Full Narrative Appraisal

Proposed Apartment Building to be Located at
67 Marquette Ave.
Ottawa, Ontario

PREPARED BY:
Evan McGlinchey
Senior Associate, Ottawa
Valuation & Advisory Services

PREPARED FOR:
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Our File: OTT-14-052

Urban Rise Development Inc.
132 Putnam Avenue
Ottawa, ON, K1M 1Z7

September 8, 2014

Attention: **Mark Larose**
President

Dear Mr. Larose:

Re: Full Narrative Appraisal of 67 Marquette Ave., Ottawa, Ontario

In accordance with your request, we have inspected the above property and have carried out an analysis in order to estimate the current market value "as if complete" of a proposed 20-unit apartment building to be constructed on the subject site. Based on our investigations, it is our opinion that the market value of the property **"as if complete"**, assuming occupancy and income has stabilized subject to the assumptions set forth herein, and as at September 2, 2014, was:

Four Million, Two Hundred Thousand Dollars "As if Complete"

$4.200,000

The above value estimate is predicated on an exposure period of one to three months assuming the basis of a transaction involving cash to the vendor. This report describes the methods and approaches to value in support of the conclusion and contains the pertinent data gathered in our investigation of the market.

Should you have any questions, we would be pleased to discuss the valuation further.

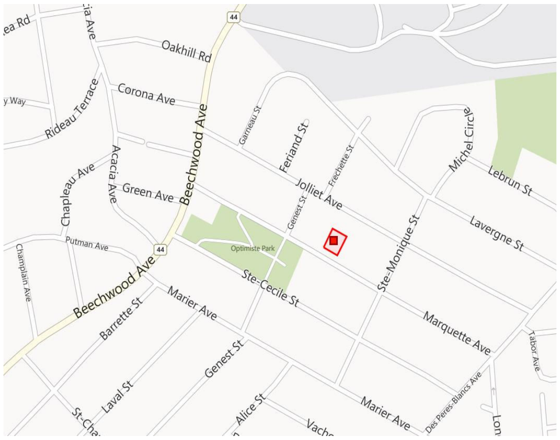
Yours very truly,

COLLIERS INTERNATIONAL REALTY ADVISORS INC.

Evan McGlinchey, AACI, P.App
Senior Associate, Ottawa

Table of Contents

Executive Summary



Property Information

Property Type	Proposed Rental Apartment Building
Address	67 Marquette Avenue
Municipality	Ottawa
Neighbourhood	Vanier North
Number of Garage Parking Spaces	11 (1 visitor space)
Condominium Title	No
Number of Storeys	3, with a raised basement

Property Data

Size (Units)	20
Current Vacancy	N/A
Year Built	2015
Quality/Condition	Substantially Above Average
Land Use/Zoning	R4 - Residential Foruth Density Zone

Value Conclusion

Final Value Estimate	$4,200,000
Effective Date	September 2, 2014
Operating Expense Ratio	31%
Value Per Unit	$210,000

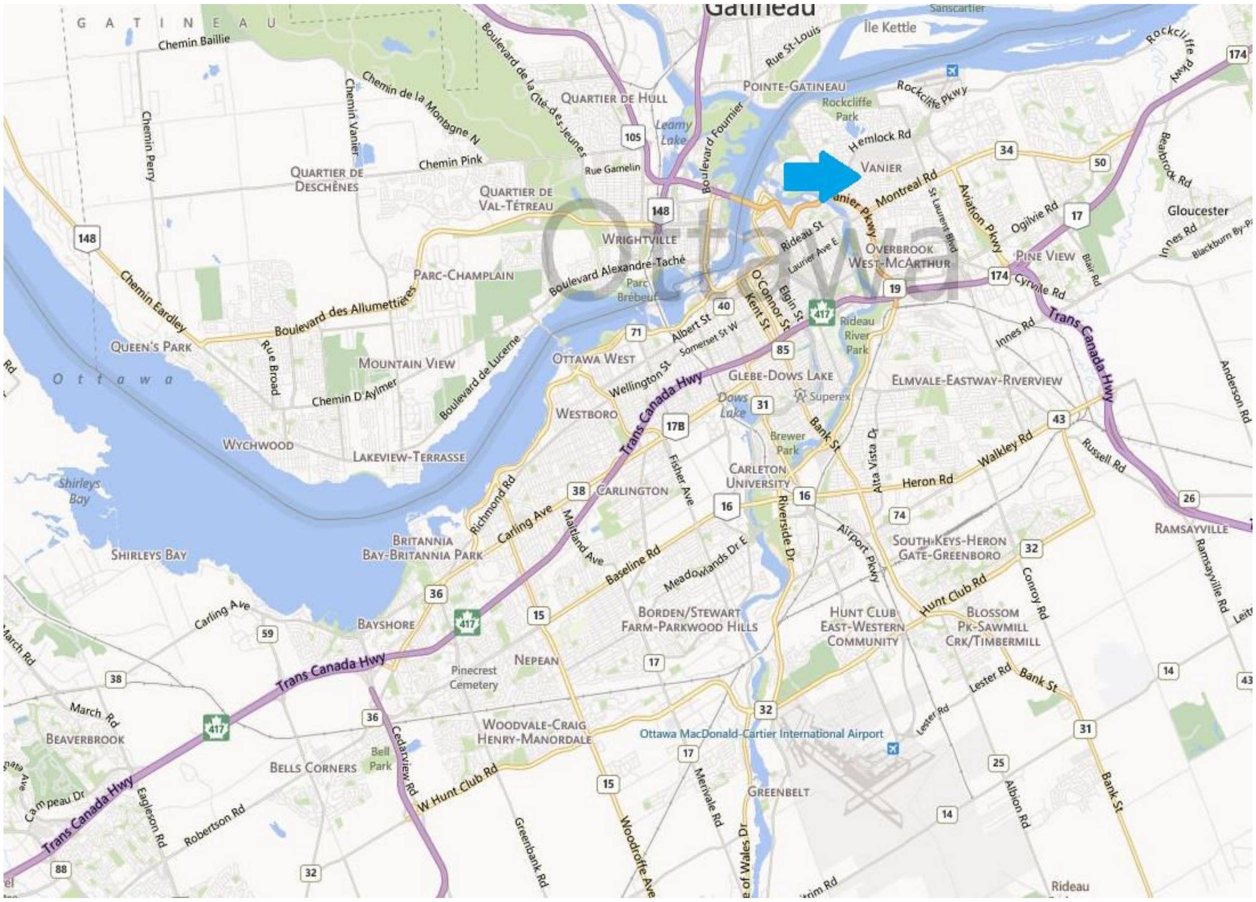
Direct Income Capitalization

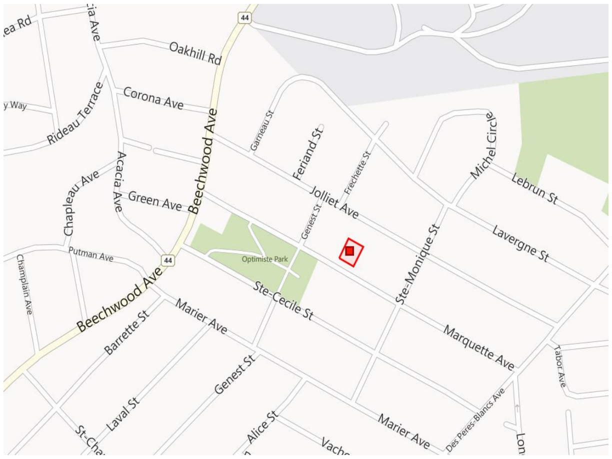
Stabilized Net Operating Income	$214,774
Vacancy Allowance	3.0%
Overall Capitalization Rate	5.0%
Value Indication	
Value Per Suite	$215,000.00

Direct Comparison Approach

Concluded Unit Value Range	
# of Units	20
Value Per Unit	$200,000
Value	**$4,000,000**

Maps





(aerial photograph depicts existing improvements)

Photographs of Subject Property (Existing Improvements)

Terms of Reference

Purpose and Intended Use of Report

The purpose of this valuation is to estimate the current market value **"as if complete"** of the property described herein, as per the plans and specifications provided by the client.

This appraisal is provided on a confidential basis and for the sole and exclusive use by Urban Rise Development Inc. for internal purposes only and any third party use of or reliance on this Appraisal Report or any materials prepared by Colliers International Realty Advisors Inc., is strictly prohibited, except to the extent that Colliers International Realty Advisors Inc. has provided prior permission in writing, such permission to be provided or withheld in Colliers International Realty Advisors Inc.'s sole and exclusive discretion. In the event that Colliers International Realty Advisors Inc. has provided said permission Urban Rise Development Inc. shall ensure and be responsible for notifying the third party in writing that it should not rely on the Appraisal Report and any use by such third party of the Appraisal Report or any materials prepared by Colliers International Realty Advisors Inc. shall be at its own risk and that Colliers International Realty Advisors Inc. makes no representations or warranties of any kind. Notwithstanding anything to the contrary, Colliers International Realty Advisors Inc. shall not owe any duty to any third party with respect to the Appraisal Report. Urban Rise Development Inc. shall indemnify, defend and hold harmless Colliers International Realty Advisors Inc. for any and all claims, liabilities, damages, costs and expenses (including court costs and reasonable legal fees) in connection with or arising out of any breach of this Agreement by Urban Rise Development Inc. or any unauthorized use or reliance by third parties of the Appraisal Report or any materials prepared by Colliers International Realty Advisors Inc.

Property Rights

The property rights appraised are those of the fee simple estate. The fee simple estate is defined as "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Effective Date

The effective date of this valuation is September 2, 2014.

This Appraisal Report is prepared in the context of the market conditions and other factors (including assumptions and/or materials provided by parties and sources outside of the control of Colliers Realty Advisors Inc.) prevailing as of the effective date. Real estate markets and assets are subject to significant volatility and change; and can be affected by numerous economic and political conditions as well as other conditions. The value contained (if any) in this Appraisal Report is made as of the effective date only and should not be relied on as of any other date without receiving prior written authorization from Colliers International Realty Advisors Inc. Colliers International Realty Advisors Inc. cannot be held liable for any errors in the information that was provided by third parties or by Mark Larose of Urban Rise Development Inc.. The Appraisal Report must be used in its entirety and any reliance on any portion of the appraisal report independent of others may lead to erroneous conclusions.

Inspection Date

An exterior inspection of the property was conducted on September 2,, 2014 by Evan McGlinchey.

Market Value Definition

For the purposes of this valuation, market value 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 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 the specific 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 financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

(The Appraisal Institute of Canada "Canadian Uniform Standards of Professional Appraisal Practice". 2012 ed., p. 52)

Exposure Time

An estimate of market value is related to the concept of reasonable exposure time. Exposure time is the property's estimated marketing time prior to a hypothetical sale at market value on the effective date of the appraisal. Reasonable exposure time is a necessary element of a market value definition but is not a prediction of a specific date of sale.

The market value estimated herein is predicated on an exposure period of three to six months.

Marketing Time

Marketing time is an estimate of the amount of time it most likely would require to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal.

Based on discussions with brokers familiar with the local market, an analysis of recent transactions, and the prevailing conditions of the local real estate market, a marketing time of three to six months from the effective date of the appraisal would be required to sell the subject property at its estimated market value.

Scope of the Valuation

This is a ***Full Narrative Appraisal Report*** and complies with the reporting requirements set forth under the Canadian Uniform Standards of the Appraisal Institute of Canada. As such, all relevant material is provided in this report including the discussion of appropriate data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Additional supporting documentation concerning the data, reasoning, and analyses are retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated herein.

During the course of preparing this valuation, the following was completed:

- A personal inspection of the property
- A review of available data regarding the local market
- Verification of current land use and zoning regulations
- A review of sales and listing data on comparable properties
- Interview(s) with market participants

Contingent and Limiting Conditions

The report is subject to the Contingent and Limiting Conditions set forth herein in addition to any specific assumptions that may be stated in the body of the report.

Extraordinary Limiting Conditions

Within the appraisal of the property referred to herein, no Extraordinary Limiting Conditions were invoked.

Extraordinary Assumptions

We have relied on information provided to us by our client with respect to the status of the tenancy and their contractual rights and obligations, physical attributes of the property and environmental condition of the site. The assumptions stated herein are critical to the value estimate contained herein and the authors of this report and Colliers International Realty Advisors Inc. reserve the right to amend our estimates should any of these assumptions be altered in whole or in part.

We have not undertaken a detailed soil analysis, and as we are not qualified to comment on soil conditions, we have assumed that there are no contaminants affecting the site. However, a full environmental assessment would be required for certainty and any cost of remedy should be deducted from the reported value herein. The sub-soil is assumed to be similar to other lands in the area and suitable in drainage qualities and load bearing capacity to support the existing development.

The appraiser **did not inspect the interior of the existing improvements.** Details with respect to the condition of the improvements were taken from information provided by the client which we have assumed to be accurate. Should an interior inspection be made available of the improvements we reserve the right to modify our value estimate accordingly.

With the exception of the foregoing, there have been no other Extraordinary Assumptions employed in the preparation of this appraisal or report.

As of the date of this report, the proposed construction program had not yet commenced, however this report is based on the hypothetical basis of completion of the proposed improvements, as per the plans and specifications provided by the client. Should any deviation with respect to design, materials, or any other pertinent attribute arise, the appraiser reserves the right to revisit the conclusions of this report. The value conclusion assumes that the improvements have been constructed in line with the description contained within this report. The anticipated start date for the project is December 2014, and the anticipated completion date is June 1, 2016.

Property Data

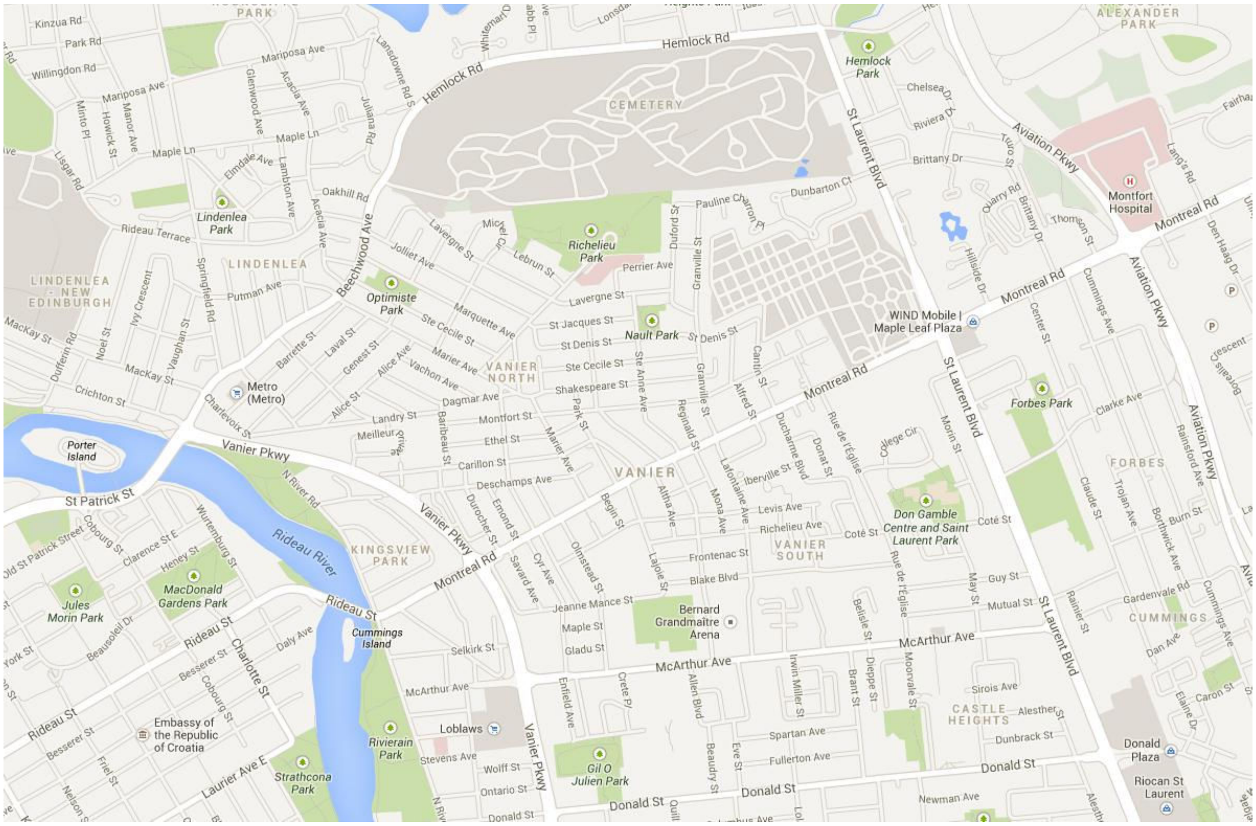
Municipal Address	67-71 Marquette Avenue, Ottawa, Ontario (existing address). The proposed apartment building will have the address 67 Marquette Avenue.
Legal Description	PCL 137-1, SEC 4M-27 ; LT 137, PL 4M-27 ; VANIER/GLOUCESTER and PCL 136-1, SEC 4M-27 ; LT 136, PL 4M-27 ; VANIER/GLOUCESTER
Property Rights	This valuation pertains to the fee simple interest in the property described herein.
Encumbrances	We are not aware of any encumbrances registered against the title of the subject property. For the purposes of this assignment, any encumbrances are assumed not to have any effect on the marketability or market value of the property.
Ownership / Sale History	Ownership of 67 Marquette Avenue last transferred on August 2nd, 1994. According to the information available, the current owner, Davoud Montazer, acquired the property for the reported consideration of $60,000. Ownership of 71 Marquette Avenue last transferred on October 1st, 2003. According to the information available, the current owner, Davoud Montazer, acquired the property from Suzanne Leclair and Robert McGerray for the reported consideration of $135,000.

Realty Taxes / Assessment

	67 Marquette	71 Marquette
Roll No.	0614900401202000000	0614900401201010000
Total Assessment (2012)	$219,000	$276,000
Phased-In Assessment Portion (2014)	$193,000	$236,500
Total Levy (2014)	$2,345.02 (reported)	$2,855.09 (reported)

The taxes and assessment for the subject property will be substantially higher upon completion of the proposed subject construction project.

Neighbourhood Overview



The property is situated in the good quality mixed-usecommercial district known as Vanier. Vanier is located approximately 2 kilometres east of Ottawa's central business district.

District Boundaries

North	•	Beechwood Avenue
South	•	McArthur Avenue
East	•	St. Laurent Blvd
West	•	Rideau River

Adjacent Districts

North	•	Lindenlea Residential
South	•	Castle Heights Residential
East	•	Forbes Residential
West	•	Market Mixed Residential/Commercial

Major Arterials & Access

Access	•	General access to the neighbourhood is considered to be very good .

Arterials
- Beechwood Avenue, Vanier Parkway, Montreal Road, St. Laurent Blvd
- McArthur Avenue, Donald Street
- Lola Street, Rue de L'Eglise

Commercial Real Estate Summary

Commercial development in Vanier is primarily located along major thoroughfares. Beechwood Avenue, Montreal Road and McArthur Avenue all feature commercial development. Commercial development is a mixture of streetfront retail and mixed use residenital / commercial development. A number of new condominium developments are proposed for the community primarily located towards the north end along Beechwood Avenue. There is a mixed-use high-end building with ground-floor retail, and 11 storeys of condominiums, presently under construction at the corner of Beechwood Avenue and Marquette Avenue, 1.5 blocks directly north of the subject.

Summary

Vanier is an inner-city community located in the City of Ottawa. The Vanier neighbourhood is located in the east of Ottawa across the Rideau River from the neighbourhoods of Lowertown and Sandy Hill, and just south of Rockcliffe Park, New Edinburgh, Lindenlea, and Manor Park . To the east of Vanier are the suburbs of Gloucester. Vanier has a relatively small area with a high population density. Montreal Road is the main thoroughfare of the community.

The community has a population of approximately 17,632 people and there are a total of 9,114 dwellings (most recent data available), according to Statistics Canada.

Vanier has undergone significant changes since 2007, starting with an area closer to the Rideau River. It is increasingly considered a target for gentrification. It is one of the last relatively inexpensive Ottawa neighbourhoods with a desirable location next to downtown. Vanier offers a wide choice of retail shops, strip malls, eateries, bars, etc. Both subsidized and self-financed housing is available here, with several existing and proposed upscale condominiums and infill developments. The population on the western edge of Vanier closer to the Rideau River, especially the Kingsview Park neighbourhood, is among the more affluent.

Description of Proposed Improvements

Proposed Front Elevation

Proposed Rear Elevation

Type	Twenty-unit executive rental apartment building
Area (SF)	Raised Basement: 1,693 SF Main Floor: 3,103 SF Second Floor: 3,265 SF Third Floor: 2,951 SF Total: 9,319 SF Above grade
Construction	Concrete Frame
Parking	The subject building will have an enclosed parkade, with 11 demarcated parking spaces; one visitor space, and ten rental spaces for tenants.

Unit Mix

Unit Type	Quantity
Studio	2
Studio with deck	4
One bedroom	1
One plus with deck	2
One bedroom plus den	6
Elevated basement one bedroom plus den	3
Two bedroom	2
Total Rental Units	**20**

Comments

The subject proposed development is a high-end rental apartment building. The building has been designed by the office of Christopher Simmonds, a prominent Ottawa architecture firm with a good reputation in the local market. The building will have good quality modern design on the exterior and interior. Exterior materials will include textured stucco, and modern wood siding, with a torch-on membrane flat roof. The unit interiors will include good quality finishes, including strip hardwood, ceramic tiling, granite counters, and full appliance packages in each unit (including built-in dishwashers). Each unit will have stacked laundry machines. 18 of the units will be fully above-grade, and there will be two units in a raised basement. The building will have a landscaped patio/garden area over top of the rear covered parkade. In summary, the building will be appealing to professional tenants in the local marketplace, and will be attractive from an owner-manager persepective.

Site Description

Area	The site comprises a total area of 8,000 SF, more or less
Frontage	80 feet, more or less, onto Marquette Avenue
Configuration	The site is essentially regular in its configuration
Land Use Classification (Zoning)	The property is currently classified R4E - Residential Fourth Density
Access	Overall access to the property is considered to be average. The site is accessed directly off of Marquette Ave. and indirectly off of Beechwood Ave.
Services	The site is fully serviced
Topography	The site's topography is level

Soil Conditions

See Extraordinary Assumptions

Summary

The site offers an attractive inner-city residential location in a gentrifying area of the City of Ottawa. We have not undertaken a detailed soil analysis, and as we are not qualified to comment on soil conditions, we have assumed that there are no contaminants affecting the site. However, a full environmental assessment would be required for certainty and any cost of remedy should be deducted from the reported value herein. The sub-soil is assumed to be similar to other lands in the area and suitable in drainage qualities and load bearing capacity to support the proposed 20-+unit apartment building development.

Land Use / Zoning

Land Use Classification (Zoning)

- Residential Fourth Density Zone

Purpose

Allows a wide mix of residential building forms ranging from detached to low rise apartment dwellings, in no cases more than four storeys.

Allow a number of other residential uses to provide additional housing choices.

Permits ancillary uses to the principal residential uses to allow residents to work at home.

Permitted Uses

The following are examples of permitted uses:

- Low-rise apartment dwelling
- Detached dwelling
- Duplex dwelling
- Park
- Retirement home

- Semi-detached dwelling
- Stacked and three-unit dwellings
- Townhouse dwelling

Density

Minimum lot area ranges from 165 m^2 for townhouses and semi-detached homes to 1400 m^2 for planned unit developments;

Maximum building height ranges from 9.5 m to 11 m. A summary of pertinent site attributes (required and proposed) provided by the client, is follows:

Conformity

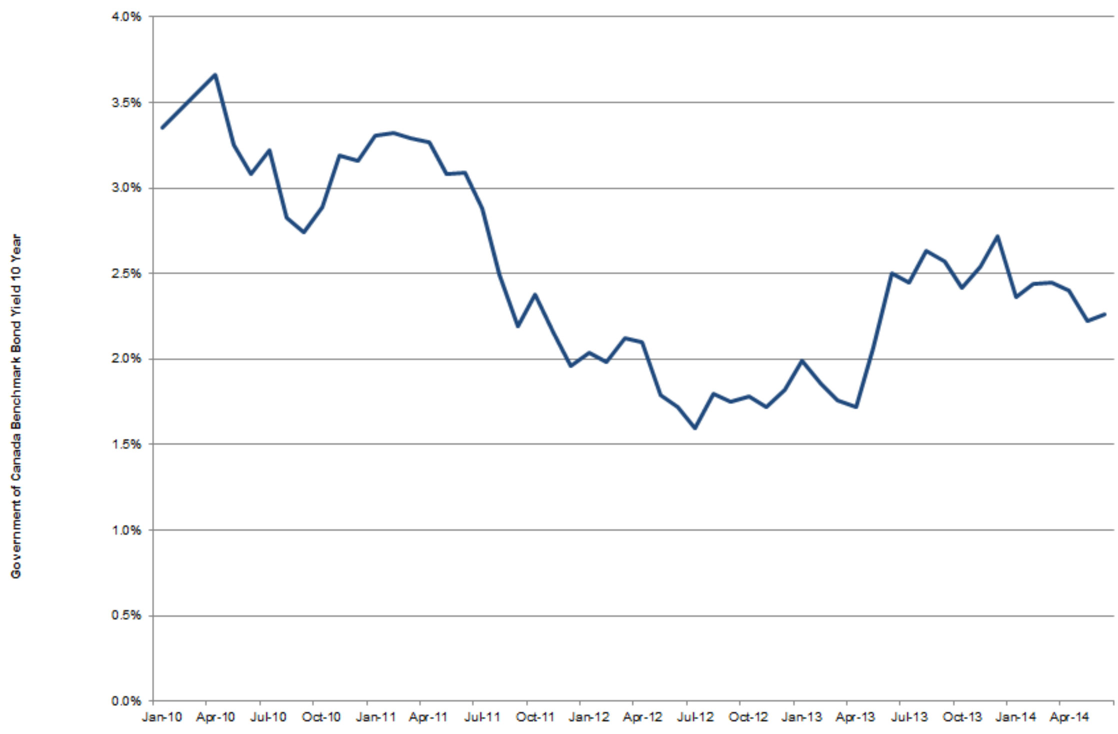
The subject proposed property appears to conform to the requirements of the land use bylaw (though a minor site variance may be required for building height), however, if specific reliance on this information is required, written confirmation from the municipality should be obtained.

Market Overview

Q2 14 Canadian Economic Overview

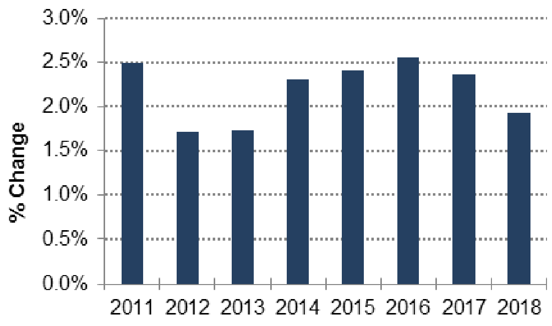
Canada's economic growth is forecast to improve throughout 2014 due to stronger exports The statistics detailed below summarize current Canadian market conditions based on the most up-to-date information available from the Conference Board of Canada and Statistics Canada for 2014.

Bond Yields



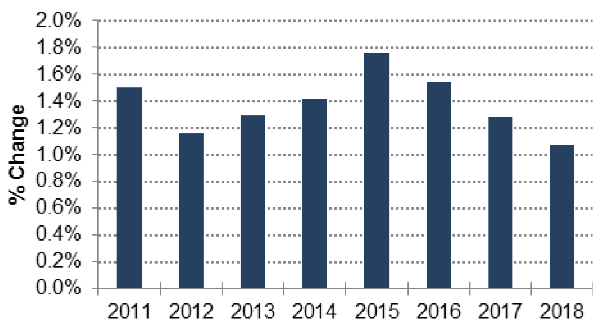
Bond yields have remained historically low and the accelerating global economy should put upside pressure on yields over the coming quarters. The 10 year Government of Canada bond yield has been trending upwards since May 2012 and there are expectations that the rate will end 2014 at around the 3.3% mark.

Real Gross Domestic Product (GDP)



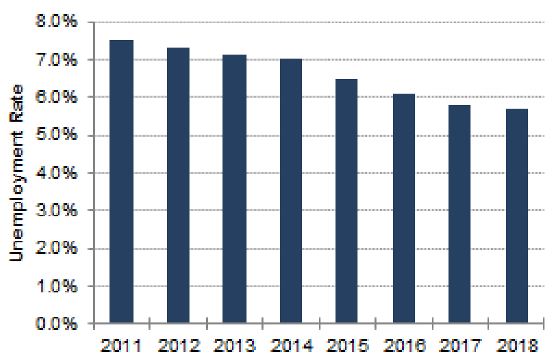
Canada's economy is projected to expand over the mid-term, bolstered by increased U.S. and global exports, improved business investments and stronger consumer confidence. Canada's real GDP is forecast to improve from 1.7% in 2013 to 2.3% in 2014 with continued growth averaging 2.3% from 2015 through 2018.

Employment



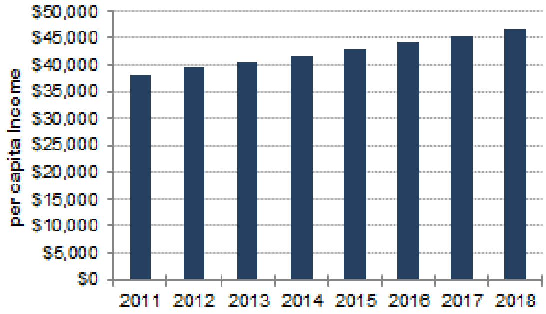
Canada's employment growth has been trending upwards since 2012 and finished 2013 with 1.3% growth. The Canadian labour market is expected to benefit from stronger economic activity. Job growth is forecast to average 1.6% per year between 2014 and 2015. Future employment growth is projected to average 1.3% from 2015 through 2018.

Unemployment



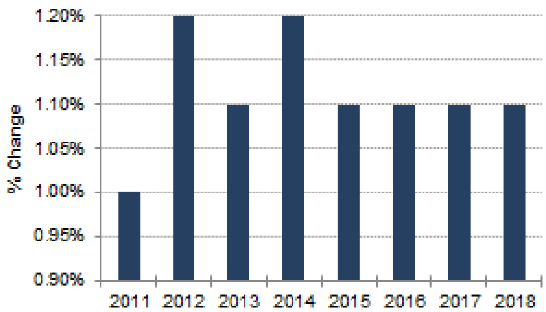
Canada's unemployment rate has been steadily declining since 2011. The unemployment rate is projected to decline further from 7.1% in 2013 to 7.0% in 2014. This is anticipated to be followed by successive improvements over the medium term. By the end of 2018, the unemployment rate is estimated to reach 5.7%. This decline can be partially attributed to elevated global trade and heightened government infrastructure spending.

Personal Income



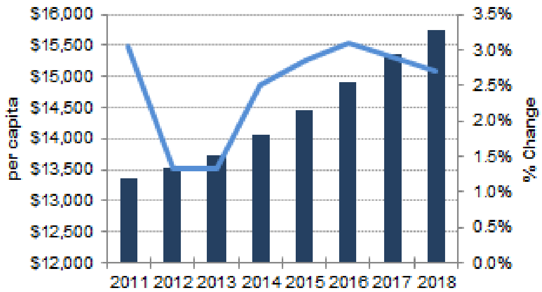
Canadians have received consecutive real wage gains since 2011 averaging 2.9% per annum. Personal income per capita is anticipated to rise another 2.7% in 2014 reaching nearly $41,500. By 2018, personal income per capita is forecast to exceed $46,700 with growth averaging 3.0% from 2015 through 2018.

Population Growth



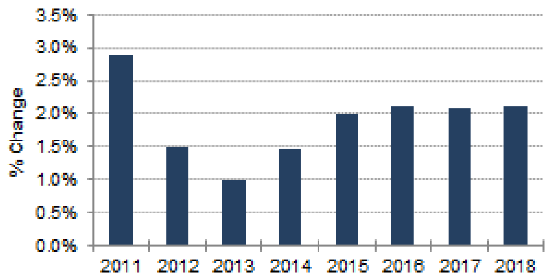
Canada's population growth rate has been averaging 1.1% since 2011. The country's population growth is forecast to maintain this trajectory in 2014 and beyond. Canada's population is expected to grow from 35.5 million in 2014 to over 37.1 million in 2018. Since 1993, net international migration has been the main source of population growth for Canada.

Retail Sales



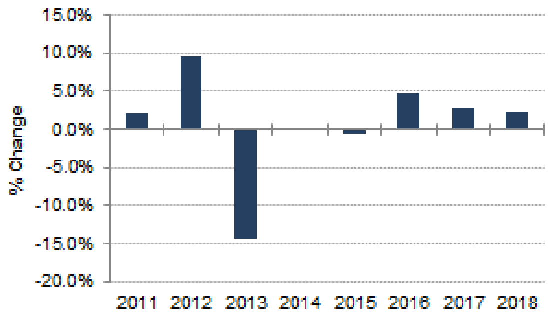
Canada's per capita retail sales are forecast to grow by 2.5% in 2014 with increasing growth averaging 2.9% per year from 2015 to 2018. This anticipated growth will be the result of gains in employment and income. Per capita retail sales are expected to grow from $14,000 in 2014 to over $15,700 in 2018.

Consumer Price Index (CPI)



With Canada's mediocre economic performance in 2013, inflation was kept well under wraps at 1.0%. This is below the 10 year annual average increase of 1.8%. 2014's CPI is projected to rise to 1.5% due to rising gasoline, natural gas, and electricity prices. Further advances in the CPI rate are expected to average 2.1% from 2015 through 2018.

Housing Starts



Housing starts are forecast to soften in 2014 and 2015 with 187,000 starts due to rising mortgage rates, increasing housing prices and prudent developers curtailing new home construction. This trend is forecast to reverse as housing starts are projected to increase by 5.1% in 2016 with 196,500 units. Slower growth is projected for 2017 and 2018 at 3.0% and 2.4%, respectfully.

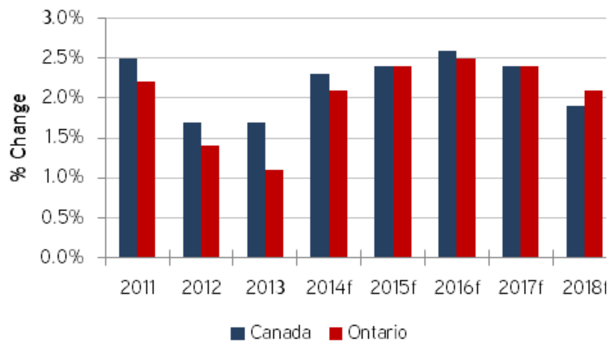
Summary

The Canadian economy is forecast to expand in 2014, driven by stronger external demand from the United States and globally. As external demand for Canada's exports strengthens, the pace of hiring will accelerate leading to improvements in the labour market. Wages and consumer spending are also expected to grow at a stronger pace. Despite these positive economic indicators, housing starts are forecast to soften in 2014 and 2015. Lastly, if the tapering of the U.S. Federal Reserve's bond-buying program does not go smoothly, interest rates on mortgages and other loans will increase quickly, hurting consumer spending and investment.

Q2 14 Ontario Economic Overview

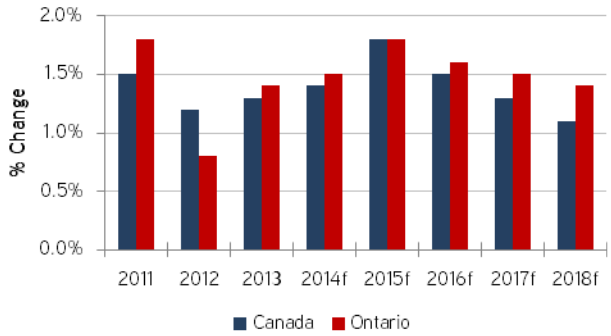
Ontario should benefit from a combination of U.S. expansion and a weaker national currency to increase exports. The statistics detailed below summarize current Canadian market conditions based on information provided by the Conference Board of Canada and Statistics Canada for the second quarter of 2014.

Real Gross Domestic Product (GDP)



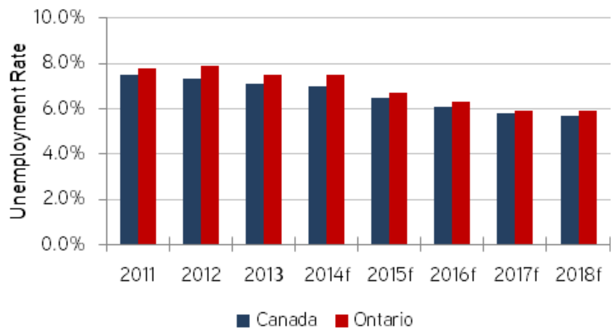
Ontario's real GDP is forecast to increase by 2.1% in 2014 and by 2.4% in 2015, compared to the 1.2% recorded in 2013. This is the first time since 2011 that Ontario's economy will expand more than 2%.

Employment



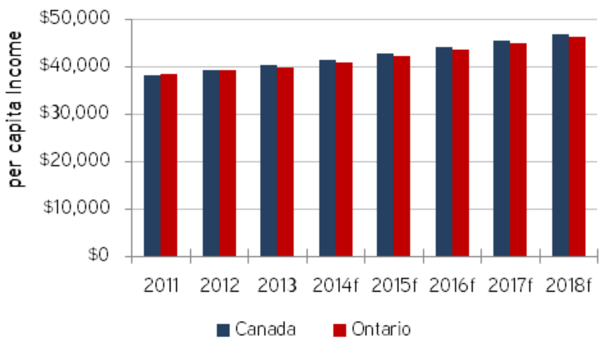
Total employment in Ontario is forecast to increase by a steady and solid 1.5% for 2014 compared to the 1.4% growth recorded in 2013 as its economy added about 100,000 jobs. A further 1.6% increase is expected in 2015.

Unemployment



Despite difficulties facing Ontario's manufacturers and home builders, Ontario has managed to record healthy job growth. Indeed, the unemployment rate in Ontario has declined every year since 2009 falling to 7.5% in 2013. Moreover, the unemployment rate, which stood at 7.5% in January, is expected to finally drop below 7% in early 2015.

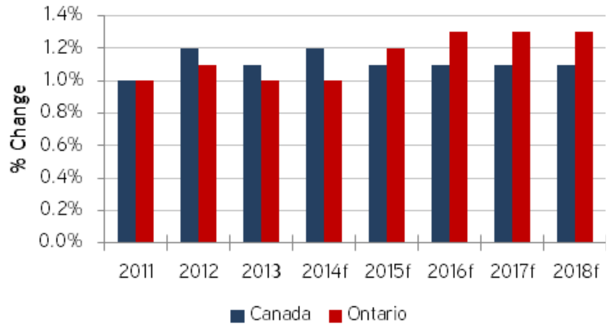
Personal Income



Household income growth was relatively slow in 2013, as a result of job losses in high-paying, goods-producing industries, especially manufacturing.

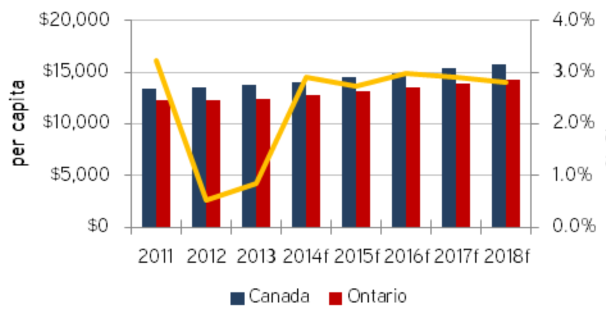
However, increasing employment will help boost household disposable income this year. According to Statistics Canada, personal income per capita is estimated to increase to by 4.4% to $41,014 for 2014.

Population Growth



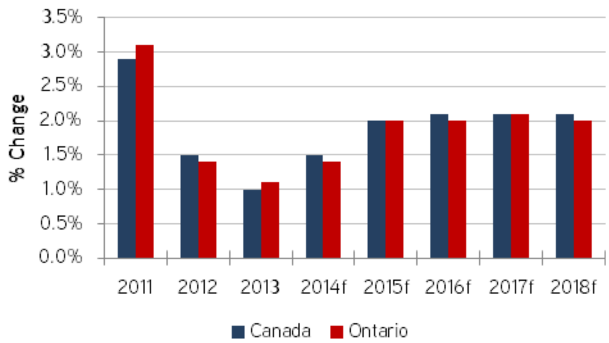
With a total population greater than 13 billion, Ontario is the most populated province in Canada. Immigration will keep the province's overall population growth rate at or just above 1.0% annually. Although interprovincial migration will remain negative through to 2014, net outflow will begin to decrease as the province's labour market is in a stronger position relative to the rest of Canada.

Retail Sales



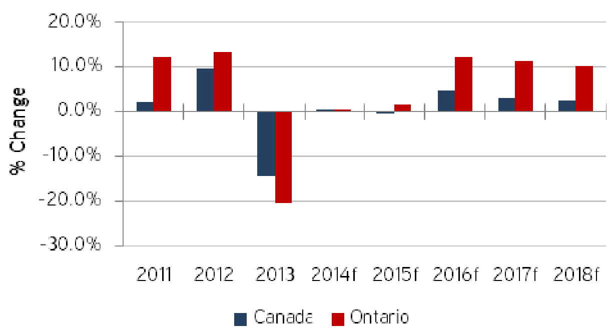
Increases in employment will in turn cause household income and subsequently retail sales to rise. Ontario's retail sales per capita are expected to record a notable 2.9% increase in both 2014 and 2015 compared to a modest 0.8% last year.

Consumer Price Index (CPI)



Ontario's CPI is expected to increase by 1.4% in 2014 compared to the 1.1% recorded in 2013. The rate of inflation remains under 2.0% since there is considerable spare production capacity in the economy. In terms of 12-month % change, Ontario posted the largest increase of CPI last month.

Housing Starts



Total housing starts are forecast to increase by 0.3% in 2014 to 61,300 units. Ontario was the epicenter of the real estate market slowdown last winter: sales of existing properties fell 7.5%. However, the outlook looks better for Ontario as recently released data shows that homebuilding rebounded substantially in the Q2 2014.

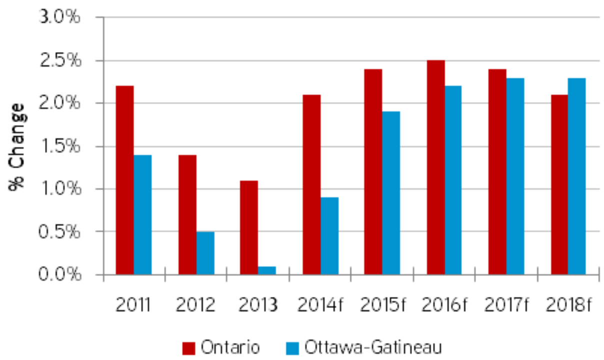
Summary

Ontario's economy expanded slowly last year, limited by weak global economic conditions. This year, real GDP is expected to advance by 2.1%, thanks to a rebound in exports and solid growth in commercial and financial services.

Q2 14 Ottawa-Gatineau Economic Overview

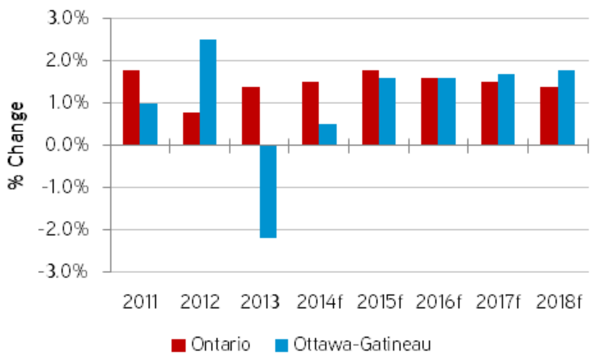
Ottawa-Gatineau's economy has been stagnant with weak real GDP growth. Anticipated job cuts are expected to keep overall economic growth subdued at 0.9% in 2014, before improving to 1.9% in 2015. The statistics detailed below summarize current Canadian market conditions based on information provided by the Conference Board of Canada and Statistics Canada for the second quarter of 2014.

Real Gross Domestic Product (GDP)



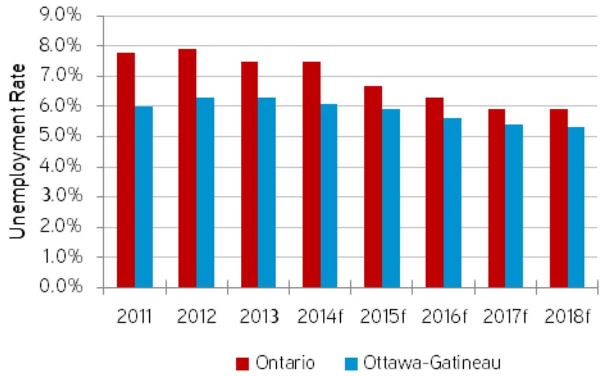
Ottawa-Gatineau real GDP is forecast to increase by a weak 0.9% this year compared to a tiny 0.1% increase recorded in 2013, before improving to 1.9% in 2015. Of the 13 census metropolitan areas covered by this Conference Board report, only Victoria has experienced weaker economic growth. This weak growth in Ottawa-Gatineau is due to the region's biggest industry, public administration has suffered downsizing since 2012.

Employment



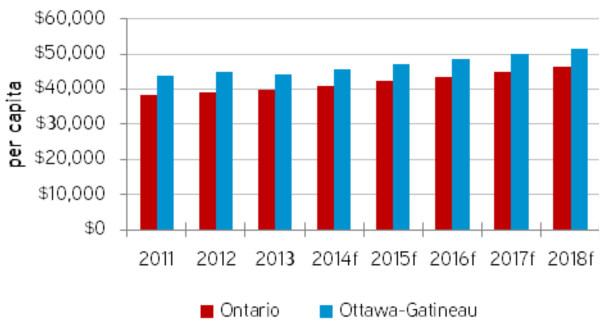
Employment is forecast to increase by a minute 0.5% compared to -2.2% in 2013. 22,000 public administration jobs was expected to be cut in Ottawa-Gatineau over 2013 and 2014, most of these cuts have already taken place. For the next few years, employment change is forecast to increase by 1.6% on average.

Unemployment



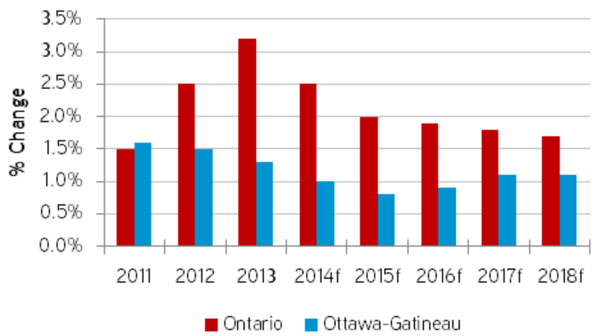
The unemployment rate is expected to decrease to 6.1% in 2014. Employment is forecast to be positive in Ottawa-Gatineau for the next four years. The transportation and warehouse sector is expected to be the fastest growing employment sector. By 2018, this figure is predicted to decrease to 5.3%.

Personal Income



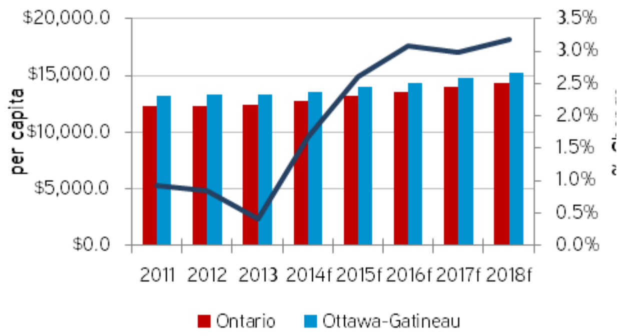
Personal income per capita in the Ottawa-Gatineau region is expected to increase by 2.3% to $45,999 in 2014. Average personal income per capita is forecast to pass $50,000 by 2017.

Population Growth



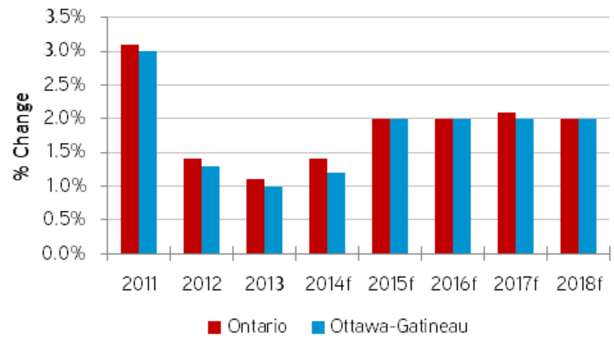
This year, population growth is expected to increase by a small 1.0% in 2014. This small increase in population growth can be attributed to decreases in international and interprovincial migration.

Retail Sales



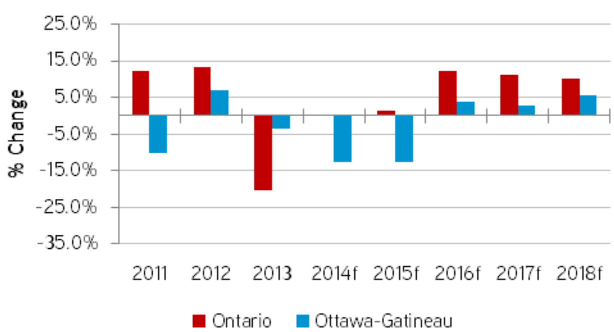
Retail sales per capita in the Ottawa-Gatineau region are forecast to rebound this year with a 1.7% growth vs. 0.4% last year. Personal income per capita is anticipated to follow an increasing trend. Even so, the level of retail sales is far below Ontario's average.

Consumer Price Index (CPI)



Regional CPI is forecast to rise 1.2% in 2014 which is lower than the average price change reported in Ontario (1.4%). CPI is forecast to increase at roughly the same pace as Ontario's through to 2018.

Housing Starts



Despite job cuts demand for new housing has remained healthy as mortgages rates remain very low. However, housing starts are expected to fall to 7,400 units this year which represents a 12.6% decrease from 2013. The weak economy, weak population growth and rising interest rates are expected to cool off residential demand over the next two years.

Summary

Ottawa-Gatineau's economy remains moderate. Real GDP growth is expected to increase by just 0.9% this year, the third consecutive year of growth below 1%. Activity is forecast to start picking up in 2015 as economic growth is expected to improve to 1.9%as job growth begins to accelerate.

Valuation

Highest and Best Use

The principle of highest and best use is fundamental to the concept of value in real estate. Highest and best use, in general, may be defined as follows:

> "The reasonably probable and legal use of vacant land of an improved property which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productive."

Analysis

Legal Permissibility

The subject site is made up of two adjoining lots with residential improvements. The site is within the municipality's fourth density residential zone which allows various residential land uses as described earlier on in this report (Land Use Section). The current improvements on the site are a single detached family dwelling and a duplex, which both legally conform to the zone's land use and density restrictions.

The existing land use would allow for the development of the site with a four storey apartment building or an attached row townhouse style development.

Physical Possibility

The subject site has no physical limitations that prevent the continuation of the current use as residential dwellings. The existence of the two adjoining lots would allow for land assemblage in order to re-develop the site with a multi-residential construction of maximum density within the legal restrictions of the site.

Financial Feasibility

The redevelopment of the site with a multi-residential building would be financially feasible under current market conditions. There is sufficient demand for new multi-residential uses from both tenants and owners. The subject properties are located in a gentrifying area which is considered attractive and is just south of Beechwood Avenue.

Maximum Productivity

The most maximally productive use of the properties would be for the redevelopment with a multi-residential development which maximizes allowable density under the land use. The existing improvements are dated and are nearing the end of their effective age thus are not considered to be the most maximally productive use of the site.

Conclusion

As vacant

The highest and best use of the site as though vacant is to develop a multi-residential improvement within the legal zoning restrictions imposed by the city that maximizes density.

As improved

The highest and best use of the subject property as it is currently improved is for redevelopment into a multi-residential development which maximizes the allowable density of the land use. The existing improvements are dated and nearing the end of their effective age. The improvements are only considered to act as an interim use of the site until such a time as redevelopment occurs.

Valuation Methodology

Traditionally, there are three accepted methods of valuing real property:

- Cost Approach;
- Direct Comparison Approach; and
- Income Approach

The selection of a relevant methodology depends upon the nature and characteristics of the real estate under consideration.

1) **The Cost Approach** to value is based upon the economic principle of substitution, which holds that the value of a property should not be more than the amount by which one can obtain, by purchase of a site and construction of a building without undue delay, a property of equal desirability and utility.

2) **The Direct Comparison Approach** examines the cost of acquiring equally desirable and valuable substitute properties, indicated by transactions of comparable properties, within the market area. The characteristics of the sale properties are compared to the subject property on the basis of time and such features as location, size and quality of improvements, design features and income generating potential of the property.

3) **The Income Approach** to value is utilized to estimate real estate value of income-producing or investment properties.

Selection of Relevant Methodology

The proposed development is a 20-unit rental apartment building. Properties similar to the subject typically transact on the basis of their income producing potential, and we have included the Income Approach in our analysis accordingly. Purchasers do not typically use the Cost Approach to value properties such as the subject. The inherent difficulties in accurately estimating developer's profit and all forms of depreciation restrict the reliability of this approach. For these reasons, we have not utilized the Cost Approach to value the property. The Direct Comparison Approach to value is relevant, and has been included in this report, as it provides a good qualitative reference of value. It relies on sales of other properties with similar physical and market attributes. Comparisons are made between these sales and the subject property to determine a reasonable value for the subject.

The Income Approach

Overall Income Capitalization

Revenue and Expense Analysis

To estimate the market value of a property by the Income Approach, the main criteria for the measurement of value is the property's ability to generate income. To this end, an analysis of the potential income and the probable expenses associated with maintaining this income stream is undertaken in order to estimate the net operating income the property is capable of producing.

The net operating income is then converted into an expression of market value through the application of an appropriate technique. The most commonly utilized methods for valuing real estate such as the subject are the *Overall Income (Direct) Capitalization* and *Discounted Cash Flow* techniques. The Overall Income Capitalization method has been included in our analysis.

Tenancy Summary and Profile (Projected)

Suite Mix

Unit Type	Quantity
Studio	2
Studio with deck	4
One bedroom	1
One plus with deck	2
One bedroom plus den	6
Elevated basement one bedroom plus den	3
Two bedroom	2
Total Rental Units	**20**

Occupancy

As of the effective date the building was not yet constructed. The proposed unit mix is based on information provided by the owner, and taken as accurate.

Tenant Profile

A non-payment allowance will be included in our vacancy and bad debt provision.

Leasing Practice/Status

All tenants are responsible for the full payment of rent; the landlord is responsible for full payment of utility costs with exception to electricity.

Residential Market Lease Survey

In order to determine how the subject's contract rents compare to current market levels, a residential rental market survey was undertaken. The appraiser reviewed active listing and closed transaction data for market comparables pertinent to the subject. The Subject is a residential apartment building, and individual units would be rented on 12-month leases, on a semi-gross basis. The tenants would pay their hydro costs directly, with the landlord responsible for the remaining operating expenses.

Similar high-end studio/bachelor units are renting in a range of $850 to $1,000 per month, depending on location, amenities, and expense responsibilities. One bedroom units were renting within a range of $1,050 to $1,200. One-bedroom plus den units were rented for $1,200 to $1,400 per month, and the most pertinent comparable two-bedroom units were rented from $1,400 to $1,800.

Market Rent

Based on the market rental survey rental rates, the appraiser has elected to imput the following market rental rates to the proposed units within the building, "as if complete".

Unit Type	Quantity	Monthly Revenue Per Unit	Annual Revenue	Monthly Revenue
Studio	2	$950	$22,800	$1,900
Studio with deck	4	$1,000	$48,000	$4,000
One bedroom	1	$1,150	$13,800	$1,150
One plus with deck	2	$1,200	$28,800	$2,400
One bedroom plus den	6	$1,325	$95,400	$7,950
Elevated basement one bedroom plus den	3	$1,200	$43,200	$3,600
Two bedroom	2	$1,600	$38,400	$3,200
Total Rental Units	**20**		**$290,400**	**$24,200**

Projected Base Rent

We have calculated base rent based on existing rents in place in addition to applying a market rent to the single vacant suite. Based on our projected base rental revenue is projected to be **$290,400.**

Parking and Storage Revenue

The owner reported that the building will have an enclosed below-grade parking lot (taken as accurate), with ten rental parking spaces and one visitor space. Based on market data for parking rental rates, enclosed parking stalls tend to rent in the range of $75-$100 per month. The appraiser has considered $100 per parking spot per month appropriate based on the quality of the building. Based on this calculation, annual the parking revenue is projected to be **$12,000.** The owner provided an estimated annual storage locker income of $200 per unit per year ($10 per unit per month). This yields additional income of **$2,400** per year.

Vacancy

According to Canada Mortgage and Housing Corporation annual rental market report, Fall 2013 (most recent available), the vacancy rate within the subject's market were as follows;

CMHC: City of Ottawa		
Suite Type	**Oct-12**	**Oct-13**
Bachelor	2.1%	1.9%
One-Bedroom	2.6%	3.0%
Two-Bedroom	2.6%	3.0%
Three-Bedroom -	4.0%	3.9%
Total	2.7%	3.0%

Our vacancy allowance selection includes credit loss (slippage due to turnover, bad debt, etc.) and an allowance for vacancy. With regard to vacancy rates reported by CMHC, the Subject's current vacancy rate, and reported vacancy rates of competing product, we have applied a combined vacancy and credit loss allowance of 3.0% to all revenue sources as they vary by occupancy level. This equates to a vacancy allowance of **$9,144.** This vacant allowance considered the attractive location of the proposed subject building in an area where there is strong demand for rental suites.

Effective Gross Income

Deducting the Vacancy Allowance above from the Potential Gross Income forecast demonstrates the effective gross income for the building. The effective gross income equates to **$295,656, based on stabilized occupancy by third party tenants.**

Expense Analysis

Actual/Budgeted Operating Expenses

Following are the projected realty tax and operating expenses for the property:

Operating Expenses

Operating expenses relate to those items that the property must incur in order to maintain the income stream of the property. These expenses consist of fixed costs and variable costs.

Fixed costs tend to remain stable regardless of the occupancy level of the property and include, but are not limited to, property taxes and insurance.

Variable costs vary with the property's occupancy level and include, but are not limited to, utilities and repairs and maintenance. Following is the stabilized, projected expense summary.

Item	Description	Annual Expense	Monthly Cost
Tax	Projected	$37,000	$3,083
Maintenance	5% of gross revenue - projected	$15,481	$1,290
Insurance	Quote provided	$11,604	$967
Property Management	5% of gross revenue	$15,481	$1,290
Utilities	4% of gross revenue - projected	$12,385	$1,032
Accounting	Quote provided	$1,399	$117
Snow Removal	Quote provided	$1,500	$125
Operating Costs		**$94,850**	$7,904

Realty Taxes

The owner has projected taxes based on an estimate of 1% of the construction cost budget. The expense forecast is considered within the market range, and has been projected by the appraiser for the upcoming period.

Insurance

The owner has projected a quoted insurance rate, which is considered within the market range, and has been projected by the appraiser for the upcoming period.

Utilities

The owner has projected an estimate of utility expense based on 4% of the projected based revenue. The estimated amount is considered within the market range, and has been projected by the appraiser for the upcoming period.

Management

Currently, typical management fees for a property of this size are in the range of 4% to 5.0% of EGI. No historical management expense was provided. It is reasonable that a prospective buyer would pay someone to assist with the management of the building. We have imputed a management allowance of 5.0% of EGI. This is an upper-end management expense for the quality of the building, but is reflective of the newness of the building (i.e. establishing a good tenancy profile).

Repairs and Maintenance

This category includes repairs and maintenance to the garbage removal systems, pest control, snow removal, landscaping, fire equipment, painting and plastering, recreation areas, cleaning, general repairs, cleaning supplies, HVAC contract surcharges, non-capital mechanical, plumbing, appliance and electrical repairs. As maintenance items can vary, a prudent investor typically stabilizes this expense at a rate consistent with market levels over the longer term and anticipated over the holding period of the asset. With respect to the nature, the size, age/condition and quality of improvements, continued maintenance and repairs to the building and units is required to maintain a low occupancy and tenant turnover. In the case of the subject property we have utilized an allowance of 5% of gross revenue per unit per year. This allowance recognizes that the building will be brand new, and will likely require minimal repairs in the early stage of its life.

Operating Cost Survey

In order to determine the reasonableness of the subject's operating costs, we have referenced our database of recently appraised buildings and sales transactions from an array of apartment buildings in the National Capital Region. Based on the above noted data, it appears that the subject operating costs are reasonable. Our survey suggests that buildings that would most represent the subject property would operate at an expense ratio between 32% and 50%. The subject's operating expense ratio is 31% which falls just below this range. This is not considered unreasonable given the small size and ease in management offered by the subject building.

Pro Forma Income Statement

Based on the analysis, a Pro Forma Income Statement for the property has been constructed and is included on the following page:

Pro Forma Income Statement 67 Marquette Avenue, Ottawa				
Income				
Residential Rental Revenue			$304,800	
Storage Revenue			$2,400	
Parking Revenue			$12,000	
Potential Gross Income				$319,200
Residential Vacancy & Bad Debt	-3.00%			-$9,576
Effective Gross Income				**$309,624**
Expenses	**$/Suite**	**% EGI**	**Total**	
Property Taxes	$1,850	11.95%	$37,000	
Insurance	$580	3.75%	$11,604	
Utilities	$619	4.00%	$12,385	
Management	$774	5.00%	$15,481	
Repairs and Maintenance	$774	5.00%	$15,481	
Groundskeeping/Snow Removal	$75	0.48%	$1,500	
Accounting	$70	0.45%	$1,399	
Total Expenses				**$94,850**
Operating Expense Ratio				**31%**
Net Operating Income				**$214,774**

The 2013/2014 estimated stabilized expense ratio of the subject property is 31% of Effective Gross Income which is in the low end of the normal range for apartment buildings such as the subject, however is considered reasonable based on the low effective age of the building, and general efficiency of design and operation, upon completion.

Investment Analysis

This section sets out the data considered in establishing the investment parameters used in valuing the subject property.

1) Investment Alternatives

Alternate forms of investment are summarized as follows:

Investment Alternatives	Current
Prime Rate	3.00%
Long Term Canada Bond	2.38%
REIT Units (CREIT)	3.63%
REIT Units (RioCan)	4.89%

Source: TD Bank, Bank of Canada, Globe Investor

In comparison to the above investment vehicles:

- Real estate offers comparatively poor liquidity, as well as the need for ongoing management and investment.
- Real estate has significantly more risk associated with it.

2) Investor Interviews

As part of our investigation, we conducted interviews with investors, consultants and brokers actively involved in investment transactions.

Investors are generally motivated by the following investment criteria:

a) Income - Current levels and anticipated.

b) The security of the income stream - competitive threats in the market.

c) Investors want to minimize their risks: income risks and structural risks. A well designed, properly maintained building contributes to this objective.

With respect to methodology, investors are relying on the Income Approach: Direct Capitalization and Discounted Cash Flow methods. Nonetheless, the majority of investors are concerned with current income levels.

3) Market Data

Presented are several five multi-family rental transactions in Ottawa over the past 21 months. The selected comparables are considered to provide an adequate basis from which to estimate the required investment parameters applicable to the subject. Due to the high-end design and quality of the building, the range of sale price per unit of the investment comparables below would not bracket the subject property.

Capitalization Rate Sales

Index No.	Address City	Sale Price Sale Date # of Units	Stabilized OCR Sale Price/Unit NOI/Unit per month	Comments
1	345 Lacasse Avenue Ottawa	$1,860,000 April-14 22	6.0% $84,545 $429	Two 2.5 Storey walk-up apartment buildings 2 BA, 18 1BR, 2 3BR units Located in the Vanier neighbourhood
2	240 Stewart St. Ottawa	$4,600,000 June-13 31	5.3% $148,387 $662	5.5 Storey elevatored apartment building 4 BA, 17 1BR, 10 2BR units Located in the Sandy Hill neighbourhood
3	1404 Rosenthal Ave. Ottawa	$2,850,000 May-13 30	5.2% $95,000 $408	3.5 Storey apartment building 3 BA, 12 1BR, 15 2BR units Located in the Carlington neighbourhood
4	1030 Panet St. Ottawa	$3,450,000 March-13 31	5.5% $111,290 $512	3.5 Storey apartment building 3 BA, 12 1BR, 16 2BR units Located in the Carlington neighbourhood
5	85-91 Maclaren St. Ottawa	$2,700,000 January-13 19	4.5% $142,105 $536	3 Storey apartment building 14 BA, 4 1BR, 1 2BR units Located in the Golden Triangle neighbourhood
6	235 Bay St. Ottawa	$10,000,000 December-12 68	3.9% $147,059 $473	8 Storey elevatored apartment building 6 BA, 45 1BR, 16 2BR units Located in the Centretown neighbourhood

Significant Investment Characteristics of Subject

The following summarizes the major investment attributes of the property that potential investors would consider when determining an appropriate return and yield when making a purchase decision.

Location	The property offers an attractive location in the Vanier neighbourhood. The northern area of the neighbourhood (in which the subject is located) has been trending toward gentrification in recent years.
Physical Attributes	The subject proposed building will be significantly above-average in regard to design, quality, and condition upon completion. The proposed building is considered attractive to potential tenants in this area.
Operational	The operating expense ratio for the subject will be below average as a result of the nature of the property (i.e. new construction). Multi-residential real estate has demonstrated strong performance in the current economy and institutional investors are increasing their capital allocation to this asset class to take advantage of that strength.
Market	Vacancy rates in Ottawa for all suite types within multi-residential properties are slightly higher than last year, and rents have increased modestly. Nonetheless demand for multi-residential assets in Ottawa remains strong.
Conclusions	
Positive Aspects	The subject property offers an attractive central location and will be significantly above-average in regard to design, quality, and condition upon completion..
Negative Aspects	The subject's projected rents will be at market rates (i.e. no short-term upside income potential) which has an upward influence on the concluded capitalization rate.

Capitalization rates tend to vary between properties depending to some extent on such factors as location, size and type of development, quality and condition of improvements, and amenities offered. Combining all of these features with considerations of leasing history and trends, strength of tenancy and income security, the overall capitalization rate tends generally to reflect the perceived quality and durability of the property's income earning capacity.

Properties with a strong rental history and the perceived potential for an increase in revenue tend to trade at comparatively low overall rates as compared to properties which have a history of vacancy, poor location, physical deficiencies, or other forms of perceived instability.

Multi-family capitalization rates have dropped steadily since 2011 with the past 12-18 months showing signs that the compression may have halted. With increased demand for rental housing, improved strength in the local real estate market and a good availability of financing, purchasers are willing to accept relatively low rates of return. Vacancy for apartment units remains low and many developers are undertaking the construction of multi-family rental projects to service the demand in the market. The multi-family market is expected to remain strong moving forward. The increase in bond yields may have a longer term impact on capitalization rates, however, in the near term, rates are expected to remain stable.

The sales summarized in the table on the preceding pages relate to four Ottawa multi-family transactions which occurred between December 2012 and April 2014. The overall investments range from a low of $1,860,000 as indicated by the sale of Index 1, to a high of $10,000,000, as indicated by the sale of Index 5. The range in stabilized overall capitalization rates suggested by the comparables represents a range of 3.9% to 6.0%. Note many of the transactions represent an array of unit sizes, however, are felt to capture the locational and quality characteristics of the Subject.

Located in an inferior setting in the subject's neighbourhood of Vanier, index No.1 was the sale of a complex comprised of two 2.5 storey walk-up apartment buildings in April 2014 for $1,860,000 or $84,545 per unit and a reported capitalization rate of 6.0%. The building offered inferior effective age, quality, and condition to the subject, and a moderately inferior rental location. The subject should achieve a capitalization rate significantly below the 6.0% indicated by this sale.

Located in the attractive downtown neighbourhood known as Sandy Hill, index No.2 was the sale of a 5.5 storey building in June 2013 for $4,600,000 or $148,387 per unit and a reported capitalization rate of 5.3%. The building offered inferior effective age, quality, and condition to the subject, and a greater number of units (i.e. more management requirement). The subject should achieve a capitalization rate below the 5.3% indicated by this sale.

The subsequent sale used for Index No.3 is located west of the city core on Rosenthal Ave. in the neighbourhood known as Carlington. The building was a 3 storey older apartment style complex featuring 30 units including bachelor, one-bedroom and 2-bedroom units. The property featured 23 surface parking spaces. The property was sold in May 2013 for $2,850,000 or $95,000 per unit and a reported capitalization rate of 5.2%. In addition, the location was inferior to the subject. The rate for the subject would be below this sale.

Index No.4 was very similar in many regards to Index No.2, and the subject rate would be below this sale for the same reasons mentioned above.

Index No.5 is a property located in the Golden Triangle district in downtown Ottawa. It was originally constructed in the early 1900s but was extensively renovated 6-7 years ago. The building offers 13 surface parking stalls. The property sold in February 2013 for $2,700,000 or $142,105 per unit and for a reported capitalization rate of 4.5%. The building had a superior location, below-market rents, and significant upside income potential. The subject project features no income upside in the short term, as such a capitalization rate above the 4.5% indicated by this sale is appropriate.

Index No.6 is a property located in the Centretown district in downtown Ottawa. It was constructed in the early 1964, however has been updated from time to time over the years, and is well-maintained. The building offers 13 surface parking stalls. The property sold in December2012 for $10,000,000 or $147,058 per unit and for a reported capitalization rate of 4.5%. The building had a superior location, below-market rents, and significant upside income potential. The subject project features no income upside in the short term, as such a capitalization rate significantly above the 3.9% indicated by this sale is appropriate.

In selecting a reasonable capitalization rate to be applied to the subject project, consideration must be given to the various attributes of the subject project. The subject project demonstrates a good location and features a number of recent renovations.

With all factors considered, a capitalization rate of 5.25% is considered to be reasonable and applicable to the subject. This cap rate is considered reasonable given that the subject building is small, offers a non-traditional layout, has limited income upside in the short term and is an older structure. Furthermore, the operating costs for the subject building fall towards the low end of the range as such a new owner may struggle to achieve the same operating expense ratio and thus would expect a slightly high rate of return.

Direct Capitalization

As summarized on the previous page, capitalization rates for properties similar to the subject are trading at “going-in” returns of 3.9% to 5.5%. Taking into consideration the investment characteristics of the property including its location, size, building quality and security of income, it is our opinion that an overall capitalization rate between 4.9% to 5.1% would be appropriate. The selected cap rate range falls in the middle of the range indicated by the comparable sales. Applying these rates to the projected Year One net operating income results in the following estimate of value:

Value Matrix – Direct Income Capitalization

OCR	NOI	Value(1)	**Adjusted Value(1)**
4.90%	$214,774	$4,383,136	$4,380,000
5.00%	$214,774	$4,295,473	$4,300,000
5.10%	$214,774	$4,211,248	$4,210,000

(1) Rounded to nearest $10,000

The foregoing analysis indicates an estimated value by way of Direct Income Capitalization of between **$4,210,000** and **$4,380,000** (rounded) as of the effective date of this valuation. A mid-range value of **$4,300,000** is concluded via the Income Approach for the subject building.

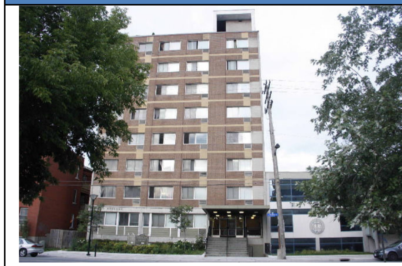
Direct Comparison Approach

The Direct Comparison Approach is based on the Principle of Substitution which maintains that a prudent purchaser would not pay more for a property than what it would cost to purchase a suitable alternative property that exhibits similar physical characteristics, tenancy, location, etc. Within this approach, the property being valued is compared to properties that have sold recently or are currently listed and are considered to be relatively similar to the subject property. Typically, a unit of comparison is used to facilitate the analysis. In the case, the sale price per suite is the most commonly used unit of comparison.

We have researched and included a number of sales which are considered to provide a good indication of the value range for a property such as the subject. The sales have been reduced to a similar unit of comparison, price per suite, and will be analyzed based on the following factors:

- Property Rights Conveyed
- Financing Terms
- Conditions of Sale
- Market Conditions
- Location
- Physical Characteristics
- Economic Characteristics

The sales are included and described on the following page:

	Address	Sale Date	Sale Price	# of Units	Price Per Unit
	Sale 1 - 200 Bronson Avenue, Ottawa	July 31, 2014	$5,920,062	51	$116,080
	Sale of nine-storey elevatored apartment building which is comprised of 33 bachelor suites, 11 one bedroom units, and 7 two-bedroom suites. The building was well maintained with no noted items of deferred maintenance. The property has an attractive location just west of Downtown Ottawa. The building included 28 surface parking stalls at the rear of the building. Prior to the date of sale, the property was listed for sale exclusively with a local brokerage.				
	Sale 2 - 123 Queen Mary Street, Ottawa	June 30, 2014	$1,150,000	4	$287.500
	Sale of newly constructed (2013) high-end four-unit apartment building located in the Overbrook neighbourhood. Building had very good quality design and finishes, and four spacious three-bedroom apartments (one on each floor, and one in a raised basement). The site had superadequate onsite parking for several vehicles. Prior to the date of sale, the property was listed for sale exclusively with a local brokerage.				
	Sale 3 - 416 Somerset Street West, Ottawa	February 28, 2014	$2,225,000	11	$202,272
	Sale of an 11 unit apartment building located at Centretown community. The building was older, however had been extensively renovated in recent years. The site included 10 parking spaces and including functional suite designs. The building included one bachelor unit, 7 one bedroom units, and 2 two-bedroom units. Sold following a 103-day marketing period on the Ottawa Real Estate Board MLS with an asking price of $2,350,000.				
	Sale 4 - 240 Stewart Street, Ottawa	June 13, 2013	$4,600,000	31	$148,387
	Sale of a 5.5-storey building Located in the downtown neighbourhood of Sandy Hill, in June 2013 for $4,600,000 or $148,387. The building was older, however had been extensively renovated in recent years. The building was in average overall condition at the time of sale. The building included four bachelor units, 17 one bedroom units, and 10 two-bedroom units. The building included 12 surface parking stalls at the rear of the building. Sold following a 14-day marketing period on the Ottawa Real Estate Board MLS with an asking price of $4,800,000.				

	Sale 5 - 85-91 Maclaren Street, Ottawa	February 10, 2013	$2,700,000	19	$142,105
	Sale of a property located in the Golden Triangle district in downtown Ottawa. It was originally constructed in the early 1900s but was extensively renovated 6-7 years ago. The unit mix is comprised of 15 bachelor suites, 3 one bedroom units, and 1 two-bedroom suite. The building offers 13 surface parking stalls. The property sold in February 2013 for $2,700,000 or $142,105 per unit and for a reported capitalization rate of 4.5%. The building had a superior location, below-market rents, and significant upside income potential.				

Analysis

Property Rights Conveyed	Rights conveyed relates to the type of ownership transferred. In this case all the sale transactions related to the fee simple estate as rented (leased fee estate). As such, no adjustments under this category are required.
Financing Terms	Refers to the financing arrangements made when the property sold. In this regard, financing is not believed to have been a significant motivating factor in any of the sales summarized and therefore no adjustments are required.
Conditions of Sale	It is not believed that any of the vendors were unduly motivated to divest the properties and therefore no adjustments are required for motivation.
Market Conditions	Unit prices have remained consistent for multi-family properties over the time in which the comparables were sold. No adjustments are required.
Location	In our opinion, the location influences of the asset are generally reflected in the operating performance level of the property. Sales No.3, 4, and 5 are considered to offer a superior locations while Sale 2 is deemed to offer an inferior location. Upward and downward adjustments are applied accordingly. The remaining sale 1 had a similarly appealing location to the subject.
Physical Characteristics	Overall physical attributes reflected in operating performance would include the age and quality of the building, unit floor plans in terms of number of bedrooms, bathrooms, laundry facilities as well as age/condition, overall management, security and maintenance of the property, as well as type of parking, utilities and common amenities. Sale 2 was similar to the subject in overall design, quality, and amenities offered; however had a superior mix of larger units (all 3 bedrooms). In addition, the building had a substantially lower number of units, which contributed to a higher sale price per unit (due to increased overall affordability, and economies of scale). This sale was adjusted downwards, accordingly. Sale 1 had a substantially larger number of units, and was adjusted upwards, on a per-unit basis. Sale 3 had a smaller number of units, and was adjusted downwards in this category. Aside from Sale 2, all of the comparable sales were moderately to significantly inferior to the subject in regards to design, quality, and effective age. These sales were all adjusted upwards, accordingly.
Conclusion	Prior to adjustments the comparable sales demonstrated a range in values per suite of from \$116,080 per suite to \$287,500 per suite. After considering the

above described adjustments a reasonable value to apply to the subject building would be between $190,000 and $210,000 per suite. The noted range falls toward the middle of the unadjusted range of the comparable sales and is considered to be a reasonable range in value for the subject property.

The value range equates as follows:

Value Matrix - Direct Comparison		
No. Units	**$/Suite**	**Value(1)**
20	$190,000	$3,800,000
20	$200,000	$4,000,000
20	$210,000	$4,200,000

(1) rounded to nearest $10,000

Reconciliation

The above analysis suggests a range of values ranging from $190,000 to $210,000 per suite. The subject property "as if complete" offers a newly constructed building and a relatively attractive location in the gentrifying north Vanier neighbourhood, adjacent to the area called "Beechwood Village". The subject proposed contract is considered to be a desirable asset in the local market. In consideration of the location, condition and overall appeal of the subject building a value per suite of **$200,000,** which yields a value estimate of **$4,000,000** is considered to be reasonable.

Reconciliation and Final Estimate of Value

The approaches used in this valuation provide the following values:

Value Conclusion	
Income Approach	$4,300,000
Direct Comparison Approach	$4,000,000
Final Value Conclusion	**$4,200,000**

For properties such as the subject, potential purchasers would place considerable emphasis on the income earning potential of the property. In this regard, the Income Approach would be the favoured method of valuation. Multi-family buildings are typically valued using the Direct Capitalization method within the Income Approach. For this reason, the appraiser has emphasized this methodology in the valuation of the subject property.

The Direct Comparison Approach, which is primarily used with respect to the valuation of owner occupied building, is based on the price per unit of similar property transactions. The Direct Comparison Approach, in this case, is supportive of the indication of value in the Income Approach.

Based on the foregoing, it is our opinion that the market value of the property **"as if complete"**, assuming occupancy and income has stabilized subject to the assumptions set forth herein, closer to the conclusion derived via the income approach, as at September 2, 2014, was:

Four Million, Two Hundred Thousand Dollars "As if Complete"

$4.200,000

The above value estimate is predicated on an exposure period of three to six months and assumes a sale on the basis of cash being paid to the vendor.

Appendices

Appendix A

Contingent and Limiting Conditions

Contingent and Limiting Conditions

1. This report has been prepared at the request of **Mark Larose** of **Urban Rise Development Inc.** for the purpose of providing an estimate of the market value **"as if complete"** of **67 Marquette Ave. Ottawa, Ontario.** It is not reasonable for any person other than the person or those to whom this report is addressed to rely upon this appraisal without first obtaining written authorization from **Mark Larose** of **Urban Rise Development Inc.** and the author of this report. This report has been prepared on the assumption that no other person will rely on it for any other purpose and all liability to all such persons is denied.

2. This report has been prepared at the request of **Mark Larose** of **Urban Rise Development Inc.** and for the exclusive (and confidential) use of, the recipient as named herein and for the specific purpose and function as stated herein. All copyright is reserved to the author and this report is considered confidential by the author and **Mark Larose of Urban Rise Development Inc..** Possession of this report, or a copy thereof, does not carry with it the right to reproduction or publication in any manner, in whole or in part, nor may it be disclosed, quoted from or referred to in any manner, in whole or in part, without the prior written consent and approval of the author as to the purpose, form and content of any such disclosure, quotation or reference. Without limiting the generality of the foregoing, neither all nor any part of the contents of this report shall be disseminated or otherwise conveyed to the public in any manner whatsoever or through any media whatsoever or disclosed, quoted from or referred to in any report, financial statement, prospectus, or offering memorandum of the client, or in any documents filed with any governmental agency without the prior written consent and approval of the author as to the purpose, form and content of such dissemination, disclosure, quotation or reference.

3. The estimated market value of the real estate that is the object of this appraisal pertains to the value of the **fee simple interest** in the real property, "as if complete". The property rights appraised herein exclude mineral rights, if any. **As of the date of this report, the proposed construction program had not yet commenced, however this report is based on the hypothetical basis of completion of the proposed improvements, as per the plans and specifications provided by the client. Should any deviation with respect to design, materials, or any other pertinent attribute arise, the appraiser reserves the right to revisit the conclusions of this report. The anticipated start date for the project is December 2014, and the anticipated completion date is June 1, 2016.**

4. The concept of market value presumes reasonable exposure. The exposure period is the estimated length of time the asset being valued would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of valuation. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. The reasonable exposure period is a function not only of time and effort, but will depend on the type of asset being valued, the state of the market at the date of valuation

and the level at which the asset is priced. (The estimated length of the exposure period needed to achieve the estimated market value is set forth in the Letter of Transmittal, prefacing this report).

5. The estimate of value contained in this report is founded upon 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. Other empirical data required interpretative 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 following Contingent and Limiting conditions.

6. The property has been valued on the basis that title to the real estate herein appraised is good and marketable.

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

8. The legal description of the property and the area of the site were obtained from the ---Select---. Further, the plans and sketches contained in this report are included solely to aid the recipient in visualizing the location of the property, the configuration and boundaries of the site and the relative position of the improvements on the said lands.

9. The property has been valued on the basis that the real estate is free and clear of all value influencing encumbrances, encroachments, restrictions or covenants except as may be noted in this report and that there are no pledges, charges, liens or special assessments outstanding against the property other than as stated and described herein.

10. The property has been valued on the basis that there are no outstanding liabilities except as expressly noted herein, pursuant to any agreement with a municipal or other government authority, pursuant to any contract or agreement pertaining to the ownership and operation of the real estate or pursuant to any lease or agreement to lease, which may affect the stated value or saleability of the subject property or any portion thereof.

11. The interpretation of the leases and other contractual agreements, pertaining to the operation and ownership of the property, as expressed herein, is solely the opinion of the author and should not be construed as a legal interpretation. Further, the summaries of these contractual agreements are presented for the sole purpose of giving the reader an overview of the salient facts thereof.

12. The property has been valued on the basis that the real estate complies in all material respects with any restrictive covenants affecting the site and has been built and is occupied and 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 recognized there may be work orders or other notices of violation of law outstanding with respect to the real estate and that there may be certain requirements of law preventing occupancy of the real estate as described in this report. However, such circumstances have not been accounted for in the appraisal process).

13. 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 investigations may be necessary.

14. The property has been valued on the basis that there is no action, suit, proceeding or investigation pending or threatened against the real estate or affecting the titular owners of the property, at law or in equity or before or by any federal, provincial or municipal department, commission, board, bureau, agency or instrumentality which may adversely influence the value of the real estate herein appraised.

15. The data and statistical information contained herein were gathered from reliable sources and are believed to be correct. However, these data are not guaranteed for accuracy, even though every attempt has been made to verify the authenticity of this information as much as possible.

16. The estimated market value of the property does not necessarily represent the value of the underlying shares, if the asset is so held, as the value of the share could be affected by other considerations. Further, the estimated market value does not include consideration of any extraordinary financing, rental or income guarantees, special tax considerations or any other atypical 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 arise therefrom, have been described and measured in this report.

17. Should title to the real estate presently be held (or changed to a holding) by a partnership, in a joint venture, through a Co-tenancy arrangement or by any other form of divisional ownership, the value of any fractional interest associated therewith may be more or less than the percentage of ownership appearing in the contractual agreement pertaining to the structure of such divisional ownership. For the purposes of our valuation, we have not made any adjustment for the value of a fractional interest.

18. In the event of syndication, the aggregate value of the limited partnership interests may be greater than the value of the freehold or fee simple interest in the real estate, by reason of the possible contributory value of non-realty interests or benefits such as provision for tax shelter, potential for capital appreciation, special investment privileges, particular occupancy and income guarantees, special financing or extraordinary agreements for management services.

19. Unless otherwise noted, the estimated market value of the property referred to herein is predicated upon the condition that it would be sold on a cash basis to the vendor subject to any contractual agreements and encumbrances as noted in this report as-is and where-is, without any contingent agreements or caveats. Other financial arrangements, good or cumbersome, may affect the price at which this property might sell in the open market.

20. 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 beforehand, including provisions for additional compensation to permit adequate time for preparation and for any appearances that may be required. However, neither this, nor any other of these assumptions or 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.

21. 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.

22. The value expressed herein is in Canadian dollars.

23. This report is only valid if it bears the original signature(s) of the author(s).

24. These Contingent and Limiting Conditions shall be read with all changes in number and gender as may be appropriate or required by the context or by the particulars of this mandate.

Appendix B

Definitions

Definitions

Property Interests

Fee Simple
- Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government.

Leased Fee Estate
- An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; the rights of lessor or the leased fee owner and leased fee are specified by contract terms contained within the lease.

Leasehold Estate
- The right to use and occupy real estate for a stated term and under certain conditions; conveyed by a lease.

General Definitions

Adjusted or Stabilized Overall Capitalization Rate is usually derived from transactions with excessive vacancy levels or contract rents over/under market levels. In such cases, net operating income is "normalized" to market levels and the price adjusted to reflect expected costs required to achieve the projected net operating income.

The Cost Approach to value is based upon the economic principle of substitution, which holds that the value of a property should not be more than the amount by which one can obtain, by purchase of a site and construction of a building without undue delay, a property of equal desirability and utility.

Direct or Overall Capitalization refers to the process of converting a single year's income with a rate or factor into an indication of value.

The Direct Comparison Approach examines the cost of acquiring equally desirable and valuable substitute properties, indicated by transactions of comparable properties, within the market area. The characteristics of the sale properties are compared to the subject property on the basis of time and such features as location, size and quality of improvements, design features and income generating potential of the property.

Discount Rate is a yield rate used to convert future payments or receipts into a present value.

Discounted Cash Flow Analysis offers an opportunity to account for the anticipated growth or decline in income over the term of a prescribed holding period. More particularly, the value of the property is equivalent to the discounted value of future benefits. These benefits represent the annual cash flows (positive or negative) over a given period of time, plus the net proceeds from the hypothetical sale at the end of the investment horizon.

Two rates must be selected for an application of the DCF process:

- the internal rate of return or discount rate used to discount the projected receivables;
- an overall capitalization rate used in estimating reversionary value of the asset.

The selection of the discount rate or the internal rate of return is based on comparing the subject to other real estate opportunities as well as other forms of investments. Some of the more common bench marks in the selection of the discount rate are the current yields on long term bonds and mortgage interest rates.

Exposure Time is the property's estimated marketing time prior to a hypothetical sale at market value on the effective date of the appraisal. Reasonable exposure time is a necessary element of a market value definition but is not a prediction of a specific date of sale.

Highest and Best Use - The purpose of a highest and best use analysis is to provide a basis for valuing real property. Highest and best use is defined by the Appraisal Institute of Canada as:

> ***"that use which is most likely to produce the greatest net return over a period of time." The highest and best use must be legally permissible, physically possible, financially feasible and maximally productive.***

The Income Approach to value is utilized to estimate real estate value of income-producing or investment properties.

Internal Rate of Return is the yield rate that is earned or expected over the period of ownership. It applies to all expected benefits including the proceeds of sale at the end of the holding period. The IRR is the Rate of Discount that makes the net present value of an investment equal zero.

Market Value - The Uniform Standards of Professional Appraisal Practice adopted 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 all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus."***

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

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised and acting in their own best interests;
- A reasonable time is allowed for exposure in the market; and
- Payment is made in cash in Canadian dollars or in terms of financial arrangements comparable thereto.

The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Net Operating Income is the actual or anticipated net income remaining after all operating expenses are deducted from effective gross income before debt service and depreciation. Net Operating Income is usually calculated for the current fiscal year or the forthcoming year.

Overall Capitalization Rate is an income rate that reflects the relationship between a single year's net operating income expectancy and the total property price. The Overall Capitalization Rate converts net operating income into an indication of a property's overall value.

***Reasonable Exposure Time* -** Exposure time <u>is always presumed to precede</u> the effective date of the appraisal. It may be defined as:

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

A Yield Rate is applied to a series of individual incomes to obtain a present value of each.

Appendix C

Certification

Certification

67 Marquette Avenue, Ottawa, Ontario

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

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions and conclusions are limited only by the reported Contingent and Limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions;
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate, or a conclusion favouring the client;
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice and with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute of Canada;
- I made a personal exterior inspection of the property that is the subject of this report on March 7th, 2014;
- I have the knowledge and experience to complete the assignment competently.
- No one provided significant professional assistance in the preparation of this report;
- As of the date of this report the undersigned has fulfilled the requirements of The Appraisal Institute of Canada's Continuing Professional Development Program for designated and candidate members; and
- I am licensed to practice in the province of Ontario.

Final Estimate of Value

Based upon the data, analyses and conclusions contained herein, the current market value of the fee simple interest in the property described herein, as at September 2, 2014, is estimated to be as follows:

Four Million, Two Hundred Thousand Dollars "As if Complete"

$4.200,000

This value is based on an exposure time of three to six months, and is based on stabilized occupancy by third-party tenants.

Evan McGlinchey, B.Soc.Sci, AACI, P.App
Senior Associate, Ottawa
Date: September 8th, 2014