

APPRAISAL OF
EAST YARDS
WINNIPEG, MANITOBA

ARONOVITCH & LEIPSIC LIMITED



Purpose of Report:

The purpose of this report is to estimate the market value of the property commonly known as the "East Yards" in the City of Winnipeg, in the Province of Manitoba.

Market value is commonly defined as "the price a willing buyer will pay for a property after the property has been exposed on the market for a reasonable time and when neither buyer nor seller are acting under pressure".

Due to considerations mentioned in this report emphasis will be placed on alternatives of housing as related to the site.

The report will also cover an estimate of value for the river bank and probable park areas as well as a site which may be developed with a commercial use.

The Site:

The subject site is bounded by the Canadian National Railway Station Line to the west, Water Street to the north, the Red River to the east and the Assiniboine River to the south.

The site appears reasonably level except for the escarpment to the river. All public utilities are available to the site.

The site contains approximately 60 acres. An undetermined amount of land will be reserved as parkland. For the purpose of this report, we will assume that 30 acres will be devoted to park and 30 acres to development. The 30 acres to development is a gross amount with roadways to be deducted.

The Neighbourhood:

The site is located on the fringe of Winnipeg's "downtown" area.

This area offers retail services, office and residential accommodation.

The area bounding the subject on the west along Main Street is predominantly older retail establishments with some office space. North of Water Street are older industrial buildings

The complexion of the downtown area has changed dramatically over the past 10 years. Traditionally, all major developments occurred along Portage Avenue with Broadway Avenue in the early 1960's.

The area between Portage Avenue and Broadway was limited primarily to secondary retail space, parking lots, walk-up apartment buildings and government office space, while south of Broadway to the Assiniboine River was walk-up apartment buildings.

The announcement of the construction of the Convention Centre appears to have provided the catalyst to commence a multitude of development between Portage and Broadway Avenues. The area south of Broadway now contains high rise apartment buildings, restaurants and boutiques.

The "downtown" area is definitely extending southerly. Although the subject is located south east of the "downtown" area, it appears to be a natural extension of current expansion.

Potential of Land Use:

Other than special uses, there are four main land uses; retail, office, industrial and residential.

Special uses considered for the site include a new arena. While this use appeared to be a likely conclusion for the site, it never came to fruition.

Retail space in the "downtown" area has always revolved around the two main retailers, Eaton's and The Bay. In addition to the core area, there are three regional shopping centres plus one under construction and one proposed.

It does not appear that any additional major shopping facilities are required or could be marketed currently in Winnipeg.

There are two major Industrial Parks in Winnipeg, one City and one privately owned, containing in total, in excess of 700 acres,

available on the market. These two major parks plus scattered individual parcels will provide ample land for industrial needs for several years.

The two remaining land uses, office and residential, will be dealt with in more detail.

The following table is an indication of completed office buildings constructed in the past three years, their total square footage, floor size, vacancy and rental rates.

BUILDING NAME AND ADDRESS	GROSS AREA T.S.F.	SPACE AVAILABLE FOR LEASE T.S.F.		RENTAL RATE WHOLE FLOOR	RENTAL RATE PART FLOOR	TENANT ALLOWANCES P.S.F.	AVERAGE FLOOR SIZE T.S.F.
United Grain Growers Bldg. 433 Main St. - S/E Main & Bannatyne	122,000	60,000	\$9.50	\$9.85	Negotiable	8,133	
Kawansa Life Building N/E Fort & Broadway	80,000	43,000	\$9.20	\$9.70	Negotiable	8,890	
Imperial Broadway Towers N/W Broadway & Carlton	185,000	74,000	\$9.50	\$9.70	\$3.00	11,562	
Manulife House 386 Broadway Avenue S/E Broadway & Kennedy	131,000	96,000	\$7.20	\$8.20	\$2.15	14,556	
Rupertsland Square S/E St. Mary's & Vaughan	204,000	40,800	\$9.50	\$10.25	\$1.00	13,600	
Assiniboine Credit Union 125 Garry St. - S/E Garry & York	114,000	6,000	--	\$8.50 \$8.75	\$1.00	9,500	
Credit Union Central Plaza 215 Garry St. - N/E Garry & St. Mary's	160,000	52,500	\$6.75	\$7.75	\$1.00	10,000	
Park Station Nest 1661 Portage Avenue	109,000	100,000	\$8.65	\$9.60	\$2.00	10,900	
York Centre S/E York & Hargrave	67,000	3,350	\$9.00	\$9.50	\$2.50	9,571	
93 Lombard Avenue N/E Lombard & Westbrook	<u>52,000</u>	<u>25,000</u>	\$7.45	\$7.95	\$1.50	<u>10,500</u>	
	1,224,000	500,650	41% Vacant			10,721 s.f. (average)	

T.S.F. - Total Square Feet
P.S.F. - Price Per Square Foot

In addition to the completed buildings, the following buildings are under construction or proposed.

Colony Square Portage & Colony	110,000 s.f. under construction
Fairbanks Morris Building Garry between Broadway & York	75,000 s.f. proposed
Richardson Tower #2 Lombard & Westbrook	400,000 s.f. proposed
Trizec Development & Bank of Nova Scotia Portage & Main	330,000 s.f. under construction
Royal Trust Tower Hargrave & York	100,000 s.f. proposed

The total amount of space under construction is 440,000 square feet and proposed is 575,000 square feet.

Vacancy and Absorption
Discussion:

From recent surveys of office space in the city, we have determined the following office space construction figures for the years 1964 to 1978 inclusive.

1964 - 184,300 s.f.	1972 - 264,000 s.f.
1965 - 236,700 s.f.	1973 - 224,500 s.f.
1966 - 150,000 s.f.	1974 - 283,700 s.f.
1967 - 116,200 s.f.	1975 - 283,900 s.f.
1968 - 24,000 s.f.	1976 - 247,000 s.f.
1969 - 445,000 s.f.	1977 - 998,500 s.f.
1970 - Nil	1978 - Nil
1971 - 399,500 s.f.	

15 years - 3,857,300 square feet.

The average amount of office space constructed over the past 15 years is 257,153 square feet per year.

To estimate an absorption rate for various periods, we have taken the Winnipeg Real Estate Board's estimate of vacancy for all types of office space of 620,555 square feet based on a sample of 3,600,975 square feet at the end of November 1978. This amount was then subtracted from the total square footage constructed for the given time period to estimate the actual square footage occupied. Following is the results of these computations.

Over the past five years the average annual absorption rate was 238,509 square feet; over the past ten years the average annual absorption rate was 252,554 square feet; and over the past fifteen years the average annual absorption rate was 215,782 square feet.

Basing the increase over the historical period, we estimate the average annual absorption rate for the next five years to the end of 1983 to be 250,000 to 275,000 square feet per year.

Based on the annual absorption rate of 250,000 square feet per year, we estimate that the current surplus of 500,650 square feet of prime office space will be rented by the end of 1980.

From a recent survey we have estimated that a total of 1,015,000 square feet of office space is being projected and under construction. If all of the projected office space is completed and the total area of 1,015,000 square feet becomes available for rent, based on the projected absorption rates, we estimate that it will take until the end of 1984 for complete absorption.

To introduce any major amount of office space in the current market with the intention of competing with current and proposed developments would be considered financially very risky and this course of action could not be recommended.

The only remaining land use not discussed is multiple family housing. As housing absorbs more land than any other land use, this use will be studied in detail.

Multiple Family Housing:

Housing in the central core area has never been a major factor in the overall residential market of Winnipeg.

As this area is covered by one zoning classification with a variety of permitted uses residential projects have to compete with office and retail buildings to obtain land. The optional uses increases the land value to a point where it becomes uneconomical to construct multiple family dwellings. The exceptions to this rule are residential projects with an extremely high density and in most instances with retail units on the main floor.

Following is a list of major residential developments in the downtown area this decade.

PROJECT NAME	YEAR CONSTRUCTED	NO. OF UNITS	TYPE OF SUITES		
			BACH.	1 BR.	2 BR.
Chateau 100	1970	252	21	147	84
Cumberland House		256	96	160	
Place Louis Riel		314	112	184	18
Holiday Towers #1	1971	264	119	121	24
House of York	1972	216	72	144	
Holiday Towers #2	1973	264	119	121	24
Plaza by the Riverside		199	79	101	19
Hargrave Place	1978	250	42	84	124
Colony Square	1979	428	---	366	62
York Estates		250	42	84	124
Totals		2,693	702	1,512	479
Prior to 1974		1,765	618	978	169
% of Total			35.01%	55.41%	9.57%
Past 1974		928	84	534	310
% of Total			9.05%	57.54%	33.40%

It is interesting to note that there was no apartment building construction for a four year period from 1974 to 1977. Also, a change in market preferences occurred during this period. The percentage of one bedroom units has remained approximately constant while the percentage of bachelor and two bedroom units has reversed.

While the most recent units have not leased to date as they are still under construction, the developers are knowledgeable in this field and it is assumed that their market studies are accurate.

As the subject property is not a true "downtown" location, the River-Stradbrook area was also analyzed on the same basis. Following are the results.

<u>PROJECT NAME</u>	<u>YEAR CONSTRUCTED</u>	<u>NO. OF UNITS</u>	<u>EACH.</u>	<u>TYPE OF UNIT</u>		
				<u>1 BR.</u>	<u>2 BR.</u>	<u>3 BR.</u>
605-607 River 55 Nassau	1970	98 292	-- --	35 144	63 146	 2
#1 Evergreen 323 Wellington Cres.	1971	224 106	-- --	102 -	115 96	7 10
240 Stradbrook	1972	166	--	118	48	
3 Donald	1973	150	--	90	60	
365 Wellington Cres.	1975	50	--	27	18	
21 Roslyn	1978	111	--	12	87	12
277 Wellington Cres.	1979	173	--	38	135	
Total		1,370	--	566	768	31
Prior to 1974 % of Total		1,035	--	489 47.24%	528 51.01%	19 1.83%
Past 1974 % of Total		335	--	77 22.98%	240 71.64%	12 3.58%

The percentage increase of two bedroom units is approximately equal to the increase in the downtown area for the period before and after 1974. However, the number of two bedroom units was approximately equal to the number of one bedroom units prior to 1974.

Both areas have indicated a stronger preference for units with more bedrooms in recent years.

Absorption:

Taking the completed units since 1970 and disregarding vacancies as they are minimal, the absorption of residential units in the downtown area has averaged 300 units per annum and 120 units per annum in the River-Stradbrook area.

Detailed rent-up information was available on two downtown apartment buildings constructed since 1970. Both developments contained in excess of 200 units and absorbed 125 and 140 units per annum.

As the subject could not expect to obtain the complete absorption for the downtown area but probably exceed the absorption of the River-Stradbrook area, it is my opinion that the probable absorption rate within the subject area will be approximately 175 units per annum. This would provide for two separate projects to be available during any given year.

Density:

The density of this development will be the most singular important factor in its potential success.

The development must be aesthetically pleasing creating a strong market demand.

The majority of downtown residential developments are approximately 400 units per acre. However, these developments are constructed in isolation and visually is difficult to perceive covering a larger area.

As a comparison the densities of recent larger suburban developments were calculated. They are as follows:

<u>APARTMENT BUILDING</u>	<u>LAND AREA</u>	<u>NO. OF UNITS</u>	<u>DENSITY /ACRE</u>	<u>SQ. FT. OF LAND/SUITE</u>
<u>HIGH RISE</u>				
York Estates	17,424	173	432	100
Niakwa Towers	71,638	98	60	731
Grant & Bramble	49,658	81	71	613
River & Wilmot	27,509	96	152	286
277 Wellington Cres.	92,307	182	86	507
Niakwa Green	30,552	42	60	727
<u>WALK-UP & LOW RISE</u>				
Arden	36,334	41	49	886
Beliveau	40,534	35	37	1,158
<u>TOWNHOUSES</u>				
Consulate	37,807	24	28	1,575
Grassie	53,510	36	30	1,486

The most intense suburban development in Winnipeg is the Courts of St. James which is located on a 5.3 acre site and has a density of 142 units per acre. Although this density is high, the appearance of the site does not appear to be overcrowded. This is mainly due to the surrounding area of parklands and adjacent single family residential neighbourhoods.

If this development was increased five times to equal the subject's size, it would undoubtedly appear overcrowded.

To create an atmosphere of a suburban development, which will probably be required to market the property, the land area per suite should be in the range of 500 to 800 square feet per unit based on the data shown. These ranges would produce the following densities:

<u>Land Area Per Unit</u>	<u>No. of Units Per Acre</u>
800	54
700	62
600	72
500	87

As the purpose of any development is to achieve the highest value, the highest compatible density should be chosen. The densities illustrated are on net land area. Following are the calculations for the subject site to estimate the net area.

Gross Area	28 acres
Dedication - 10% or	2.8 acres
Roadways	7.8 acres
Total	10.6 acres
Total Net Acres	17.4 acres

Applying a density of 87 units per acre results in a total of 1,514 units. Based on gross area this represents 54 units per acre.

The analysis of the Downtown and River-Stradbroke area did not include townhouses. This form of housing has become increasingly popular and should form a part of this development.

By reducing the density of apartment buildings to 400 square feet of land per unit, this would allow 217 townhouse units at 1,400 square feet of land per unit and still maintain an overall density of 500 square feet per unit.

Unit Mix:

Tables previously shown in the report gave the unit mix for two areas in the City and the trend which has occurred for the past five years.

The subject site's character would fall somewhere between the two study areas. It is neither a true downtown location nor is it as removed as the River-Stradbrook area. Therefore, it is my opinion that the most marketable mix of units would be between the two study areas.

Bachelor	5%
One Bedroom	30%
Two Bedroom	50%
Three Bedroom	15%

All bachelor suites should be in apartment buildings while the majority of three bedroom suites should be in townhouses.

The suggested breakdown is - Townhouses - 47 two bedrooms, 170 three bedrooms and the remainder in a variety of apartment structures.

Land Value:

The ten structures shown to illustrate density were all purchased within the past two years. Following are details of the land purchase.

<u>APARTMENT BUILDING</u>	<u>LAND AREA</u>	<u>NO. OF UNITS</u>	<u>SALE PRICE OF LAND</u>	<u>PRICE PER SQ. FT.</u>	<u>PRICE PER UNIT</u>
<u>HIGH RISE</u>					
York Estates	17,424	173	\$335,000	\$19.22	\$1,936
Niakwa Towers	71,638	98	\$246,500	\$ 3.44	\$2,515
Grant, & Bramble	49,658	81	\$250,000	\$ 5.03	\$3,086
River & Wilmot	27,509	96	\$325,000	\$11.81	\$3,385
277 Wellington Cres.	92,307	182	\$825,000	\$ 8.93	\$4,532
Niakwa Green	30,552	42	\$108,000	\$ 3.53	\$2,571
<u>WALK-UP & LOW RISE</u>					
Arden	36,334	41	\$117,000	\$ 3.22	\$2,853
Beliveau	40,534	35	\$113,000	\$ 2.78	\$3,228
<u>TOWNHOUSES</u>					
Counsulate	37,807	24	\$129,000	\$ 3.41	\$5,375
Grassie	53,510	36	\$187,500	\$ 3.50	\$5,206

The sale of suites other than townhouses ranged from \$2.78 to \$19.22 per square foot. On a per unit basis this range decreased to \$1,936 to \$4,532. Six out of eight sales ranged from \$2,515 to \$3,385.

It appears that a developer can pay approximately \$3,000 per unit for land to construct either walk-up or high rise structures.

The two comparables shown for townhouses indicate that \$5,500 per unit can be paid for land.

Based on density, type of mix and estimated unit values, the total revenue that can be expected is:

1,297 units @ \$3,000/unit =	\$3,891,000
217 units @ \$5,500/unit =	<u>\$1,193,500</u>
	\$5,084,500

Assuming that the absorption previously estimated is correct and that the land for townhouses and apartments sell proportionately equal each year and allowing a 10% discount for time, the present value of the land is:

1,514 units @ 175 units/year = 8.65 years

Annual Income:

\$5,084,500 ÷ 8.65 years = \$587,803

Factor for 8.65 years = 5.610589

Present worth of income stream:

\$587,803 x 5.610589 = \$3,297,921

Land Value of Parkland:

The total amount of land allocated as park area is approximately 22 acres.

River bank land has two distinct values. One is for land subject to flooding and the other for land free of flooding.

The Provincial Government is currently acquiring river bank property south of the Louise Bridge. To date, they have acquired three parcels of land from individual owners and have paid \$.35 per square foot for land subject to flooding.

One parcel containing approximately six acres was also purchased. This site contained approximately 25% flood prone land. The overall purchase price was \$.80 per square foot indicating a price for land not subject to flooding of \$.90 per square foot.

Based on the above, it is my opinion that land subject to flooding has a value of \$.35 per square foot and land not subject to flooding has a value of \$.90 per square foot.

At the moment, an accurate breakdown of land subject to flooding is not available. A guesstimate of this area is one third of the twenty-two acres. Based on this breakdown, the value of this land is:

Subject to Flooding		
319,440 s.f. @ \$.35/s.f.	=	\$111,804
Not Subject to Flooding		
638,880 s.f. @ \$.90/s.f.	=	<u>574,992</u>
Total Value of Parkland		\$686,796

Estimate of Value of Land
Between York Avenue Extension
and Water Street:

This parcel north of the York Avenue Extension and South of Water Street contains approximately 10 gross acres.

After allowances for streets and dedication, there are approximately 3 net acres.

This site is unique considering the size of parcel and its relationship to the Central Business District.

The only site larger than five acres assembled for commercial development is a site just west of the Polo Park Shopping Centre. This site was assembled for a multi-faceted development at a cost of \$6.50 per square foot. The land was assembled approximately three years ago.

The south west corner of Portage and Main was assembled for redevelopment at a cost of \$76 per square foot.

Value decreases quickly from this corner as individual parcels on Ellice Avenue sell for \$18 per square foot and on Graham for \$25 per square foot.

Considering the location of the subject and its size, it is my opinion that the market value of the site is \$10 per square foot or
348,480 s.f. @ \$10/s.f. = \$3,484,800

Expenses:

Cost of Servicing:

The estimated cost of servicing the site is \$1,080,000. This does not include any contribution towards the extension of York Avenue nor does it include any renovation to the two subways. If the developer is required to pay any of these costs, it should be deducted from the final estimate of value.

This study also assumes that all servicing will be installed at one time at the beginning of the project.

Land Drainage Capacity Charge:

If the developer left this work to the City, the charge by the City would be approximately \$480,000. The developer could probably perform it for a lesser cost or approximately \$250,000.

Administration & Legal Fees by City of Winnipeg:

The City of Winnipeg charges developers a fee of \$450 per acre to cover these expenses. Amount applicable to subject is \$450 per acre for 60 acres or \$27,000.

Survey, Engineering & Legal Fees:

These costs are estimated at \$50,000.

Contingency:

For unforeseen expenses, a contingency allowance of \$100,000 is estimated.

Summary of Revenue and Expenses:

Residential Area	\$ 686,796
Parkland	3,484,800
Commercial Site	<u>3,297,921</u>
Total	\$7,469,517

Expenses:

Servicing	\$1,080,000	
Land Drainage & Capacity Charge	250,000	
Administration & Legal Fees	27,000	
Survey, Engineering & Legal Fees	50,000	
Contingency	<u>100,000</u>	
Total Expenses		<u>\$1,507,000</u>
Estimated Value		\$5,962,517
	SAY	\$6,000,000

Final Estimate of Value:

Final estimate of value of the subject property as at December 19th, 1978 is SIX MILLION (\$6,000,000) DOLLARS.