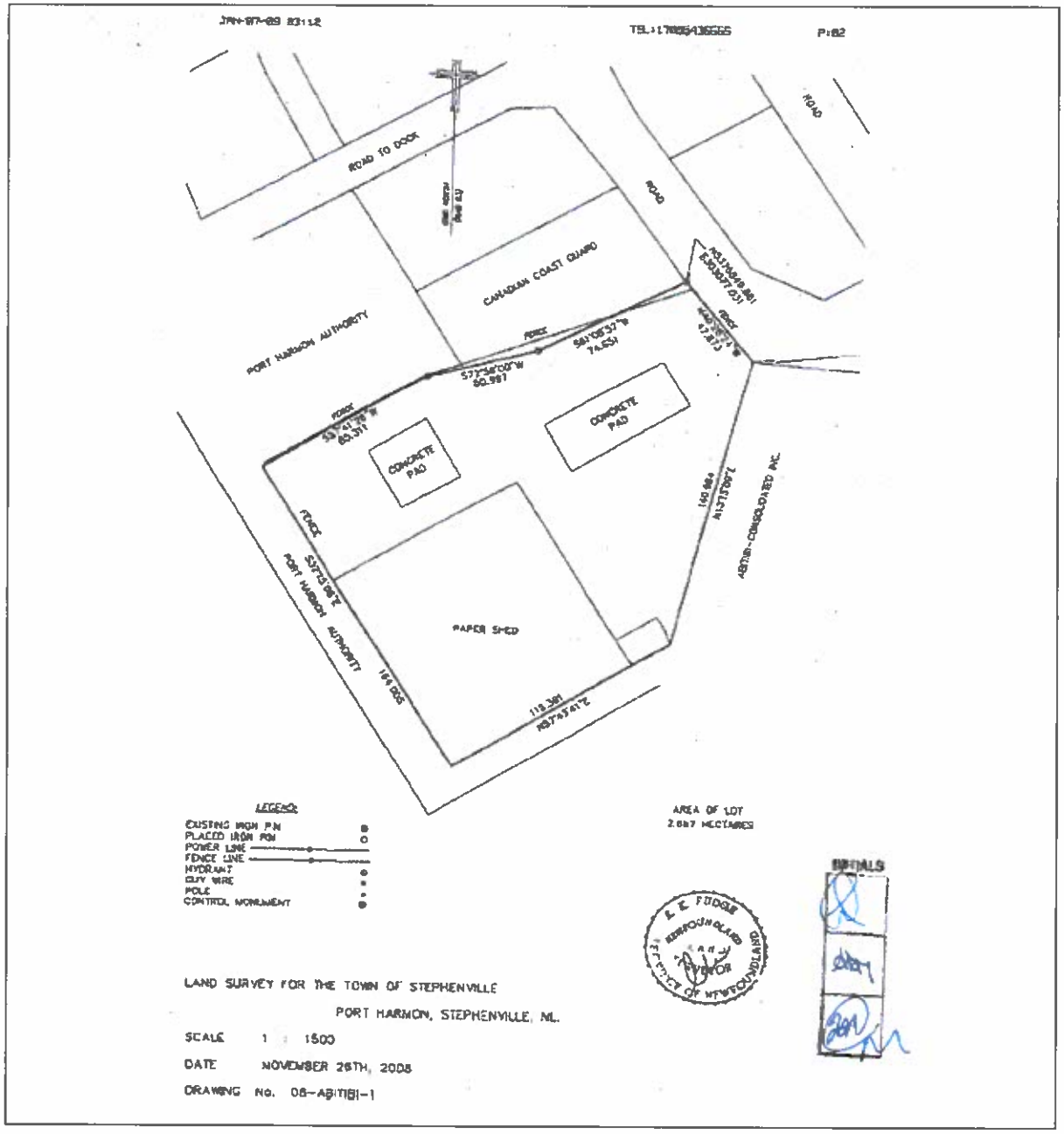
Rex Seaward

Rex A. Seaward
AACI ,P.App – Registration no. 264840

August 22,2018
Date of Report

ADDENDA

Schedule A – Land Sketch



Description

Description

Land of the Town of Stephenville

Port Harmon, Stephenville, NL

Schedule "A" - Page 1

All that piece or parcel of land situate, lying and being at Port Harmon, Stephenville, District of St. George-Stephenville East, Province of Newfoundland and Labrador, abutted and bounded as follows;

That is to say, beginning at a point, said point having Grid Co-ordinates N5378849.881; E303077.031;

Running thence from the above described point of beginning by property of Canadian Coast Guard S61°08'57"W distance 74.851 metres;

Thence by properties of Canadian Coast Guard and Port Harmon Authority S72°58'00"W distance 50.997 metres;

Thence by property of Port Harmon Authority S57°41'26"W distance 85.311 metres;

Thence S32°15'06"E distance 164.005 metres;

Thence N57°43'41"E distance 115.391 metres;

Thence by land of AbitibiConsolidated Inc. N13°13'09"E distance 140.964 metres;

Thence by the westerly limits of an access road N40°28'24"W distance 47.873 metres to the point of beginning; containing 2.867 hectares as shown and delineated on attached Drawing No. 08-ABITIBI-1.

All bearings refer to Grid North (NAD 83)

Enos K. Fudge

Newfoundland Land Surveyor

Enos Fudge Surveys

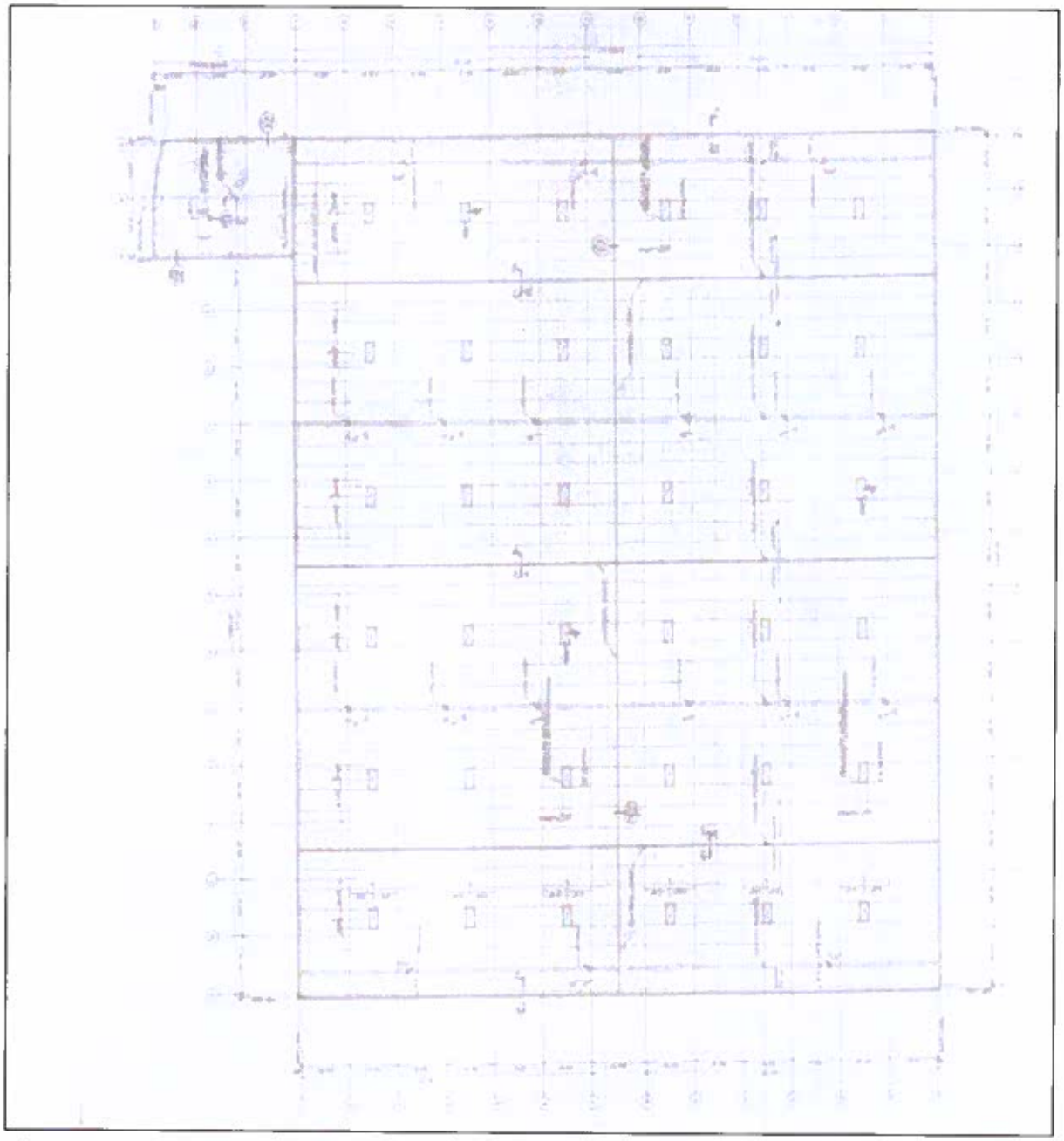
08-ABITIBI-1

November 28th, 2008

E. K. FUDGE NEWFOUNDLAND PROVINCE OF NEWFOUNDLAND

INITIALS

Schedule B – Building Sketch



Schedule C – Subject Photographs

Front

Rear

Schedule C – Subject Photographs

Side View

Street View

Interior Pictures

Interior

Sprinkler System

Electrical Plant

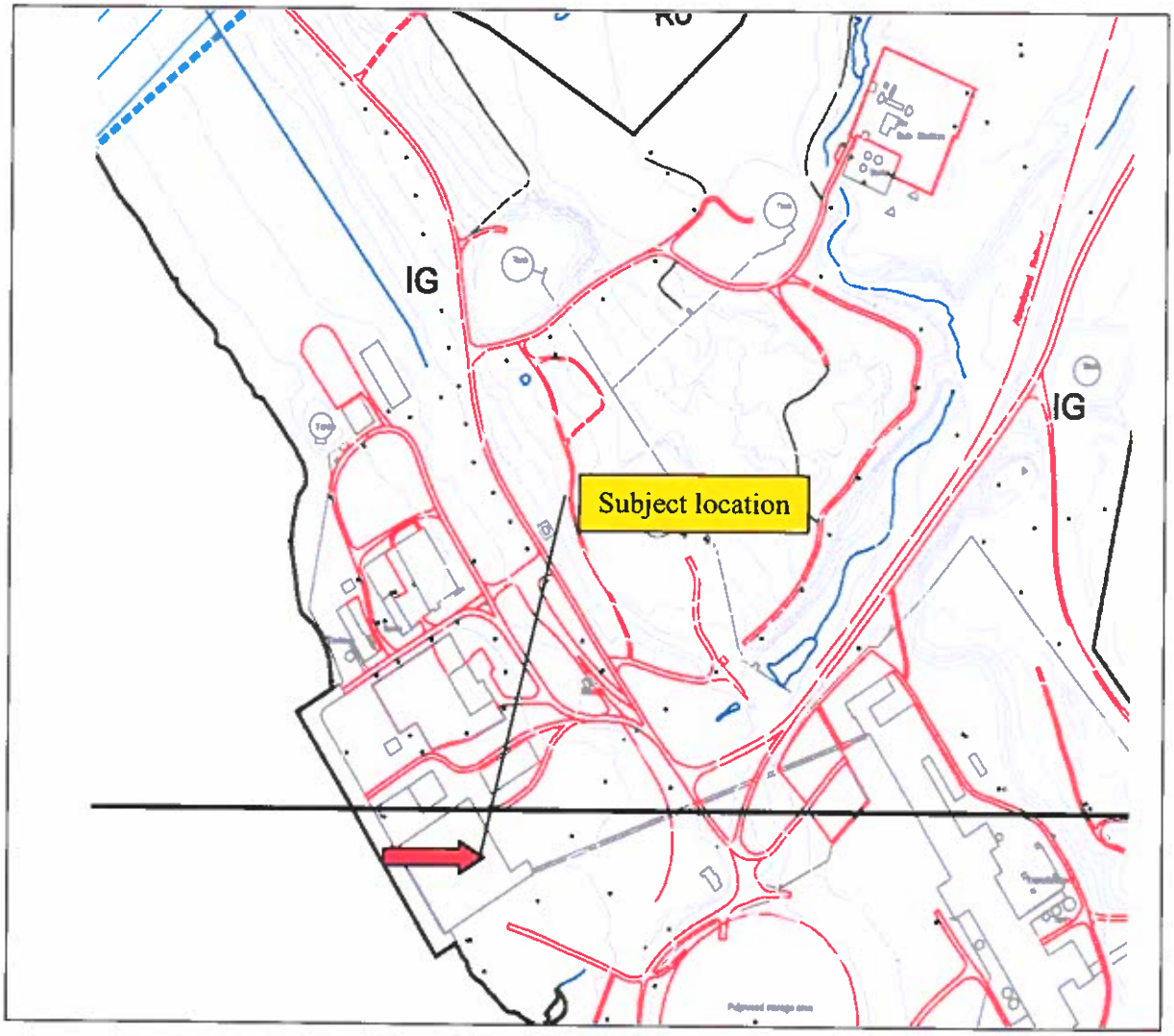
Additional pictures

HVAC - Air cleaning system

HVAC - Heating system

Electric Sub Panels

ZONING MAP



Regulations

USE ZONE TABLE

INDUSTRIAL GENERAL (IG) ZONE

ZONE TITLE	INDUSTRIAL GENERAL (IG)
PERMITTED USE CLASSES - (see Regulation 108) All uses in the Assembly Use group except Educational, All uses in the Business Professional and Personal Service Uses group, Commercial-Residential (Condition 3), Conservation, General Industry, Light Industry, all uses in the Mercantile Uses group, Recreational Open Space, Service Station, Transportation, and Antenna.	
DISCRETIONARY USE CLASSES - (see Regulations 24 and 109) Hazardous Industry, Mineral Exploration, Mineral Working, Scrap Yard,	

1. **Development Standards**

The development standards for this zone shall be as set out below.

a) **Minimum Building Line Setback** – Except where there is frontage on a Provincial Highway the minimum building line setback shall be 10 metres. Where there is frontage on a Provincial Highway the minimum building line setback shall be the greater of 10 metres or 30 metres from the centre-lines of Highways 460 and 490.

b) **Minimum Sideyard Width** – 5 metres.

c) **Minimum Sideyard Width Flanking Road** – Same as Minimum Building Line Setback under Clause 1. a)

d) **Minimum Frontage** – 15 metres except for arterial and major roads, in which case the minimum frontage is 30 metres.

e) **Minimum Rear yard Depth** – 15 metres.

f) **Maximum Height** – 15 metres.

2. Commercial – Residential – Tourist Cabins

Tourist cabins of this Use Class (Schedule B) are not permitted in this Zone.

3. General Service

The General Service Use Class of the Business Professional Uses Group is limited to dry-cleaning and small tool and appliance repair uses.

4. Hazardous Industry – Storage of Flammable Liquids

See also Schedule B.

All uses and structures for the on-site storage of flammable liquids shall conform to the requirements of the Provincial Fire Commissioner and shall be surrounded by such buffers and landscaping as the Town and other appropriate agencies may require in order to prevent damage to adjacent uses by fire, explosion or spillage of flammable materials.

5. Landscaping and Surfacing

Non-residential lots shall be landscaped or provided with at stable surface to prevent raising or movement of dust, clay, mud or loose particles.

6. Mineral Exploration and Mineral Working

See Regulations 56 and 57.

7. Municipal Services

Where deemed necessary by the Town, development shall be connected to municipal water and sewer services.

8. Open Storage

The Town can permit open storage of materials and goods, provided the following conditions are met:

a) Open storage shall not be located in the front yard or in any required setback or buffer area;

b) Open storage shall be enclosed by a wall or fence not less than 2 metres in height constructed of uniform materials approved by the Town; and

c) Open storage shall be maintained with a stable surface to prevent raising or movement of dust, clay, mud or loose particles.

9. Parking and Loading

Adequate parking, as prescribed in Schedule D, and loading facilities shall be provided on the site of non-residential uses for all employees; vehicles used in or associated with the activity carried out on the site; and for vehicles of customers, clients, or other persons who visit the establishment. This parking and loading area shall be paved.

10. Scrap Yard

See Regulation 65.

Appraisers Qualifications

St.James Regional High School - Port aux Basques ,NL
Graduated 1982 - Grade11 Honors

College of Trade and Technology - St. John's , NL
Graduated 1984 - Appraisal and Assessment Technology

Designated Member of the Appraisal Institute of Canada
CRA - Received June , 2001
AACI , P.App - Received December 31,2005

Appraiser has performed various types of appraisals over the past 25 years for Private individuals and most banking institutions such as :

Bank of Montreal
Bank of Nova Scotia
Royal Bank
Canadian Imperial Bank of Canada
Credit Unions
TD
ING
Presidents Choice
Manulife
BNC