

# S.C. FRANK APPRAISAL SERVICES LTD.

Real Estate Appraisals & Agricultural Consulting  
847 Timbermont Road  
Invermere, BC  
V0A 1K3

Scott C. Frank, AACI, P.App  
phone: [250] 342-6800  
fax: [250] 342-6529  
E-Mail: scfrank@shaw.ca

**MARKET VALUE APPRAISAL**  
of  
**"Genesis' Spur Valley Proposed Development Lands"**  
Parcel 1 District Lot 10717 Kootenay District  
Near Radium Hot Springs, British Columbia

As of February 21, 2013

On the instructions of  
Mr. Michael Pereira  
Genesis Land Development Corp.  
7315 - 8th Street NE  
Calgary, Alberta T2E 8A2

File No. 2911

Prepared by  
Scott C. Frank, AACI, P.App

Prepared on  
March 8, 2013

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March 8, 2013

Genesis Land Development Corp.  
7315 - 8th Street NE  
Calgary, Alberta T2E 8A2

ATTENTION: Mr. Michael Pereira

Re: Market Value Appraisal Quote  
Genesis Spur Valley Lands  
Parcel 1 District Lot 10717 Kootenay District  
Near Radium Hot Springs, British Columbia

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Dear Sirs;

Further to your request, we have prepared a market value appraisal of the fee simple interest of the property captioned above, (AS IS). We understand you will use the appraisal to assist with decisions related to planning and setting a reasonable list price for the sale of this property. Its use for any other purpose or by unintended users is strictly prohibited.

It is critical that anyone who refers to this appraisal has a clear understanding of what the estimate of value represents. As such, anyone who refers to this appraisal is directed to the Assumptions and Limiting Conditions that start on Page 7, and particularly to the Extraordinary Assumptions. They also should make note of any other assumptions that are made in the body of the report. Anyone who relies on this appraisal is bound by the assumptions and limiting conditions, scope, and any other qualifying statements, disclaimers, definitions, descriptions, and certifications that are stated or implied. The report must be used in its entirety and in the spirit intended.

An analysis of the market, based on the most reliable market data available, provides the basis for the opinion. The data, analysis, and conclusions upon which the estimate of value is formulated follow in the accompanying narrative. The report contains 78 pages, plus 20 pages of addenda. True copies contain the certified final estimate of value, included in this letter of transmittal on the following page, signed in blue ink, and embossed with the appraiser's seal. The appraiser can only assure recipients who obtain digital copies of this appraisal report that the version they possess is unaltered if they received it directly from the appraiser.

While a reasonable effort was made to obtain all the information that is relevant to the appraisal problem, additional information may become known after the completion of this appraisal could materially influence the estimate of value. Should any new relevant information become available that was unknown prior to the completion of this appraisal, we reserve the right to amend the report accordingly. No relevant information was intentionally excluded.

While we have agreed to prepare this appraisal, no arrangements have been made in connection to providing supplementary services, such as participating in meetings, providing testimony, or any other consulting. Should there be any additional requirements, arrangements must include, but not necessarily be limited to, adequate time to review the appraisal report and data related thereto, and the provisions for compensation, along with the recovery of any expenses incurred in that connection.

### APPRAISER'S CERTIFICATION

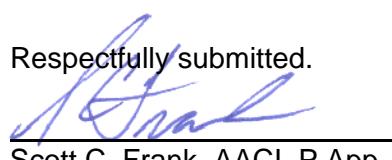
I hereby certify that, to the best of my knowledge and belief:

- the statements of fact contained in this report are believed to be true and correct;
- the analysis, opinions and conclusions were developed, and this report is prepared under the Canadian Uniform Standards of Professional Appraisal Practice;
- I personally inspected the subject property on February 21, 2013;
- I have the knowledge and experience to complete the assignment competently;
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal impartial, and unbiased professional analyses, opinions, and conclusions;
- my engagement in and compensation for the assignment were not contingent on the developing or reporting of a predetermined value or direction of value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event;
- I have no undisclosed interest, either present or contemplated, in the property that is the subject of this report and I have no personal interest with respect to the parties involved;
- I have no bias with respect to the subject property or to the parties involved with the assignment;
- no one provided significant professional assistance in preparing this appraisal;
- I have fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for designated appraisers;
- based on the data, analysis, and conclusions, and subject to all of the qualifying statements contained in the report, my opinion of the market value of the fee simple interest of *Parcel 1 (See 12313I) of District Lot 10717 Kootenay District*, near Radium Hot Springs, British Columbia, as described herein, as at February 21, 2013, with a twelve month exposure period, is:

**TWO MILLION THREE HUNDRED THOUSAND DOLLARS  
\$2,300,000**

We trust you will find everything in order. Should you have any questions, or if we can serve you in any other way, please call. Thank you for the opportunity to perform this work.

Respectfully submitted.



Scott C. Frank, AACI, P.App

March 15, 2013

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## SUMMARY OF SALIENT FACTS AND CONCLUSIONS

**Effective Date:** February 21, 2013  
**Location:** Near Radium Hot Springs, British Columbia  
**Legal Description:** Parcel 1 (See 12313I) of District Lot 10717 Kootenay District  
**Registered Owner:** Genesis Land Development Corp.  
**Zoning:** A-2; R-1; R-2; R-4; R-5; RES-2  
**ALR Status:** mostly in  
**Property Rights:** Fee Simple

**Description:** The subject property is a 463.24 acre parcel located about 19 km north of Radium Hot Springs, in the East Kootenay Region of British Columbia. This is part of the Columbia River Valley, with the Rocky and Purcell Mountains rising to the east and west above the river. This immediate area is historically been referred to as Luxor, but more people now know it as Spur Valley, because of the presence of the Spur Valley residential neighbourhood, the Spur Valley Greens Golf Course, and the Spur Valley RV Resort, which are immediately south of the subject property. Farms and country residential uses dominate the area. Most of the land in the area is covered by Douglas fir forest, but there is a scattering of and open pasture or hay land.

Highway 95 severs this land, with about 338.24 acres on the west side and 125± acres on the east side. The west side is also severed by Luxor Creek Road, which separates about 1.24± acres on the south side, so the area on the north side contains about 337 acres. The CP Railway tracks pass along the southeast corner, in the wetlands on either side of the river. This is gently to rolling hillside cut by small gullies, with most covered by Douglas fir forest.

The 337± acre area west of the highway has a highway approach on the east side and there are a couple of other approaches from Luxor Creek Road. Several old logging trails cross the property and provide access through neighbouring properties as well. This area rises some 80 m from the southwest corner to the northeast corner, over some very irregular terrain. The west side is particularly rough terrain with several deep gullies cutting into the hillside, some of which cross through to the east side, but the eastern half± generally contains less severe terrain.

This 1.24± acre area south of Luxor Station Road contains fairly gently sloped land before it descends along a steep hillside into the Luxor Creek Valley. A survey would be required to determine its actual size and suitability for any type of development.

The area east of Highway 95 has a very irregular configuration that basically runs from northwest to southeast on the hillside that rises above the highway. There is access at the north end, from the highway, and from logging roads that cross it from neighbouring properties. It is quite steep along the highway, and rises about 70 m from where it adjoins the highway to the north east side.

A few years ago, plans to develop part of the area that lies west of the highway with a 273 unit residential subdivision, with a mix of single family and multiple family uses on 57 acres and a golf course on an adjoining 143 acres were prepared. The Agricultural Land Commission authorised exclusion of the residential subdivision from the Agricultural Land Reserve. However, the authorisation to use the 143 acres for a golf course development specifies it as an expansion of the neighbouring golf course. The land was designated and the zoning was amended accordingly, and while a subdivision application had preliminary approval, the former owner/developer suspended the process and sold the property before the subdivisions were registered. The current owner has only recently applied for subdivision of the parent parcels to separate the residential lands from the remainder, and it is understood they intend to enter into a covenant with the RDEK that will waive the requirement to develop the water infrastructure until further subdivision and development of these lands proceeds. It is understood that a well that yields about 500 gallon/minute has been proven and that the subsoil is suitable for the sewer system they propose.

**Highest & Best Use:** Extensive country residential holding with medium term to long term prospects for residential and possible golf course development

**Exposure Period:** 12 months

**Estimated Value:** \$2,300,000

**Prepared by:** Scott C. Frank, AACI, P.App

## ASSUMPTIONS AND LIMITING CONDITIONS

**By this notice**, any reference to or reliance on this appraisal in any manner binds the user to accept all of the provisos, qualifying statements, and descriptions that the conclusions and opinions are subject to, including all ordinary and extraordinary assumptions and limiting conditions, hypothetical conditions, jurisdictional exceptions, scope of the analysis, definitions, descriptions, certification, and any other stated or implied assumptions contained in the report and addenda. While the qualifying statements and descriptions are believed to be legitimate and true representations (unless connected to a hypothetical condition), they are not warranted to be so. Nevertheless, they qualify the analyses and opinions expressed and establish the parameters within which the opinions and conclusions presented are valid, so they are critical to the understanding of this appraisal.

If any qualifying statement or description, whether stated or implied, is ultimately determined to be invalid or incorrect, particularly where it may affect the conclusions of utility or marketability or value of the property, the appraiser should be consulted for a reconsideration of the opinions expressed. Any recipient who rejects even a single qualifying statement or description is prohibited from relying on the appraisal in any way. The appraisal is valid only if it is used in its entirety and in the spirit intended. Diligence by all users is assumed.

The appraiser has agreed to enter into this assignment for a specific use and the appraisal is valid only for that use. While the client may refer to this appraisal report for the stipulated use, the intellectual property and copyright remains the appraiser's. It is not reasonable for this appraisal to be released to or used by anyone, or for it to be conveyed in part or whole by any means without first obtaining written consent from the appraiser. Only the intended recipients (being representatives or agents of the organisation addressed in the letter of transmittal, which is included as part of this report, and any other authorized recipients who are named in the letter of transmittal, or any attached letters that are prepared under the appraiser's signature), are permitted to rely on this appraisal for any purpose. All liability to unauthorized recipients or for unauthorised uses is denied, and unauthorised users or anyone who relies on the appraisal for unauthorized uses are not eligible for claims against the appraiser's professional liability insurance. **IF YOU DO NOT HAVE WRITTEN AUTHORISATION TO REFER TO THIS REPORT FOR THE USE SPECIFIED HEREIN, DO NOT REFER TO THIS REPORT.**

The authorization of additional intended users or for different uses may be provided at the appraiser's discretion, will only be granted if requested by the client (the business, organisation, or individual who engages the appraiser), and may attract additional charges. The client must ensure that this report is released only to authorised users, and will advise anyone they provide it to of their obligations connected to the restricted subsequent release or unauthorised uses of the report. The appraiser may seek damages from the client or any authorised or unauthorised users who are connected to the unauthorised release of the report, should it, in part or whole, be used by unauthorised users or for unauthorised uses.

While the appraiser has agreed to prepare this appraisal, unless specific arrangements are subsequently made, there are no obligations to provide supplementary services, such as providing testimony, participating in any meetings, or consulting with authorised recipients. Such arrangements will include, but will not necessarily be limited to, adequate time to review the appraisal report and data related thereto, and the provision of compensation at the appraiser's rate for such work, along with the recovery of expenses incurred in that connection.

### **Extraordinary Assumptions / Hypothetical Conditions/ Jurisdictional Exceptions**

Extraordinary Assumptions are required if there is a hypothesis, either supposed or unconfirmed, which if untrue, could influence the appraiser's opinions and conclusions. They include, among others, the exclusion of valid valuation approaches.

Hypothetical Conditions may be used when required for legal purposes, for purposes of reasonable analysis or for purposes of comparison.

Jurisdictional Exceptions permit the appraiser to disregard a part or parts of the Uniform Standards of Professional Appraisal Practice that are determined to be contrary to law or public policy in a given jurisdiction and only that part shall be void and of no force or effect in that jurisdiction.

Extraordinary assumptions, hypothetical conditions, or jurisdictional exceptions, should they be incorporated into this appraisal, are described as follows.

- The subject property is appraised as is, as described herein, and the opinion of value is only valid under that description. If any errors in the descriptions are discovered, they may have influenced the opinion of utility, marketability, and value, so the value expressed herein would not be valid, and the appraiser should be consulted as to whether the appraisal should be revisited.
- It is not the appraiser's intent to express, or even imply legal opinions. Wherever an apparent interpretation is provided it is simply intended to establish the conditions under which the appraisal is valid. The recipient is advised to obtain qualified legal opinions with respect to any legal issues that are connected with the subject property, including, but not limited to, the land registration records. The certificate of title to the subject property is included in the addendum, but none of the registered (or potential unregistered) charges were explored. Any registered (or potential unregistered) charges against the property are assumed either to be discharged or to have no measurable affect on its utility or value. The subject property is assumed marketable without restriction and the interest appraised is considered free and clear. Should the recipient ultimately determine that any of the charges may influence the utility, marketability, or value of the subject property, the appraiser should be consulted for a reconsideration of the conclusions and opinions contained herein.
- The subject property must comply with all rules, regulations, orders, or codes of all governing authorities that have jurisdiction, and non-compliance may affect its market value. Unless stated to the contrary, there are no known legal or regulatory constraints that might alter the appraiser's opinion of the highest and best use, and it is assumed none exists. Furthermore, it is assumed any existing development of the subject lands has been conducted in accordance with properly executed plans and specifications and in conformity with all legal and regulatory considerations and any development and construction permits that are required have been or will be granted by the appropriate authorities. Except where indicated otherwise, no investigations with governing authorities or agencies have been conducted with respect to matters that regulate the use or development of the subject property and further investigation, which is beyond the scope of this appraisal and qualifications of the appraiser, would be required to ensure compliance.
- The subject property was covered with snow at the time of the inspection. While no adverse conditions were noted during the inspection, some may have been hidden or obscured by the snow cover if they exist. It is assumed that if there are any adverse conditions on the subject property, they would have been brought to the appraiser's attention by the client or any other parties consulted, and no responsibility is accepted for any errors in the descriptions herein or for their impact on the value estimate should such information have been withheld.

### **Ordinary Assumptions and Limiting Conditions**

- Market conditions are driven by economic, social, and political factors, and as such, they are subject to rapid change without warning. Therefore, the market value estimate expressed herein is valid only as of the effective date indicated.

- The property is appraised under the assumption that it is under responsible and competent ownership/management.
- The appraisal is valid only under the program of utilization described.
- The appraiser did not perform legal surveys and no responsibility is assumed in this connection. The maps, plans, or sketches contained in the report are included solely to aid the recipient in visualizing the descriptions provided.
- While a reasonable and concerted effort to obtain all of the information that is relevant to the appraisal problem was performed, no guarantee can be provided that there is no additional relevant information that might have materially influenced the conclusions and opinions expressed in this appraisal. No information that was considered relevant was intentionally disregarded or excluded. The appraiser reserves the right to amend the information or opinions expressed in this appraisal report should additional or updated information become known after the certification date.
- The statements of fact and the assumptions under which the estimated values are formulated are based on the appraiser's personal observation or information obtained from various sources that are believed to be reliable. While the appraiser believes the information to be correct, the accuracy of the information cannot be guaranteed, and no responsibility is assumed in this connection. The recipient of this report is advised to obtain independent expert advice with respect to any aspect of the subject property, or other properties referred to, that may not be specifically addressed in this report by virtue of the limitations of the analysis and reporting, whether stated or implied. If a discrepancy should become apparent, the appraiser should be consulted for a reconsideration of the conclusions in this appraisal.
- This report is not an environmental audit or detailed property condition report, as such research and reporting is beyond the scope of this report and/or the qualifications of the appraiser. No investigations were conducted to address potential engineering, geotechnical, or hydrological issues (such as, but not limited to, structural deficiencies, soil stability and bearing capacity, or potential for flooding), environmental considerations (such as, but not limited to, hazardous wastes and toxic or noxious substances, or the conditions that might give rise to them), or important habitat, or historic or cultural resources. Furthermore, no investigation to determine whether the property satisfies any government or other regulatory requirements has been performed. Unless they were observed at the time of inspection, or they became apparent during the normal course of preparing the appraisal, and they were subsequently discussed in this report, the appraiser has no knowledge of any hidden or unapparent adverse conditions of the subject property or any neighbouring properties that might influence the marketability, utility, or value of the subject property, and it is assumed that none exists. No responsibility is accepted in connection with any such conditions or resources that are not addressed, yet may exist, or for any expertise or investigations that may be required for their discovery. The appraiser provides no guarantees or warranties, express or implied, regarding the condition of the property, and the appraiser will not be responsible for any such conditions should they exist. Any party who relies on this report that requires information about any such issues is cautioned to retain an expert who is appropriately qualified to address them. The appraiser expressly denies any legal liability relating to the effect of any such issues on the market value of the subject property.
- The contents of this report are privileged and must not be released to any party other than those who have been provided written authorisation by both the appraiser and the client, except as may be required by the Appraisal Institute of Canada and/or when properly entered into evidence of a duly qualified judicial body.

## SCOPE OF THE APPRAISAL

The scope of the appraisal encompasses the extent and nature of the research and analysis involved in the appraisal process, as follows:

- This appraisal complies with the Canadian Uniform Standards of Professional Appraisal Practice (the "Standards") of the Appraisal Institute of Canada. The appraiser has previously addressed similar appraisal problems.
- While a reasonable effort was made to obtain all of the information that is relevant to the appraisal problem, the efforts taken were not exhaustive. As such, there is a possibility that additional information could become known after the report was completed that, had the appraiser been aware of it prior to completing the analysis, may have influenced the opinions expressed. No relevant information was intentionally excluded. Should the recipient become aware of new relevant information that is not included in the appraisal, the appraiser should be consulted for reconsideration of the conclusions and opinions.
- While a current certificate of title to the subject property is included in the addendum of this appraisal, the provision of legal opinions connected to the title is beyond the scope of the report and the qualifications of the appraiser, so no opinions are provided. The recipient is advised to seek legal advice with respect to the property registration and any registered and potential unregistered charges against the subject property.
- An inspection of the subject property was performed on February 21, 2013. Inspections of the comparable properties were conducted on various dates. The inspections and research performed were in keeping with the effort normally conducted for real estate appraisal purposes, and must not to be confused with technical inspections that would address structural or mechanical integrity, environmental, geotechnical, or hydrological considerations, historical or cultural resources, or site surveys. The client furnished some of the information about the subject property, and that information is assumed to be reliable. Some of the descriptions of actual or existing features are based on the appraiser's observations and may include stated and implied assumptions. Features that may have been obscured, concealed, buried or that are otherwise inaccessible, which were not brought to the appraiser's attention are not addressed.
- The analysis in this report relies on published and verbal information obtained from various sources that are believed to be reliable. Pertinent information may have been obtained through reference or consultation with the client, local realtors, the Kootenay Real Estate Board (KREB), local property owners and occupants, office files, the Regional District of East Kootenay (RDEK), and the British Columbia Assessment Authority (BCAA). In addition to using such documented and generally reliable evidence of market transactions, it may have been necessary to rely on hearsay evidence. Other information that is considered pertinent, such as land use bylaws and planning documents may have been reviewed. Only information that is believed to be reliable is employed in this appraisal.
- All three approaches to valuation are considered. Only the approaches that are considered valid and that can be supported by adequate market information were ultimately employed.

## BACKGROUND

### **1. PURPOSE OF THE APPRAISAL**

This appraisal provides an estimate of the Market Value of the Fee Simple Interest of the subject property, as described herein, as of the Effective Date stated, and is subject to various qualifying statements. All pertinent value-influencing factors are contemplated in the formulation of the estimate of value.

### **2. INTENDED USE OF THE APPRAISAL**

This estimate of value provided in this appraisal is intended for the exclusive use of Genesis Land Development Corp. as a guide for establishing a market supported list price and sale price for this property. No other uses are authorized and its use is restricted to the client and other individuals and/or organisations that are identified in the letter of transmittal and authorised to refer to the appraisal in connection with the intended use.

### **3. EFFECTIVE DATE**

The effective date of the appraisal is February 21, 2013. The appraised value is valid only as on that date and any recipients that rely on it must be aware that any subsequent changes in the market, changes regarding the subject property, or even new information that was formerly unknown to the appraiser, may support a different estimate of value.

### **4. APPRAISAL CONCEPTS**

Some concepts that are critical to the understanding of the appraisal are defined as follows. These definitions, which are found in Appraisal Institute of Canada publications and various other appraisal publications, are widely accepted.

#### **a. Market Value**

The term Value expresses an economic concept. As such, it is never a fact, but always an opinion of the worth of a property at a given time in accordance with some qualification. In appraisal practice, value must always be qualified (market value, going concern value, value in use, etc).

Market Value is defined in the Canadian Uniform Standards of Professional Appraisal Practice as *...the most probable price which a property should bring in a competitive and open market as of the specified date 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 what they consider their best interests;*
- *a reasonable time [Exposure Period] is allowed for exposure in the open market;*
- *payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto; and*
- *the price represents a normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

It should be noted that the consideration paid in a real estate transaction does not necessarily represent market value. Stipulations that describe the market participants as acting prudently, typically motivated, well informed, or well advised in the definition are not always observed in the market. Furthermore, free-market participants are under no obligation to agree to purchase or sell at market value. As such, property sales at prices that are not consistent with the general market may prove to be poor indicators of value.

Market value is often not represented by transactions where the vendor is unwilling to sell below some target price due to a misconception of value even if he is successful in selling it at the elevated price, possibly to an uninformed or motivated purchaser. This can occur when a neighbouring landowner pays a premium to facilitate an expansion program; value in use may be driving the purchase. Likewise, distress sales arising from the personal situations of the vendor, such as foreclosures or matrimonial settlements, often result in sale prices that are significantly lower than the price that might have been achieved were the circumstances driving the sale different. Transactions that are not arms-length, such as sales between relatives, often occur at well below the price expected if the property were offered on the open market.

#### **b. Fee Simple**

Fee Simple is defined as ...*an estate in land that represents the greatest interest in land that a person may possess..., subject to the limitations of eminent domain, escheat, police power, and taxation.*

#### **c. Highest and Best Use**

The concept of Highest and Best Use is fundamental to the understanding of the estimate of value. It may be defined as ...*that reasonable and probable use that supports the highest present value, as defined, as of the effective date of the appraisal. Alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.*

*Land value is derived from potential and anticipated land uses. Among all reasonable and alternative uses, the use that yields the highest present land value, after payments are made for labour, coordination and capital, is generally regarded as the highest and best use of the land as if vacant. The most reasonable and probable use of the land as if vacant is represented by the most likely use that creates the highest value.*

#### **d. Exposure Period**

Exposure Period is a time parameter that ends on the effective date. It is the period when the property owner's intent to sell would be advertised and there would be reasonable expectations of a sale at a price that is reasonably close to the estimate of value provided in this appraisal.

Exposure Period must not be confused with Marketing Period. Exposure Period is 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; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.* Marketing Period is ...*an estimate of time that it might take to sell a property interest in real estate at the estimated market value level during the period immediately after the effective date of an appraisal.* It is necessarily a projection.

Both exposure period and marketing period take into account recent and current market conditions, but marketing period also accounts for anticipated changes in the market. Both concepts encompass sufficient and reasonable time as well as sufficient and reasonable marketing effort. They are a function of price, time, and market conditions.

## 5. APPRAISAL PROCEDURE

There are three accepted approaches to valuation: the *Direct Comparison Approach*, the *Cost Approach*, and the *Income Approach*. All three approaches rely on relevant and appropriate market information as it relates to the highest and best use of the subject property. Each approach should be considered for its merit and any one or combination the approaches may be employed, depending on the availability of relevant data, the type of property, and the intended use of the appraisal. Each approach is described as follows.

Estimates formulated under the *Direct Comparison Approach* are based on the comparison of other, similar properties in the vicinity of the subject that have traded reasonably concurrently with the effective date of the appraisal. Adjustments may be performed on the indicator properties to account for any differences with the subject property. Identification of features and characteristics that influence property values is fundamental to this process. The adjustment factors are based on information collected and observed to determine the difference in prices obtained for a particular characteristic, which may include time, size, location, and several other potential factors. The face values or adjusted values of the indicator properties are ultimately used as a comparative guide for the estimation of value. This is considered a very desirable approach if reliable data is available.

Estimates under the *Cost Approach* are comprised of the estimated contributory value of the vacant land plus the contributory value of the improvements. The bare land value must be addressed separately from the value of the improvements because land, unlike improvements, is not a wasting asset. Land value is estimated under the ambit of direct comparison, and may involve various methods (which will be discussed later). Land is effectively indestructible in the normal sense and continues to exist in perpetuity. The estimated value of the improvements is based on reproduction cost information from cost service manuals and quotes from contractors and developers, which are then adjusted by applying a depreciation factor to account for any apparent physical, functional, and economic obsolescence.

Estimates under the *Income Approach* are based on the capitalization of the normalized net income produced by the property. An estimate of the potential revenue that can be generated through rental of the property is used in formulating this estimate as it represents the income that can be attributed directly to the land and improvements. When the income generated by income generating property results from the rent generating potential of the property (as opposed to the type of business thereon), the *Income Approach* can be applied. It may also be valid when the income generated on a property is intrinsically linked to the business. This is considered a desirable approach for valuation of income producing properties if reliable market-driven rental information pertaining to properties that provide similar utility as the subject is available.

All three approaches are considered as possible methods for appraising the subject property with the view of ascertaining the amount that a prudent and knowledgeable purchaser/investor would be prepared to pay as of the effective date. The final estimate of value is based on the approach or approaches that are determined to be the most reliable and applicable to the appraisal problem, dependent on availability of reliable market information and the nature of the problem.

Six methods of appraising bare land have been adopted; all of which fall under the ambit of Direct Comparison, though elements of all three approaches may be employed. The methods of estimating the bare land value include the *Abstraction Method*; the *Extraction Method*; the *Land Residual Method*; the *Ground Rent Capitalization Method*; the *Direct Comparison Method*, and the *Development Method*. Their respective use depends on the type of site, the use thereon, and the availability of reliable market data. They are described as follows.

The *Abstraction Method* is based on the Principle of Contribution; the value of [any] component part of a property depends upon how much it contributes to [or detracts from] the property as a whole. It involves preparing an estimate of the ratio of the contributory value of the land to that of the improvements. Inherent in this method is the assumption that there will be a similar ratio between land values to property values for properties of any given category within an area. Its weakness lies in the fact that the improvements depreciate and the accuracy is dependent on determining their contributory value. It is frequently used where no land sales exist.

The *Extraction Method* is similar to the Abstraction Method in that it is based on estimating the contributory value of the land, by estimating the depreciated contributory value of the improvements and deducting them from the estimated value of the whole. Its reliability is, again, dependent on the accuracy of the depreciation applied to the improvements, but it can be quite useful when there is a shortage of bare land sales. This method is employed in this appraisal.

The *Land Residual Method* is based on the capitalized income capacity that can be attributed to the land, assuming it is developed to its highest and best use. The logic under which this method is performed is the Principle of Surplus Productivity, that the net income (or surplus) that remains, accounting for payment for the other factors of production (costs of labour, coordination, and capital) is imputable to the land and tends to fix its value. The optimum size of the building, considering all factors that influence the highest and best use must be projected onto the property. It is typically used in downtown locations where there is very limited land sale data available.

The *Ground Rent Capitalization Method* is based on market-derived capitalization rates used to convert ground rent (the amount paid to use and occupy land according to the terms of the lease) into value, and can be useful when data regarding the sale of lease lands is available for analysis. Capitalization of the market rent yields the market value. Adjustments will be required if the rent does not represent market rent and caution must be observed as the terms of leases can have significant impacts on the comparability.

The *Direct Comparison Method* involves the assembly of data pertaining to timely sales of similar properties, possibly performing adjustments to the purchase prices to account for their respective differences from the subject property, and formulating an estimate based on the information that is determined to be most reliable and indicative of value. Since it reflects market actions, is easily understood, and is based on the Principle of Substitution it is generally considered the preferred method of site valuation, particularly where sales data is available. The method is employed in this appraisal.

The *Development Method* is frequently applied on bare lands that are scheduled for development. It involves projecting a hypothetical subdivision onto the property and estimating the total value of all of the lots, less all costs associated with development, along with the anticipated entrepreneurial profit. Subdivision occurs wherever a landowner creates some number of smaller lots from the parent parcel containing the project, usually resulting in more intensive utilization of the land. It is often supported by changes in the zoning and improved access and services, and often completely changes the use of the land. The net remaining after these costs are deducted represents the value of the property to the owner, inclusive of profit, so profit must also be deducted, based on typical profit requirements of developers. Once profit is deducted, the balance represents the value of the property in the open market, assuming no time lag would occur in marketing the lots. Time must still be addressed by discounting the periodic net sales proceeds to the present value at the appropriate yield rate over the estimated period required for project development and market absorption. This method is most applicable when development is imminent.

## SALIENT FACTS

### 1. DESCRIPTION OF REGION AND COMMUNITY

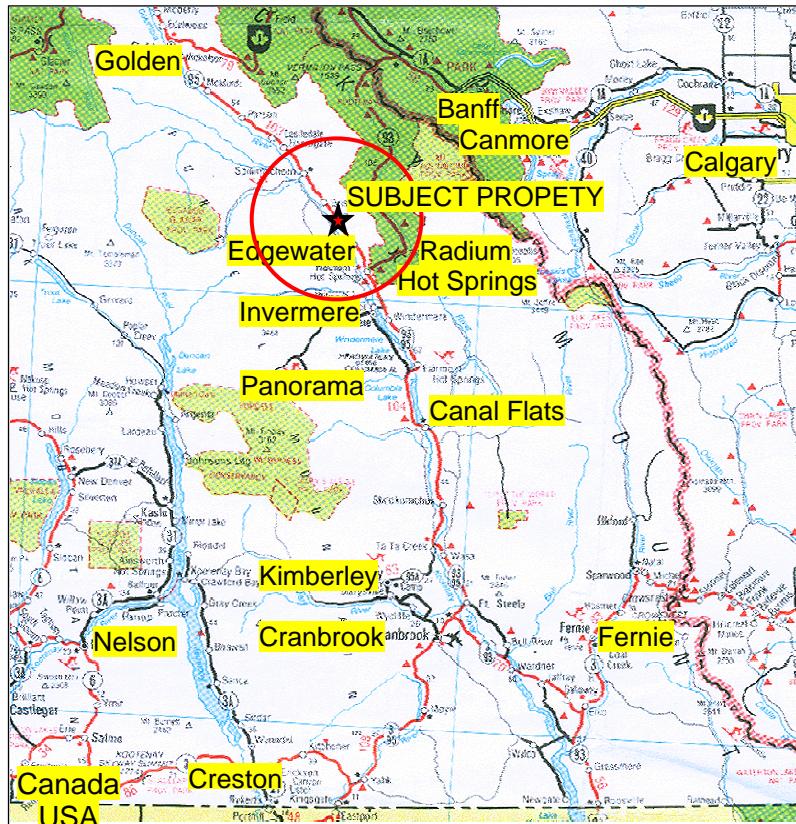
The subject property is located about 9 km north of Edgewater, or 19 km north of the Village of Radium Hot Springs, in the East Kootenay Region of British Columbia. Other major communities include Invermere (35 km south), Fairmont Hot Springs, (55 km south), Canal Flats (85 km south), and Golden (90 km north).

This area is commonly referred to as the (Upper) Columbia Valley, starting with the headwaters of the Columbia River at Canal Flats and running northward some 150 km to Golden. The river flows through part of the Rocky Mountain Trench here, with the Rocky Mountains rising to the east, and the Purcell Mountains to the west. The valleys on the east side of the Rocky Mountains are in Kootenay National Park. The major communities and several other smaller settlements are scattered along the benches that rise along either side of the Columbia Valley. The general terrain is characterized by flat valley bottom with some large lakes and extensive wetlands along the river, bound on the east and west by rolling to steep hillsides and gently rolling benches that are dominated by Douglas fir forest.

This area has moderately warm summers and moderately cold winters. Annual precipitation varies widely in the region, from between about 10 and 15 inches, increasing with elevation. The frost-free period varies greatly with elevation from about 100 days in the lower areas to less than 60 days within a few hundred feet of elevation.

Highway 93/95 serves as the main access running north and south through the Columbia Valley from Radium Hot Springs southward to Cranbrook (145 km). Highway 95 proceeds northwestward from Radium Hot Springs to join the Trans Canada Highway at Golden, while Highway 93 splits off to the northeast, running from Radium Hot Springs through the Kootenay and Banff National Parks to join the Trans Canada Highway between Banff and Lake Louise.

Regional Map



Regional and national bus services serve this area, and while there is rail freight service, there is no rail passenger service here. There is an airport with a 3,000 ft paved runway at Invermere and another with a 6,000 ft runway that is lit and has an instrument approach at Fairmont. The closest airport that is served by the major airlines is at Cranbrook, and while scheduled international flights were available there for a couple of years, they were suspended in 2010. The nearest major international airport is at Calgary (275 km east).

There are a few services and shopping opportunities in Edgewater, where there is a C-store, a library, a credit union, and an elementary school, but much more comprehensive opportunities are available in Radium Hot Springs, where there is a variety of grocery and retail stores, several restaurants, a credit union, a library, post office, and a few gas stations. However, Invermere is the economic and social hub of the area, where there is a full range of schools and a regional college, a hospital, a RCMP detachment, and several government offices. There are also doctor and dental clinics, two banks and a credit union, several retail and professional businesses, and other commercial and industrial services. All of the major communities are served by volunteer fire departments. Even more extensive goods and services are available in Cranbrook.

The resource-based economy of the Columbia Valley is driven by tourism/recreation and forestry, along with some mining and agriculture. There are several mills and there are a couple of mines nearby. Farms and ranches occupy much of the corridor that runs along the benches on either side of the valley. Tourism/recreation has become the primary growth sector over the past couple of decades, and the area is now frequently referred to as "Calgary's Playground", with many Calgarians and other Southern Albertans spending their weekends and holidays here, and many own vacation homes in the area.

There are many recreational attractions in the area, and while the majority of visits occur during the warmer seasons, south-eastern British Columbia is evolving as an important all season destination. Sightseeing opportunities in Kootenay, Banff, and Yoho National Parks to the north, Waterton National Park to the east, and many provincial parks and other wilderness areas attract many visitors. Several warm lakes throughout the area are important summer attractions, as are the numerous golf courses. There are at least nine 18-hole golf courses, and a few 9-hole and par-3 courses as well, within a one hour drive of Radium Hot Springs. The five major ski resorts that are within about 2 hours are important winter attractions. The hot springs at Fairmont Hot Springs and Radium Hot Springs bring visitors to the area year round. Other popular attractions include opportunities for snowmobiling, hiking, climbing, hunting, fishing, white-water rafting, soaring, hang gliding/para-gliding, bird watching, and there are many others. There are also several community events throughout the year.

Major new developments, expansions, and upgrading of the resorts at Panorama Mountain Village, Golden, Kimberley, Revelstoke (250 km northwest of Radium Hot Springs), and Fernie (225 km southeast of Radium Hot Springs) have been under way since the late 1990s. The resort improvements stimulated the development of several new residential subdivisions in and near these communities, and attracted many purchasers of vacation homes to south-eastern British Columbia. A new ski resort development has also been approved for the Jumbo Glacier Area, some 55 km west of Invermere, but there is still some uncertainty as to whether it will ever proceed.

Communities in the area are often referred to as resort communities, though they are actually comprised of a mix of residential properties and recreational properties. The markets for these types of properties are inextricably linked, but the demand for recreational property tends to drive values for all types of property here.

Investment in the region led to an unprecedented amount of residential and commercial real estate investment and new construction activity prior to the devolution of the economy into the recession of 2008 and 2009. However, growth at that level proved unsustainable, and has since plummeted, and real estate sales activity and values have continued to decline even into the fourth year since the recession ended. The decline of values has been in small percentages, but it has been persistent, and values tend to be much lower than they were when they peaked. The issuance of new construction building permits has also been well below the levels achieved prior to the recession, throughout the area.

There is currently an oversupply of real estate listed for sale throughout the Columbia Valley, and there have been few recent sales, yet many list prices remain high relative to values. The onset of the recession led to the postponement of construction activities on some large residential and commercial developments, and some were even suspended while already in progress, once it became apparent that the real estate markets would not support their completion. Many of those projects still remain incomplete, and very little major development has been initiated in very recent years. However, the summer of 2011 saw the initiation of one new subdivision comprised of recreational property (near Fairmont Hot Springs), one major new commercial development (near Invermere), and one large institutional development (in Invermere). In 2012, the development of a small residential subdivision on the golf course in Radium was initiated.

A number of factors are influencing this market, none the least being the current strength of Canadian currency against American currency, compounded by the competition from the extremely soft real estate market in popular American vacation destinations. There is also considerable competition for buyers in nearby markets, and although some markets in Western Canada had been reported to be strengthening since the end of the recession, such cannot be said for the market in most of the East Kootenay, as few purchasers have been active here, even though interest rates have been at or close to all time lows for the past few years. Some economic indicators, such as stock indices have achieved record highs over the past few years, but they remain very volatile. Global events, such as the instability in the Middle East, oil production disruptions, natural and nuclear disasters in Asia, the destabilization of European economies, the fear of runaway inflation in emerging third world economies, and the US debt crisis, among others, have had significant impacts on the Canadian economy, even though it is reported to be quite strong when compared to many other major economies.

The economy of the East Kootenay is closely tied to that of Southern Alberta, and through extension, North America and the world. While oil prices have been strong, they have been unstable, and most recently they have been well under their record high. The price of natural gas, which is so important to the economy of Southern Alberta, has been very low for some time now, and until large scale manufacturing in Eastern Canada and the USA resumes, it is unlikely that gas prices will return to pre-recessionary levels. Oddly, the economy in Calgary has been reported to be quite robust for the past few years, yet many vacation home purchasers (who have historically been so important to the real estate market and economies of in the East Kootenay) have been steering clear of the area.

All this said, the future appears to be promising. The local mill in Radium Hot Springs, which has been shut down for over two years, was recently improved with a \$38.5 million upgrade, and reopened in October 2012. The mill in Canal Flats was also upgraded, with about \$1.5 million spent. It is hoped that large expenditures and the return of a major employer are a signal of revitalisation to the Columbia Valley, but whether that will translated into revitalisation to the real estate market here remains to be seen.

## **2. NEIGHBOURHOOD DESCRIPTION**

The subject property is located in a rural area that is predominated by large farms and country residential properties. Private lands in the area are mainly located on the lower slopes within a few kilometres of the river, beyond which are large tracts of Crown land, and the Kootenay National Park behind the mountains to the east.

Highway 95 provides the main access through the area, and there are a few short gravel roads that provide access off the highway. Rural services are available throughout much of the area.

While this area was historically referred to as Luxor, it is now widely known as Spur Valley, for the Spur Valley residential subdivision, Spur Valley Greens Golf Course, and Spur Valley RV Resort that are immediately south of the subject property. Spur Valley is comprised of almost 100 (mostly recreational) homes on nominal half-acre parcels, and is the only residential subdivision of more than a couple dozen properties between Edgewater and Golden, some 80 km north. There are a few old settlements, such as Edgewater (9 km south), Brisco (18 km north) and Spillimacheen (30 km north), where some very basic goods and services are available scattered along the valley.

There is an elementary school in Edgewater, and Grades 8 and higher are bussed to Invermere. Only very basic goods and services are available in Edgewater. Additional goods and services are available in Radium Hot Springs (19 km south), and most are available in Invermere (35 km south).

## **3. DESCRIPTION OF THE SUBJECT PROPERTY**

### **a. Title Registration Records**

The certificate of title shows the subject property registered in the name of *Genesis Land Development Corp.* and the legal description is shown as:

*Parcel 1 (See 12313I) of District Lot 10717 Kootenay District (PID: 012-510-335)*

There are no legal notations, but there are four active charges shown on the title. Two of the charges register statutory rights of way and the other two register easements. Additional details of the legal notations and charges on the title can be examined in the copy of the title found in the addendum.

As indicated earlier, a search of legal notations and registrations is beyond the scope of this appraisal. They are assumed to have no material impact on the utility, marketability, or value of the subject property. Should the user of this report ultimately determine that any registered (or unregistered) charges are likely to have an impact on the utility, marketability, or value of the subject property, the appraisal may be invalid and the appraiser should be consulted for reconsideration of the opinions expressed in this report.

### **b. Land Use Regulation**

Land use potential of the subject lands are affected by the Agricultural Land Reserve (ALR), a provincial land use zone that takes precedence over other legislation and bylaws that apply to the land. ALR lands are identified as having agricultural potential. Agricultural uses are given priority in support of the provincial policy to preserve agricultural land, and non-agricultural uses and subdivision are controlled. Approval to exclude 56.8 acres of the subject property from the ALR has been granted, and permission to use 143.3 acres to expand the Spur Valley Greens Golf Course has also been granted.

The Regional District of East Kootenay – Steamboat-Jubilee Mountain Official Community Plan (OCP) sets out broad objectives and policies concerning land use and development, and indicates general land uses for the future development in a large area that includes the subject property. The OCP shows the subject property on Schedule D2 – Luxor/Spur Valley with most of the land designated as a mix of RR (Rural Resource) and CR (Commercial – Recreation), with a small area of R-SF (Residential Low Density) on the south side. The lands uses shown in this schedule ...are meant to identify in general terms the type of land uses that are appropriate for the designated lands.

The RR designation ...*includes rural residential and rural resource land uses with parcel sizes of 8 ha [19.7 acres] and larger... and recognises the use of lands for agriculture, resource extraction, open space and working landscape.*

The CR designation ...*recognises land suitable for commercial recreation uses including campgrounds and golf courses.*

The R-SF designation ...*encompasses the single family residential cores of the plan communities; it includes town sized lots and manufactured home lots [and] multi-family parcels...*

The Upper Columbia Valley Zoning Bylaw No. 900 implements the goals and objectives of the OCP, to ensure land use is consistent with the OCP and to set out requirements connected to situating improvements, setback requirements, densities, lot sizes, building heights, provisions for parking, and so forth. The subject property has mixed zoning with a large area of A-2 (Rural Residential (Country) Zone), R-1 (Single Family Residential Zone), R-2 (Two Family Residential Zone), R-4 (Multiple Family Residential – High Density Zone), R-5 (Multiple Family residential Community (Cluster) Zone, and RES-2 (Resort Recreation Zone). It was all zoned A-2 until the current owner successfully had much the zoning amended in June 2008.

The A-2 Zone permits a wide variety of uses, most of which are typically found in rural communities such as single family dwellings, agricultural, guest ranches, sawmills, sanitary landfills, wildland and several others, as well as several other accessory uses such as auxiliary dwellings, home based businesses, cement plants, and others. The minimum parcel size is 19.8 acres and one single family dwelling, plus another for farm hands. This zone corresponds largely with the RR land use designations described under the OCP.

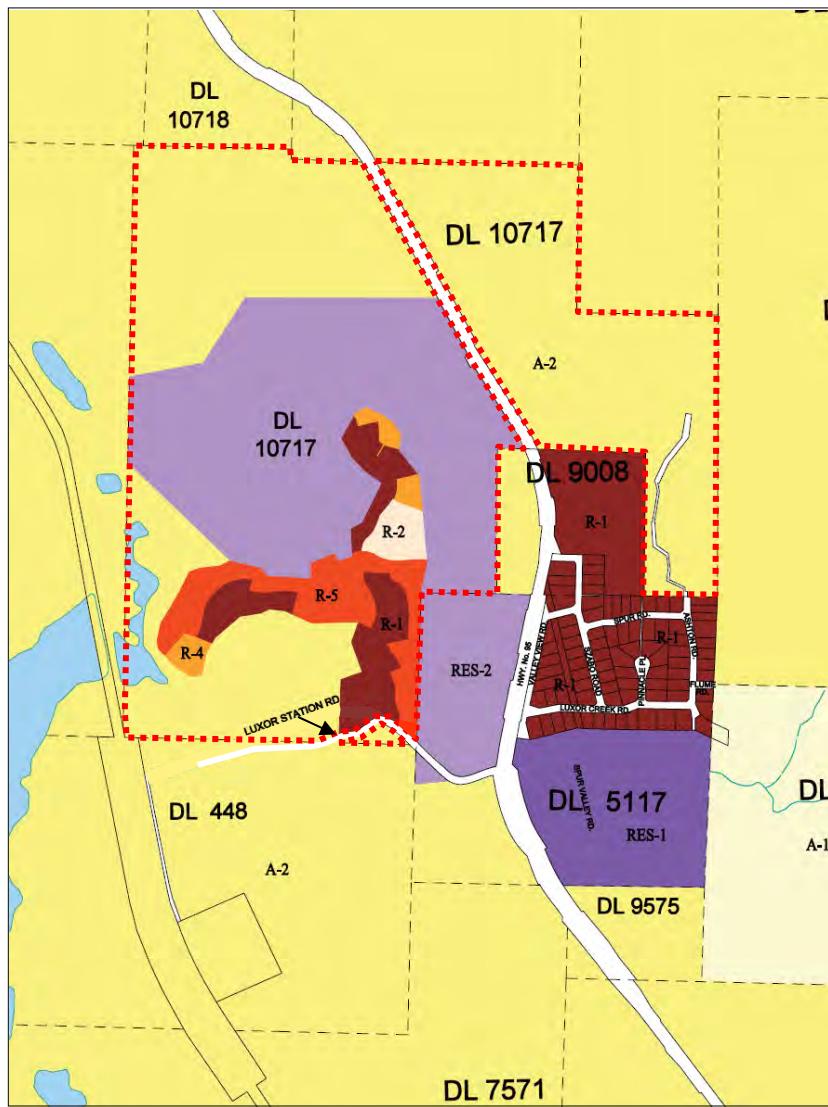
The R-1 Zone is intended primarily to accommodate single family dwellings, but home based businesses and auxiliary dwelling units are also permits as accessory uses, and there are other accessory uses as well. Minimum parcel sizes are 0.14 acres and the maximum density is one single family dwelling.

The R-2 Zone permits single family and two-family dwelling uses, as well as home based businesses and auxiliary dwelling units uses, as well as other accessory uses. The minimum parcel size is 0.17 acres, and the maximum density permitted is one single family dwelling or one two family dwelling.

The R-4 Zone is provides for multiple family dwelling and rest home uses, as well as home based businesses and accessory check in facilities and recreation facility uses, as well as other accessory uses. Parcels must be at least 0.37 acres. Densities of 24.3 dwelling units/acre are permitted.

The R-5 Zone is provides for cluster development and rest home uses, as well as home based businesses, as well as other accessory uses. The minimum parcel size is 1.24 acres, and the maximum permitted density is 7.3 dwelling units/acre of usable area.

### Zoning Map of the Subject Property



The RES-2 Zone facilitates ski resorts, golf course, water slides, race tracks, equestrian centres, gun ranges and various other recreational uses, as well as accessory uses such as a dwelling unit, food services, taverns and others. This zone corresponds with the Commercial-Recreation land use lands described under the OCP.

Applicable excerpts taken from the Upper Columbia Valley Zoning Bylaw is included in the addendum. Additional details connected to the OCP and Zoning Bylaw are available on the RDEK website at [www.rdek.bc.ca](http://www.rdek.bc.ca).

#### **c. Property Assessment and Taxes**

The 2013 BC Assessment Authority (BCAA) records show the subject property assessed as:

Land:	\$1,296,000
Improvement:	\$0
Total:	\$1,296,000

The property taxes for 2012 were \$4,933.53.

#### **d. Sales History**

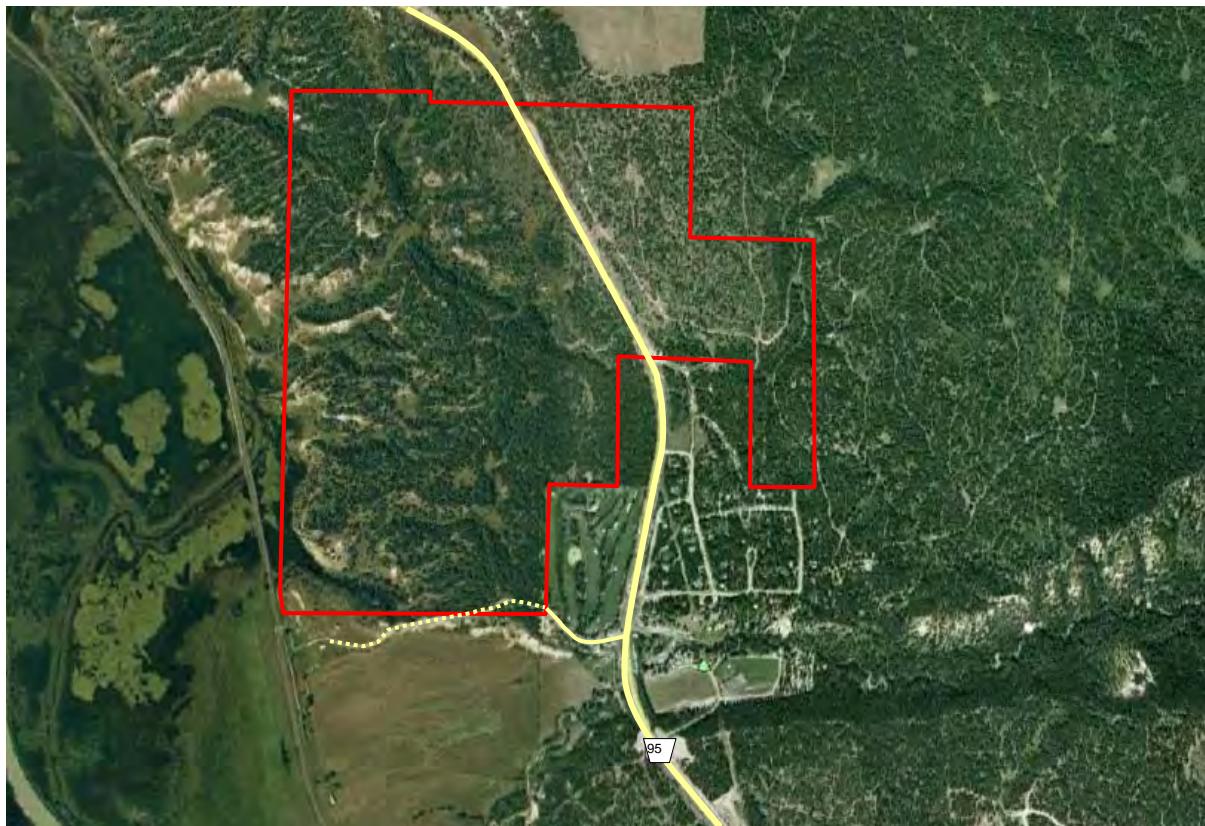
The subject property was last purchased through a private transaction in the Spring 2007 for \$2,311,215. It was purchased along with two large neighbouring parcels, District Lot 9047 and District Lot 7574. The total purchase price for the three properties, which comprised 1,140.0 acres, was \$5,695,215.

#### **e. Physical Description**

The subject property is 463.24 acres located immediately north and west of the Spur Valley residential neighbourhood and the Spur Valley Greens Golf Course. It is about 18 km south of Brisco and 9 km north of Edgewater, or 19 km north of Radium Hot Springs, on Highway 95. This land rises above the east side of the Columbia River Valley and north of the Luxor Creek Valley.

Highway 95 severs this land, with about 338.24 acres to the west and  $125\pm$  acres to the east. The west side is also physically severed by Luxor Station Road, which separates about 1.24± acres on the south side, so the largest area north of the road contains about 337 acres. The CP Railway tracks pass along the southeast corner, in the river valley.

Aerial Photograph of Subject Property



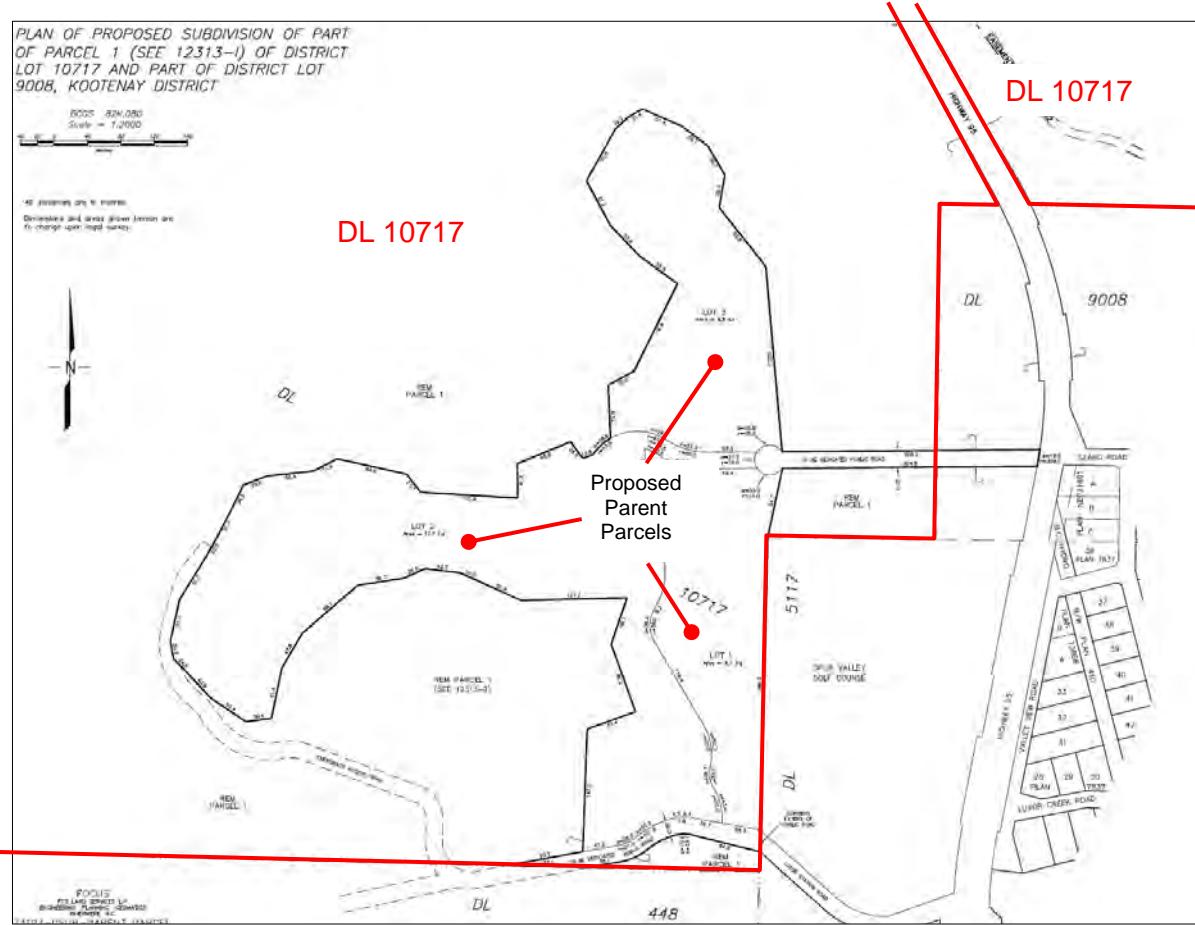
This land is comprised of very irregular topography with several gullies and ravines the cut eastward into the bench lands that rise from the wetlands on the east side of the river. The entire property is under a mix of sparse to medium density Douglas fir forest. Evidence of very old logging and more recent Christmas tree harvesting was noted. Several old logging roads cross the property.

Some southern exposures are open, and some of the steeper slopes are eroding, with exposed silt substrate. Soil capabilities of this land vary widely from marginal and low to fair capability, but it is suitable for grazing.

The larger  $337\pm$  acre area west of the highway has a very irregular configuration, but is several hundreds of meters wide in all directions. There is access off the highway on the east side and there are a couple of other approaches from Luxor Creek Road. Several old logging trails cross the property and provide access through neighbouring properties as well. This area rises some 80 m from the southwest corner to the northeast corner, over some very irregular terrain, with several small valleys draining lands to the east. The terrain on the west side is particularly severe, with some of the valleys cutting deeply to the east, though the eastern half $\pm$  generally contains less severe terrain. There is also some wetland on the southwest side. Most of this land is covered by a medium density forest.

A few years ago, plans were prepared that show the area that lies west of the highway suited to development of 57 acre residential subdivision, with 273 single family units and multiple family units, and a golf course on about 143 acres. The golf course use was identified as an expansion of the Spur Valley Greens Golf Course (as opposed to an independent golf course). The land was designated and the zoning was amended accordingly, and while there was preliminary approval for the subdivision for exclusion from the ALR, development was suspended before any subdivisions were registered.

#### Subdivision Plan of the Subject Property



More recently, the file was resurrected with an application for subdivision to separate the residential lands from the remainder. The Agricultural Land Commission approved modifications to the subdivision design. If the subdivision is approved in accordance with the plan, a new road allowance will be dedicated from the highway, opposite Szabo Road, across the adjoining property (District Lot 9008). It is understood there is intent to enter into a covenant with the RDEK that will waive the requirement to develop the water infrastructure until further subdivision and development of the land proceeds. It is understood that a well that yields about 500 gallon/minute has been proven and that the subsoil is suitable for the sewer system they propose.

This 1.24± acre area south of Luxor Station Road contains fairly gently sloped land before it descends steeply into the Luxor Creek Valley. A survey, and possibly even geotechnical study, would be required to confirm its physical potential for some type independent use (such as development with a single family residence), but this irregular, somewhat linear area appears to be of an adequate size, with a width of about 20 m at the east end, widening to about 40 m near the middle, and tapering to a point at the west end. It is largely covered by forest.

The area east of Highway 95 has a very irregular configuration that basically runs from northwest to southeast on the hillside that rises above the highway. At the narrowest point it is in the order of 300 m from the highway. It has access from the highway at the north end, and logging roads that cross it from neighbouring properties provide access from the south and east sides. It is quite steep along the highway, and rises about 70 m from where it adjoins the highway to the north east side. It is covered by forest.

## ANALYSIS

### **1. HIGHEST AND BEST USE**

The conclusion of highest and best use is far from straightforward in this appraisal. The highest and best use is the use that is not just possible, it also must be plausible given the current market conditions, while considering its physical potential, legal permissibility, and financial feasibility. As such, several factors are considered.

Unless a superior use is identified, large rural parcels such as the subject property tend to be suited to agricultural uses – often as native forested range land - even when their grazing capacity is low. In fact, the subject is currently idle, forested land that has low to moderate grazing capacity. However, properties like this often have the characteristics that are also desired in the market for extensive<sup>1</sup> country residential property, offering privacy, aesthetics, outdoor recreational opportunities, paved access, and a reasonably convenient location near local communities and the large number of recreational amenities that are available. The agricultural capacity actually compliments the country residential use, but the country residential utility overrides the agricultural utility in terms of value, so the default lowest potential highest and best use of the subject property is considered to be extensive country residential with agricultural potential. However, additional considerations must be addressed.

The subject property is severed by two roads, resulting in three distinct areas. One of the roads is a highway, while the other is a gazetted public road (as confirmed by the Ministry of Transportation as of Dec 2, 1926, on the Gazette Notice showing Road Survey Plan 16792). From a practical standpoint, the three areas are effectively independent, and while it may appear reasonable to separate them through subdivision so they could be sold and managed independently, the current Agricultural Land Commission (ALC) zealously protects land that is in the ALR, so the prospects of subdivision are speculative at best. As such, the three areas that comprise the subject property are considered a single entity, with low prospects for legal subdivision along the natural (road) boundaries. On this basis, the opinion of the most practical use of this land remains extensive country residential with agricultural potential.

That said, preliminary approval was granted almost ten years ago to subdivide approximately 57 acres that lie west of the highway, which had already been excluded from the ALR, and it is understood that an ample water supply has been proven that could serve the planned residential subdivision there. Furthermore, preliminary approval to use about 143 acres of ALR land for golf course development, and more specifically, “to expand Spur Valley Greens Golf Course” in that western area was also granted. Rezoning to accommodate the residential and golf course developments were granted at about the same time. While the proposed subdivision and development did not proceed, an application to modify the ALR exclusion boundaries of the residential subdivision lands has been approved and the application to subdivide the property into parent parcels (that would accommodate further subdivision with the individual residential lots at some point in the future) has more recently been made, and the RDEK indicates final approval is anticipated.

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<sup>1</sup> In this appraisal, “extensive” denotes “large parcel” country residential property, to distinguish it from small parcel country residential properties and hobby farms, that tend to be smaller than (say) about 20 acres, and with relatively high densities – sometimes even at densities that are typical of urban communities.

The fact that the golf course lands are described as an area that is for expansion of the neighbouring golf course has a significant impact on the conclusion of highest and best use. The local land use planner at the Agricultural Land Commission was contacted to obtain clarification about the significance of the Commissioners' choice of words in the approval. They take the position that *the approved golf course expansion is still valid, but it does not cover a 'stand alone' golf course development. [Any intent to develop the property with a stand alone golf course will require submission of] a request letter detailing the 'revised' proposal to the Commission..., asking specifically for the ability to develop a new golf course on the property, independent of Spur Valley Greens. The Commission would then determine if such a request aligns with the intent of Resolution #498/2004 or if a new application is required. This step is necessary given that an independent golf course developed on the [143 acre] area is somewhat different than the expansion of an already existing golf course. For example a new golf course would likely require its own parking, club house, maintenance buildings etc.*

The subject land contains a mix of severe to gentle topography, and although some of the gentler areas have already been deemed suitable for residential use and golf course, others are deemed suitable for agricultural use. In any case, some legal and physical potential for partial subdivision for residential use and golf course use is acknowledged in the analysis of highest and best use, while the potential for the remainder areas are basically limited to extensive country residential use with agricultural potential.

The feasibility of subdividing this land for the small parcel country residential and golf course uses must now be considered. The subject property is basically on the fringe of the areas that are most popular for country residential uses that attract recreational purchasers – most such developments are much closer to the resort communities of Invermere, Radium Hot Springs, Fairmont Hot Springs, and Panorama Mountain Village. In fact, Spur Valley is the only large (fairly high density) rural residential subdivision between Radium Hot Springs and Golden, while there are several to the south, to about midway between Fairmont Hot Springs and Canal Flats. It is also noted that there has been very little development in any of the rural residential neighbourhoods over the past four or five years, and vacant lots even remain in Spur Valley, which is almost 40 years old.

Residential subdivisions on golf courses are quite popular in recreation property markets such as the Columbia Valley, and some factors suggest that the use of part of the subject property as residential golf course resort represents a good use of this land. However, market activity has been weak for the past five years and there is a large inventory of vacant golf course lots, as well as lots that are not on golf course, throughout the Columbia Valley, many of which have been available since before the recent recession. Furthermore, more are already partly developed and are poised to be completed once the market strengthens. It will probably take several years, even if the market strengthens significantly in the short term, before absorption of the existing supply leads to rebalanced market for vacant residential lots throughout the region.

Furthermore, whether an agreement could be made between the owner of Spur Valley Greens Golf Course to expand that course onto the subject lands, as is stipulated in the ALC's decision to allow its use as a golf course, or whether the ALC will allow an independent golf course is uncertain. In any case, on considering the current oversupply of vacant residential lots and the location of the subject property, a golf course (either as an expansion of Spur Valley Greens or as an independent golf course, or even some other type of recreational attribute, would be recommended to entice more market interest to this area.

At this time, there is little appetite for development property in this market area, with several competing projects scattered throughout the Columbia Valley – in fact, much of the East Kootenay – suffering soft real estate markets, and any projections as to how long it will take to regain market confidence in the area are pure speculation. Once some progress is observed in some of the projects that were suspended mid-construction, some confidence should be restored, but markets tend to be slow to respond, and with the losses suffered by many purchasers who acquired property here in the couple of years that preceded the recession, investors will probably be cautious. However, real estate markets are cyclical in nature, and while it so happens that the market has been in a particularly severe slump for a few years now, it is reasonable to expect it will recover at some point.

On considering the discussion above, it is apparent that the highest and best use of the subject property is considered primarily extensive country residential. While the prospects for subdividing out an area for a residential subdivision and developing a golf course on part of this land appear to be quite good, the plausibility of that development is currently poor, and only improves if it is projected into the medium and long term. As such, the conclusion of highest and best use recognises some potential for residential and golf course development. The additional possibility (however remote) for separation of the remainder lands along the highway, and possibly even along Luxor Station Road, with one large property and one small property is also acknowledged, though this does not have a large impact on the formulation of total value.

As such, given the discussion above, while considering the assumptions made, the highest and best use of the subject property is considered to be extensive country residential property while awaiting (over the medium term to long term) market conditions that support its subdivision for intensive development with a residential neighbourhood and a possibly a golf course.

## **2. EXPOSURE PERIOD**

A reasonable exposure time for the sale of the subject property on the effective date is twelve months, under an assertive marketing strategy.

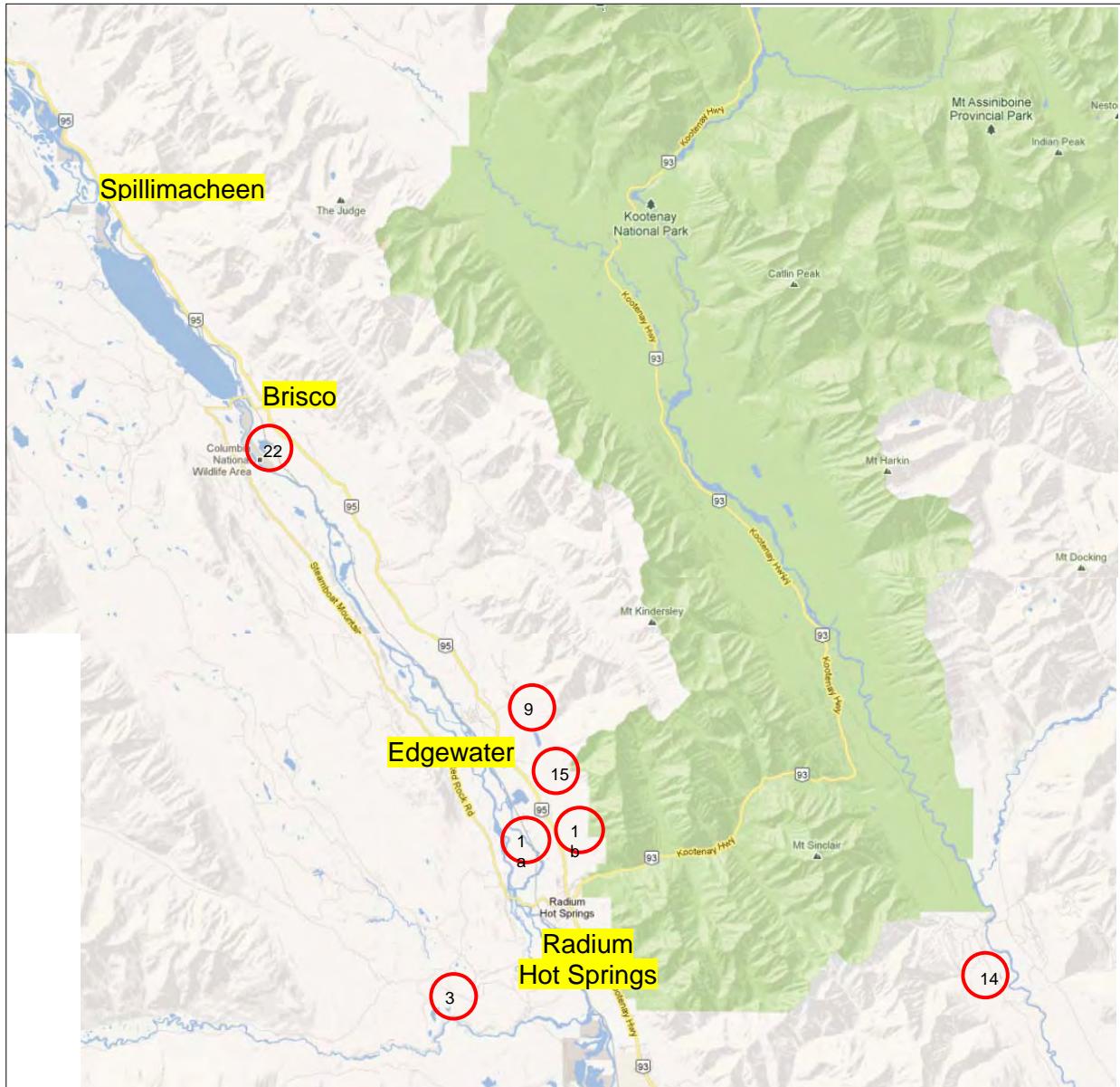
## **3. ESTIMATE OF VALUE**

An extensive search for comparable property sales throughout much of the East Kootenay failed to identify very recent sales of extensive country residential land with medium to long term prospects for development.

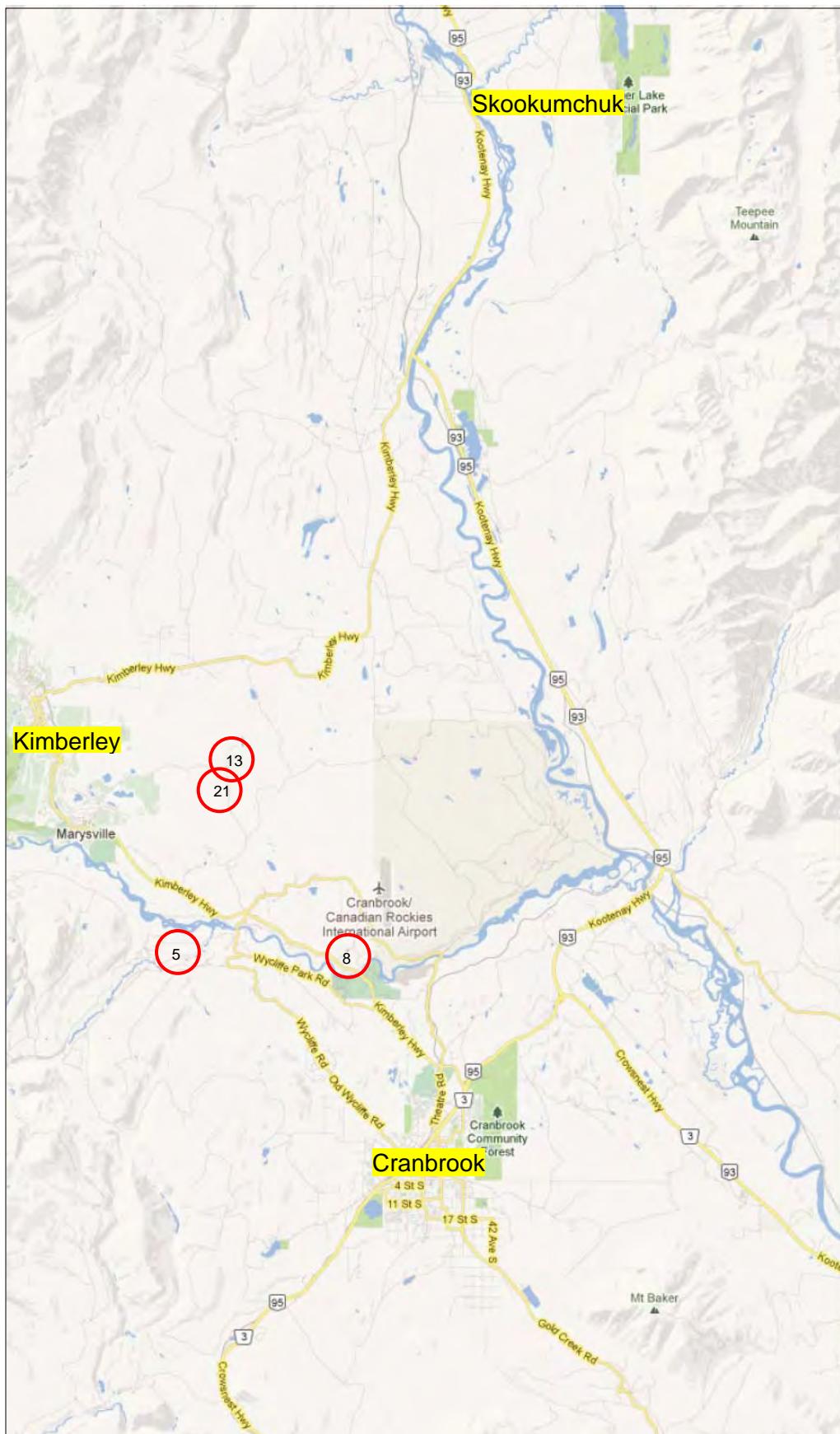
The comparable property sales that are employed here are considered to be the most valid for this analysis. Some of the comparable properties selected only serve the analysis indirectly, because they differ too greatly in terms of size, zoning, and so forth. However, they are helpful by providing some insight into how some characteristics influence value, and they help to bracket the subject property in terms of utility and value. The comparable properties that are employed here are described as follows:

The maps on the following pages show the location of all of the comparable property sales that are employed in this analysis. The descriptions and base maps for each property follow on subsequent pages.

**Comparable Property Sales Maps**







## Sale No. 1

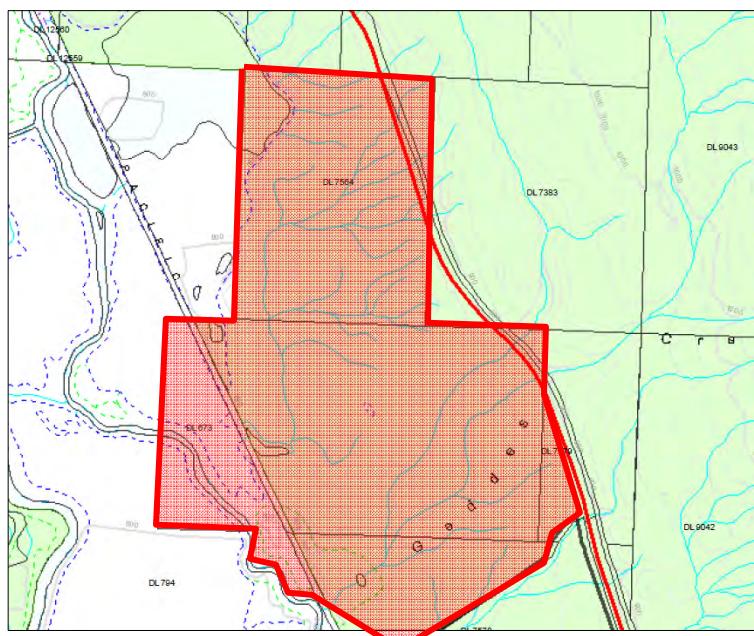
This sale involved the purchase of the two properties; (1a) the "Upper Ranch" and (1b) the "Morgan Creek Ranch" as described below. If they assembled, their total size is 690.9 acres, the total purchase price (land only) is \$2,100,000, and the mean unit value works out to \$3,040/acre.

### (1a) The Upper Ranch

LOCATION	6785 Highway 95, Radium Hot Springs
LEGAL DESCRIPTION	District Lot 673 Parcel 1 Except Plan R316, and District Lot 7564 Except Plan R316, and District Lot 7578 Parcel 1 Except Plan R316 and NEP77043 all in Kootenay District
DATE OF SALE	August 22, 2012
CONSIDERATION	\$2,000,000
IMPROVEMENTS	\$300,000
BARE LAND VALUE	\$1,700,000
SIZE	625.1 acres
BARE LAND \$/ACRE	\$2,719
ZONING	A-1 (Rural Resource)
ALR STATUS	mostly in
REMARKS	This three parcel assemblage is a historic working ranch located about 3 km north of central Radium Hot Springs. It is very attractive, pastoral property with a mix of rolling and gently sloping grass pasture and hay land and a large area of gullies rising into the rugged forest bench above the Columbia River. The wetlands occupy a large area (several tens of acres) on its west side. About 90 acres is irrigated hay land served by water licenses off McKay creek. Rural services are available here.

The house is a recently restored (and modernized) 110± year old Eatons catalogue house, and is a classic farmhouse of the period. It is about 2,300 sf with three bedrooms and two full bathrooms set on a crawl space. The large barn is often used for community events, such as weekend markets and dances, and there are two separate bathroom buildings. There is fairly extensive rail fencing and a man-made ornamental pond.

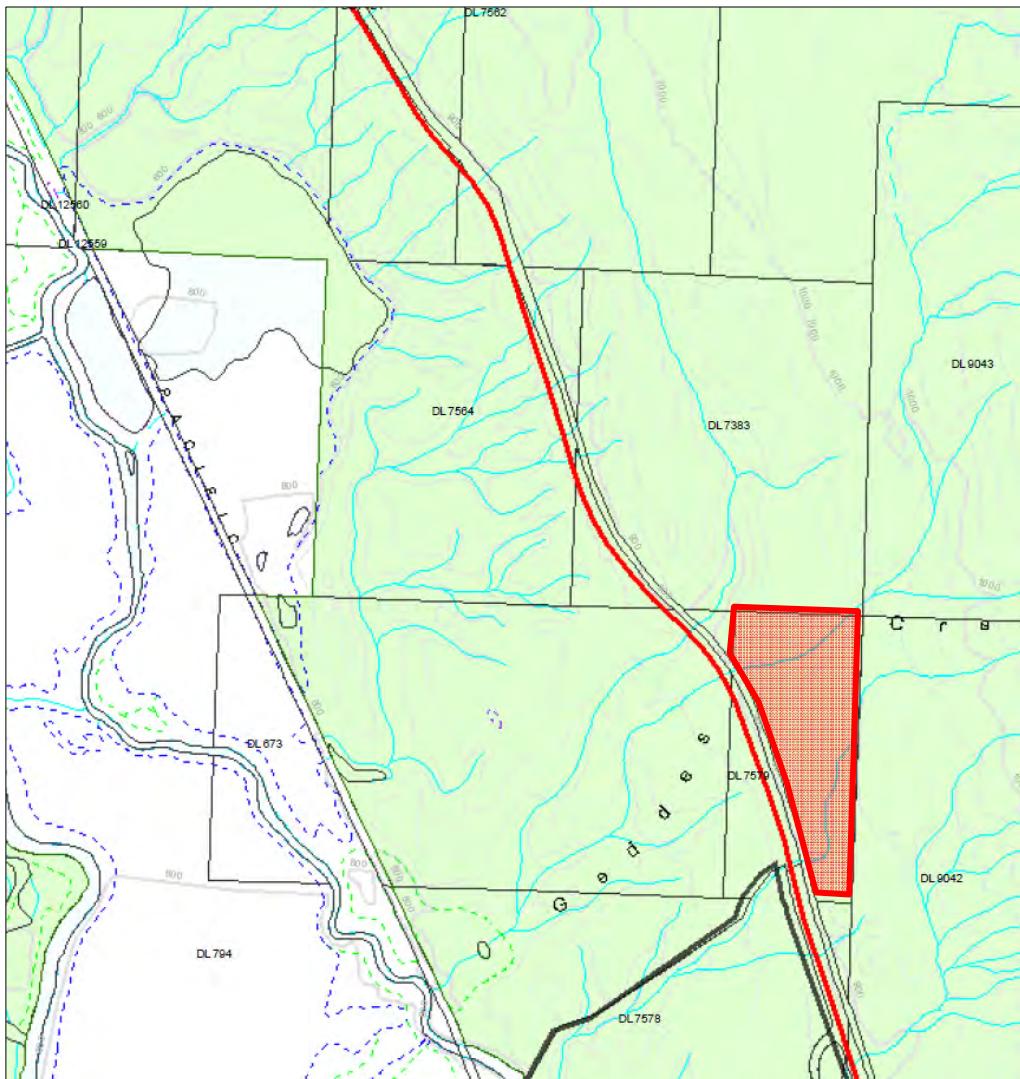
This property was listed for sale on October 18, 2012 for \$2,850,000 sold 14 days later. It sold with the Morgan Creek Ranch, which is directly across Highway 95, and is described as follows.



**(1b) Morgan Creek Ranch**

LOCATION District Lot 7579, Elk Park Ranches, near Radium Hot Springs  
 LEGAL DESCRIPTION District Lot 7579 Kootenay District, Except Plan R316 and NEP77043  
 DATE OF SALE August 22, 2012  
 CONSIDERATION \$400,000  
 IMPROVEMENTS nil  
 BARE LAND VALUE \$400,000  
 SIZE 65.8 acres  
 BARE LAND \$/ACRE \$6,079/acre  
 ZONING A-2 (Rural Residential (Country))  
 ALR STATUS in  
 REMARKS This is gently rolling forested land that is located about 5 km north of Radium Hot Springs. It is part of the Elk Park Ranch, a master planned, gated ranch community, so there are many restrictions on how the property is used. It has access via a common road through Elk Park Ranch.

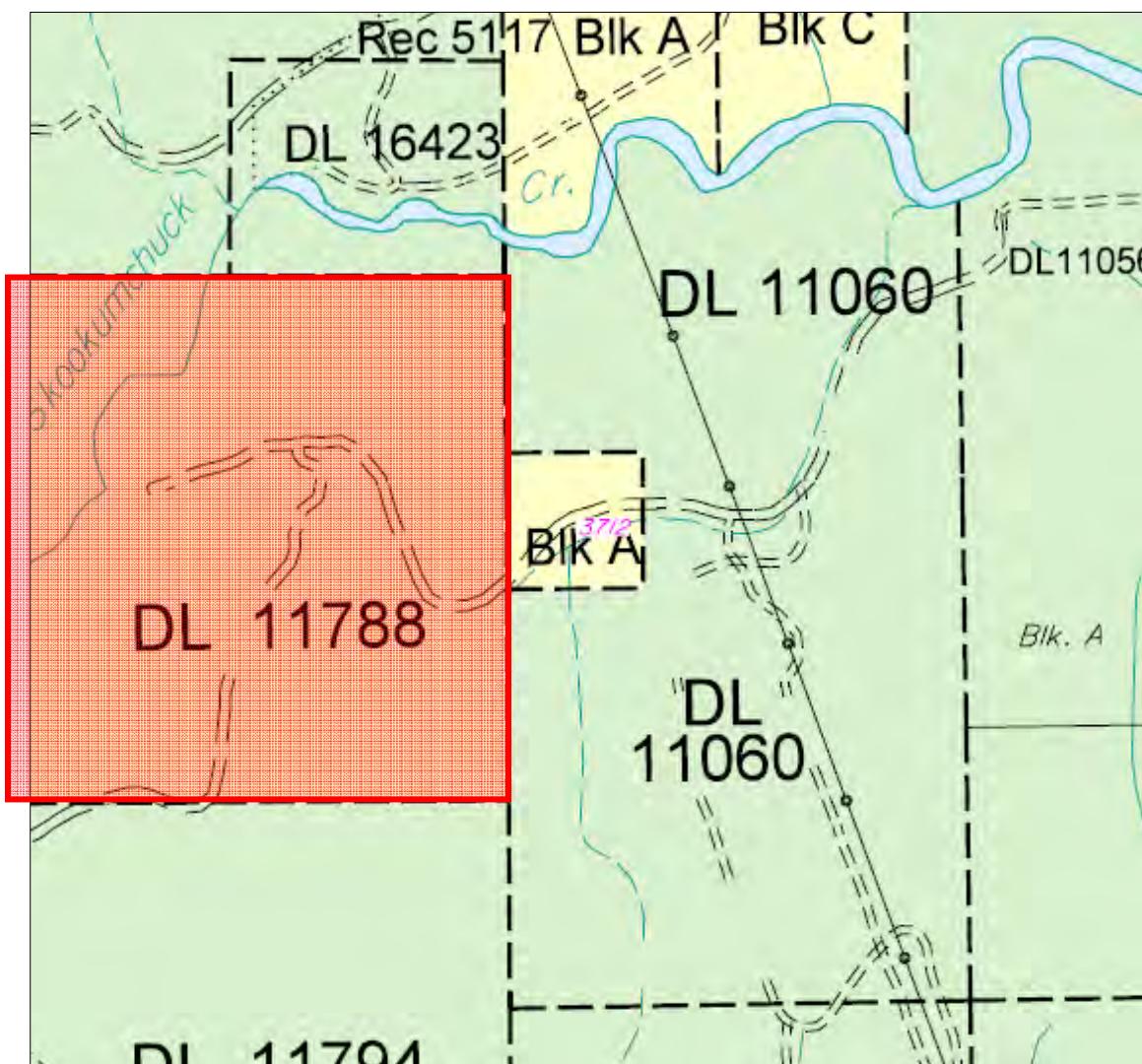
This property was listed for sale for \$1,260,000 on July 22, 2010, and was reduced to \$700,000 on April 27, 2011, where it remained until it sold. It had also been listed for sale privately previously.



**Sale No. 2**

LOCATION DL 11788 McNair Road, near Skookumchuk  
 LEGAL DESCRIPTION District Lot 11788 Kootenay District  
 DATE OF SALE May 9, 2012  
 CONSIDERATION \$280,000  
 IMPROVEMENTS nil  
 BARE LAND VALUE \$280,000  
 SIZE 154.0 acres  
 BARE LAND \$/ACRE \$1,818/acre  
 ZONING RR-60  
 ALR STATUS out  
 REMARKS This is very attractive, but isolated, rugged forest land located on a gravel road about 8 km west of Skookumchuk, or 50 km northeast of Kimberley. Skookumchuk Creek crosses the north side.

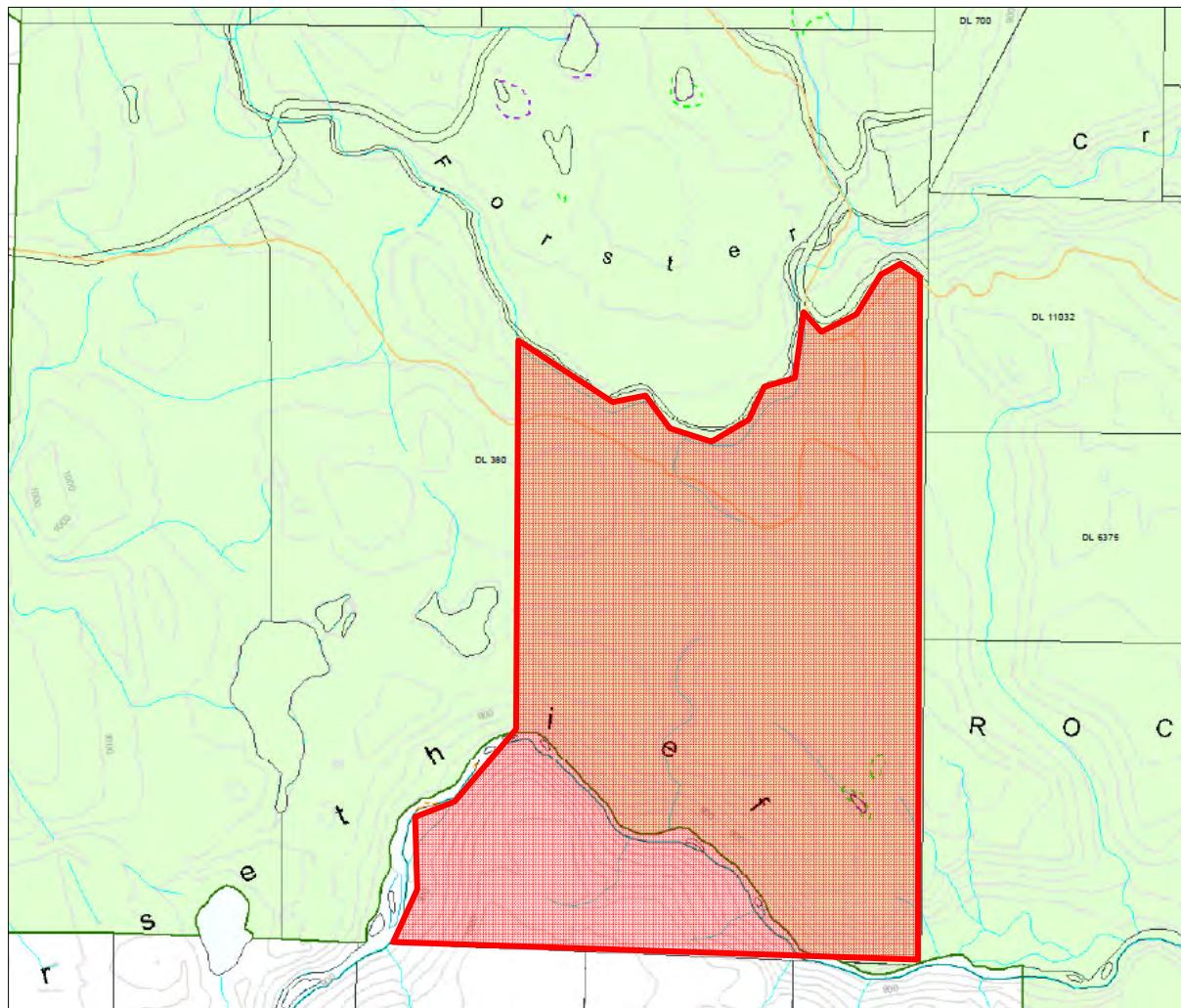
This property was listed for sale for \$699,900 between May 29, 2008 and November 28, 2008, then was relisted for \$629,900 between March 9, 2009 and October 30, 2009. Then it was listed again for \$699,000 from February 12, 2010 until June 6, 2011, when it was relisted for \$499,000, then was reduced to \$475,000 on April 1, 2012, \$449,000 on May 18, 2012, and \$444,000 on July 24, 2012, before it sold.



**Sale No. 3**

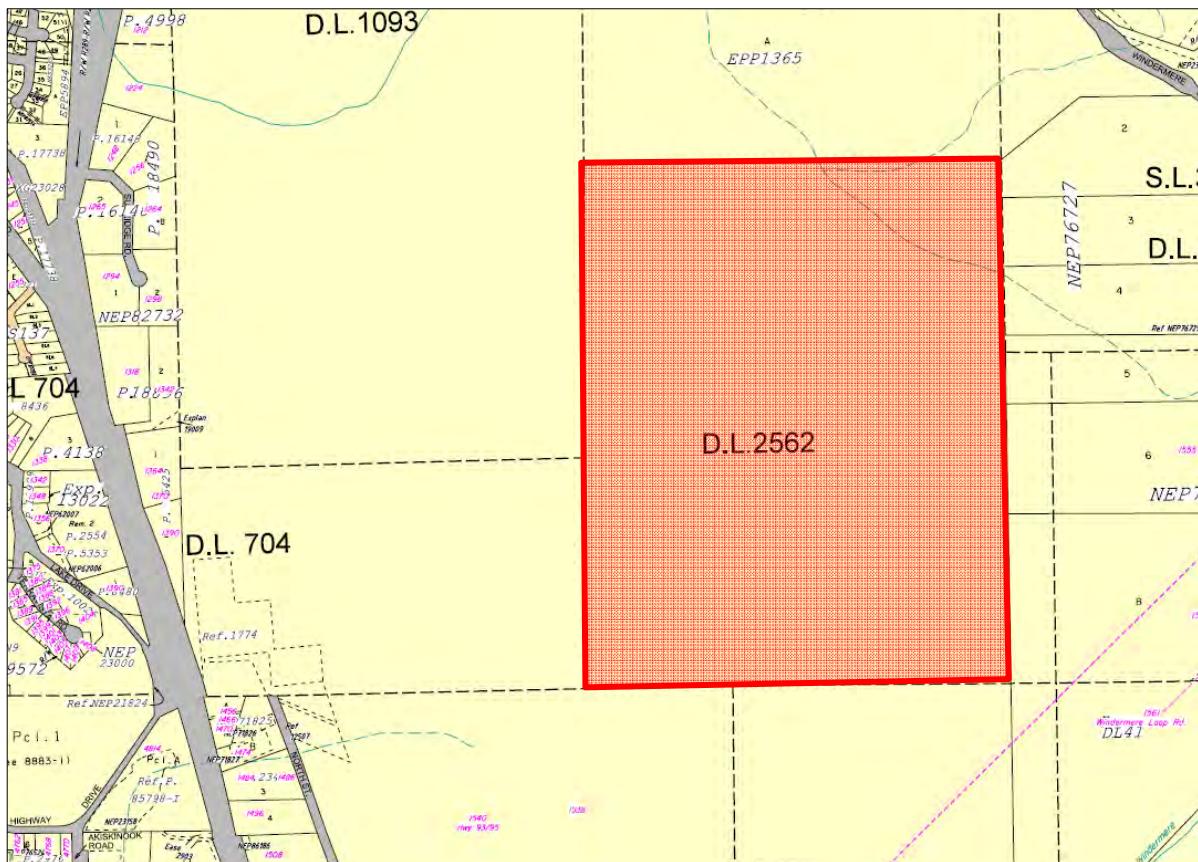
LOCATION Lot 2 and 3 Westside Road, near Radium Hot Springs  
 LEGAL DESCRIPTION Lot 2 and 3 Kootenay District Plan NEP65917 District Lot 380  
 DATE OF SALE May 9, 2012  
 CONSIDERATION \$1,450,000  
 IMPROVEMENTS nil  
 BARE LAND VALUE \$1,450,000  
 SIZE 1,247.8 acres  
 BARE LAND \$/ACRE \$1,162/acre  
 ZONING A-1 (Rural Resource)  
 ALR STATUS mostly in  
 REMARKS This is rolling forest and grass pasture, some 10 km west of Radium Hot Springs. It has good (gravel) access along Horsethief Creek Road and Westside Road. It is bound by Foresters Creek on the north side and crosses Horsethief Creek on the south side. It is very aesthetically desirable land with a fairly convenient location.

This property was listed for sale for \$1,500,000 on January 16, 2012, and sold 114 days later.



**Sale No.4**

**LOCATION** DL 2562, near Windermere  
**LEGAL DESCRIPTION** District Lot 2562 Kootenay District Except Ref. Plan 570151  
**DATE OF SALE** December 2011  
**CONSIDERATION** \$450,000  
**IMPROVEMENTS** nil  
**BARE LAND VALUE** \$450,000  
**SIZE** 213.1 acres  
**BARE LAND \$/ACRE** \$2,112/acre  
**ZONING** A-2 (Rural Resource (Country))  
**ALR STATUS** in  
**REMARKS** This parcel is located about 1 km northeast of Windermere and is essentially surrounded by other large parcels of rolling forest and open pasture land. It is an exceptionally attractive parcel, but it is landlocked and was ultimately purchased by a neighbouring landowner. It has no developed services and is effectively undisturbed.  
 This property was listed for \$999,000 on August 2, 2011, and was reduced to \$699,000 on October 25, 2011, where it remained until it sold.

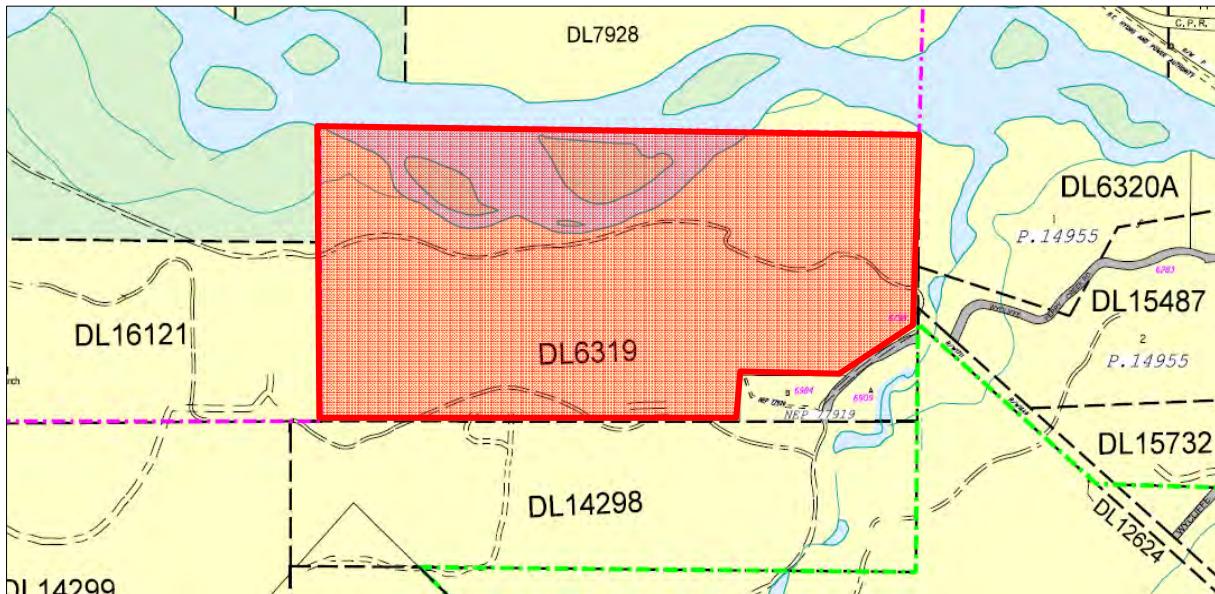


**Sale No. 5**

LOCATION 6798 Wycliffe Perry Creek Road, near Kimberley  
 LEGAL DESCRIPTION District Lot 6319 Kootenay District Except Plan NEP77919  
 DATE OF SALE August 25, 2012  
 CONSIDERATION \$880,000  
 IMPROVEMENTS \$130,000  
 BARE LAND VALUE \$750,000  
 SIZE 227.6 acres  
 BARE LAND \$/ACRE \$3,295/acre  
 ZONING RR-60 (Rural Resource)  
 ALR STATUS in  
 REMARKS This is an attractive gentle grass and forest pasture on the south side of the St Mary River. It is about 15 km southeast of central Kimberley, near the small community of Wycliffe, or 20 km west of central Cranbrook. This very attractive land has about 1.5 km of river frontage.

The house is a 45± year old, 1,070 sf, three bedroom, one bathroom bungalow on a partly finished basement. Only rural services are available here.

This property was listed for sale on July 17, 2012 for \$889,000. It sold 39 days later.

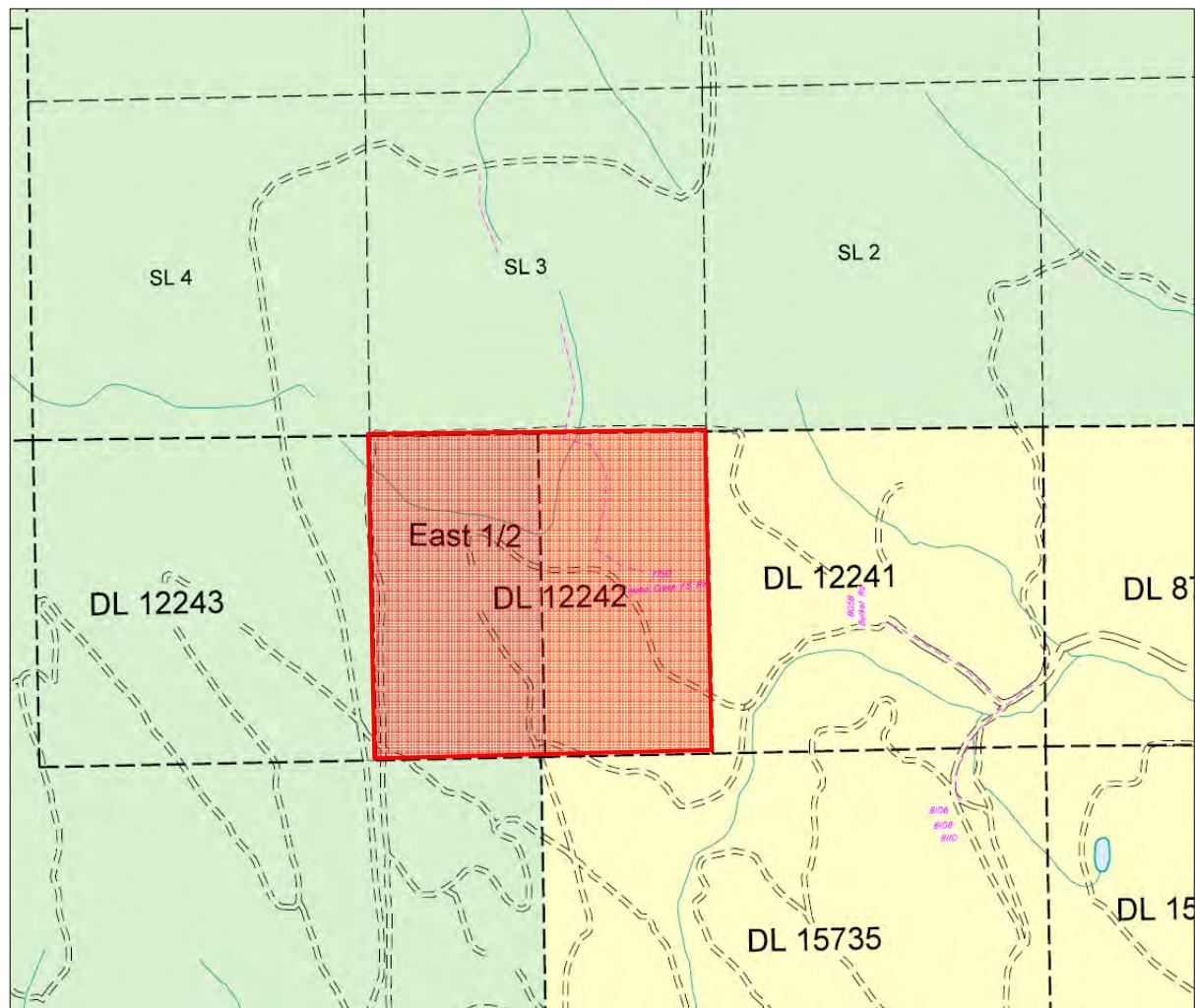


**Sale No. 6**

LOCATION 7750 Ha Ha Creek Road, near Cranbrook  
 LEGAL DESCRIPTION E½ District Lot 12242 Kootenay District  
 DATE OF SALE June 8, 2012  
 CONSIDERATION \$775,000  
 IMPROVEMENTS \$350,000  
 BARE LAND VALUE \$425,000  
 SIZE 81.0 acres  
 BARE LAND \$/ACRE \$5,247/acre  
 ZONING RR-60 (Rural Resource)  
 ALR STATUS in  
 REMARKS This is rolling grassland and forest pasture located about 20 km west of Wardner, or 30 km east of Cranbrook

The house is a 7± year old, 1,721 sf, two bedroom, 2½ bathroom hillside bungalow on a finished walkout basement. Only rural services are available here.

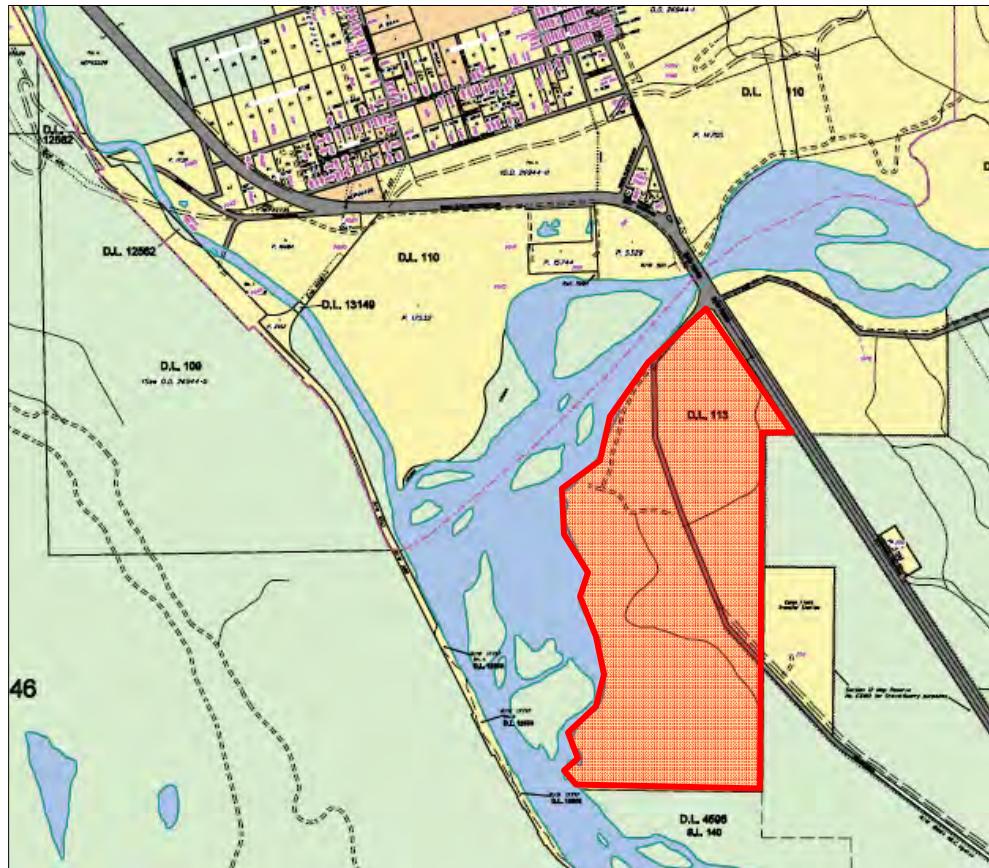
This property was listed for sale on April 21, 2011 until August 11, 2011 for \$1,100,000, then was reduced to \$999,900 until October 11, 2011. It was re-listed on October 28, 2011 for \$999,900, was reduced on March 2, 2012, and was reduced again on May 28, 2012 to \$799,900, where it remained until it sold.



**Sale No. 7**

**LOCATION** DL 113 Green Road, near Canal Flats  
**LEGAL DESCRIPTION** District Lot 113 Kootenay District Except (1) Part Included In Plan R309 (2) That Part Lying East Of A Road Said Road Shown On Plan R309  
**DATE OF SALE** June 14, 2011  
**CONSIDERATION** \$1,400,000  
**IMPROVEMENTS** nil  
**BARE LAND VALUE** \$1,400,000  
**SIZE** 375.6 acres  
**BARE LAND \$/ACRE** \$3,727/acre  
**ZONING** A-1 (Rural Resource)  
**ALR STATUS** in  
**REMARKS** This property is located on the Kootenay River, just south of Canal Flats. This land rises along a terrace to gently undulating irrigable pasture and rolling hillside. It is severed by Green Road off Highway 93/95. Some 130 acres in the 240± acre area that lies west of Green Road is cultivated, and irrigated, but the water rights for the irrigation have not been secured. The 136± acre area east of the road is rolling, forested pasture. The entire property is fenced. Improvements include a camp kitchen, a windmill generator, the irrigation pump house and reservoir, the buried irrigation mains, and a couple of corrals. This land has about 2.5 km of river frontage and excellent views of the surrounding mountains. It has paved access and rural services are available nearby.

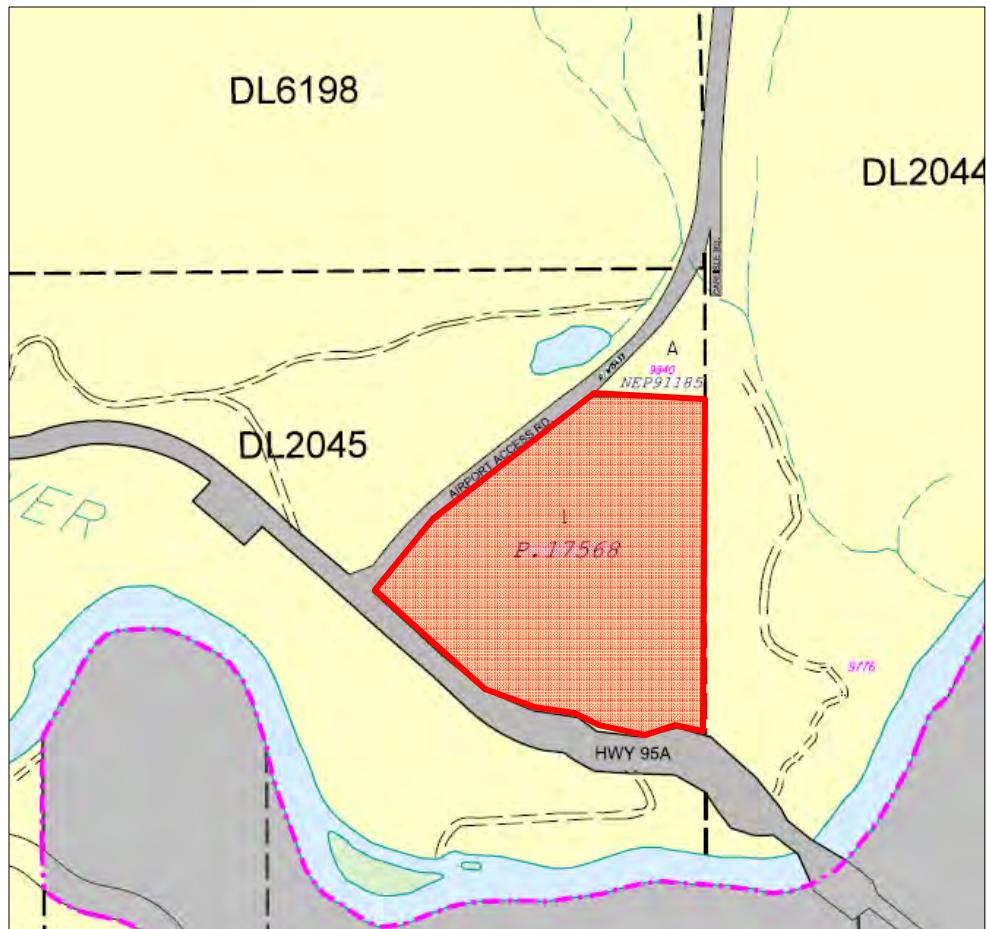
This was a forced sale. It had been listed for \$3,800,000 in June 2009, was reduced to 2,500,000 in November 2009, reduced to \$1,950,000 in April 2010, and then to \$1,575,000 in November 2010.



**Sale No. 8**

**LOCATION** 9840 Airport Access Road, near Cranbrook  
**LEGAL DESCRIPTION** Lot 1 District Lot 2045 Plan 17568 Kootenay District Except Plan NEP91185  
**DATE OF SALE** May 17, 2011  
**CONSIDERATION** \$595,000  
**IMPROVEMENTS** nil  
**BARE LAND VALUE** \$595,000  
**SIZE** 82.1 acres  
**BARE LAND \$/ACRE** \$7,247/acre  
**ZONING** RR-60 (Rural Resource)  
**ALR STATUS** in  
**REMARKS** This is gently rolling forest and open pasture located about 7 km northwest of Cranbrook. It is situated on the corner of Highway 95A and the Airport Access Road, about 3 km south of the Rocky Mountain International Airport. It affords an excellent view of the Rocky Mountains to the east. This is agricultural / extensive country residential property. Rural services are available here.

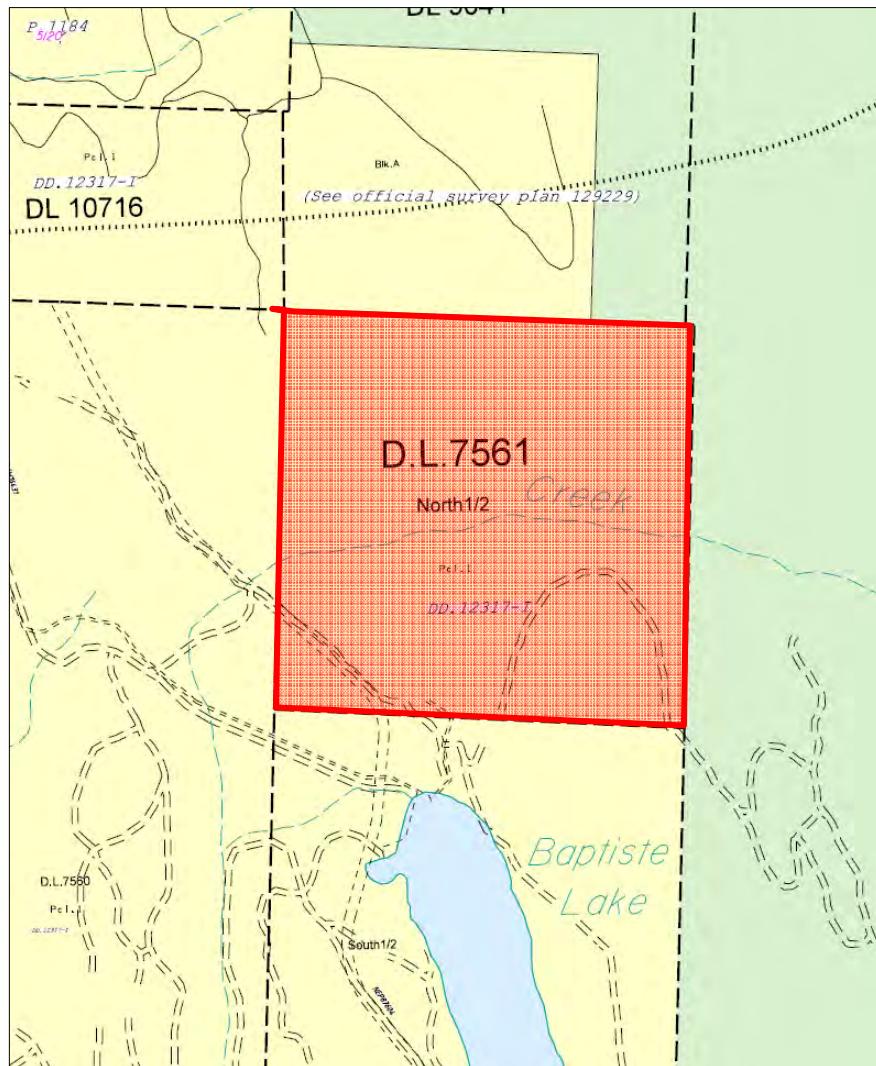
This property was listed for sale on April 10, 2008 for \$2,200,000, and was reduced on February 23, 2009 to \$1,900,000 until it expired on April 30, 2010. It was re-listed on July 20, 2010 with a list price of \$799,000, was reduced on September 28, 2010 to \$749,000, and was reduced again on November 23, 2010 to \$695,000, until it expired. It was then re-listed on April 21, 2011 for \$595,000, and was increased on May 17, 2011 to \$649,000, where it remained until it sold.



**Sale No. 9**

LOCATION Sunset Ranch, Elk Park Ranches, near Radium Hot Springs  
 LEGAL DESCRIPTION N½ DL 7561 Kootenay District  
 DATE OF SALE April 18, 2011  
 CONSIDERATION \$629,464  
 IMPROVEMENTS nil  
 BARE LAND VALUE \$629,464  
 SIZE 160.00 acres  
 BARE LAND \$/ACRE \$3,934/acre  
 ZONING A-2 (Rural Residential (Country))  
 ALR STATUS in  
 REMARKS This is rolling forested hillside located in Elk Park Ranch, 5 km north of Radium Hot Springs. Elk Park Ranch is a master planned, gated ranch community, and has many restrictions on land use. It has access via a common road through Elk Park Ranch.

This property was listed for sale for \$1,190,000 on June 18, 2009 until it expired on June 30, 2010. It was then re-listed on July 21, 2010 for \$1,070,000, and was reduced to \$785,000 on April 27, 2011, where it remained until it sold. It had also been listed privately earlier. (The sale price reported on the MLS is \$705,000, but it is understood to have included the HST, which is deducted here.)

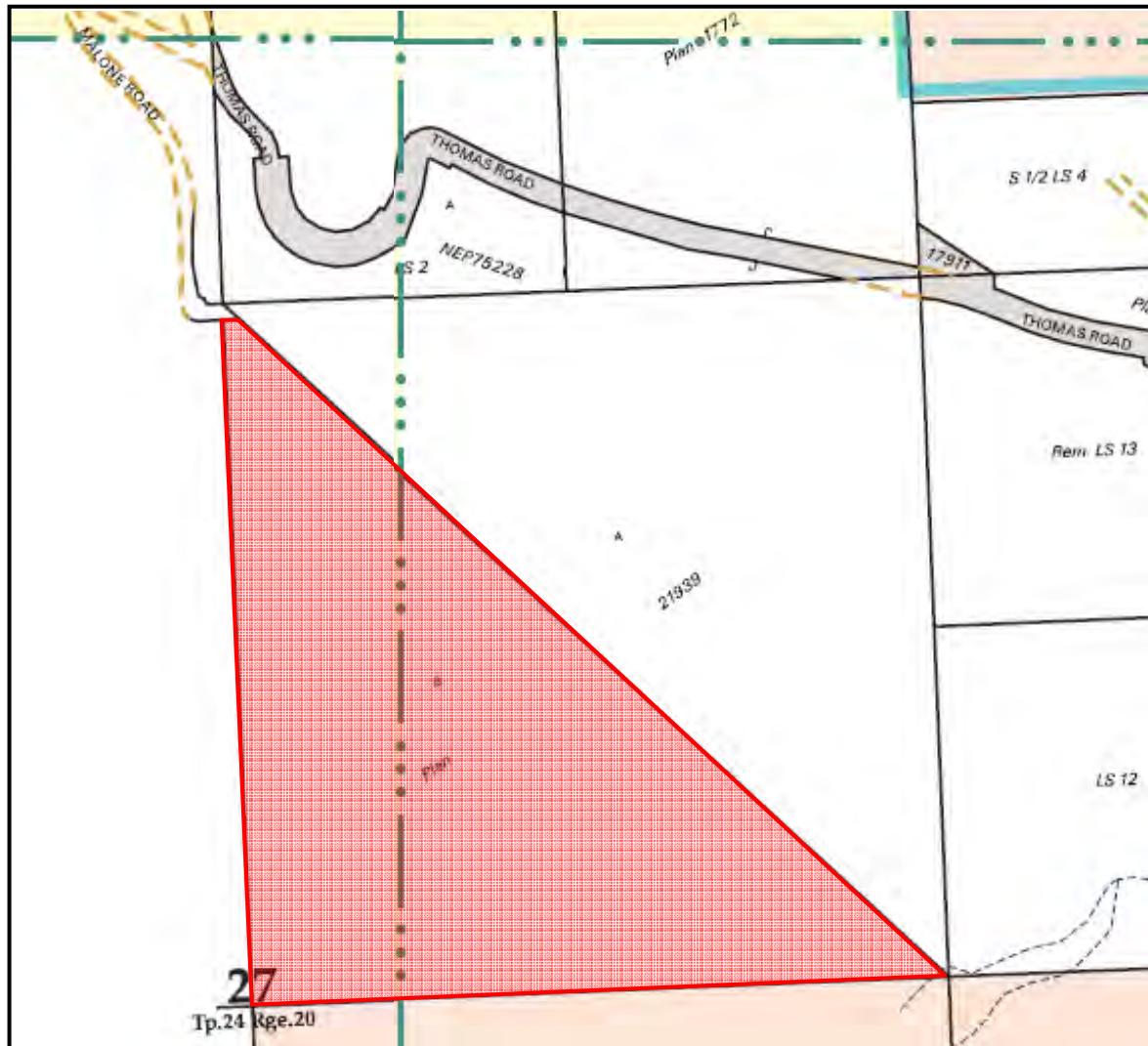


**Sale No. 10**

LOCATION Lot B Malone (Thomas) Road, near Parson  
 LEGAL DESCRIPTION Lot B Plan NEP21939 27-24-20W5 Kootenay District  
 DATE OF SALE July 20, 2011  
 CONSIDERATION \$600,000  
 IMPROVEMENTS \$100,000  
 BARE LAND VALUE \$500,000  
 SIZE 81.4 acres  
 BARE LAND \$/ACRE \$6,143/acre  
 ZONING not zoned  
 ALR STATUS out  
 REMARKS This property is located about 7 km northwest of Parson, or 40 km south of Golden. This is forested hillside that offers an excellent view.

The house is a 37 year old 1,409 sf A-frame on a partial basement. It has two bedrooms and one bathroom. There is also a double carport.

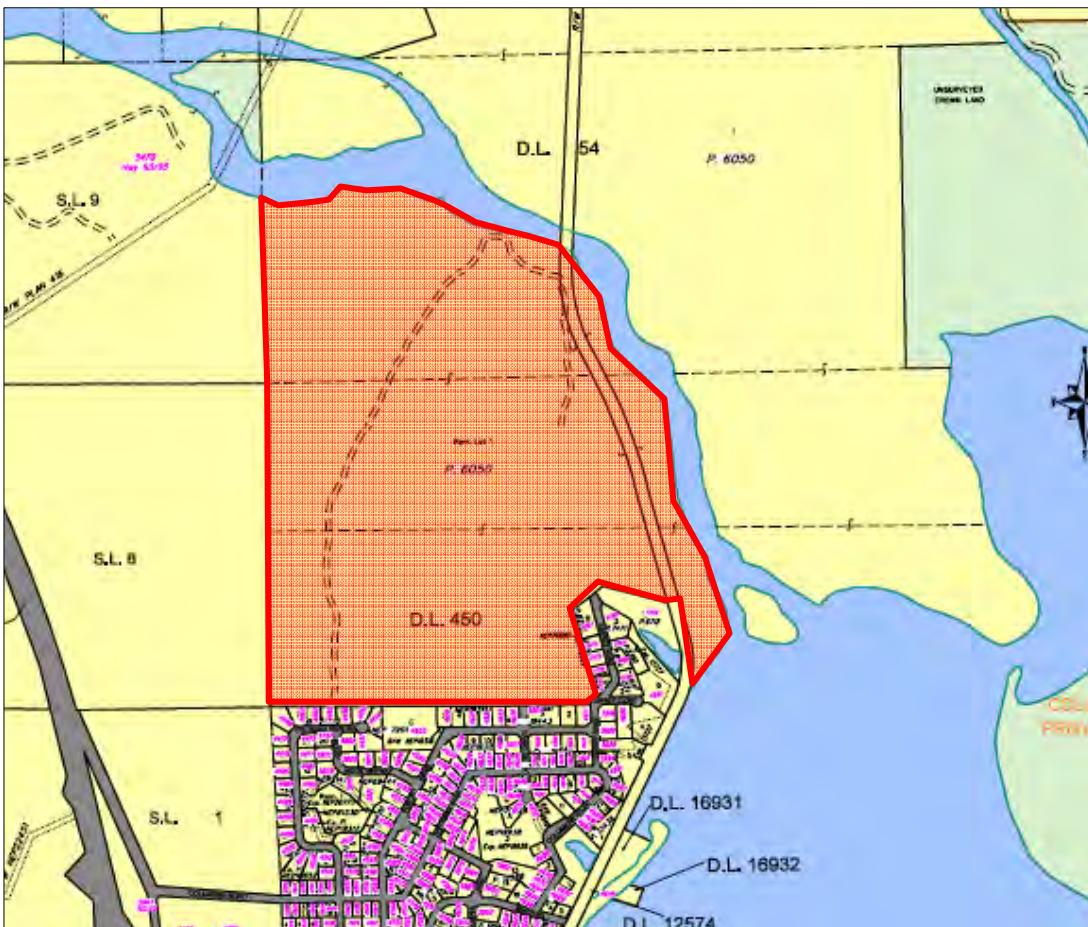
This property was first listed between March 7, 2009 and November 9, 2009 for \$899,900. It was then relisted on March 23, 2010 for \$829,000, then was reduced on June 11, 2010 to \$699,900, then increased on June 15 to \$729,000, where it remained until it expired on October 23, 2010. It was then relisted on March 1, 2011, until it sold.



**Sale No. 11**

**LOCATION** Osprey Road, near Columere Park and Fairmont Hot Springs  
**LEGAL DESCRIPTION** District Lots 54, 290, 291, and 450 Plan 6050 Lot 1 Kootenay District Except Plan 18650  
**DATE OF SALE** March 21, 2011  
**CONSIDERATION** \$2,700,000  
**IMPROVEMENTS** nil  
**BARE LAND VALUE** \$2,700,000  
**SIZE** 273.0 acres  
**BARE LAND \$/ACRE** \$9,890/acre  
**ZONING** A-2 (Rural Resource (Country))  
**ALR STATUS** in  
**REMARKS** This vacant parcel is mostly undulating forest and open pasture located immediately north of Columere Park, about 5 km southwest of Fairmont Hot Springs. It has about 2 km of frontage along Dutch Creek, with some low area that is subject to flooding along the creek. The land rises gently from the east side to the southwest corner of the property, but there is a steep escarpment to the uplands from the river-bottom lands at the northwest corner. Much of the riverfront is severed off from the main body of the parcel by the CP railway tracks. This is very aesthetically desirable land. It has access through Columere Park. No services are developed on this land, but hydro is available nearby. While the prospects are speculative and long term at best, this property affords some potential for future subdivision and intensive development.

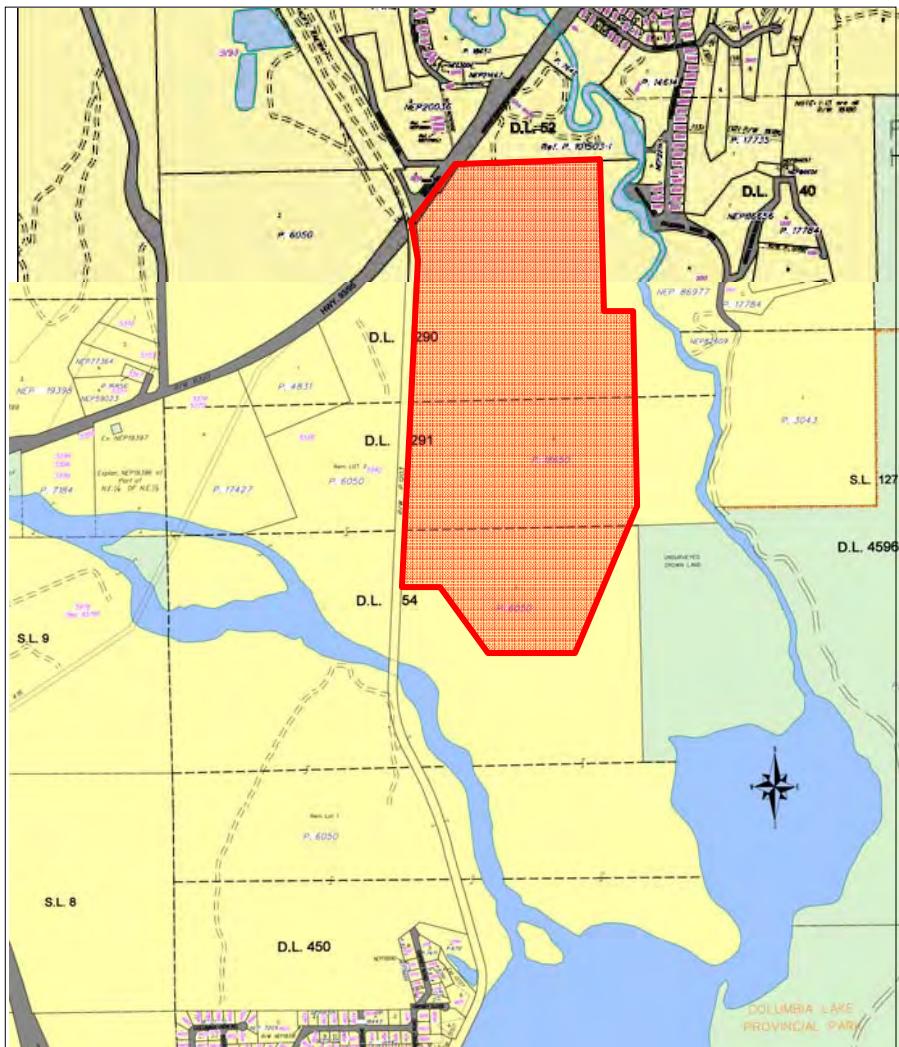
This was a private sale.



**Sale No. 12**

**LOCATION** Lot 2 Highway 93/95, near Fairmont Hot Springs  
**LEGAL DESCRIPTION** Plan EPP10201 Lot 2 District Lots 54, 290, 291, and 450 Plan 6050  
**Kootenay District Except Plan 18650**  
**DATE OF SALE** February± 2011  
**CONSIDERATION** \$2,000,000  
**IMPROVEMENTS** nil  
**BARE LAND VALUE** \$2,000,000  
**SIZE** 103.5 acres  
**BARE LAND \$/ACRE** \$19,324/acre  
**ZONING** RES-1 (Recreation Accommodation)  
**ALR STATUS** in  
**REMARKS** This vacant parcel is a flat open pasture located about 2 km south of Fairmont Hot Springs. Municipal services can be provided this land. The purchaser's intent was to develop a water-ski resort with two man-made water-ski lakes and swimming lagoon lined with 15 cabin lots and 25 RV lots so the sale was conditional to amending the zoning (from A-2 (Rural Residential (Country) Zone) to accommodate it. The first phase of the development proceeded in 2011, and two of eight cabin lots and five of the twelve RV lots are now reported to be spoken for (under presale agreements).

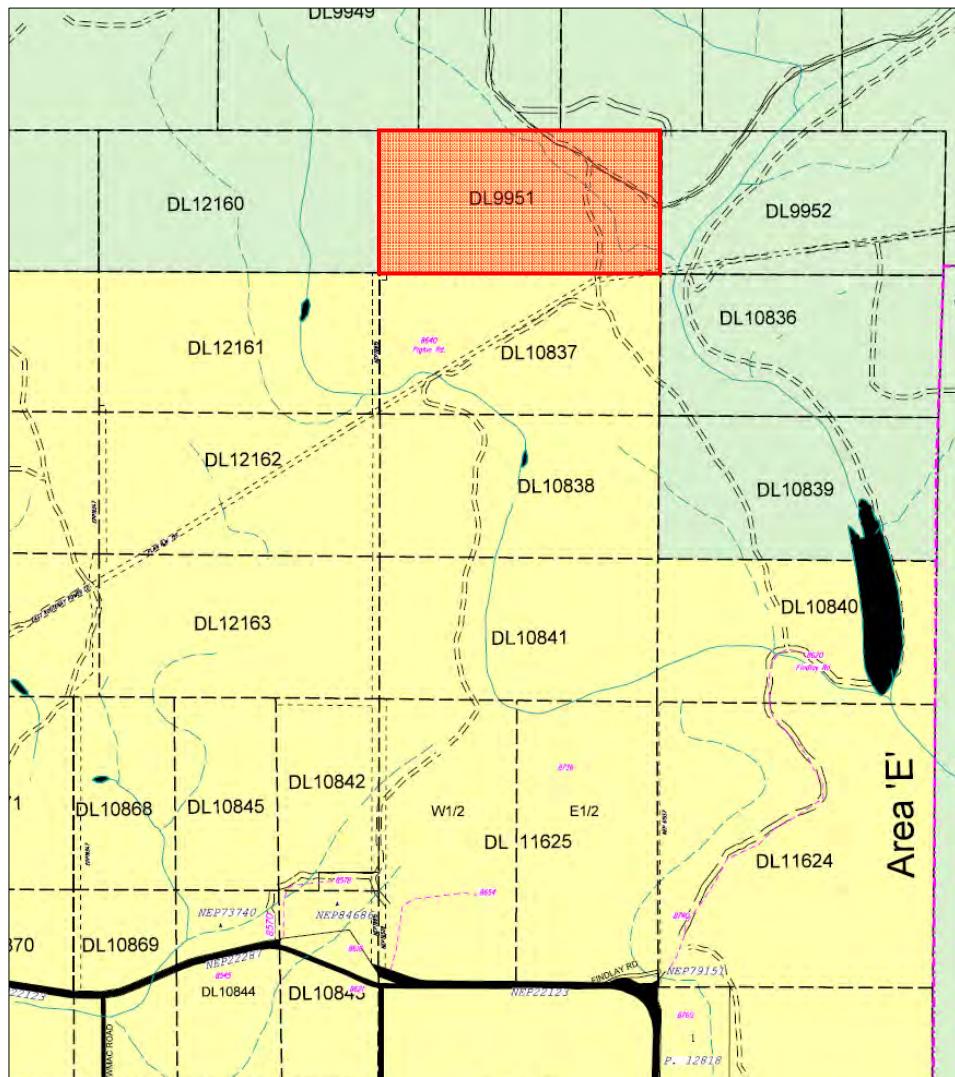
This was a private sale.



**Sale No. 13**

**LOCATION** DL 9951 Pighin Road, near Kimberley  
**LEGAL DESCRIPTION** District Lot 9951, Kootenay District  
**DATE OF SALE** November 18, 2010  
**CONSIDERATION** \$415,000  
**IMPROVEMENTS** nil  
**BARE LAND VALUE** \$415,000  
**SIZE** 80.0 acres  
**BARE LAND \$/ACRE** \$5,188/acre  
**ZONING** RR-60 (Rural Resource)  
**ALR STATUS** in  
**REMARKS** This gently rolling forested land is located about 15 km west of Cranbrook. It is situated at the end of a 2 km long, poor quality gravel trail that is secured by easement from paved Pighin Road. The easement turns off Pighin Road about 8 km from Highway 95A. Services have yet to be developed here, but a good well has been drilled. This is country residential property.

This property was listed for sale for \$465,000 between March 25, 2009 and September 5, 2009, and was re-listed at the same price on October 6, 2009, where it remained until it sold.

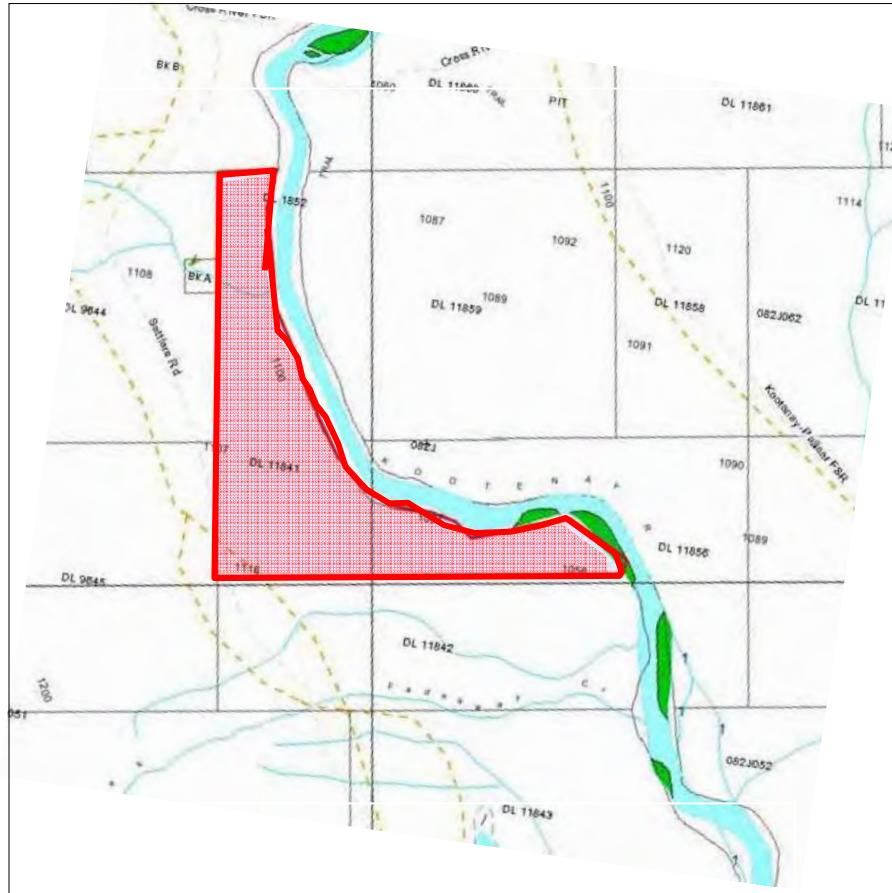


**Sale No. 14**

**LOCATION** 9500 Settlers Road, east of Radium Hot Springs  
**LEGAL DESCRIPTION** District Lot 11841 Kootenay District  
**DATE OF SALE** September 2, 2010  
**CONSIDERATION** \$800,000  
**IMPROVEMENTS** \$225,000  
**BARE LAND VALUE** \$575,000  
**SIZE** 111.2 acres  
**\$/ACRE (Bare Land)** \$5,171/acre  
**ZONING** A-1 (Rural Resource)  
**ALR STATUS** in  
**REMARKS** This property is quite remote, about 32 km east of Radium Hot Springs, south of Kootenay National Park. The road is not maintained year-round. This has about 1.8 km of Kootenay River frontage, and is surrounded by steep mountains in the narrow valley. The land rises about 60 m above the river to a rolling bench. It is a mix of open and forest land. It has excellent aesthetics.

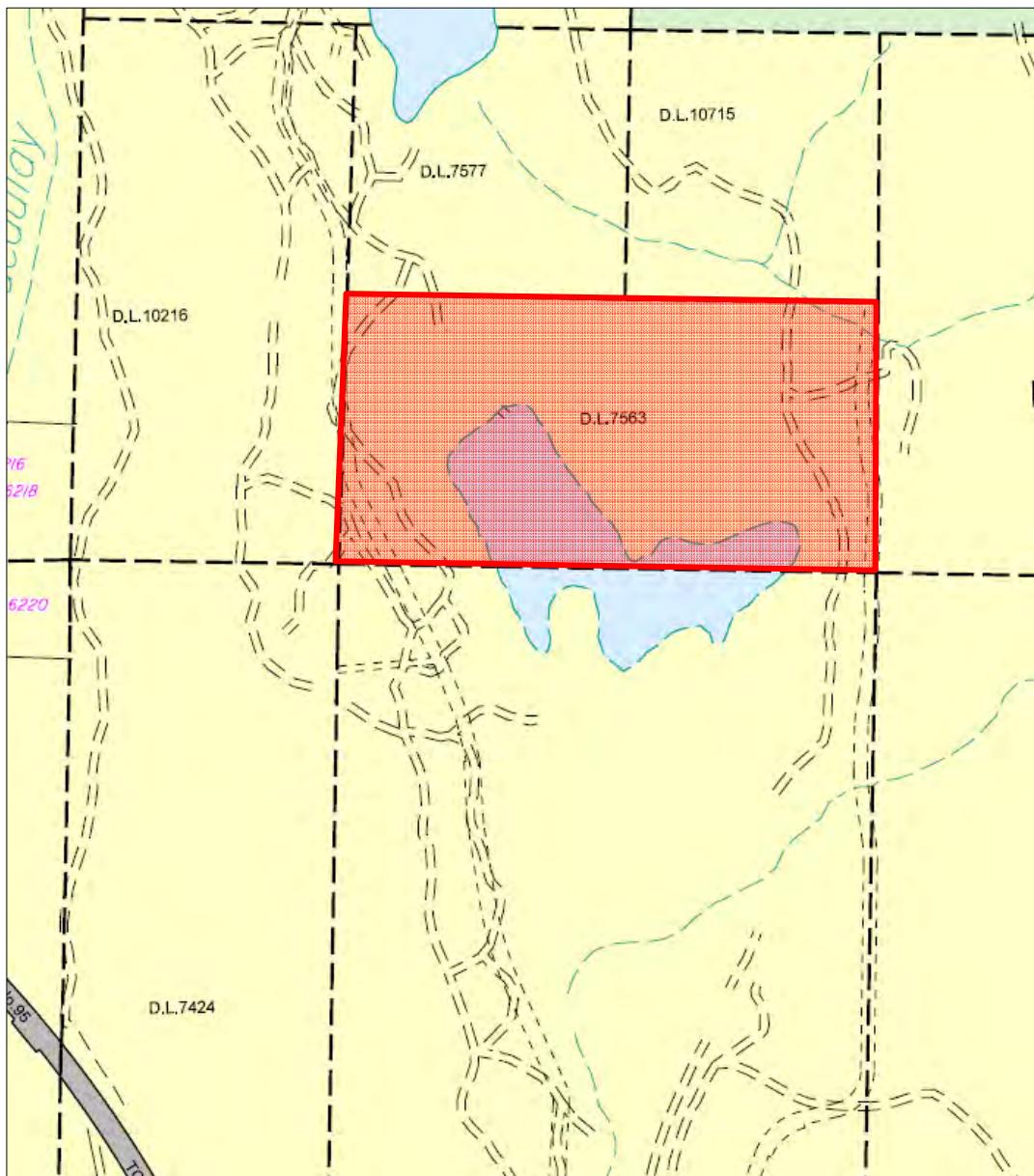
The improvements include a 32 year old, good condition, 1,500 sf 1½ storey log house. It has a kitchen, dining room, living room, two bedrooms, one 4-piece bathroom, and a partial basement. Other improvements include shop and a cabin shell. This property has rural services.

It had been listed from July 24, 2007 to June 30, 2008 starting at \$2,900,000, and was reduced on February 28, 2008 to \$2,500,000. It was re-listed on September 30, 2010 at \$1,675,000, was reduced on December 4, 2009 to \$1,500,000, and was reduced again on February 26, 2010 to \$1,200,000, where it remained until lit sold.



**Sale No. 15**

LOCATION Painted Pony Ranch, Elk Park Ranches, near Radium Hot Springs  
 LEGAL DESCRIPTION DL 7563 Kootenay District  
 DATE OF SALE May±, 2010  
 CONSIDERATION \$765,000  
 SIZE 80.0 acres  
 IMPROVEMENTS nil  
 BARE LAND VALUE \$765,000  
 BARE LAND \$/ACRE \$9,563/acre  
 ZONING A-2 (Rural Residential (Country))  
 ALR STATUS in  
 REMARKS This is rolling forest 6 km north of Radium. It is part of the Elk Park Ranch, a master planned, gated ranch community, so there are many restrictions on how the property is used. It has access via a common road through Elk Park Ranch.  
     This was a private sale.

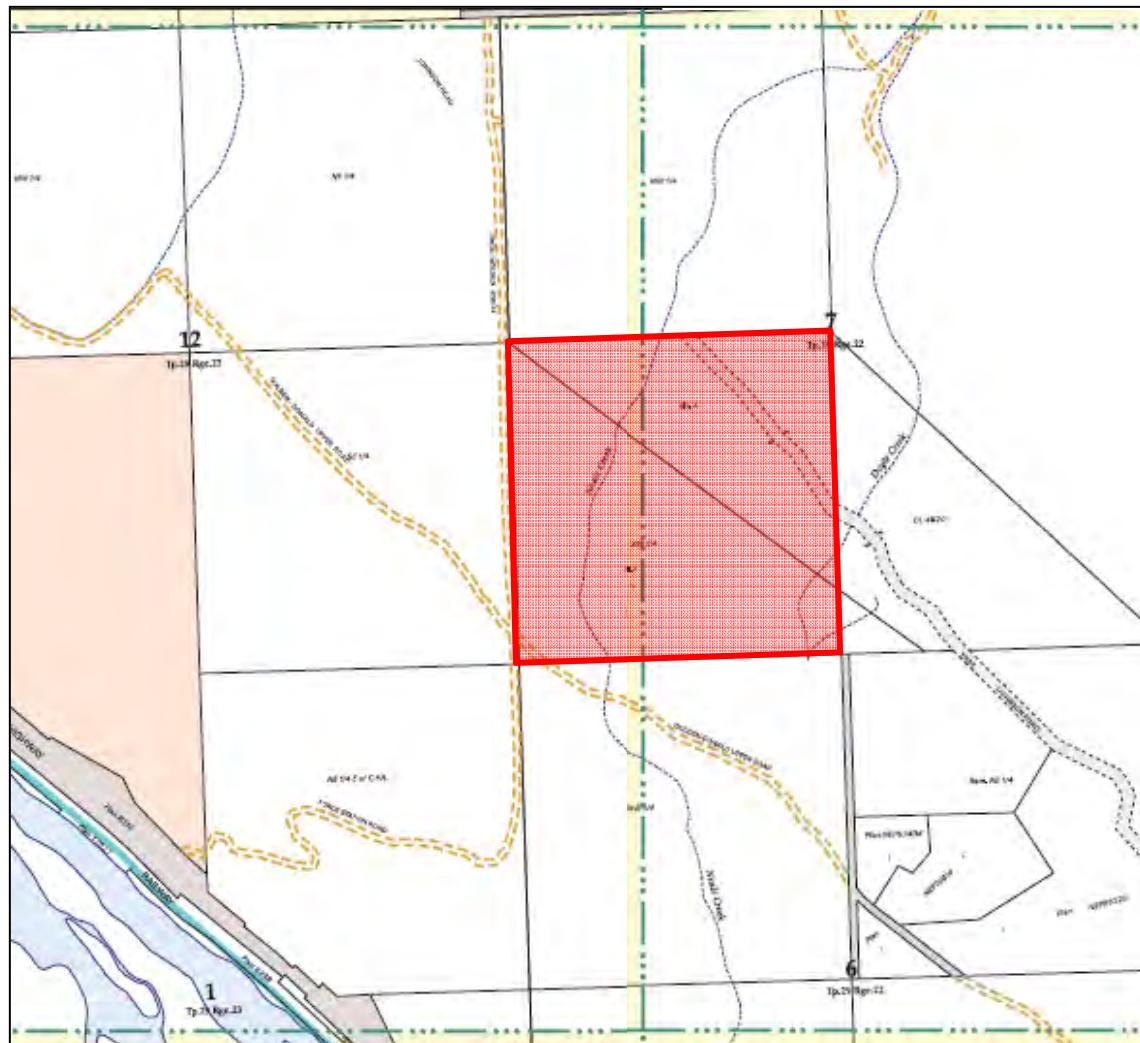


Sale No. 16

LOCATION 2436 (and 2510) Forde Station Road, rural Golden  
LEGAL DESCRIPTION pt SW $\frac{1}{4}$  7-29-22W5 and Block A SW $\frac{1}{4}$  7-29-22W5  
DATE OF SALE May 2, 2010  
CONSIDERATION \$860,000  
SIZE 165.0 acres  
IMPROVEMENTS \$200,000  
BARE LAND VALUE \$660,000  
BARE LAND \$/ACRE \$4,000/acre  
ZONING not zoned  
ALR STATUS out  
REMARKS This property is about 25 km northwest of Golden. This is an assemblage of two properties, comprised of gently rolling forest and pasture. It is attractive land, offering excellent views.

The improvements include an older 1,092 sf log home, with two bedrooms and one bathroom, and a mobile home. Rural services are available here.

This property was listed from July 31, 2007 to July 31, 2008 for \$1,100,000. It was re-listed on April 17, 2009 for \$997,000, was reduced on August 4, 2009 to \$950,000 until April 5, 2010. It was then re-listed on April 8, 2010 for \$899,900 before selling.



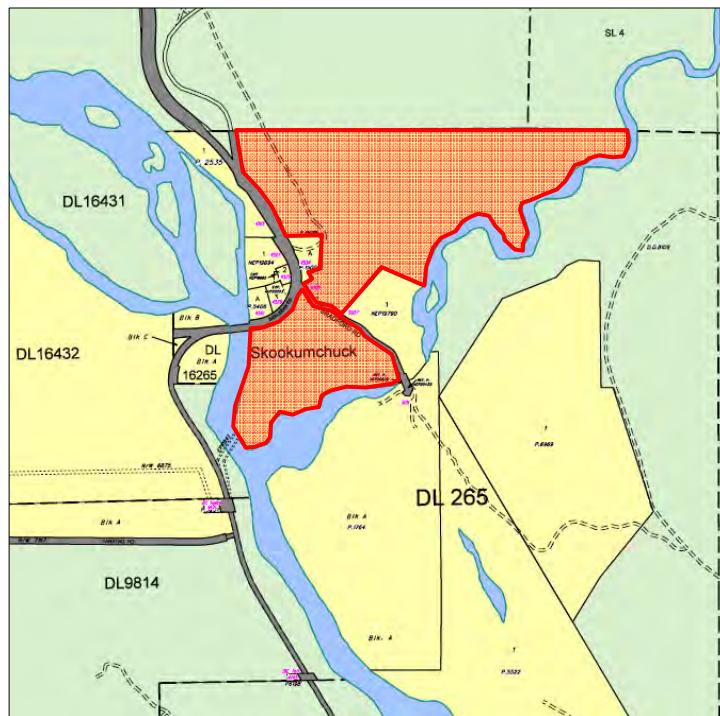
**Sale No. 17**

**LOCATION** 5005 Bradford Road, near Skookumchuk  
**LEGAL DESCRIPTION** District Lot 265 Kootenay District, Except Plan 2535, 5865, 15001,  
NEP19790 and NEP 20838

**DATE OF SALE** April 11, 2010  
**CONSIDERATION** \$750,000  
**IMPROVEMENTS** \$200,000  
**BARE LAND VALUE** \$550,000  
**SIZE** 241.6 acres  
**BARE LAND \$/ACRE** \$2,276/acre  
**ZONING** RR-60 (Rural Resource)  
**ALR STATUS** partly in (about 80 acres)  
**REMARKS** This property is immediately behind Skookumchuk (some 59 km north of Cranbrook). It has a very irregular configuration, with about 0.3 km of frontage along Highway 93/95, 0.6 km of Kootenay River frontage, and over 2.0 km of Lussier River frontage. Bradford Road severs the river-lands from the bench-lands. About 70 acres is open and forested riverfront pasture, and the balance is steep escarpment and thinly forested bench-land that is cut by a deep ravine. Two small streams also cross the property. The bench-land rises about 70 m above the river. This is very aesthetically desirable land.

The main improvements include a  $50\pm$  year old 1,900 sf wooden frame bungalow, which is in good condition. It has a kitchen, dining room, living room, three bedrooms and an office, one 3-piece bathroom, and a solarium. It does not have a basement. Other improvements include a barn, a large hay shed, a shop, and other sheds. Rural services are developed on this land.

This property had been listed several times since 2004 with a list price of \$799,000, where it remained for a few years. It had been listed starting on January 5, 2007, starting at \$799,000, then was increased to \$819,000 on June 4, 2007, then to \$820,000 on March 26, 2008 until December 31, 2008. Then it was re-listed for \$829,900 from January 10, 2009 to December 31, 2009, then again at the same price on January 10, 2010 until it ultimately sold.



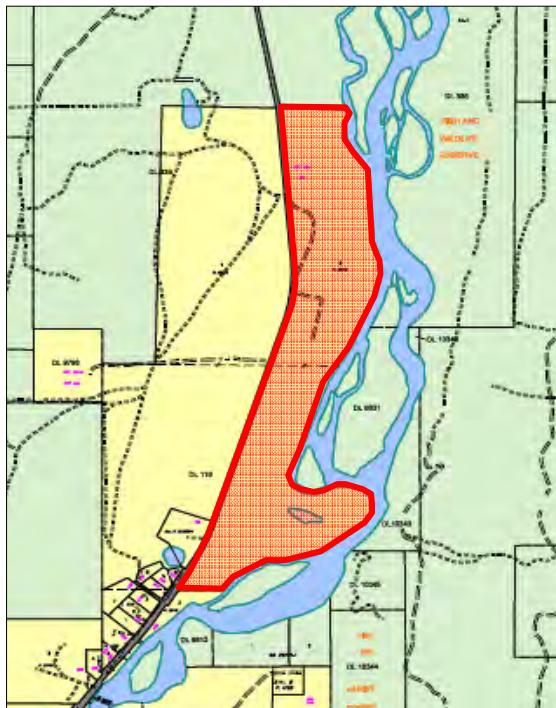
**Sale No. 18**

**LOCATION** 5132 Highway 93/95, near Skookumchuk  
**LEGAL DESCRIPTION** District Lot 116 and 338 Plan 10979 Lot 2 Kootenay District  
**DATE OF SALE** March 26, 2010  
**SIZE** 470.0 acres  
**ZONING** RR-60 (Rural Resource)  
**ALR STATUS** in  
**CONSIDERATION** \$3,900,000  
**IMPROVEMENTS** \$650,000±  
**BARE LAND** \$3,250,000  
**BARE LAND \$/ACRE** \$6,915/acre  
**REMARKS** This parcel is mostly flat open cultivated land with a narrow strip of riparian forest. It is located about 4 km south of Skookumchuk (or about 55 km north of Cranbrook), between Highway 93/95 and the west bank of the Kootenay River. It has over 4 km of frontage along the river. This is quite productive and very aesthetically desirable land.

The main improvements include a five-year-old 1,200 sf wooden frame bungalow with a fully developed walkout basement. The main floor has a kitchen, dining room, living room, one bedroom, and a 3-piece and a 4-piece bathroom, and the basement has a recreation room, one bedroom, storage and utility rooms, and a 4-piece bathroom. There is also a bunk house/tack room, a singlewide mobile home, large hay shed, small equipment shed and various other small sheds, working corrals and pens, and a 1,700 airstrip with a hanger and shop. It is largely fenced and a new 2½ m elk fence with metal posts surrounds the hay fields. The sale price included the irrigation equipment. Rural services are developed on this land. It also features a 10,000-acre Crown grazing lease.

This land supports a cattle herd of 225 cattle year round. The lease supports about 300 cow/calf pairs between May and October. It produces about 2,000 tons of alfalfa/grass hay on 325 acres of irrigated cultivation.

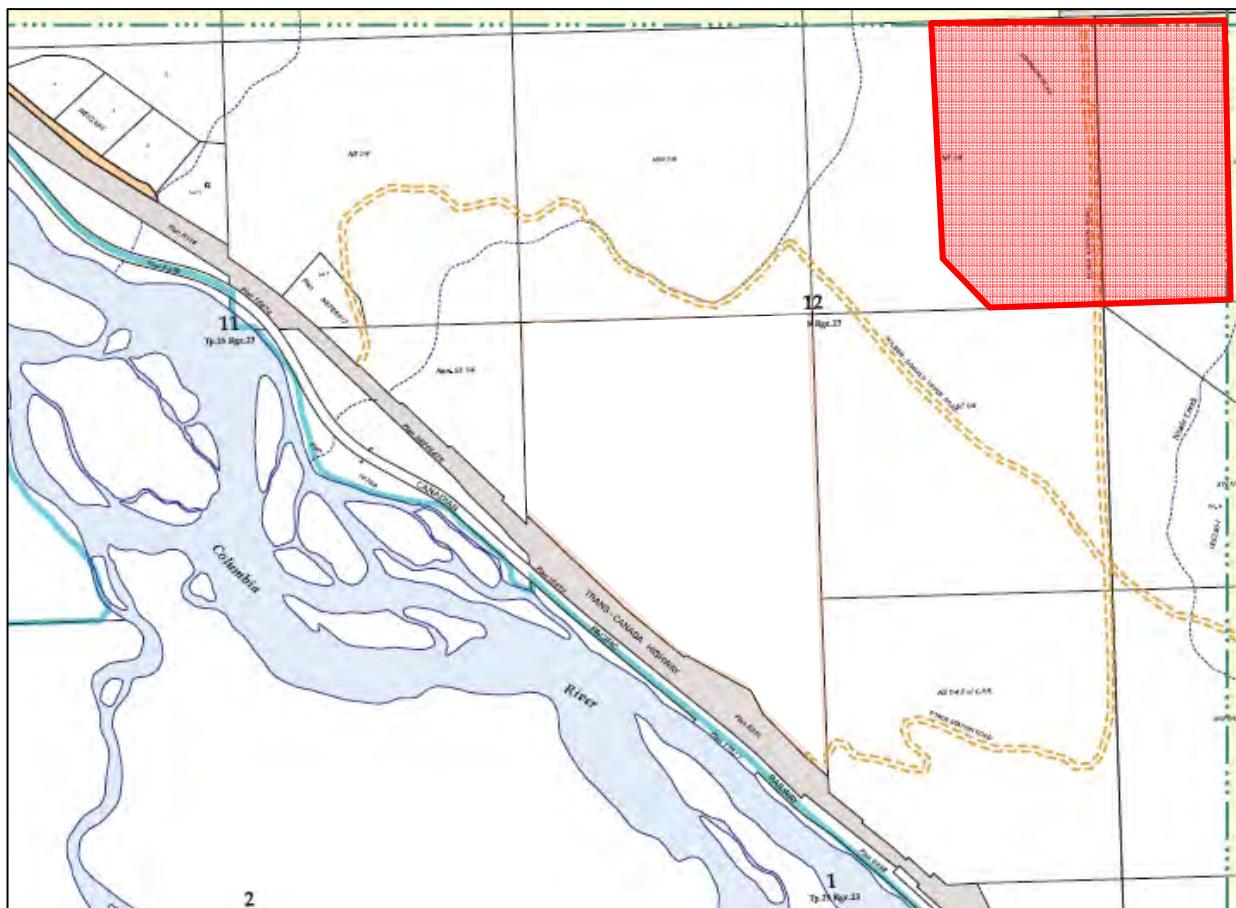
This land had been listed for sale on June 14, 2007, for \$4,750,000. The price was reduced on November 7, 2008 to \$4,200,000, then again on June 2, 2010 to \$3,900,000.



**Sale No. 19**

**LOCATION** 2986 Golden Donald Upper Road, rural Golden  
**LEGAL DESCRIPTION** NE $\frac{1}{4}$  12-29-23-22W5  
**DATE OF SALE** December 15, 2009  
**CONSIDERATION** \$800,000  
**IMPROVEMENTS** \$25,000±  
**BARE LAND** \$775,000  
**SIZE** 153.8 acres  
**BARE LAND \$/ACRE** \$5,039/acre  
**ZONING** not zoned  
**ALR STATUS** out  
**REMARKS** This property is about 30 km northwest of Golden, mostly on pavement, though the last couple of kilometres are gravelled road. This is gently rolling forest and logged land. The improvements include an older mobile home that contributes nominally to the value overall. Rural services are available here. It offers excellent views and is suited to a country residential use.

This property was listed for sale for \$929,000 on October 22, 2009 until it sold.

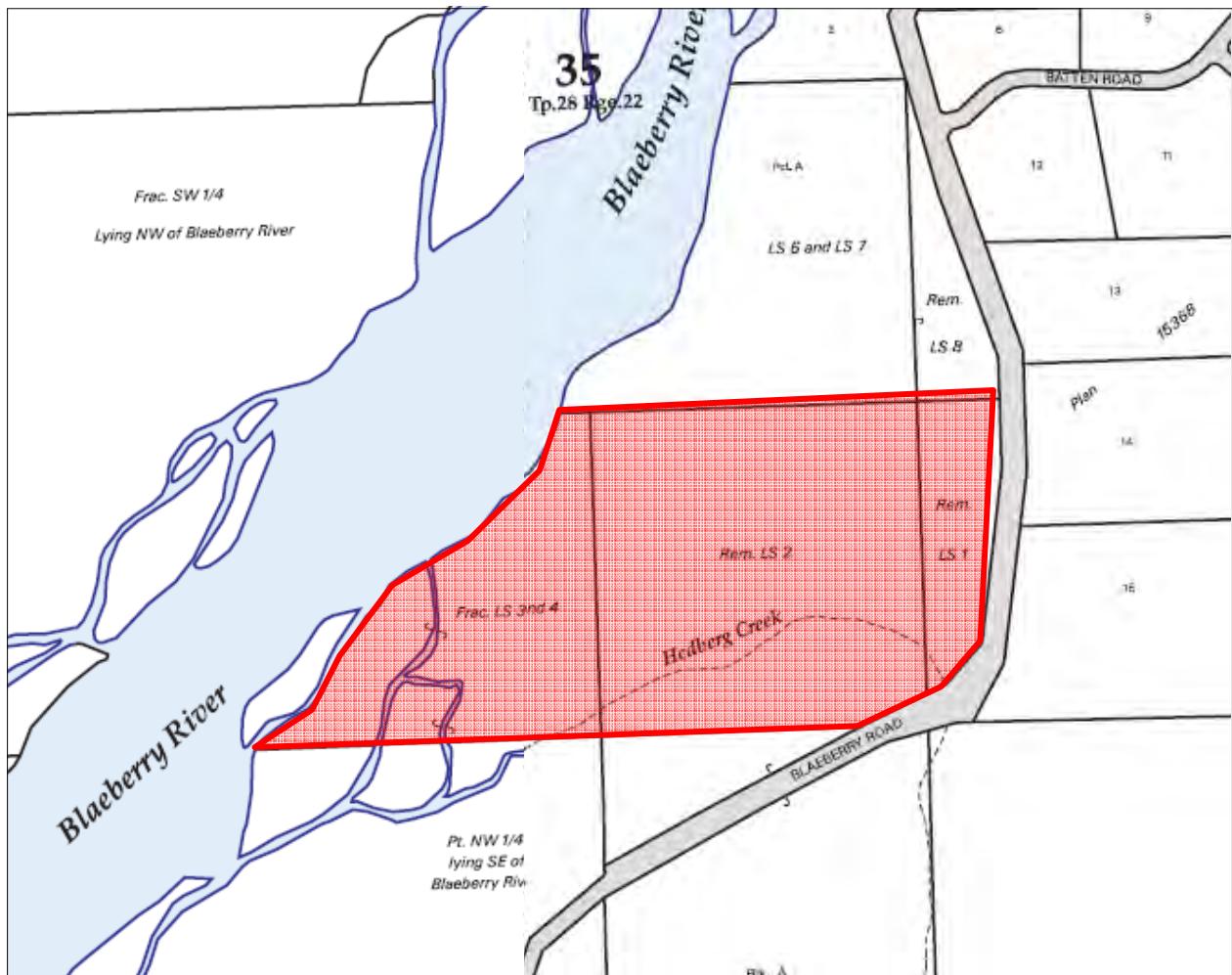


**Sale No. 20**

LOCATION 2021 Blaeberry Road, rural Golden  
 LEGAL DESCRIPTION pt LS 1, 2, 3 and 4-35-28-22W5  
 DATE OF SALE November 7, 2009  
 CONSIDERATION \$645,000  
 IMPROVEMENTS \$225,000±  
 BARE LAND \$420,000  
 SIZE 69.0 acres  
 BARE LAND \$/ACRE \$6,087/acre  
 ZONING not zoned  
 ALR STATUS out  
 REMARKS This assemblage is 20± km northwest of Golden, mostly on pavement, but the last couple of kilometres are gravel road. The east side is gently sloping forest upland with an intermittent creek on the south side, and the Blaeberry River on the west side. The riverbank is a large gravel flood plain.

The improvements include a 5 to 10 year old, 990 sf log cabin, and a small framed guest cabin, which are in excellent condition. Rural services are available. It offers excellent view and is quite desirable for a recreational or country residential use.

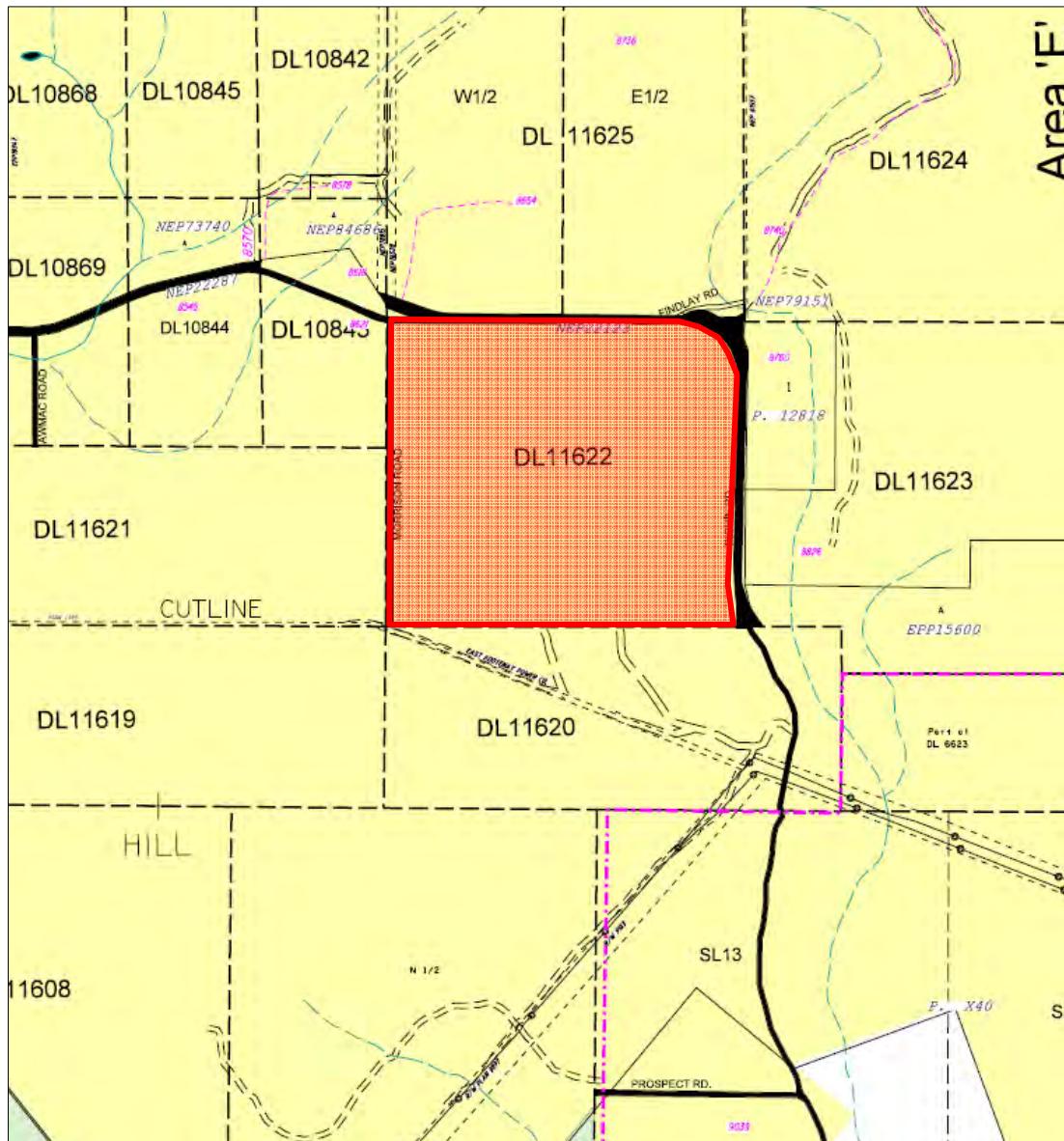
This property was listed between July 16, 2008 and October 15, 2008 for \$895,000 and was relisted on May 22, 2009 for \$790,000 until it was reduced on August 10, 2009 to \$747,000, where it remained until it sold.



**Sale No. 21**

LOCATION DL11622 Pighin Road, near Kimberley  
 LEGAL DESCRIPTION District Lot 11622 Kootenay District Except Plan NP22123  
 DATE OF SALE August 20, 2009  
 CONSIDERATION \$575,000  
 IMPROVEMENTS nil  
 BARE LAND VALUE \$575,000  
 SIZE 132.5 acres  
 BARE LAND \$/ACRE \$4,340/acre  
 ZONING RR-60 (Rural Resource)  
 ALR STATUS in  
 REMARKS This gently undulating open pasture is located about 13 km west of Cranbrook. Water has not been proven here. It affords a very good view of the mountains. This is agricultural / country residential property.

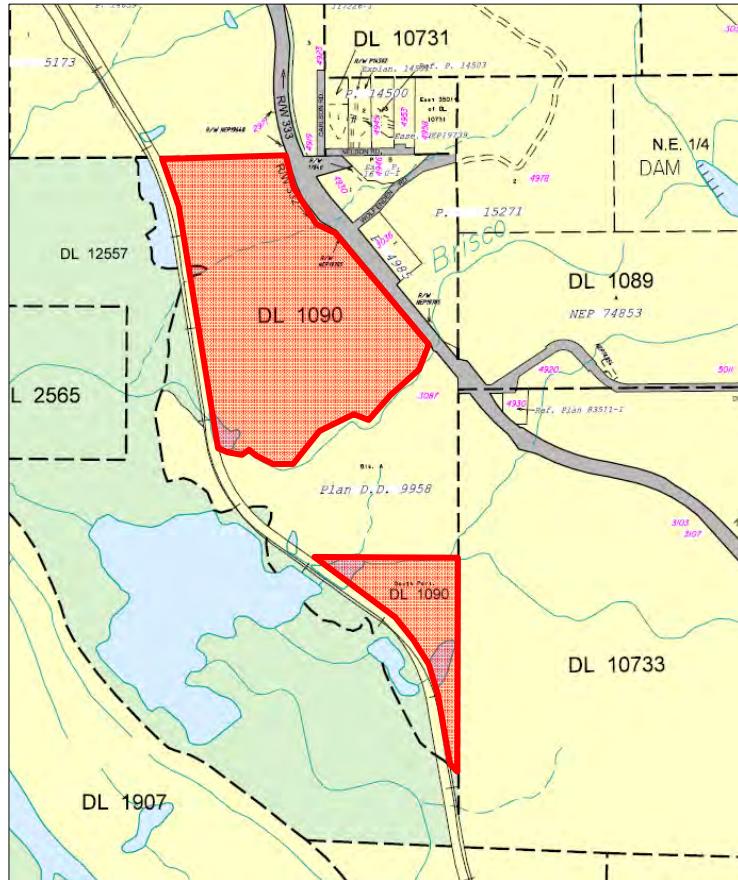
This property was listed for sale on October 12, 2007 for \$589,000, and was re-listed on April 7, 2008 for \$599,000, where it remained until it sold.



**Sale No. 22**

**LOCATION** DL 1090 Highway 95, near Brisco  
**LEGAL DESCRIPTION** District Lot 1090 Kootenay District Except (1) Parcel A (see DD9958)  
(2) Parcel B (see 166501) (3) Parts included in Plans 4985, 9562 and  
15271 and (4) Part Included in R/W Plan 1154  
**DATE OF SALE** July 30, 2009  
**CONSIDERATION** \$340,000  
**IMPROVEMENTS** nil  
**BARE LAND VALUE** \$340,000  
**SIZE** 106.3 acres  
**BARE LAND \$/ACRE** \$3,198/acre  
**ZONING** A-2 (Rural Resource)  
**ALR STATUS** in  
**REMARKS** This farmland is located about 15 km north of Edgewater just south of Brisco, or 25 km north of Radium Hot Springs. It is comprised of two distinct parcels that are separated by another large parcel. The larger, 89± acre part is bound on the east side by Highway 95 and on the west side by the CP Railway tracks. The smaller area is landlocked, but has easement access, and is also bound along the west side by the railway tracks. This rolling land rises eastward about 30 m to the highway. The larger part is mostly open, and about 45 acres is irrigated hay land. The smaller part is forested and has more severe terrain. This land is quite aesthetically desirable, with excellent views of the surrounding mountains and the river valley.

This property was listed on May 1, 2008 for \$599,000, but was reduced on September 16, 2008 to \$449,000, then again on February 19, 2009 to \$399,000, where it remained until it sold.



The sales are summarized in the following table, arranged according to size.

Sale No.	Sale Date	Zone / ALR	Size (acres)	Sale Price (Bare Land)		Remarks
				(\$)	(\$/acre)	
3	05/12	A-1 / mostly in	1,247.8	\$1,450,000	\$1,162	rolling forest 10 km west of Radium Hot Springs, bound by two creeks; extensive country residential
1	08/12	A-1 / mostly in	690.9	\$2,100,000	\$3,040	assemblage of Sale Nos. 1a and 1b, which sold to a single purchaser on the same day
1a	08/12	A-1 / mostly in	625.1	\$1,700,000	\$2,719	rugged to gentle forest and grass pasture and irrigated hay land above Columbia River 3 km north of Radium Hot Springs; historic ranch; sold with Sale No. 1b; extensive country residential and agricultural
18	06/10	RR-60 / in	470.0	\$3,250,000	\$6,915	flat open and forested pasture and irrigated hay land 4 km south of Skookumchuk; 4+ km frontage on Kootenay River; agricultural
7	06/11	A-1 / in	375.6	\$1,400,000	\$3,727	rolling to flat forest and grass pasture and irrigated hay land at Canal Flats; on Kootenay River; extensive country residential and agricultural
11	03/11	A-2 / in	273.0	\$2,700,000	\$9,890	rolling to undulating forest and open pasture 10 km south of Fairmont Hot Springs; on Dutch Creek and Columbia Lake; extensive country residential and agricultural
17	04/10	RR-60 / mostly out	241.6	\$550,000	\$2,276	gentle to rugged open and forested pasture with extensive frontage on Lussier and Kootenay Rivers at Skookumchuk; extensive country residential
5	08/12	RR-60 / in	227.6	\$750,000	\$3,295	gentle forest and grass pasture 15 km southeast of Kimberley; 1.5 km of river frontage; extensive country residential and agricultural
4	12/11	A-2 / in	213.1	\$450,000	\$2,112	rolling forest and open pasture 5 km southeast of Invermere; landlocked and no services available; extensive country residential
16	05/10	not zoned / out	165.0	\$660,000	\$4,000	gently rolling forest and pasture 25 km northwest of Golden; extensive country residential and agricultural
9	04/11	A-2 / in	160.0	\$629,464	\$3,934	rolling forest in gated ranch community 5 km north of Radium Hot Springs; extensive country residential

2	05/12	RR-60 / out	154.0	\$280,000	\$1,818	isolated rugged forest on Skookumchuk Creek 8 km west of Skookumchuk; extensive country residential
19	12/09	not zoned / out	153.8	\$775,000	\$5,039	gently rolling forest 30 km northwest of Golden; extensive country residential
21	08/09	RR-60 / in	132.5	\$575,000	\$4,340	undulating grass pasture 13 km northwest of Cranbrook; rural services; extensive country residential and agricultural
14	09/10	A-1 / in	111.2	\$575,000	\$5,171	rolling forest and open land 32 km east of Radium Hot Springs; 1.8 km of Kootenay River frontage; extensive country residential
22	08/09	A-2 / in	106.3	\$340,000	\$3,196	rolling pasture and hilly forest 25 km north of Radium Hot Springs; partly irrigated; two areas severed by another parcel; agricultural and extensive country residential
12	02/11	RES-1 / in	103.5	\$2,000,000	\$19,324	flat forest and grass pasture land 2 km south of Fairmont Hot Springs; extensive country residential and agricultural with potential for residential resort development
8	05/11	RR-60 / in	82.1	\$595,000	\$7,247	rolling forest and open pasture 8 km northwest of Cranbrook; extensive country residential and agricultural
10	07/11	not zoned / out	81.4	\$500,000	\$6,143	forested hillside 7 km northwest of Parson; extensive country residential
6	06/12	RR-60 / in	81.0	\$425,000	\$5,247	rolling grassland and forest 30 km east of Cranbrook near Wardner; extensive country residential and agricultural
13	11/10	RR-60 / in	80.0	\$415,000	\$5,188	gently rolling forest 16 km northwest of Cranbrook; long access easement; no services; extensive country residential
15	05/10	A-2 / in	80.0	\$765,000	\$9,563	rolling forest in gated ranch community 5 km north of Radium Hot Springs; extensive country residential
20	11/09	not zoned / out	69.0	\$420,000	\$6,087	gently sloping forest on Blaeberry Creek 20 km northwest of Golden; extensive country residential
1b	08/12	A-2 / in	65.8	\$400,000	\$6,079	rolling forest in gated ranch community 5 km north of Radium Hot Springs; sold with Sale No. 1a; extensive country residential

There is a distinct lack of consistency in the descriptions, highest and best uses, and indicated values among these comparable properties. They are located near several different communities, and they are subject to unique market forces, but with no recent sales of very large parcels that exhibit a potential that is similar to the subject property, it was necessary to extend the search, and use less comparable properties. Their sizes range widely, they vary greatly in terms of general desirability, and their land use potentials range widely. Ideally, the comparable properties would all provide an indication of values of large parcels that had (or were perceived to have had) potential for intensive development when they sold, but several that had essentially no such potential then (or in the foreseeable future) are included in an effort to bracket the subject property in terms of utility and value.

In such poorly defined real estate markets where there are relatively few transactions in any given year, it is not unusual to find parts of the analysis conflicting with other parts. It follows that the data that prevails and follows consistent logic must be accorded the greatest weight, and with the data intentionally selected to bracket the subject property, it is reasonable to believe that the value of the subject property is well within the range of values shown, once differences between the comparable properties and the subject property, such as date of sale, location, parcel size, zoning, topography, aesthetics, and access and services, are accounted for.

When the market data adequately supports the derivation of adjustment factors that can be used to render the comparable properties more similar to the subject property, it is appropriate to extract those factors directly from that data, and then apply them to the sale prices of the comparable properties. However, in poorly defined markets it is often not possible to extract reliable quantified adjustment factors directly from the market. It would be misleading to state, or even imply, that adjustment factors are supported by market records if those records cannot be produced, so if adjustments are applied that are based on supposition instead of facts, it is appropriate to disclose the basis for their derivation. Adjustment factors that are based on "experience" or "observation" imply that hard data and its analysis exists in the appraiser's files, so it would be reasonable to expect that the appraiser can produce that supporting data and analysis.

Since specific adjustment factors cannot be supported in this analysis, it is appropriate to employ logic and sound reasoning, with direct reference to the indicated sale prices on a \$/acre basis. Even when there is an abundance of data available, there is no substitute for sound judgement and that can only be made though familiarity with the market, but in situations where there is little data available, even more judgement is required. Anecdotal and hearsay information, which can not be verified, can have a greater influence, but care must be taken to consider the source and gauge the reliability, and to ensure the information is impartial. Furthermore, privacy laws prohibit use of information that is provided in confidence, and even when it cannot be documented, it can still influence the appraiser's opinion.

Analyses of the change of market values over time have been performed through an examination of sales (of any type of property other than commercial or industrial property) that have sold at least twice since 2005. The rates of change show great variation, but it is clear that values were increasing at a significant rate while the market was strong during the few years that preceded the recession, then they flattened off, declined slowly for a few years, and they now appear to be flattening off again, though there is great inconsistency in the data throughout this period. Given the changing market conditions, the data employed in this appraisal is restricted to sales that occurred from 2009 onward. Dated sales become less valid as the time interval lengthens, but they can still be used as a guide to their value once changing values are acknowledged.

The comparable properties employed here clearly differ in many respects, and some have much greater potential and provide much higher utility than the others do. The sale prices show a very wide range of total values of between \$280,000 and \$3,250,000, and on a unit value basis they range between \$1,162/acre and \$19,324/acre. These wide ranges come as no surprise given the great differences in their sizes alone, at between 65.8 acre and 1,247.8 acres. The data shows \$/acre values increasing as total size decline, but the trends are far from perfect, so there are obviously other factors influencing their values – not to mention the fact that this market is poorly defined.

It is noted that the vast majority of the unit values are found between \$2,719/acre and \$9,890/acre, but only one exceeds that range, while five are lower. The mean \$/acre value works out to \$5,205/acre, and the mid point is \$10,243/acre, though the mean and mid point change greatly if the lowest and highest values are disqualified, reducing them to a mean of \$4,711/acre and a midpoint of \$5,691/acre. These last couple of calculations demonstrate the importance of looking to prevailing values, as a single sale price that is inconsistent with the others can skew the analysis greatly.

In performing this analysis, a liberal use of sound logic and reasoning will help to determine the direction that an adjustment would be applied, depending on whether the specific factor addressed is likely to enhance or impair utility (and value). For instance, there is an inverse relationship between parcel size and \$/acre value; as total size increases total value also increases, but \$/acre value tends to decline, all other factors being equal. Logic dictates that “larger and more” is almost always preferable to “smaller and less”. There is also a direct relationship between total and \$/acre value for some features that influence the desirability of a site, such as the general location or aesthetics, so the total value and unit value increase or decrease in unison for some factors. As such, each factor may have a positive or a negative impact on value, depending on whether it is the total value that is addressed or the unit value.

However, all other factors being equal, the incremental utility of each additional unit of area (be it building or land area) progressively diminishes, as does the incremental value (in keeping with the laws of diminishing marginal returns). So, as incremental utility of each additional unit of utility progressively diminishes, so does the marginal change to unit value and total value.

The comparative analysis of each comparable property is presented in a table that shows the qualitative adjustments that can be applied to the unit values to render the comparable properties more similar to the subject. The opinions of whether a feature of the comparable property is superior, inferior, or similar to the same feature on the subject property and respectively represented by a negative (“-”), a positive (“+”), or a nil (“ ”) adjustment to demonstrate the logical direction that the adjustments under the various factors would change the comparable property \$/acre value, without regard to the magnitude of the adjustment.

Some factors have a much greater influence on value than others. For instance, the date of sale may be so far back in time, the total size difference may be so great, or the desirability of the general location may be so great that they completely overwhelm the other adjustments. Furthermore, some factors have a cumulative impact while others offset one another, and the total or cumulative impact does not necessarily equal the sum of the parts (the “positives”, “negatives” and “nils”). In any case, no single sale is relied on exclusively as the basis for the estimate of value of the subject property, and some sales have more influence than others. The qualitative analyses of the comparable property sales data are presented in the following table, arranged according to size.

Qualitative Adjustments to the Comparable Property Sales								
Sale No.	Sale Price (\$/acre)	Direction of Adjustments						
		Date of Sale	Size	General Location	Aesthetics	Topo-graphy	Access & Services	Dev'ment Potential <sup>2</sup>
3	\$1,162		+			-	+	+
1	\$3,040		+	-	-		+	+
1a	\$2,719		+	-	-		+	+
18	\$6,915	-				-	+	-
7	\$3,727	-		+		-	+	+
11	\$9,890	-	-	-	-	-	+	-
17	\$2,276	-	-	+	-		+	+
5	\$3,295	-	-	-	-	-	+	+
4	\$2,112	-	-				+	+
16	\$4,000	-	-	+	+	-	+	-
9	\$3,934	-	-	-			+	+
2	\$1,818		-	+		+	+	+
19	\$5,039	-	-	+		-	+	+
21	\$4,340	-	-			-	+	+
14	\$5,171	-	-	+	-		+	-
22	\$3,196	-	-	+			+	-
12	\$19,324	-	-	-		-	-	-
8	\$7,247	-	-	-		-	+	-
10	\$6,143	-	-	+			+	-
6	\$5,247	-	-		+	-	+	-
13	\$5,188	-	-			-	+	-
15	\$9,563	-	-	-			+	-
20	\$6,087	-	-	+	-	-	+	-
1b	\$6,079		-	-			+	-

There is clearly incongruity among the data, with the indicated values of some of these properties quite inconsistent with the values of others. Some of the higher values require positive net adjustments, while some of the lower ones require negative net adjustments, but this is not unusual in this poorly defined market. There is little doubt that undue motivation and a lack of market knowledge on the part of either the purchaser or the vendor contributed to the variation, and while they cannot be adjusted for, they are acknowledged when they are apparent. In any case, variability in virtually any real estate market must be acknowledged, so the data that conforms to prevailing information, and that appears to make the most sense must be accorded the greatest weight.

<sup>2</sup> It is worth noting that the development potential (and for that matter, all of the other factors) of the comparable properties is considered as of the time that the property was purchased, which differs greatly from the current potential in some cases.

The comparable properties employed are intended to bracket the subject property in terms of its various value influencing characteristics. The subject property is neither inferior overall nor superior overall, nor is it most similar to any particular comparable properties. Furthermore, no single comparable property is considered a measurably more reliable as an indicator of its own value than any of the others. As such, the value of the subject property must be well within the range.

The adjustment table is now rearranged according to value, from highest to lowest.

Qualitative Adjustments to the Comparable Property Sales								
Sale No.	Sale Price (\$/acre)	Direction of Adjustments						
		Date of Sale	Size	General Location	Aesthetics	Topo-graphy	Access & Services	Dev'ment Potential
12	\$19,324	-	-	-		-	-	-
11	\$9,890	-	-	-	-	-	+	-
15	\$9,563	-	-	-			+	+
8	\$7,247	-	-	-		-	+	+
18	\$6,915	-				-		+
10	\$6,143	-	-	+			+	+
20	\$6,087	-	-	+	-	-	+	+
1b	\$6,079	-	-	-				+
6	\$5,247	-	-		+	-	+	+
13	\$5,188	-	-			-	+	+
14	\$5,171	-	-	+	-		+	+
19	\$5,039	-	-	+		-	+	+
21	\$4,340	-	-			-	+	+
16	\$4,000	-	-	+	+	-		+
9	\$3,934	-	-	-			+	+
7	\$3,727	-		+		-		+
5	\$3,295	-	-	-	-	-	+	+
22	\$3,196	-	-	+			+	+
1	\$3,040	+	-	-				+
1a	\$2,719	+	-	-				+
17	\$2,276	-	-	+	-			+
4	\$2,112	-	-				+	+
2	\$1,818	-	-	+		+	+	+
3	\$1,162		+			-	+	+

There is inconsistency among the indicated net adjustments for the sales that range between \$5,171/acre and \$3,040/acre. Beyond that range, the net adjustments are consistently either positive or negative. An equal number of comparable properties that consistently required positive or negative net adjustments are highlighted in grey.

The net adjustments of the comparable properties that are highlighted in grey generally support a maximum value of about \$6,100/acre, but they even suggest the value is lower than about \$4,000/acre. They also support a minimum value of about \$1,200/acre, but probably higher than about \$3,500/acre, so this part of the analysis suggests a range of between \$3,500 and \$4,000/acre. The others (which are not highlighted, support a maximum of about \$19,300/acre, but probably lower than \$6,100/acre. The range between \$3,500/acre and \$4,000/acre might seem apparent, but given the potential for the value to be much higher or much lower calls for some additional analysis.

The comparable properties that are italicised bracket the subject size between 213.1 acres and 690.9 acres. They suggest values of between \$2,112/acre and \$9,890/acre. The majority of those eight sales support values of below \$3,727/acre, which correspond well with the middle of the range that is shown by those that are highlighted in grey. In any case, it must still be noted that these are face values, so they are higher than they would be if negative time adjustments were actually performed.

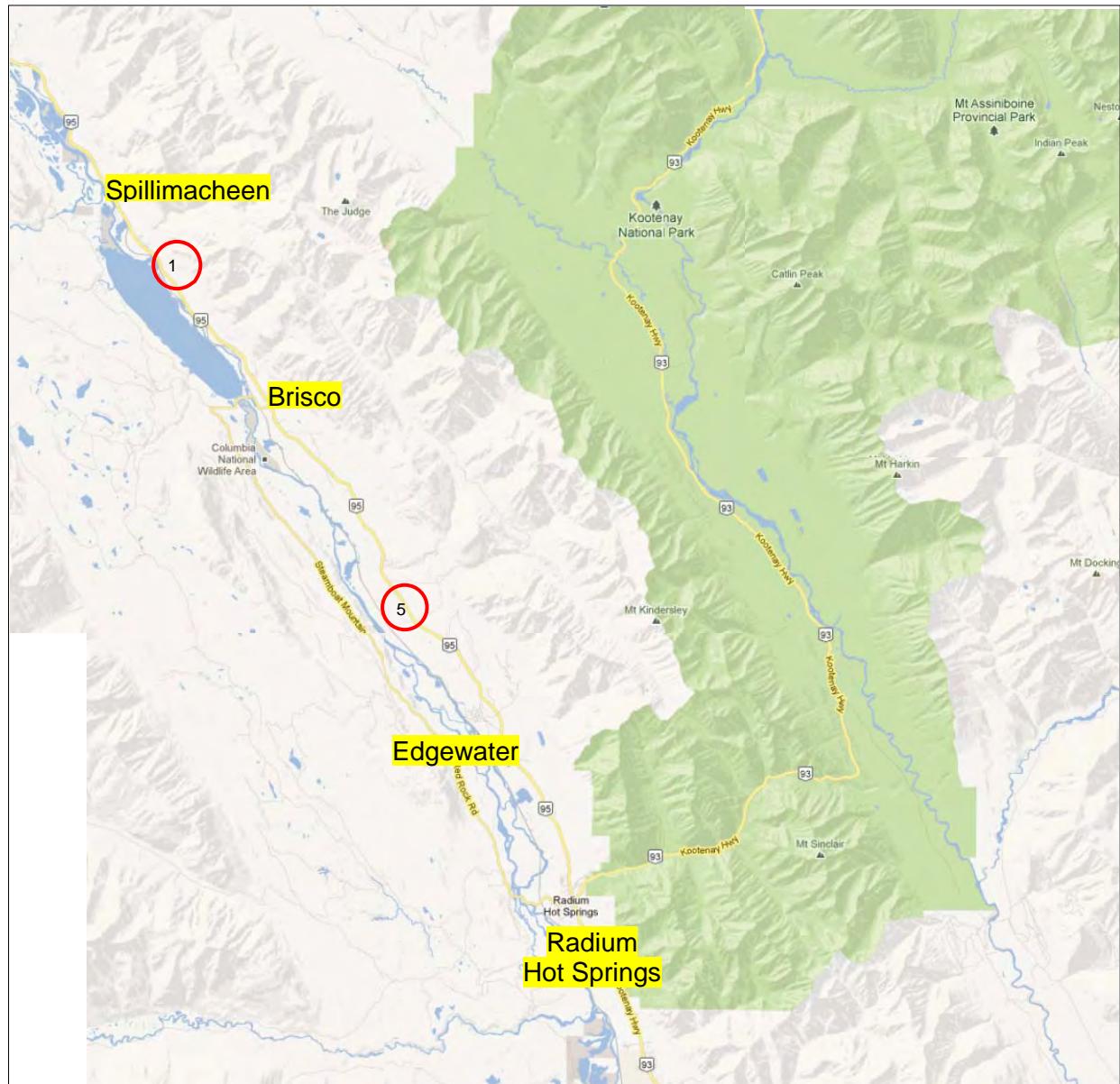
Clearly, the sale price of Sale No. 12, at \$19,324/acre, is inconsistent with any of the others. However, it is also the only comparable property that has a demonstrated potential for some type of subdivision development. It should be noted that the purchaser of this property was highly motivated, having searched for several years for land that offered the unique characteristic required to develop the water-ski park as envisioned. Right or wrong, the purchaser viewed the potential for its development as imminent, which is not shared with any other known developers in this market area, and which is confirmed by the absence of any other sales of potential development property. This comparable property is not considered to be representative of the market and its purchase is not believed to have been a prudent action, so it must be used cautiously. However, it is not dismissed outright, and some additional market information is required to determine whether the price paid to acknowledge the development potential suggested by No. 12 has any merit.

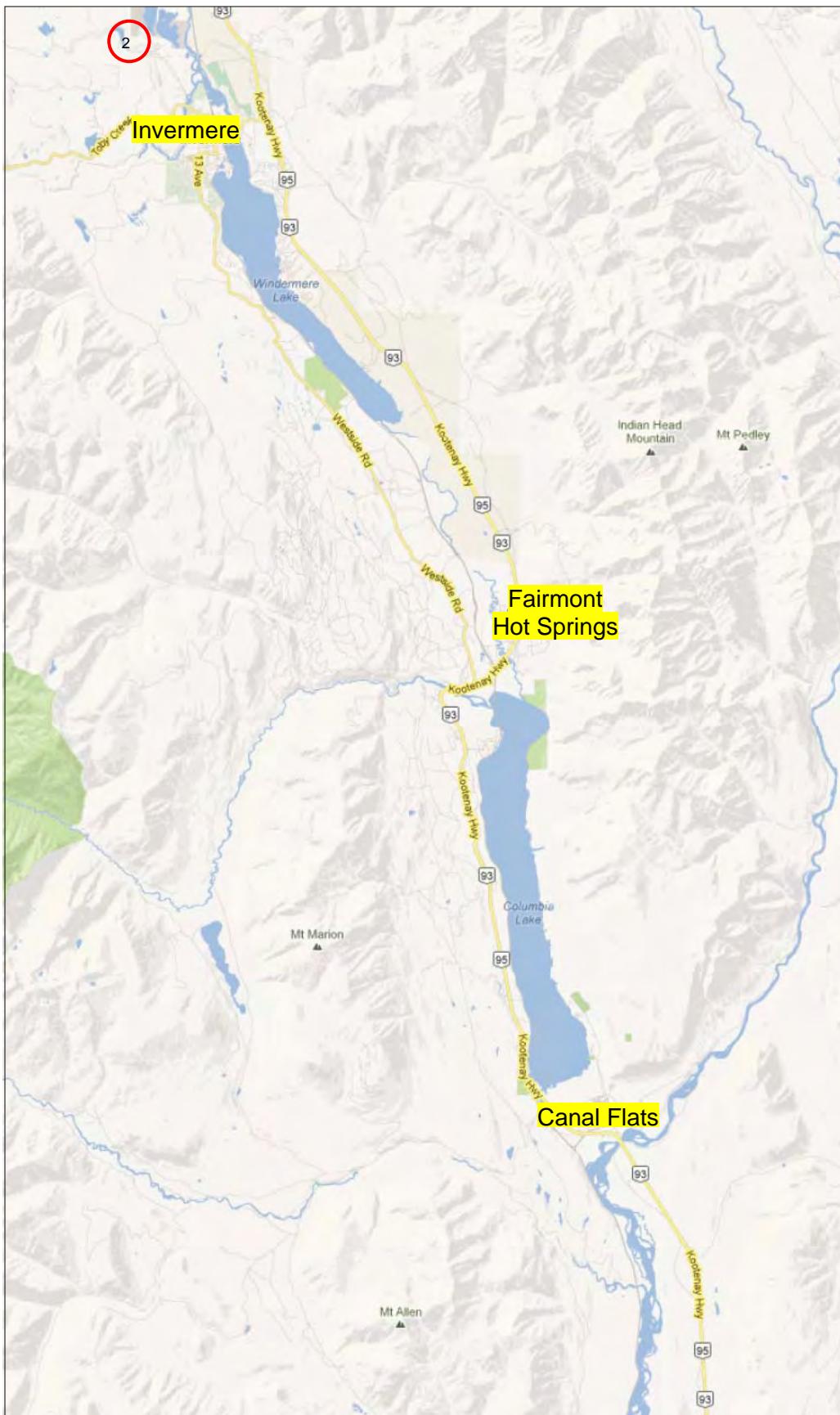
While there are no ideal potential development property sales for this analysis, there are several active listings for development property, many of which have been listed over an extensive listing period, and while many were initially listed with much higher prices than their current list price, the list prices of some have actually been increased (contrary to logic). As such, some of the listings are explored, to determine whether listings with development potential and listings without such potential are in keeping with the sales data shown earlier. It must be noted, however, that a listing only represents a vendor's desired sale prices, and list prices can generally be considered to exceed the price that purchasers will pay, so until the property actually sells, its value remains uncertain. Since list prices tend to exceed sale prices, they only serve as a guide to the highest price that a prudent purchaser would pay, and as such, they can provide a guide to the high end of the range of values that should be contemplated (once the other factors that influence value are accounted for). The active listings that are employed are described as follows.

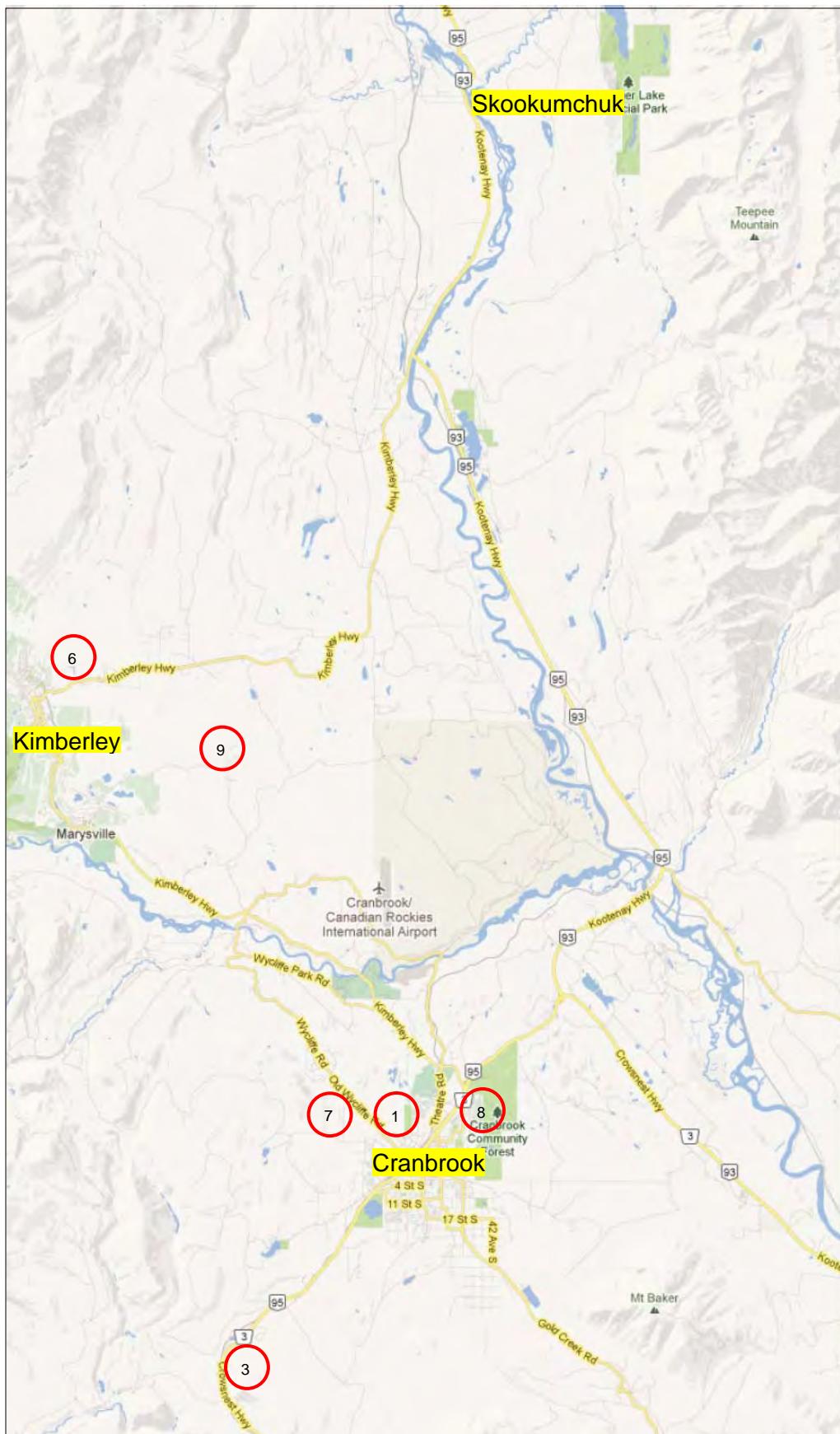
The maps on the following pages show the location of all of the comparable property listings that are employed in this analysis. The descriptions and base maps for each property follow on subsequent pages.

### Comparable Property Listings Maps







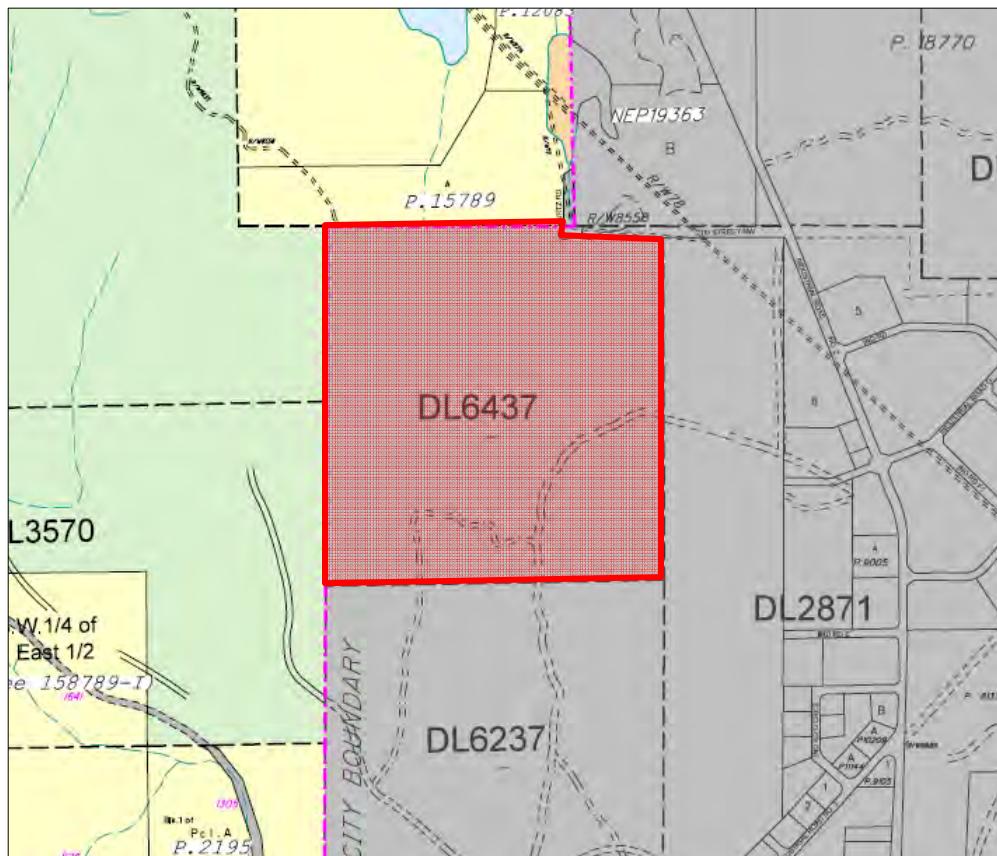


**Active Listing No. 1**

**LOCATION** Echo Field Road, Wildstone, Cranbrook  
**LEGAL DESCRIPTION** District Lot 6437 Kootenay District Except Part Included in Plan 15789  
**DATE OF LISTING** February 4, 2010  
**BARE LAND PRICE** \$1,020,000  
**SIZE** 161.6 acres  
**\$/ACRE (Bare Land)** \$6,383/acre  
**ZONING** UH-R: Urban Holding Residential Zone  
**REMARKS** This is future residential development land is part of Wildstone, a new master planned resort community on over 900 acres that was originally designed to accommodate 2,757 dwelling units and two new golf courses on the north side of the city. While a couple of the residential neighbourhoods are now completed and one of the golf courses is operating, the developer has been unable to proceed with development as planned. Some of the partners who were contributing land have withdrawn their land from the project, and some of the development sites have been put up for sale, including the subject property. Regardless of ownership, any development of lands that were originally part of Wildstone must still be compatible with the Official Community Plan (OCP) and Zoning Bylaw.

This parcel is one of the larger later phase development parcels scheduled for development, with a mix of residential uses and part of the second golf course, along with the quarter section to the south. No development has been initiated on it. It is mostly rolling forested hillside. While the feasibility of its development is believed to be long term, it has characteristics that render it very desirable in the extensive country residential market as an interim use.

This property was listed for sale on January 9, 2013 for \$3,000,000, where it remains. The neighbouring 159.8 acre property to the south is also part of the Wildstone lands and is for sale for the same price.

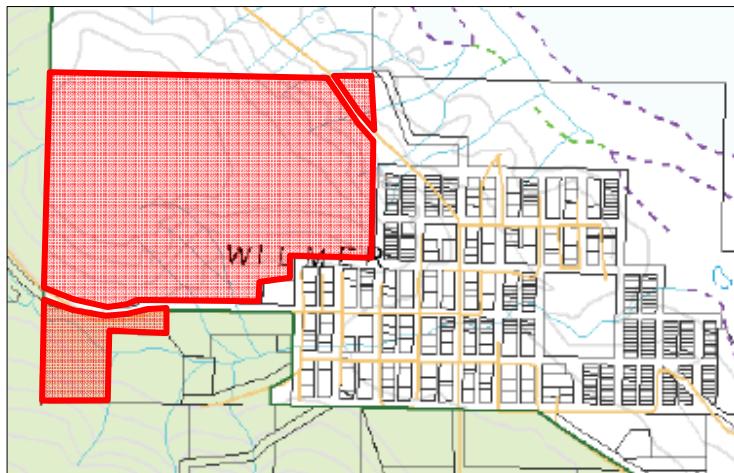


**Active Listing No. 2**

**LOCATION** SL 12, near Wilmer  
**LEGAL DESCRIPTION** Sublot 12 District Lot 377 Kootenay District Plan X15 Except (1) Part Included In Plan 692A, (2) Parcel A (Explanatory Plan 16601D), (3) Parcel A (See 7949I), (4) Parcel B (Reference Plan 5056I), (5) Parcel C (Explanatory Plan 12645I), (6) Parcel D (See 12645I), (7) Plan NEP71138, (8) Plan EPP5920, (9) Plan EPP9406  
**DATE OF LISTING** February 2, 2013  
**LIST PRICE** \$1,399,000  
**IMPROVEMENTS** nil  
**BARE LAND PRICE** \$1,399,000  
**SIZE** 116.5 acres  
**BARE LAND \$/ACRE** \$12,009/acre  
**ZONING** A-2 (Rural Resource) ( $91\pm$  acres); R-1 (Single Family Residential) ( $15\pm$  acres); SH-3 (Small Holding Rural) ( $10\pm$  acres); W-1 (Watershed Protection) ( $10\pm$  acres)  
**ALR STATUS** mostly out (all but 10 acres)  
**REMARKS** This land is a vacant, partly forested hill that is situated on the northwest side of Wilmer. It is severed by two roads, with some 104.12 acres north of Horse Thief Road and west of Westside Road, about 2.22 acres east of Westside Road, and 10.19 acres south of Horse Thief Road. The area north of Horse Thief Road rises to a  $45\pm$  acre plateau. A  $15\pm$  acre subdivision is planned on the gentler south slope immediately north of the road, and the plateau is also being considered for its development potential. The area south of Horse Thief Road descends gently to an intermittent creek, then rises steeply southward. The small area east of Westside Road is a steep northeast slope. The plateau, and the north and east slopes are mostly covered by forest, but the south slopes are mostly open. It affords outstanding views of the surrounding area.

There are hydro and communications services nearby, but there is no water and sewer service here. A water-well has been drilled on the  $10.19\pm$  acre area. Both roads are gravel here, but roads in Wilmer are paved. A steep, poor quality trail traverses the south slope to the plateau.

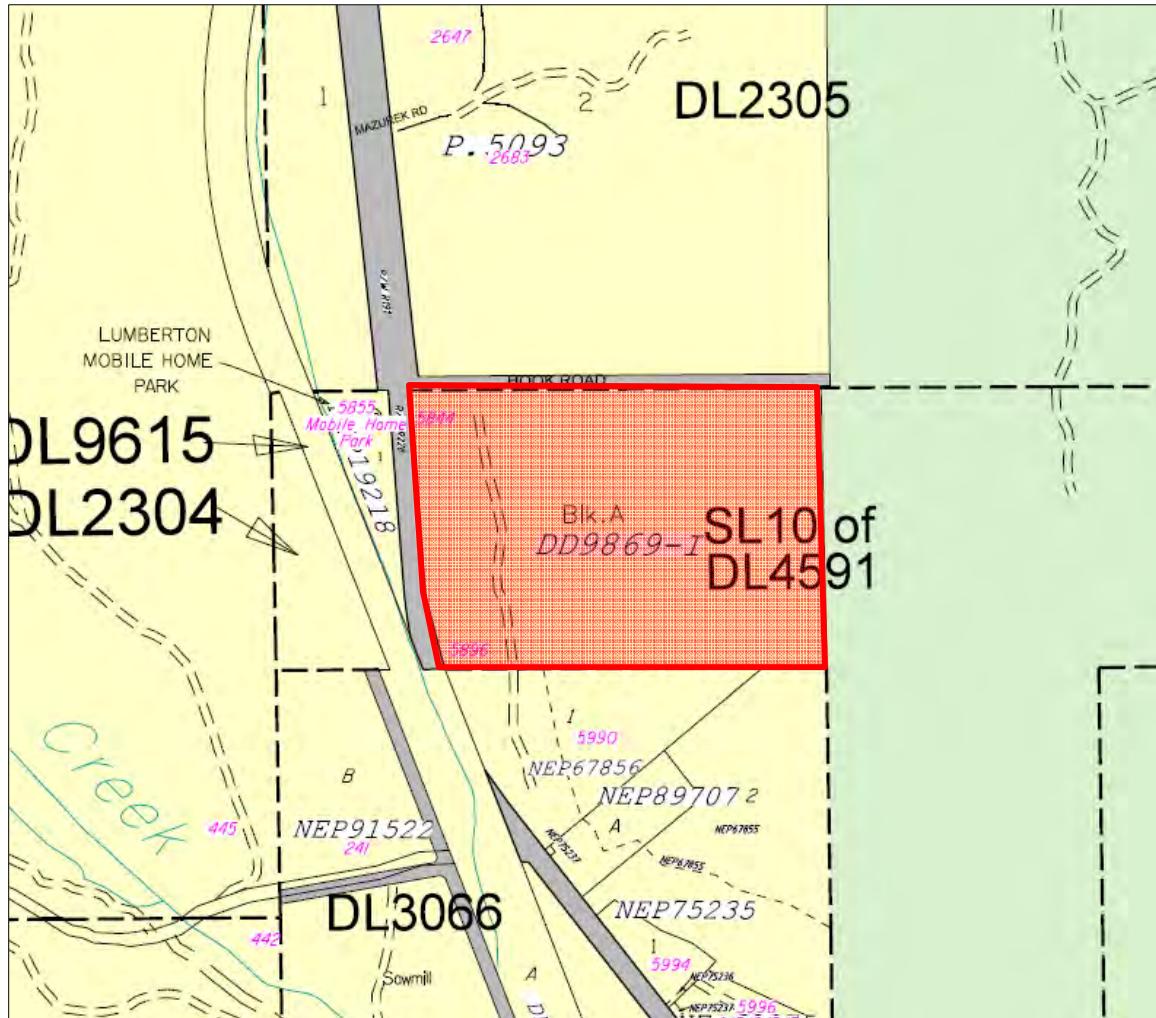
This property was listed between August 12, 2008 and September 30, 2009 for \$3,650,000, and was subsequently listed from June 24, 2010 to October 8, 2010 for \$2,790,000. It was relisted on May 16, 2011 for \$1,748,000, was reduced on June 23, 2011 to \$1,650,000, and was reduced again on August 11, 2011 to \$1,500,000, where it remained until October 15, 2011. It was relisted on November 10, 2011 for \$1,499,000 and was reduced on November 14, 2012 for \$1,399,000 where it remains.



**Active Listing No. 3**

**LOCATION** 5844 Highway 3/95, near Cranbrook  
**LEGAL DESCRIPTION** SubLot 10 Block A Kootenay District Plan X29 District Lot 4591  
 Except Plan NEP19218  
**DATE OF LISTING** November 19, 2012  
**LIST PRICE** \$409,900  
**IMPROVEMENTS** \$50,000  
**BARE LAND VALUE** \$359,900  
**SIZE** 59.1 acres  
**BARE LAND \$/ACRE** \$6,090/acre  
**ZONING** RR-60  
**ALR STATUS** out  
**REMARKS** This is forested hillside located about 10 km south of Cranbrook. The improvements are comprised of a 30 year old double wide modular on a basement. Rural services are available.

This property was listed for \$409,900 on November 19, 2012, where it remains.

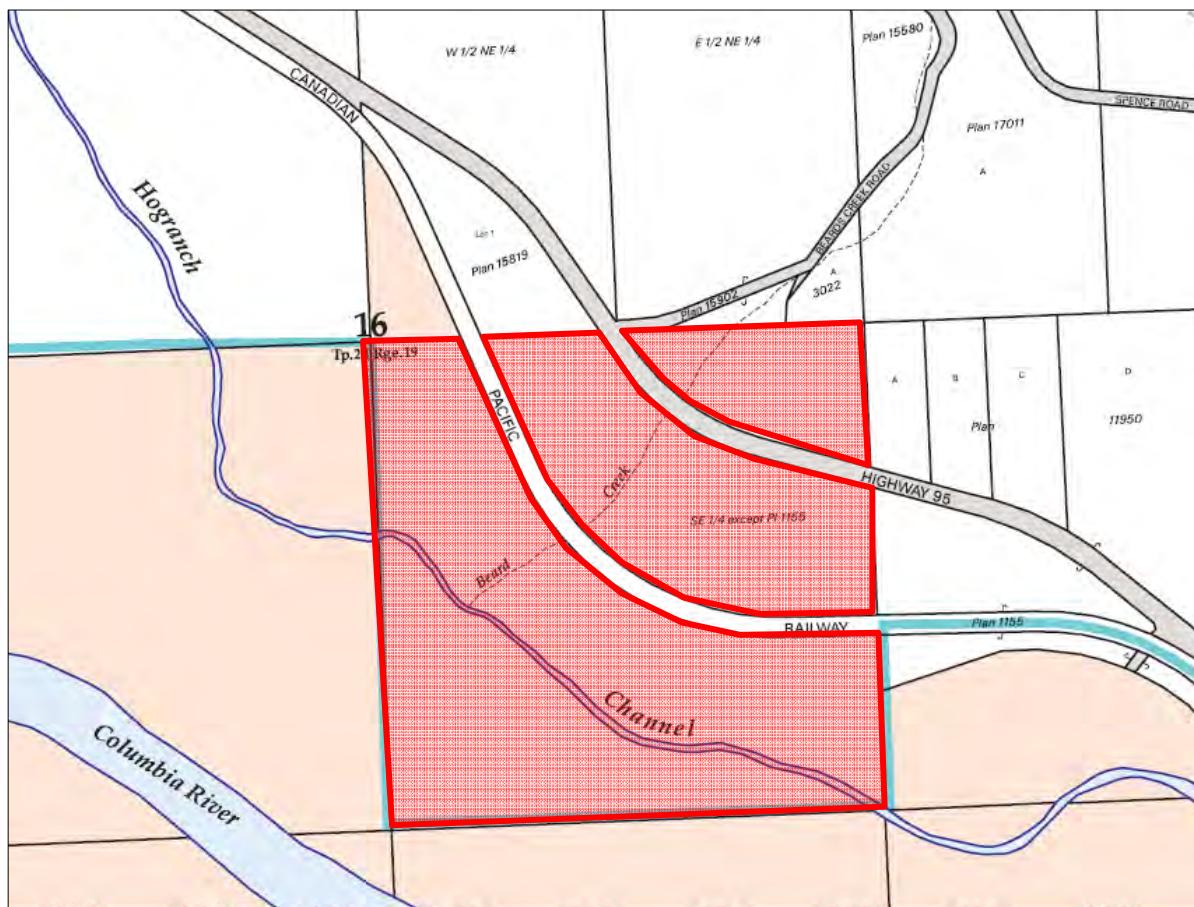


**Active Listing No. 4**

LOCATION 4057 Highway 95, near Parson  
 LEGAL DESCRIPTION SE $\frac{1}{4}$  16-24-19W5 Kootenay District  
 DATE OF LISTING October 8, 2012  
 LIST PRICE \$699,000  
 IMPROVEMENTS \$150,000  
 BARE LAND VALUE \$549,000  
 SIZE 143.2 acres  
 BARE LAND \$/ACRE \$3,834/acre  
 ZONING nil  
 ALR STATUS in  
 REMARKS This is mostly gentle open pasture and hay land. It is located 10 km south of Parson, or 40 km south of Golden. It is severed by the highway and railway tracks and occupies part of the Columbia River wetlands. It has a gravity fed irrigation.

Improvements include a very old, 1,240 sf, four bedroom, one bathroom, two storey house set on a slab, and there are two large hay sheds and a machine shed. Rural services are available.

This property was listed for \$825,000 on June 13, 2011, was reduced to 799,000 on September 1, 2011, and expired on December 9, 2011. It was relisted between December 9, 2011 and March 9, 2012 and between April 3, 2012 and September 28, 2012 for \$750,000. It was relisted on October 8, 2012 for \$699,000, where it remains.

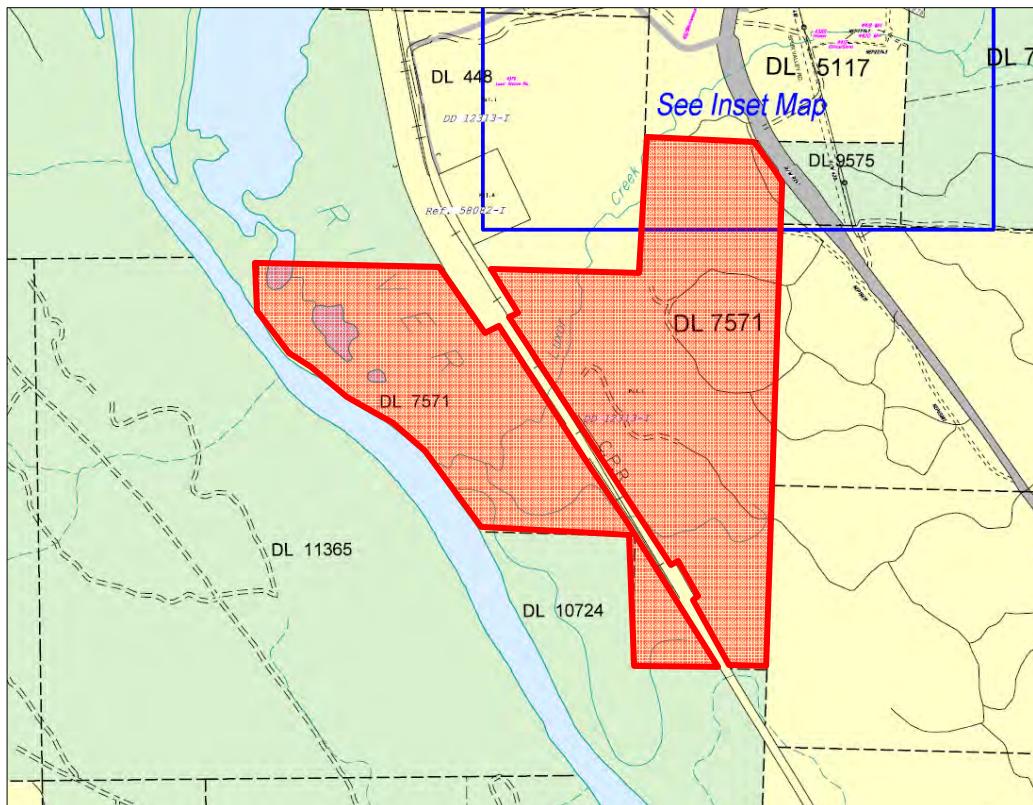


**Active Listing No. 5**

**LOCATION** DL 7571 Highway 95, near Radium Hot Springs  
**LEGAL DESCRIPTION** Parcel 1 District Lot 7571 (See 12313I) Kootenay District Plan  
**DATE OF LISTING** October 5, 2012  
**LIST PRICE** \$599,900  
**IMPROVEMENTS** \$50,000  
**BARE LAND PRICE** \$549,900  
**SIZE** 330.6 acres  
**BARE LAND \$/ACRE** \$1,663/acre  
**ZONING** A-2 (Rural Resource)  
**ALR STATUS** partly in  
**REMARKS** This land is just across the Luxor Creek Valley, south of the subject property. Almost half of this land is rolling forested bench land, and the other half is lowland along the wetlands, with a small area that is arable. The railway tracks cross the west side, severing off wetland. About half of this property is fairly high utility land. Access is available along an easement across the eastern neighbour.

A 24 ft x 32 ft steel Quonset was built on the property on 2012. It is the only improvement on the property

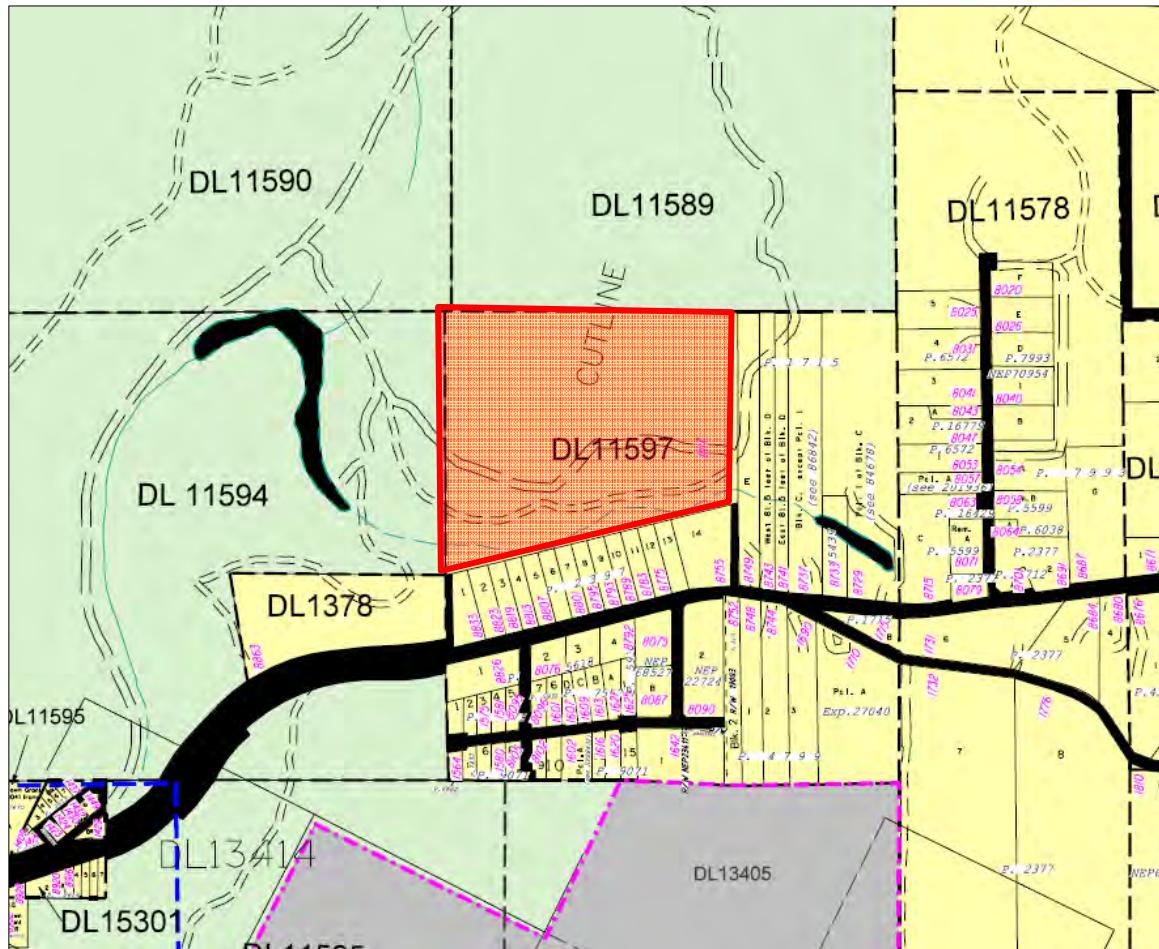
This property was listed from October 7, 2008 and October 27, 2008 for \$1,430,000, and was reduced to \$1,150,000 until March 6, 2009, when it was reduced to \$975,000, where it remained until expiring on May 31, 2009. It was relisted from July 22, 2009 to October 15, 2009 for \$899,000, and was relisted again on March 15, 2010 for 898,000 until April 28, 2010, when it was reduced to \$799,000, then reduced again on July 2, 2010 to \$750,000, then again on August 6, 2010 to \$699,000, and again on June 10, 2011 to \$649,000, until it expires on September 30, 2011. It was then relisted between January 30, 2012 and September 30, 2012 for \$639,000, and more recently it was listed on October 5, 2012 for \$599,900, where it remains.



**Active Listing No. 6**

**LOCATION** 8117 Kalitan Road, near Kimberley  
**LEGAL DESCRIPTION** District Lot 11597 Kootenay District Except Plan 2397  
**DATE OF LISTING** July 18, 2012  
**LIST PRICE** \$499,000  
**IMPROVEMENTS** \$125,000  
**BARE LAND VALUE** \$374,000  
**SIZE** 50.9 acres  
**BARE LAND \$/ACRE** \$7,348/acre  
**ZONING** RR-16 (Rural residential (Extensive)) and RR-2 (Rural Residential (Small Holding))  
**ALR STATUS** out  
**REMARKS** This property is about 2 km east of Kimberley. It is gentle forest and logged land, and is improved with a 17 year old modular home and 46' x 60' (metal frame) shop. Full services are available nearby. The eastern 5 to 10 acres is RR-2 land.

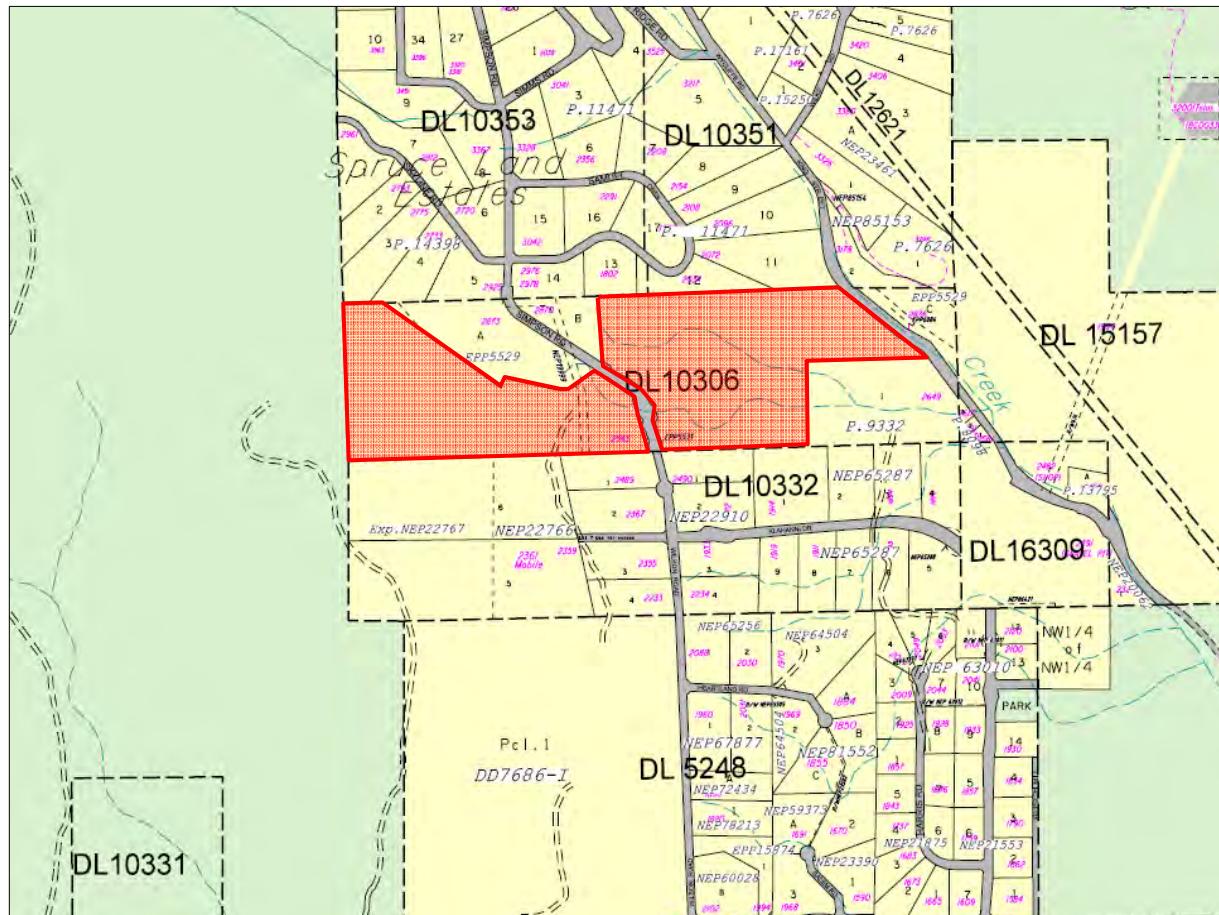
This property was first listed for \$1,400,000 from October 9, 2007 to May 30, 2008, then was re-listed for \$795,000 on April 19, 2010, was reduced to \$775,000 on July 19, 2010, then \$765,000 on July 28, 2010, and was reduced by another \$10,000 every seven days until it was at \$705,000 on September 7, 2010. It was then reduced again to \$695,000 on October 9, 2010, until it expired on April 30, 2011. It was re-listed on July 11, 2011 for \$590,000 until it expired on February 28, 2012, and was re-listed for \$619,000 on July 23, 2012, and reduced to its current list price on November 30, 2012.



**Active Listing No. 7**

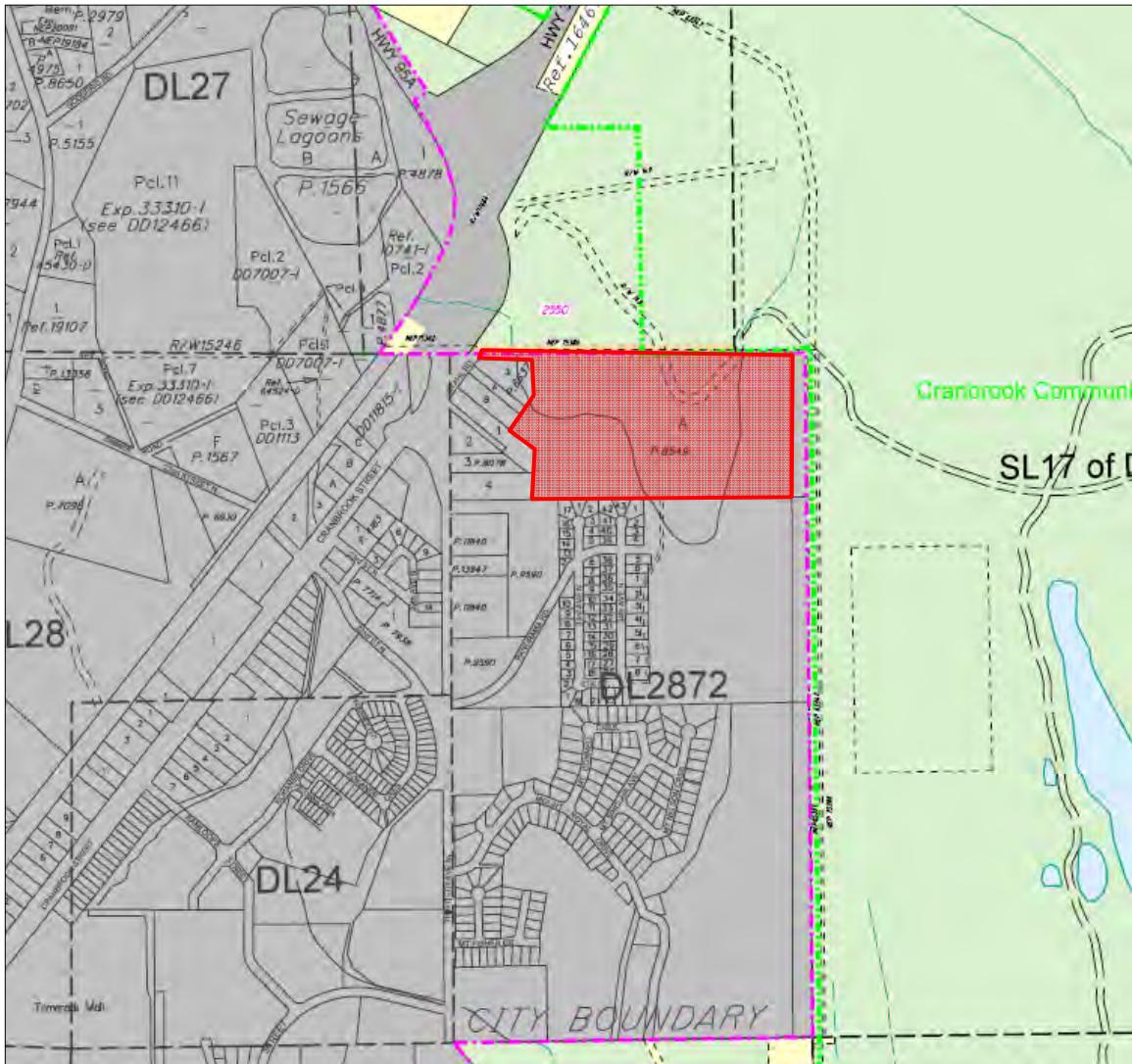
**LOCATION** 2543 Simpson Road, near Cranbrook  
**LEGAL DESCRIPTION** District Lot 10306 Kootenay District Except Plan 9332 and EPP5529  
**DATE OF LISTING** April 19, 2012  
**LIST PRICE** \$699,000  
**IMPROVEMENTS** nil  
**BARE LAND VALUE** \$699,000  
**SIZE** 96.0 acres  
**BARE LAND \$/ACRE** \$7,281/acre  
**ZONING** RR-2  
**ALR STATUS** out  
**REMARKS** This rolling forest is located about 4 km west of Cranbrook on Wycliffe Road. This area is predominated by small acreage (often about 5 acre) country residential properties. Rural services are available. The road that is shown on mapping is not developed on this property.

This property was listed for \$699,000 on April 19, 2012, where it remains.



**Active Listing No. 8**

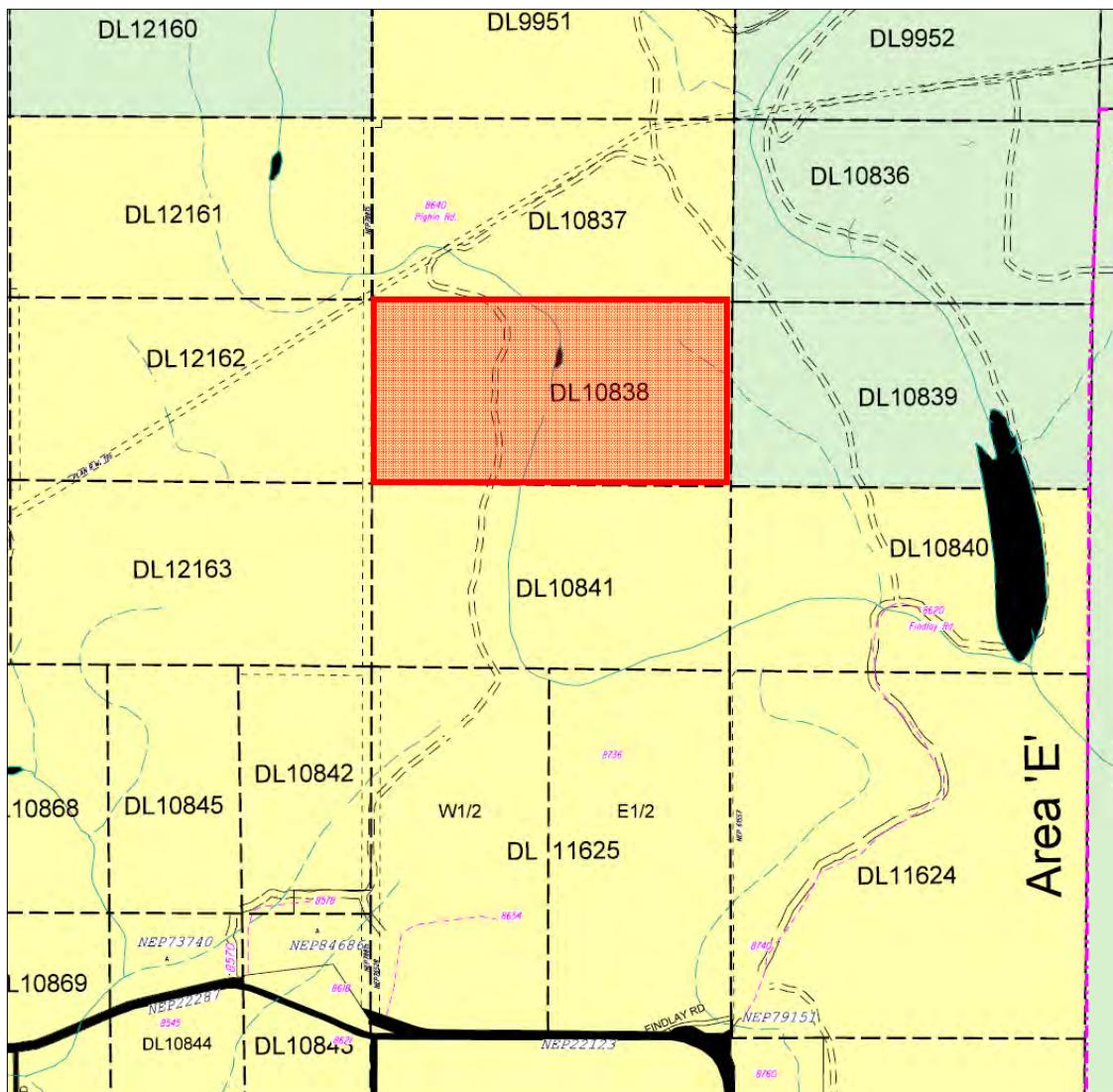
**LOCATION** Lot A 30 Avenue North, Cranbrook  
**LEGAL DESCRIPTION** Lot A Kootenay District Plan 8569 District Lot 2872  
**DATE OF LISTING** April 3, 2012  
**LIST PRICE** \$899,000  
**IMPROVEMENTS** nil  
**BARE LAND PRICE** \$899,000  
**SIZE** 46.5 acres  
**BARE LAND \$/ACRE** \$19,333/acre  
**ZONING** R-1 (Single Family Extended Residential)  
**ALR STATUS** out  
**REMARKS** This potential residential development land is located on the northeast corner of Cranbrook, on a forested hillside. Access and full services are available.  
 This property has been listed for \$899,000 since April 3, 2012.



**Active Listing No. 9**

LOCATION DL 10838 Pighin Road, near Kimberley  
 LEGAL DESCRIPTION District Lot 10838 Kootenay District  
 DATE OF SALE January 12, 2012  
 LIST PRICE \$459,000  
 IMPROVEMENTS nil  
 BARE LAND PRICE \$459,000  
 SIZE 79.8 acres  
 BARE LAND \$/ACRE \$5,752/acre  
 ZONING RR-60  
 ALR STATUS in  
 REMARKS This gently rolling forest and pasture is located about 15 km west of Cranbrook. It is situated about 1 km north of the pavement on Pighin Road along a fair quality gravel trail. The easement turns off Pighin Road about 8 km from Highway 95A. Hydro is available at the lot line. A well has yet to be drilled. This is country residential property.

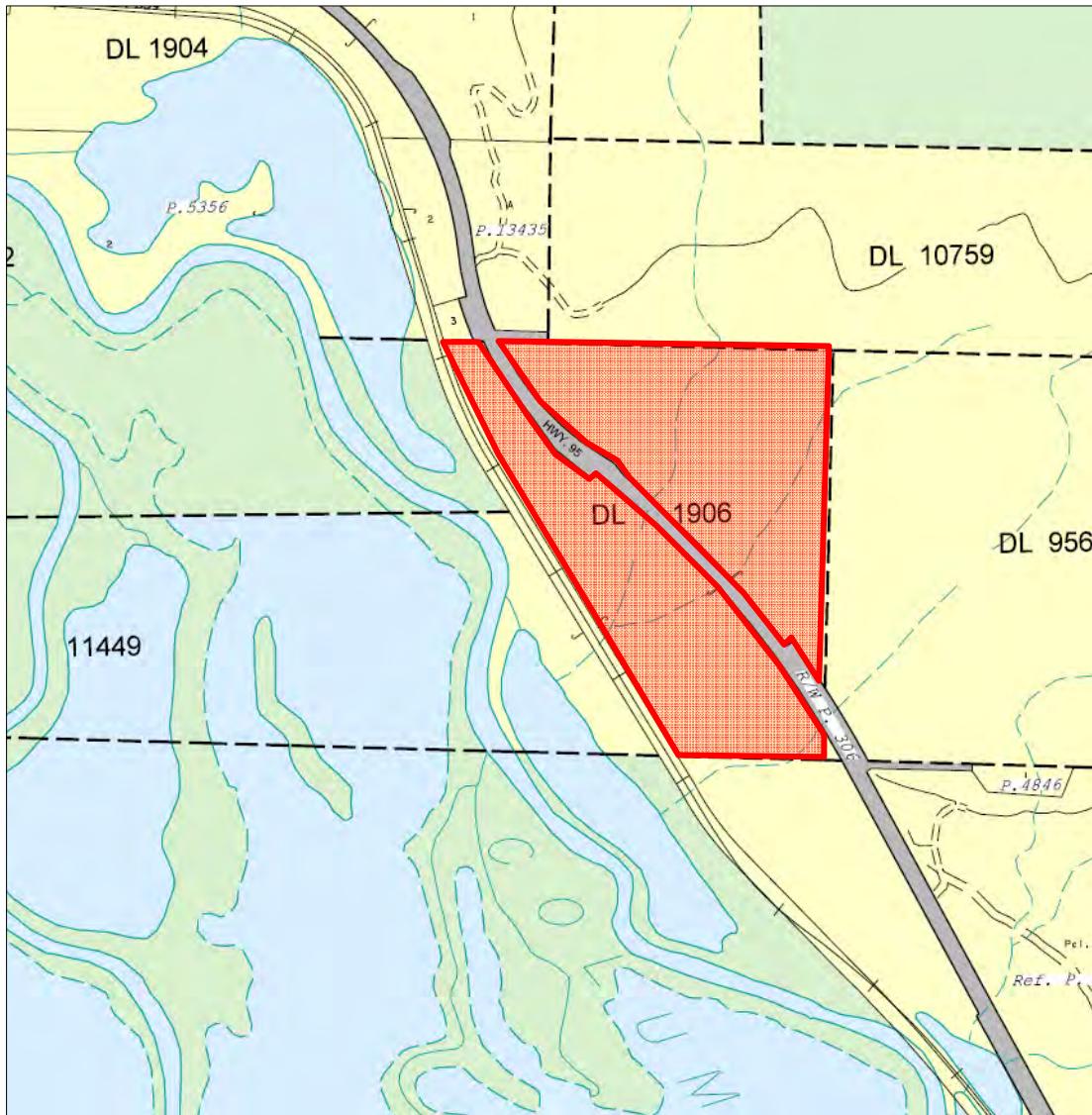
This property was listed for sale for \$499,000 on July 20, 2010 and was reduced to \$459,000 on June 17, 2011 before expiring on August 31, 2011. It was re-listed for \$459,000 on January 6, 2012, where it remains.



**Active Listing No. 10**

**LOCATION** DL 1906 Highway 95, near Spillimacheen  
**LEGAL DESCRIPTION** District 1906 Kootenay District Except Plan 1154 and 4846  
**DATE OF LISTING** April 13, 2011  
**LIST PRICE** \$475,000  
**IMPROVEMENTS** nil  
**BARE LAND VALUE** \$475,000  
**SIZE** 136.0 acres  
**BARE LAND \$/ACRE** \$3,493/acre  
**ZONING** A-2 (Rural Resource)  
**ALR STATUS** in  
**REMARKS** This property is located about 3 km south of Spillimacheen or 7 km north of Brisco, so about 35 km north of Radium Hot Springs. It is comprised of about 93 acres of hay land and the balance is a mix of forest and wetland. It is severed by the highway and the railway tracks.

This property was listed between April 13, 2011 and April 16, 2012 for \$499,000, and was reduced on September 7, 2012 to \$475,000, where it remains.



The comparable active listings are summarized in the following table.

Active Listing No.	List Date	Size (Acre)	List Price		Comments
			Total	\$ / Acre	
5	10/12	330.6	\$549,000	\$1,663	rolling forested bench land and low wetland just south of the subject; extensive country residential
1	01/13	161.6	\$3,000,000	\$18,564	rolling forested hills on northwest side of Cranbrook; part of Wildstone project; extensive country residential with medium to long term potential for intensive residential and golf course development
4	10/12	143.2	\$549,000	\$3,834	gentle open pasture and irrigable hay land 10 km south of Parson; agricultural and extensive country residential
10	04/11	136.0	\$475,000	\$3,493	mostly irrigable hay land with some forest 3 km south of Spillimacheen; agricultural and extensive country residential
2	02/13	116.5	\$1,399,000	\$12,009	forest and open hill at Wilmer, 5 km northwest of Invermere; extensive country residential with medium to long term potential for intensive residential development
7	04/12	96.0	\$699,000	\$7,281	rolling forest 4 km west of Cranbrook; extensive country residential
9	01/12	79.8	\$459,000	\$5,752	gently rolling forest 15 km northwest of Cranbrook; extensive country residential
3	11/12	59.1	\$359,000	\$6,090	rolling forest 10 km south of Cranbrook; extensive country residential
6	07/12	50.9	\$374,000	\$7,348	gentle forest and logged land 2 km northeast of Kimberley; extensive country residential
8	04/12	46.5	\$899,000	\$19,333	rolling forest in northeast Cranbrook; medium to long term potential for residential development holding

These listings differ greatly in many respects, and some have much greater potential and provide much higher utility than the others do, but they reflect the range of potentials shown for many of the comparable sales. Their list prices vary widely between \$359,000 and \$1,399,000 and between \$1,663/acre and \$19,333/acre. The mean \$/acre price works out to \$8,537/acre, and the mid point is \$12,543/acre. Just like the sales data, there are several reasons for the wide ranges shown. If the high and low end of the range are disqualified, the mean works out to \$8,046/acre and the midpoint is \$11,029/acre, so slightly lower.

Listing No. 1 is part of a failed (at least temporarily suspended) major residential golf course resort project in Cranbrook that is now being sold off piecemeal. Some of the development sites have sold, but mostly to the financiers of the project. It has an excellent location and is a very desirable parcel, and would suit development for an extensive country residential use until the market shows it ripe for development.

Listing No. 2 is the only rural property listing that has some demonstrated development potential, and while this land has some topographical limitations, it has a superior location and very superior aesthetics when compared to the subject property. This property has been listed for an extensive period without attracting a purchaser at \$12,009/acre. It is much lower than the sale price of Sale No. 12, at \$19,324/acre. This property basically sets the absolute ceiling on the values that should be considered for the subject at about \$12,000/acre.

Listing No. 8 is another urban development parcel in Cranbrook. Its list price of \$19,333/acre aligns very well with Sale No. 12, but it is believed to have a much higher value than that of Sale No. 12 or the subject. Urban lands tend to have much higher values than urban properties (unless they are very close in). Furthermore, Listing No. 8 is a much smaller parcel, which calls for a very large negative size adjustment.

Listing No. 5 almost neighbours the subject, but it is considered quite inferior overall, with a much higher percentage of very low utility land, and it does not have the development potential exhibited by the subject. It is listed at \$1,663/acre, which is close to the low end of the unit values shown by the confirmed sales. It has been listed at this price for almost five months, so it is probable that if any offers are made they will be considerably lower than \$1,663. Even if it were adjusted to double the list price to account for its smaller size, less high utility land, and inferior development potential, it would still be lower than the preliminary range of potential values (of between about \$3,500/acre and \$4,000/acre) that is supported in the preliminary analysis of the sales, and tripling it would put it just short of \$5,000.

Listing No 10 is also nearby, and it shows a considerably higher list price at \$3,493/acre, which aligns well with the low end of the range suggested by the earlier analysis. However, it is quite inferior to the subject, so it actually supports a considerably higher value for the subject.

Similarly, Listing No. 4, at \$3,834/acre, is also inferior, and supports a higher estimate.

Listing Nos. 7, 9, 3, and 6 are all near Cranbrook and Kimberley, but they demonstrate that the market tends to drive unit values upwards for smaller properties, just as the smaller sales did. They are mainly included to demonstrate the impact of development potential when compared with Listing Nos. 2 and 8, and to compare them with other sales in the vicinity. It is noted that Sale Nos. 13 and 21, which are quite nearby show considerably lower sale prices than the list prices of Listing Nos. 7, 9, 3, and 6, while Sale No. 8 is more closely aligned with the higher list prices among that group. This supports the observation that this market is poorly defined.

Now that the comparable property sales and listings have been discussed, the strengths and weaknesses of the subject property, as they relate to the general market, are revisited. Each of the factors addressed in the tables is considered.

Property values have declined significantly over the past four years or so. As such, the values of the comparable properties that sold earliest have declined significantly, while the more recent sales have declined much less. In any case, virtually all of the comparable properties are worth less than when they were purchased.

Parcel size is known to have a significant influence on unit value, and the subject is quite large. Greater size tends to drive total value upward (and unit value downward), but it also tends to lead to a restricted market, with fewer purchasers with the economic means, or the desire to own such large parcels. Further to all this, this parcel lacks continuity due to the severance by the highway and the road, which complicates its management. Even if a purchaser sees the severances as natural opportunities for subdivision, there is no guarantee that subdivision would be permitted. In fact, the prospects for subdividing along the roads are believed to be poor. It is also notable that most of the sales that show the higher unit values are much smaller than the subject property, and while there are exceptions, some of those higher sale prices are out of sync with the other sales and their reliability as indicators of their own value is questionable.

The subject property is located on the outer fringe of the area that is considered most desired in the country residential market. Even under strong market conditions it would be considered inferior, with respect to general location, to properties that are located closer to Invermere.

The subject property has very good aesthetics, but so do most of the comparable properties, and in many respects aesthetics is subjective, and other than for a few features that consistently tend to influence value, such as river or lake frontage, panoramic mountain views versus restricted views, it is difficult to state with authority what attracts higher sale prices. Overall, the aesthetics of the subject property are considered to be average, like most properties in the area.

Topography can determine how a property can be used. The subject contains a considerable amount of severe terrain that renders it unsuitable for much more than grazing livestock, but some of it has been identified as suitable for intensive development. Even if that development proceeds, it will leave large areas of remainder land that serve little more than as buffer, as it is mostly marginal quality range. The road severances are problematic to its use and management, as well.

The subject has excellent access, and it is understood there is ample water available for development. These are definitely positive features. However, they have limited influence on value unless it is ultimately determined that the development of the property is feasible.

As mentioned, the subject property contains some land that has good legal and physical potential for residential development, and even has potential for golf course development. These two areas that are suited to those uses have respectively been excluded from the ALR or are to be permitted within the ALR, and the subdivision of the land that has been zoned for residential use is expected to be approved in the forthcoming weeks. However, the feasibility of developing these potential "high utility" lands is long term, or medium term at best, as the market does not support development of a residential subdivision here at this time, and the potential for development of the golf course development here is even less certain. There is currently little market interest in development property here; there remains an abundance of vacant residential lots that have much superior locations available on the market, and there are even some suspended developments that are awaiting completion. Furthermore, the high utility land represents a relatively small portion of the total land base of the subject property, so it has limited impact on its total value.

On considering all of this discussion, it is apparent that the subject property is well within the range of values shown by the comparable property sales. While the subject is considered to be superior to the sales that have potentials that are basically limited to extensive country residential or extensive country residential and agricultural uses, its value is believed to be well below the potential development property sale that is shown at the high end of the range of sale prices, and the active list prices of potential development properties, because it is either inferior overall, or those sale and list prices are not believed to reflect the reality of the current market. Even the highest sale prices shown for extensive country residential and agricultural properties are believed to greatly exceed the value of the subject; as some are simply inconsistent with the prevailing values and must be accorded less weight. As such, the estimated value of the subject property is believed to be between \$4,000/acre, which is the high end of the preliminary range of estimates prepared earlier, and \$6,000/acre. Given current market conditions, an estimate that leans to the lower end of the range is contemplated, but the fact that it does have some potential for development would be considered a positive feature even among purchasers who have no intention of exploiting that potential into the foreseeable future, so a premium is warranted over properties that have no such potential. Therefore, the final estimate is mid range, at an even \$5,000/acre. This works out to a total value estimate as follows:

$$\$5,000 \times 463.24 \text{ acres} = \$2,316,200, \text{ say } \$2,300,000.$$