



## Kent Macpherson

July 15, 2005

District Municipality of Summerland  
13211 Henry Avenue  
Summerland, British Columbia  
V0H 1Z0

**Attention: Mr. Scott Boswell**

Dear Sir:

**Re: Market Value Appraisal  
302.62 Acres  
Proposed Summerland Hills Residential/Golf Resort Lands  
Summerland, British Columbia**

As requested, a market value appraisal has been completed on the above noted property legally described herein.

After inspecting the subject property and researching and analyzing salient market data, the market value as a single 302.62 acre parcel on an "as is" basis, is estimated at \$2,270,000.

**TWO MILLION TWO HUNDRED SEVENTY THOUSAND DOLLARS**

The valuation is subject to the critical assumption that the subject lands are subdivided as a separate legal entity from the existing parent parcels.

The following report, containing 164 pages of Text and 10 exhibits in the Addenda, is presented in support of my findings.

Sincerely,

**KENT-MACPHERSON**

Per: \_\_\_\_\_

R. S. Cook, AACI, P. App, RI(BC), C. Arb.

RSC/hg

Dennis Parkhill, AACI, P.App, RI(BC)  
Rodney S. Cook, AACI, P.App, RI(BC), C.Arb.  
Leslie A. Holmes, AACI, P.App, P.Ag.  
Lionel B. Hoffmann, AACI, P.App, BBA

Evan Young, AACI, P.App, Dipl.BA  
Brian Pauluzzi, B.Com., RI(BC), AACI, P.App  
Sean Hughes, BA Economics

## Summary of Salient Facts and Important Conclusions

- TYPE OF PROPERTY:** - Proposed golf course and residential development site.
- LOCATION:** - Princeton/Summerland Highway 40, Summerland, BC.
- LEGAL DESCRIPTION:** - Lots 1, 2 and 3, Plan 787, District Lot 2543, and those parts of District Lot 2542 and Lot A District Lot 3756, all of Osoyoos Division of Yale District, containing 123 hectares, more or less.
- EFFECTIVE DATE OF VALUE ESTIMATE:** - July 15, 2005.
- SITE AREA:** - 122.47 ha, or 302.62 acres pertaining to the unsubdivided golf course and residential areas identified.
- ZONING:** - FG; Forestry Grazing  
PR1; Parks and Recreation  
A1; Agriculture  
M4; Industrial
- OFFICIAL COMMUNITY PLAN DESIGNATION:** - FRR; Future Residential Reserve  
RI; Resource Industrial  
F; Farmland
- AGRICULTURAL LAND RESERVE:** - Approximately 65.79 acres of the subject, or 21.7%, is included within the ALR. Application for exclusion has been made.
- 2005 ASSESSMENT:** - The average assessed value per acre is \$5,484.



**HIGHEST AND BEST USE:** - Golf course and resort residential development.

**ESTIMATE OF MARKET VALUE:** - \$2,270,000



## 9.1.2 Comparative Sales Summary

Index	Location	Area (acres)	Zoning	Sale Date	Sale Price	Rate/Acre
1	Old Spallumcheen Road Sicamous, BC	25.95	Rural	May 2002	\$88,000	\$3,391
2	Swainson Road Kelowna, BC	273.93	A1; Agricultural	June 2002	\$1,600,000	\$5,841
3	6360 Auto Road Salmon Arm, BC	230.54	R-1; Rural	Oct. 2004	\$500,000	\$2,169
4	Arawana Road Naramata, BC	411.00	LH; Large Holding	Oct. 2004	\$2,500,000	\$6,083
5	Golf View Drive Rossland, BC	554.50	Multiple	April 2005	\$1,500,000	\$2,706
6	End of Slater Road Kelowna, BC	80.53	A1; Agricultural	Nov. 2004	\$1,200,000	\$14,901
7	Commonage Road Vernon, BC	1349.68	Mixed Residential	Jan. 2005	\$15,000,000	\$11,114
8	94 Langford Road Coldstream, BC	470.00	LH; Large Holding RU; Rural	Listed	\$1,455,000	\$3,096
9	122 Highway 97S Vernon, BC	79.00	LH; Large Holding	Listed	\$1,950,000	\$24,684
10	4483 Mountain Avenue Summerland, BC	257.76	FG; Forestry Grazing	Collapsed Offer	\$3,300,000	\$12,803
11	Shannon Lake Road Westbank, BC	52.60	A1; Agricultural	Optioned, Pending Completion	\$2,400,000	\$45,627
12	2750 Shannon Lake Rd Westbank, BC	103.66	A1; Agricultural	Optioned, Pending Completion	\$3,500,000	\$33,764
13	2702 N Glenmore Road Kelowna, BC	11.39	A1; Agricultural (ALR)	Pending	\$159,460	\$14,000
14	3650 N Glenmore Road Kelowna, BC	59.84	A1; Agricultural	Pending	\$600,000	\$10,027
15	4858 / 5050 McCulloch Road Kelowna, BC	307.50	RR1; Rural Residential 1 RR2; Rural Residential 2	Offered	\$3,700,000	\$12,033
16	Trepanier Road Peachland, BC	148.85	RR1; Rural Residential 1	Mar. 2005	\$775,000	\$5,207
17	Smythe Road Penticton, BC	760.00	LH; Large Holding	Mar. 2005	\$2,850,000	\$3,750
18	5127 Chute Lake Road Kelowna, BC	35.63	A1; Agricultural	Feb. 2005	\$1,150,000	\$32,276
19	Paly Road Kelowna, BC	160.24	A1; Agricultural	Feb. 2005	\$700,000	\$4,368
20	5650 Somerset Avenue Peachland, BC	167.52	A1, RR1, C7	Dec. 2004	\$2,800,000	\$16,714
21	4400 Highway 97 North Peachland, BC	40.57	A1; Agricultural	Oct. 2004	\$600,000	\$14,789
22	Fish Lake Road Summerland, BC	320.00	RA; Resource Area	Oct. 2003	\$300,000	\$938
23	Commonage Road District of Lake Country, BC	1058.00	RU-ALR, RU-1	Aug. 2003	\$1,700,000	\$1,607
24	4001 Finch Road Kelowna, BC	154.38	A1; Agricultural	June 2002	\$950,000	\$6,154
25	McKinley Landing, Kelowna, BC	869.52 8 Parcels	A1; Agricultural	Varied	\$6,189,460	\$7118



## 9.2 ANALYSIS

Twenty-five sales of rural acreages, potential residential/golf course development lands have been researched and analyzed.

Indices 1 through 7 and 13 are sales of lands acquired primarily for golf course use, ranging from \$2,169 to \$14,458 per acre. The extraordinary value range is primarily a function of parcel size and location.

Index No. 6, comprising 80.53 acres, establishes an extreme upper limit of value at \$14,901 per acre as it comprises an agricultural small holding recently acquired for expansion of a future golf course development in Kelowna. The sale price is directly influenced by the market value of the land for alternate, i.e., residential/hobby farm near a major urban centre.

Index No. 7 comprises a large acreage in the Vernon Commonage area suitable for golf course and mixed use development. List prices started from an initial offering at \$21.5 million, or \$15,938 per acre, which was then withdrawn. It was listed again at \$16 million, or \$11,861 per acre, and sold in January of 2005 for \$15 million, or \$11,114 per acre.

The relatively high value per acre is influenced primarily by the property's suburban location, development potential for residential and limited commercial/business park, as indicated by the purchaser, as opposed to golf course use.

By far, the bulk of the market data for golf course development yields values between \$2,169 per acre reflected by Index No. 3 and \$6,083 per acre reflected by No. 4.

It is interesting to note that Index No. 5 comprises the developed Rossland Golf Course comprising 554 acres. The 9 hole course, which included residential development lands adjoining the golf course of 97.61 acres and secondary golf course real estate of 164 acres, was recently acquired for \$1.5 million or \$2,706 per acre. The sale price at \$2,706 per acre supports a lower limit of value for the subject due primarily to the inferior location in a much smaller rural community.

Indices 8 through 12, and 14 through 24 are sales of residential development lands throughout the Central Okanagan ranging in size from 40.57 acres to 1,058 acres. Land values range from \$938 to \$45,627 per acre depending primarily on parcel size, location, land use, topography, access, off-site servicing costs, etc.



Index 20 is primarily residential development land, however the sale included approximately 30.5 acres improved with the south 9 holes of the Ponderosa Golf Course. Excluding the 30.5 leased acres, the net developable area is 137.02 acres with an effective rate of \$20,435 per acre.

Index 21 establishes an extreme upper limit of value at \$14,789 per acre due to the small parcel size at 40.57 acres, ideally suited for rural-residential/hobby farm use.

Conversely, Index 22 supports an extreme lower limit of value at \$938 per acre due to the more remote location of the property; high percentage of the site which lies in excess of 30% slope and extremely long term development potential.

A lower limit of value at \$1,607 per acre is also reflected by Index 23 comprising 1,058 acres in the Com-monage. The much larger parcel size combined with no potential for full municipal services for many years reflects a value in keeping with long term holding properties; over half of which is in the ALR.

Index 24, which is a portion of Index 25, comprises 154 acres of raw land acquired June 2002 for \$6,154 per acre as a part of the entire Vintage Hills residential/golf resort development. The moderately to steeply sloping property has extraordinary views overlooking Okanagan Lake and is located approxi-mately 20 minutes north of downtown Kelowna and supports an upper limit of value.

Index 25, comprising the entire 869.5 acre Vintage Landing residential/golf resort development, is similar to the subject in many respects:

- the site is large at 869.5 acres versus the subject at 302.6 acres;
- it is in a similar rural location but in relative close proximity to an urban centre;
- off-site servicing costs are extremely high;
- the proposed land use is the same for a mixed use residential/golf course devel-opment;
- the site offers excellent views; and
- the property is approximately 2 km from the Central Okanagan landfill, but is not directly impacted.

However, the market in Kelowna is higher than Summerland with faster absorption, greater demand and higher price points.



### 9.2.1 Summary

Of the 25 indices researched and analyzed, the following ten provide the best indication of value due to a combination of parcel size, location, future land use and servicing costs.

Index	Location	Area (acres)	Zoning	Sale Date	Sale Price	Rate/Acre
2	Swainson Road Kelowna, BC	273.93	A1; Agricultural	June 2002	\$1,600,000	\$5,841
3	6360 Auto Road Salmon Arm, BC	230.54	R-1; Rural	Oct. 2004	\$500,000	\$2,169
4	Arawana Road Naramata, BC	411.00	LH; Large Holding	Oct. 2004	\$2,500,000	\$6,083
7	Commonage Road Vernon, BC	1349.68	Mixed Residential	Jan. 2005	\$15,000,000	\$11,114
10	4483 Mountain Avenue Summerland, BC	257.76	FG; Forestry Grazing	Collapsed Offer	\$3,300,000	\$12,803
14	3650 N Glenmore Road Kelowna, BC	59.84	A1; Agricultural	Pending	\$600,000	\$10,027
17	Smythe Road Penticton, BC	760.00	LH; Large Holding	Mar. 2005	\$2,850,000	\$3,750
19	Paly Road Kelowna, BC	160.24	A1; Agricultural	Feb. 2005	\$700,000	\$4,368
24	4001 Finch Road Kelowna, BC	154.38	A1; Agricultural	June 2002	\$950,000	\$6,154
25	McKinley Landing, Kelowna, BC	869.52	A1; Agricultural	June 2001 to Nov 2004	\$6,189,460	\$7,118

The ten indices above yield a much tighter value range, from \$2,169 (Index 3) to \$12,308 per acre (Index 10). The latter, however, establishes an extreme upper limit of value as the sale collapsed due to servicing concerns.

A lower limit of value is established by Index 17 comprising the 760 acre parcel acquired by the Land Conservancy partially for big horn sheep habitat. The property's location, topography, soil conditions and access are all inferior to the subject reflecting a lower limit of value at \$3,750 per acre.

Similarly, Index 3, comprising 230 acres of proposed golf course/residential development on Otto Road, 10 minutes from Salmon Arm, also supports a lower limit of value at \$2,169 per acre due to the much inferior more rural location.

Index 19 is a recent sale of a quarter section (160 acres) south of McKinley Road and 15 minutes north of the City of Kelowna acquired by a local developer as a holding proposition for residential development. The raw site, currently with no legal access, was acquired in February 2005 for \$4,368 per acre. The view property is similar to the subject in many respects including its topography and development poten-



tial, however, the property is a longer term hold pending extension of municipal services. As a result, Index 19 would support a lower limit of value for the subject.

Index 24, also comprising a 160 acre parcel, was acquired June 2002 as a part of the entire Vintage Landing development. The property was acquired at \$6,154 per acre and is a reasonable indication of value for the subject considering that the property has increased in value since it was acquired some 3 years ago in June 2002 is offset by the superior view and superior overall location within the City of Kelowna.

Similarly, Index 25, comprising the entire Vintage Landing golf resort development, at an aggregate value of \$6,189,460 or \$7,118 per gross acre, provides a reasonable indication of value considering that the property also comprises substantial lake frontage but is over twice the size of the subject.

Index 4, comprising the Naramata property of 411 acres at \$6,083 per acre, supports Index 25. The property offers extraordinary views and is well located but is much steeper with higher on-site servicing costs expected due to a preponderance of rock.

Index 10, comprising 257.7 acres in Summerland, reflects an extreme upper limit of value at \$12,800 per acre as numerous offers have collapsed due to the timing and cost of provision of off-site services. The property also does not have the negative influence of the adjoining landfill and is located much closer to the town centre.

### 9.2.2 Conclusion

The value range for the subject lies between the lower limit of \$3,750 per acre to an upper limit of \$12,803 per acre.

In arriving at a final estimate of value, the biggest unknowns, resulting in elevated risk, are:

- The timing and cost of extension and/or provision of full municipal services. Such costs are often extraordinary and have a direct bearing on the financial viability and, hence, value of the development lands.
- In the subject instance, the impact of the Summerland Landfill is impossible to accurately quantify without a separate study assessing the life of the landfill, wind directions, relocation possibilities for the composting and sewage lagoon sites, etc. Such an undertaking is far beyond the purpose and scope of this valuation, however, the negative impacts of the landfill and associated uses cannot be ignored.
- The cost of relocating Highway 40 could be substantial.



On the more positive side,

- The lands are ideally suited for golf course and residential development.
- Only a small portion of the subject under valuation, approximately 27.2% of the total 302.62 acres, is dedicated to golf course use with the remainder dedicated to resort, residential and park/open space. Much of the lands acquired for golf course development are steeper and/or undevelopable and as such the true net developable area reflects a higher acreage value.

*It is critical to note that the value estimate has been completed without the benefit of knowing the timing or cost of providing off-site services.*

In conclusion, considering the foregoing market evidence but also recognizing the probable extraordinary off-site costs which will be incurred to facilitate the development coupled with the negative influence of the adjoining landfill and associated uses, the market value of the entire 302.62± acre parcel, as a single entity, is \$7,500 per gross acre or  $\$7,500 \times 302.62 \text{ acres} = \$2,269,650$  rounded to \$2,270,000.

**TWO MILLION TWO HUNDRED SEVENTY THOUSAND DOLLARS**

