

VALUATION AND MARKETING I

HARVEST RIDGE

L

SPRUCE GROVE, A

J



Alberta Invest

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EXECUTIVE SUMMARY

We thank you for providing us the opportunity to submit a Valuation and Marketing Proposal (the "Proposal") for the disposition of a residential subdivision (the "Property"), in Spruce Grove, Alberta. Based upon the plans provided, we are advised that 137 acres a

We look forward to the opportunity to list the Property for sale. We are confident that we can prepare a comprehensive and package to demonstrate the development potential of the subdivision. We also believe that as a result of our marketing platform a the planning process, we will be able to generate offers that recognize the potential returns available through developing out the su

In order to expose the Property to the widest possible range of prospective buyers, the sales and marketing process will be joint National Investment Teams in Calgary and Edmonton. Over the past five years, we have been active in the sale of major resic throughout Alberta. This combined team has experience in the Spruce Grove market and offers professional expertise and attenti sales process. In addition to our marketing and sales experience, we are pleased to provide you with additional professional servic Planning and Development, and Environmental in order to ensure that you receive the best possible advice to achieve the maxim possible time, while incurring the least possible expense. No other commercial real estate group in Alberta has this expertise i Property is in the development stage, these special services will be particularly important in this sales process, as we are able to c program with the planning approvals and development process.

We are of the opinion that, despite the recent economic downturn, the Property presents an immediate and attractive developr continuation of the historically low interest rates, signs are already apparent that the re-bounce in the housing market is under apparent in the entry level market, where affordability is key. The subdivision is particularly suited for this segment of the market.

The Property also benefit from the fact that much of the planning approvals risk has been removed with the approval of the Arec make the opportunity attractive to the widest possible range of purchasers. This range of purchasers is expected to include local as well as other groups interested in securing an immediate development position in one of Edmonton's more stable residential ma

The following is an overview of our Valuation and Marketing Proposal for the Property. Greater detail on all of these points is provic Proposal.

1. The Listing Director for the Property will be Mr. Ken Westhaver. As a former Planner, Ken is very familiar with the land dev process and will be able to ensure prospective purchasers understand the status and impact of various development issues Ray Townsend of our Edmonton office will be co-listing the Property. Ray has been active in the greater Edmonton area, fo Ray will jointly coordinate the marketing and sales process. Supporting Ken and Ray will be the remaining members of Ne in both –Calgary and Edmonton. Depending upon the particular phase of the sales process, members of the team, whose is required (e.g. Legal, Geoffrey Mar) will be drawn upon during various stages of the disposition process. Geoff, our ir

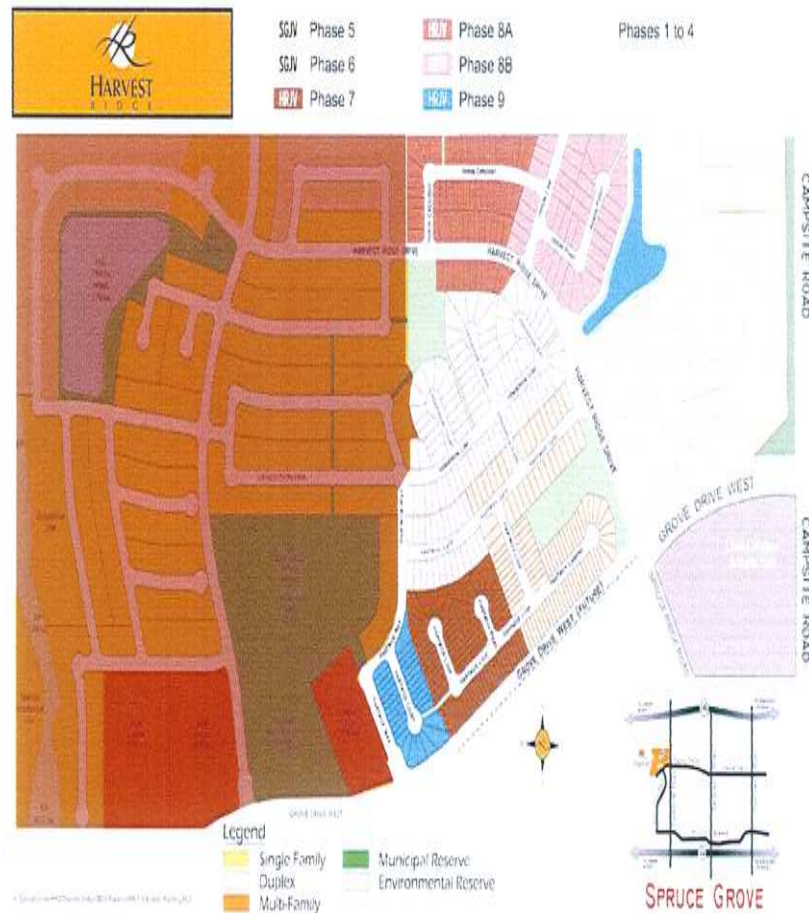
HARVEST RIDGE LANDS – MARKETIN

PROP

PROPERTY INFORMATION – HARVEST RIDGE WEST

Legal Description	Meridian 4, Range 27, Township 53, Section 8
Subdivision Status	Phase 10 and 11 approval pending
Property Area	Approximately 137 acres

SITE PLAN – HARVEST RIDGE



AERIAL



VALUATION

CURRENT MARKET CONDITIONS

Over the past 6 to 12 months a significant price reset has been underway across the commercial real estate market. Residential development has not been immune to this trend. Since the later half of 2008, developers and home builders have had little appetite for acquiring development lands. As a result, there are a limited number of land trades to provide pricing guidance. As such, we have elected to provide value based upon the preparation of a development proforma. As a note, before bringing the Property to market, we recommend that the relative to servicing costs and achievable lot pricing be validated, as we anticipate the buyer group to be very sophisticated in their approach to the Property. In order to support the pricing suggested and prior to marketing the Property for sale, a preliminary servicing estimate should be prepared by the Vendor’s consultants in order to confirm where the major costs lie, as well as to confirm that no major off-site work is required nor are there any major impediments to servicing the site.

DEVELOPMENT PROFORMA

As noted in Appendix 1 we have prepared a development proforma for the Harvest Ridge subdivision. Prior to marketing we recommend that our assumptions be validated using our own research group, relative to expected market share and revenue expectations. This combined with the servicing estimates referred to above, should provide a defensible pricing framework.

Based upon our opinion that developers will be looking for a return on costs in the range of 20% to 25%, we have undertaken to establish value through the preparation of a development proforma. Based upon our analysis, the 20% return does not seem viable as the IRR approach model does appear to represent a viable development program that we expect will be acceptable to the market. Under this model the residual is between \$142,000 and \$159,000 per acre for the Harvest Ridge subdivision. This equates to an indicated value of \$19.5 million.

CORRELATION OF VALUE

Project	Methodology	Low	High	Listing Price
Harvest Ridge	Direct Comparison	NA	NA	\$22.8 million
	Development Proforma	\$19.5 million	\$21.8 million	

HARVEST RIDGE LANDS – MARKETIN

HARVEST RIDGE - SPRUCE GROVE DEVELOPMENT PRO FORMA - \$3,000/FF

REVENUES

PHASES 10-15 1 (6 Years)

Single Family Estate Lots	675 Lots	x	38 FF	=	25,650 Saleable FF	x	\$3,000/FF	=	\$7
Multi-Family	253 Units	x	\$15,000/Unit	=	\$3,795,000	x	97.0%	=	\$3
Semi-Detached	40 Units	x	\$30,000/Unit	=	\$1,200,000	x	97.0%	=	\$1

PHASES 10-15 GROSS REVENUES \$8

Marketing Costs 3.5% (\$2)

G&A/Mgmt Fees 4.0% (\$2)

**PHASES 10-15 NET REVENUES w/o
Interest** \$7

COSTS

DEVELOPMENT COSTS

PHASES 10-15 (Average Annual Cost)

Single Family Estate Lots					25,650 Saleable FF		x \$1,600/FF		= \$4
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**TOTAL PHASES 10-15 SERVICING
COSTS** \$4

LAND COSTS

Phases 10-15			137.0 Acres	x	\$142,250/Acre				= \$1
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**TOTAL LAND
COSTS** \$1

TOTAL COSTS \$6

MARGIN BEFORE FINANCING \$1

RETURN ON REVENUE:	20.0%
RETURN ON COSTS:	25.0%

HARVEST RIDGE LANDS – MARKETIN

HARVEST RIDGE - SPRUCE GROVE DEVELOPMENT PRO FORMA - \$3,300/FF

REVENUES

PHASES 10-15 1 (6 Years)

Single Family Estate Lots	675 Lots	x	38 FF	=	25,650 Saleable FF	x	\$3,300/FF	=	\$8
Multi-Family	253 Units	x	\$15,000/Unit	=	\$3,795,000	x	97.0%	=	\$:
Semi-Detached	40 Units	x	\$30,000/Unit	=	\$1,200,000	x	97.0%	=	\$:

PHASES 10-15 GROSS REVENUES \$8

Marketing Costs	3.5%	(\$:
G&A/Mgmt Fees	4.0%	(\$:

**PHASES 10-15 NET REVENUES w/o
Interest** \$8

COSTS

DEVELOPMENT COSTS

PHASES 10-15 (Average Annual Cost)

Single Family Estate Lots					25,650 Saleable FF	x	\$1,600/FF	=	\$4
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**TOTAL PHASES 10-15 SERVICING
COSTS** \$4

LAND COSTS

Phases 10-15			137.0 Acres	x	\$159,250/Acre	=	\$2
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**TOTAL LAND
COSTS** \$2

TOTAL COSTS

MARGIN BEFORE FINANCING

RETURN ON REVENUE:	24.1%
RETURN ON	31.7%

\$6
\$1