

This is the 3<sup>rd</sup> Affidavit of  
Joseline Kwok in this case and  
was made on the 6th day of December, 2018

No. S1710393  
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,  
S.B.C. 2002, c. 57, AS AMENDED

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,  
R.S.C. 1985, c. C-44, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF  
ALL CANADIAN INVESTMENT CORPORATION

**AFFIDAVIT**

I, Joseline Kwok, of 1200 – 1075 West Georgia Street, Vancouver, British Columbia, Paralegal,  
SWEAR THAT:

1. I am a paralegal of the law firm of Watson Goepel LLP, the counsel for the Petitioner in these proceedings, and as such have personal knowledge of the facts and matters deposed to in this Affidavit, save and except where they are said to be based on information and belief, in which case I believe them to be true.
2. Attached and marked as **Exhibit "A"** to this Affidavit is a letter from Sean Ungemach of Cushman Wakefield to the Monitor dated December 5, 2018.

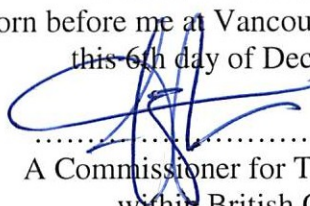
SWORN BEFORE ME at the City of  
Vancouver, in the Province of British  
Columbia, this 6th day of December, 2018.

\_\_\_\_\_  
A Commissioner for taking Affidavits within  
British Columbia

**ANDREW N. EPSTEIN**  
*Barrister & Solicitor*  
**WATSON GOEPEL LLP**  
1200 - 1075 W. Georgia Street  
Vancouver, B.C. V6E 3C9  
Tel: 604-688-1301 Fax: 604-688-8193

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JOSELINE KWOK

This is Exhibit "A" referred to in the  
Affidavit of Joseline Kwok,  
Sworn before me at Vancouver, British Columbia  
this 6th day of December, 2018



.....  
A Commissioner for Taking Affidavits  
within British Columbia



Pacific Centre, PO Box 10023  
 Suite 700, 700 West Georgia Street  
 Vancouver, BC, V7Y 1A1  
 Tel +1 604 683 3111  
 Fax +1 604 683 0432  
 cushmanwakefield.com

December 5, 2018

Mr. John McEown  
**Boale Wood & Company Ltd.**  
 1140 – 800 West Pender Street  
 Vancouver, BC  
 V6C 2V6

**RE: HASTINGS STRATA OPINION OF VALUE**

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Dear John,

Further to your request the following is a high-level analysis comparing the appraised value from Garnett Wilson as at March 2018 versus the current contract prices of 4717, 4723, and 4725 Hastings Street. Do to the tight timelines we have kept it brief and to the point. Overall it appears the appraised value is high. The appraisers blended the income from all three units and applied a cap rate to the total income. The retail strata lots will sell at a lower cap than the second floor office area so I am not sure if blending was the best approach. In addition to that the contract rents for the office space appears high and the retail low. Granted the leases for retail units were negotiated a few years ago they appear appropriate for the time.

1. Strata Lot 11 - 5,355 s.f. second floor office

**Lease:**

10 years expiry Sept 30, 2025.

1-5: \$25.00 psf net

2-10: \$28.00 psf net

Two options to renew for 5 years each.

**Appraised Value:**

Income Approach - \$3,134,080. or \$585 psf. (extrapolated from appraisal) – Using estimated market rent of \$23.00 and a cap of 3.75%.

Direct Comparison Approach - \$2,950,000 or \$550 psf

**Assessed Value:** \$2,210,000

**Opinion of Value:** \$2,250,000

In my opinion the market lease rate is more likely between \$18.00 and \$20.00 psf. It is a large space for suburban office not on transit which appears difficult to demise without considerable expense, if it were to become vacant. Eg. Common hallway and washrooms would need to be installed in addition to mechanical system adjustments and demising walls. Using the same allowances as the appraisal but \$20.00 psf market rent the adjust net income would be \$101,809. In my opinion a market a cap rate range of 4.25% to 4.75% is appropriate, therefore the value might be more like \$1,968,000 to \$2,444,000 not including any tenant

improvement allowances. A lower cap rate might be considered if a long-term lease was in place with a financially solid tenant.

2. Strata Lot 9 - 2,117 sf main floor corner retail.

**Lease:**

10 years expiry October 31, 2025.

1-5: \$28.00 psf net

6-8: \$30.00 psf net

9-10: \$32.00 psf net

Two options to renew for 5 years each.

**Appraised Value:**

Income Approach - \$1,633,000. or \$771 psf. (extrapolated from appraisal) – Using average rent over the lease term and a cap of 3.75%.

Direct Comparison Approach - \$1,693,600 or \$800 psf.

**Assessed Value:** \$1,562,000 or \$738 psf

**Opinion of Value:** \$1,500,000 or \$708 psf

In my opinion this retail unit would be worth more vacant as restaurant / café spaces that are turn key are generally in high demand. I believe the market lease rate is more like \$32.00 psf which is higher than the current contract rent. That said the space has a long term lease in place which only expires in 2025 with two 5 year options to renew. Properties do not usually sell on a capitalized return on average rent. They usually sell based on current years income as bumps in rent are usually an inflationary offset. It is unlikely investors will buy this unit at less than a 4% cap. It is my opinion that a market cap rate would be 4% to 4.25%.

3. Strata Lot 10 – 1,254 sf main floor retail.

**Lease:**

5 years expiry September 30, 2020.

1-3: \$28.00 psf net

4-5: \$30.00 psf net

Two options to renew for 5 years each.

**Appraised Value:**

Income Approach - \$943,500. or \$752 psf (extrapolated from appraisal) – Using average rent over the lease term and a cap of 3.75%.

Direct Comparison Approach - \$1,003,200 or \$800 psf.

**Assessed Value:** \$970,000 or \$773 psf

**Opinion of Value:** \$900,000 or \$717 psf

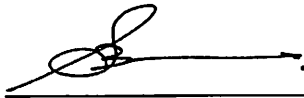
It is a small space which would appeal to a broad range of tenants and owner occupiers. That said it is leased until September 2020 with two 5 year options to renew. An argument can be made, assuming the tenant is financially sound, that this strata lot could sell for a higher number given the relatively short period before a rent uptick could be expected. It is my opinion this unit would sell between a 4% to 4.25% cap rate based on current years rent, therefore, \$860,000 to \$910,000 is a more realistic range of value.

In summary my estimates of values are as follows:

Retail:	\$2,400,000
Office:	<u>\$2,250,000</u>
	<u>\$4,650,000</u>

Please feel free to contact me if you have any questions. I believe if you were to go out to market you might achieve slightly higher numbers however not high enough that it would warrant the risk of time, uncertainty and brokerage fees. The strata market is good for vacant product but when tied to a lease, vendors are stuck with yields and I do not believe they are below 4% in this location. More likely higher.

Sincerely,  
Cushman & Wakefield ULC



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**Sean Ungemach**  
**SBU Realty Advisors ULC**  
Executive Vice President  
T+1 604.640.5823  
C+1 604.880.5110  
[sean.ungemach@cushwake.com](mailto:sean.ungemach@cushwake.com)