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January 18, 2016

Town of Newmarket
Legal and Development Services
395 Mulock Drive
Newmarket, ON L3Y 8P3

**Re: Review of Appraisal Reports – 16780 Yonge Street Newmarket
Original Report by GSI Real Estate & Planning Advisors Inc dated April 24, 2013
Update Appraisal dated October 9, 2015**

Further to your request, I have reviewed the above noted reports and given consideration to the factors contributing to fair market value for the property known as 16780 Yonge Street, Newmarket.

This review is not designed as a component by component breakdown of the appraisal process. It is more intended to look at some of the major premises underlying the appraisal and to assess their overall validity.

Subject Property

The subject property is an 11.65 Acre parcel of land located on the northwest corner of Yonge Street and Mulock Drive. There is approximately 396 feet of frontage on Yonge Street and the property is approximately 979 feet deep along Mulock Drive. It is somewhat irregular in shape although fairly close to being rectangular.

The appraiser has correctly posited that the value of the property is dependent upon what the highest and best use of the property would be. The Highest and Best Use of the Lands under the current Official Plan Designation, is found by the appraiser to be as follows:

- 4.5 Acres – Urban Centre Designation – High Density Residential Development
- 6.65 Acres – Stable Residential - Medium Density Residential Development
- 0.5 Acres – Natural Heritage – Woodlot

Also to be noted is that the property is improved with a 2½ storey century residence designated by the Town as being a heritage structure and having an above-grade gross floor area of about 9800 square feet.

Estimated Value

Further to Page 119 of the appraisal Report, the appraiser has **estimated the value of the property as at March 3, 2014 to be \$19,200,000.00** based upon the following breakdown:

Urban Centre - Mixed High Density Residential – 4.5 Acres x 2.2 Million/Ac =	9.9 M
Stable Residential - Medium Density Development – 6.65 Ac x 1.4 Million/Ac =	9.3 M
No Value is assigned to the 0.5 Acres – Natural Heritage – Woodlot	

The updated appraisal report of found that the **estimate of value as at January 10, 2015 was \$21,000,000.00** based upon the following breakdown:

Urban Centre - Mixed High Density Residential – 4.5 Acres x 2.37 Million/Ac =	10.7 M
Stable Residential - Medium Density Development – 6.65 Ac x 1.55 Million/Ac =	10.3 M
No Value is assigned to the 0.5 Acres – Natural Heritage – Woodlot	

Premises of the Appraisal Reports

Designated Land Sizes – Although the appraiser may be accurate in his estimation of the various land areas associated with the designations as noted on the official plan, I have no way of confirming this. Is there a background consultant's report or GIS study that identifies these areas? An independent measurement by a surveyor may be required to verify this and understand what the true areas are. The woodlot area, in particular, appears to the eye to be larger.

Land Values – The appraiser presents extensive evidence in support of his value conclusions based upon the ascribed developable land areas. In my experience and estimation, I believe the appraised values for Medium Density Development (townhouses) are within the range of market behaviour for this type of land.

The case for Mixed High Density Residential lands is less certain however. It is interesting to note that in the original appraisal, (Table Pg 113) the appraiser used two fairly dated Newmarket sales and time-adjusted them substantially based upon other market activity. One listing of a property which has still not traded was also referred to. Sales in Richmond Hill are strongly relied upon and adjusted to meet "Newmarket" parameters.

In the Update Appraisal report (Table Pg 26), the only Newmarket comparable used is the Slessor property listing (17645 Yonge St) which list price has been reduced by 12% since the writing of this report and two outside sales from different markets in Richmond Hill and Aurora.

The appraiser has used valid appraisal principles to support his case, but does that necessarily mean that this is the price for high density land in Newmarket? Frankly, the high density market has been soft locally and until there are more actual sales, I am hesitant to fully support his value conclusion for high density despite the fact that it seems reasonable in light of the lower value assigned to the medium residential land.

Estimate of Value – On Page 16 of the original narrative report, the appraiser makes the following statement:

“... it has been agreed with the Town of Newmarket that the price paid for the subject property will be the fair market value under the Expropriations Act”

Is this indeed the basis for the purchase negotiation? A value for expropriation purposes is, in my experience, typically a higher value than what the open market would generate since the Buyer is to be made “whole”.

The appraiser has provided a lengthy discussion of the definition of market value on Pages 16 – 18 of the original appraisal report. Included in this is value considerations related to expropriation that demonstrate that the owner is due recompense beyond what a typical market transaction might be.

Improvements – The aspect of a large heritage-designated structure and how it impacts on the property value is given very short shrift by the appraiser. There is a discussion that starts at the bottom of page 90 and continues on the top of page 91:

The existing dwelling situated at the centre of the property is considered a “heritage” dwelling. Given the large size of the Subject Property, there is plenty of room to relocate the existing dwelling while making room for new development. The existing dwelling is in good condition (interior and exterior). Based upon our experience in appraising development land under-improved with a heritage dwelling, the contributory value of the existing dwelling will likely be offset (if not exceed) the expense to relocate the structure to a new location on the Subject Property.

Since the value of the property is dependent upon the Net developable acreage, it would be anticipated that some additional calculation be done to remove the area that either the house reasonably occupies or the area that it would occupy after relocation.

The whole concept of relocation raises many questions frankly. Can a 9800 square foot structure of this age withstand a move? What are the physical constraints for such a move? What is the parcel size that has to be reasonably allocated to the structure whether it is moved or not?

It is my understanding that as much as the residence has been reasonably cared for, it may require substantial maintenance and upkeep in the near future. Would the value of a large heritage house as a residential resale property in the midst of a mixed medium and high density development be equal to or greater than the underlying land extracted from the development?

Trees – The appraiser has removed the natural heritage woodlot from value consideration in the appraisal which I am in agreement with in practice, however, per the earlier discussion, I cannot confirm that ½ acre would be the full extent of the woodlot under a development agreement. The other aspect of this which concerns me is that there are numerous trees throughout the property whose status has not been addressed. In particular, there is a large grove of what appear to be mature trees immediately behind the house. Has a tree species survey been done? Does their age extend protection to the tress? Are the trees numerous enough and located in such positions that they would, in fact change the Net developable acreage of the property?

Environmental- Toxic materials (such as asbestos) and (potentially leaky) underground fuel storage tanks can have considerable environmental and value impact on property. I believe the Town is aware of the possibility of the existence of such contaminants and should protect itself accordingly when conducting negotiations with the owners.

I realize that this review may have raised more questions than it answered. Please keep in mind that in a true market scenario, a developer or investor would likely do considerable due diligence both before and after submitting a conditional agreement.

The opinions expressed herein are those of the writer only and should not be interpreted or used for appraisal purposes. This review has been completed for discussion purposes only and carries no right of publication.

Thank you for the opportunity to be of service.

Sincerely
Cushman & Wakefield Ltd.



Robert Lassaline
Associate Vice President
Sales Representative