

*No securities regulatory authority has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 8, "Risk Factors".*

*This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy securities within the United States or by residents of the United States. There shall be no sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Prospective investors should only rely on the information in this Offering Memorandum. No person has been authorized to give any information or make any representation in respect of the Trust or the securities offered herein and any such information or representation must not be relied upon. Any such information or representation that is given or received must not be relied upon. By accepting this Offering Memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this Offering Memorandum or any information contained herein.*

## OFFERING MEMORANDUM

Private Placement Offering

Originally dated January 25, 2018, Updated August 21, 2018



**NationWide**  
SELF STORAGE & AUTO WASH

### NATIONWIDE SELF STORAGE & AUTO WASH TRUST

**Maximum Offering of up to \$13,900,000**  
**Up to 139,000 Participating Preferred Trust Units**

**Class A Participating Preferred Trust Units**  
FundSERV Code: CDO NW031

**Class F Participating Preferred Trust Units**  
FundSERV Code: CDO NW032

**The Issuer:**

|                             |   |
|-----------------------------|---|
| Name:                       | NationWide Self Storage & Auto Wash Trust (the " <b>Trust</b> "), a trust formed under the laws of British Columbia |
| Head Office:                | Suite 808, 609 Granville Street, Vancouver, British Columbia V7Y 1G5  |
| Phone Number:               | (604) 684-5750; toll free 1 (866) 688-5750  |
| E-mail Address:             | <a href="mailto:info@nationwideselfstorage.ca">info@nationwideselfstorage.ca</a>                                    |
| Fax Number:                 | (604) 684-5748  |
| Currently listed or quoted: | No. <b>The securities do not trade on any exchange or market.</b>   |
| Reporting issuer:           | No  |

|   |   |
|---|---|
| SEDAR filer:  | Yes, but only as required pursuant to section 2.9 of National Instrument 45-106 – <i>Prospectus Exemptions</i> . The Trust is not a reporting issuer and does not file continuous disclosure documents on SEDAR that are required to be filed by reporting issuers.   |
| <b>The Offering:</b>  |   |
| Securities Offered:   | Redeemable Preferred Class A trust units and Redeemable Preferred Class F trust units (collectively, the “ <b>Participating Preferred Trust Units</b> ”).   |
| Price per Security:   | \$100 per Participating Preferred Trust Unit.<br>Minimum subscription of \$10,000 in Participating Preferred Trust Units. Additional subscriptions may be made in multiples of \$1,000 in Participating Preferred Trust Units.  |
| Minimum/Maximum Offering:   | <i>Maximum Offering:</i> Up to \$13,900,000 (139,000 Participating Preferred Trust Units).<br><i>Minimum Offering:</i> \$3,000,000 (30,000 Participating Preferred Trust Units).  |
| Investment Objective:   | The investment objective of the Trust is to provide Unitholders of Participating Preferred Trust Units with: <ol style="list-style-type: none"> <li>three components to the investment return: <ol style="list-style-type: none"> <li>an annualized preferred base target return of 8%;</li> <li>up to 70% participation in returns exceeding the 8% preferred base target return – paid monthly in arrears; and</li> <li>capital appreciation on disposition of the Development Property;</li> </ol> </li> <li>tax advantaged target monthly income distributions, as a portion of the distributions will be taxed as a return of capital;</li> <li>a source of cash flow in various economic environments<sup>(1)</sup>; and</li> <li>an investment backed by urban industrial real estate through the Trust’s ownership of the Partnership.</li> </ol> <p><sup>(1)</sup> See, for example, <a href="https://www.fool.com/investing/dividends-income/2015/03/31/3-reasons-self-storage-reits-are-great-dividend-st.aspx">https://www.fool.com/investing/dividends-income/2015/03/31/3-reasons-self-storage-reits-are-great-dividend-st.aspx</a> accessed January 16, 2018</p> |
| Business of the Trust:  | The Trust will invest all the Available Funds (as defined herein) in securities of the Partnership (as defined herein), which will in turn use the proceeds to acquire a 1.33 acre (57,934 sq/ft) property located at 1485 Trans-Canada Highway in Kamloops, British Columbia (the “ <b>Development Property</b> ”). The Partnership intends to develop and operate a combination self storage/car wash facility on the Development Property. The Development Property is in a high profile location bordering Highway #1, Hugh-Allen Drive and Pacific Way, a high traffic location with a daily traffic count of approximately 19,000 vehicles per day (source: <a href="http://www.th.gov.bc.ca/trafficData/tradas/reports/AllYears/2016/08/DV03/DV03S%20-%20Site%20Pacific%20Way%20I-C%2021-005E%20-%20NN%20on%2008-09-2016.pdf">http://www.th.gov.bc.ca/trafficData/tradas/reports/AllYears/2016/08/DV03/DV03S%20-%20Site%20Pacific%20Way%20I-C%2021-005E%20-%20NN%20on%2008-09-2016.pdf</a> , accessed on January 15, 2018).  |
| <b>The Self Storage Building:</b>   |   |
| The self storage facility will be located on the western side of the Development Property and will be a modern, well-lit and architecturally designed building of approximately 60,000 sq/ft with approximately 50,000 sq/ft net rentable storage space. It will offer approximately 600 individual storage lockers each with individual security systems in a temperature controlled environment and will include drive up units specifically designed to attract commercial tenants. The facility will feature commercial elevators with security restricted floor access and video surveillance. See Item 2, Business of NationWide Self Storage & Auto Wash Trust” for further details, and <b>Schedules A and B</b> for copies of Phase I and Phase II Feasibility Reports, respectively, prepared in respect of the proposed self storage facility at the Development Property. |   |
| <b>The Auto Wash:</b>   |   |
| The Auto Wash will be located on the eastern side of the Development Property and will be a modern 4,000 sq/ft building housing an approximate 160 foot exterior detail hybrid tunnel touch auto wash system. The car wash will have approximately 10 automated   |   |

application stations that will be capable of washing, waxing, sealing, tire shining and drying up to 180 cars per hour. Users will be able to select many levels of wash options such as the Bronze level wash offering a complete wash and dry, the Silver level wash offering Bronze plus triple foam polish and clear coat, the Gold level wash offering Silver plus tire shine, undercarriage wash and rust guard protectant and the Platinum level wash offering Gold plus lava foam and waterfall rinse. As well customers may select other extra add-ons such as Rain X and Armor All Extreme Shine both for extra charges of approximately \$3. The wash level options will be available for purchase through automated touch screen drive through kiosks and prices will range from as low as \$7.95 to over \$25 per wash. As well, the car wash will provide approximately 10 vacuum stations, detail products such as window cleaner, dash cleaner and micro fibre towels as well as air fresheners for a small extra charge of approximately \$3 each. See Item 2, Business of NationWide Self Storage & Auto Wash Trust” for further details, and **Schedule C** for a copy of a Feasibility Report prepared in respect of the proposed car wash facility at the Development Property.

Preferential & Special  
Distributions:

**Preferential Distributions**

Participating Preferred Trust Units are entitled to receive monthly preferential cash distributions (“**Preferential Distributions**”) targeting a preferred base return of 8%. The Preferred Distribution will be paid to Unitholders on or about the last Business Day of each month. If the target preferred base return is paid to investors in a calendar year, investors will then be entitled to up to 70% of all incremental cash distributions over and above the target 8% preferred base return in that year, with the remaining portion of the cash distributions in that year payable to the General Partner pursuant to the Performance Bonus. See Item 2.5, “Material Agreements – (a) The Partnership Agreement – Compensation of the General Partner”. The Administrator anticipates that distributions will commence approximately 12-24 months from the date of the final Closing of the Offering. Cash distributions will be paid to holders of Participating Preferred Trust Units in priority to payments to the General Partner pursuant to the Performance Bonus.

In addition, once Unitholders have received a cumulative 8% annualized (but not compounded) return over the life of their investment in Participating Preferred Trust Units, the Performance Bonus will entitle the General Partner to a share of the Partnership’s assets on dissolution.

**Special Distributions**

In addition to the foregoing, the Trust may make such other distributions (“**Special Distributions**”) as the Trustees may determine from time to time. The Trustees intend to make Special Distributions, payable in cash or by the issuance of additional Participating Preferred Trust Units, in respect of the taxable income and net realized capital gains, if any, of the Trust in each fiscal year to the extent necessary to ensure that the Trust will not be liable for tax under Part I of the Tax Act in such year.

Redemption:

The Participating Preferred Trust Units rank in priority to the General Partner’s entitlement to the Performance Bonus with respect to the payment of proceeds from the dissolution, liquidation or winding up of the Trust.

Participating Preferred Trust Units may be surrendered by Unitholders for redemption at any time and will be satisfied on the last day of the quarter in which the redemption request has been received (a “**Valuation Date**”).

Participating Preferred Trust Units surrendered for redemption by a Unitholder at least twenty (20) Business Days prior to a Valuation Date will be redeemed on such Valuation Date and such holder will receive payment on or before the tenth Business Day following such Valuation Date. On a redemption, Unitholders will be entitled to receive a redemption price per share based on the Net Asset Value (as defined herein) of the Participating Preferred Trust Unit as of the relevant Valuation Date. Holders of Participating Preferred Trust Units that redeem Participating Preferred Trust Units prior to January 1, 2022 will be subject to a 2% redemption discount from Net Asset Value. Payment of the redemption price shall be in cash, provided that if the Participating Preferred Trust Units tendered for redemption in the same quarter exceeds an amount equal to 0.25% of the Gross Proceeds until January 1, 2022, and 0.625% of the Gross

Proceeds thereafter, then the Trustees shall only be obligated to make cash payment to a maximum of such amount and the balance, subject to receipt of any applicable regulatory approvals, may be paid by the Trust, in the discretion of the Administrator, through the issuance of unsecured debt instruments issued by the Trust maturing on the earlier of 5 years from the date of issue and the date the Trust is wound up and/or through a distribution, *in specie*, of property of the Trust. See Item 4.1, “Capital – Details of the Declaration of Trust - Redemptions”.

**Tax Consequences:**

There are several important tax consequences to these securities.

1. Provided the Trust is a “mutual fund trust” as defined for the purposes of the *Income Tax Act* (Canada) (the “**Tax Act**”) at all relevant times, the Participating Preferred Trust Units will be qualified investments for Exempt Plans, which include RRSPs, RRIFs, DPSPs, RESPs, RDSPs and TFSAs (as defined herein); and
2. The Trust intends to pay preferred cash distributions to Participating Preferred Trust Unitholders. To the extent that distributions payable by the Trust in a year exceed the Trust’s income for that year, the excess will be paid as a return of capital. Any such payment made as a return of capital to a Participating Preferred Trust Unitholder will generally not be subject to tax but will reduce the adjusted cost base of the Participating Preferred Trust Unitholder’s Participating Preferred Trust Units and may result in a capital gain to the extent (if any) that the adjusted cost base thereby becomes negative. Any such payment to a Participating Preferred Trust Unitholder out of the Trust’s income will generally be taxable as income in the Participating Preferred Trust Unitholder’s hands. Management expects that distributions payable by the Trust in a year will be paid partially out of income and partially as returns of capital.

See Item 6, “Income Tax Consequences and RRSP Eligibility”.

**Proposed Closing Dates:**

Closings will take place on such dates as the Administrator may determine.

**Selling Agents:**

Yes. The Trust may engage agents and finders to assist with effecting sales of Participating Preferred Trust Units, and pay fees and other compensation in connection therewith. See Item 7, “Compensation Paid to Sellers and Finders”.

## **Payment Methods and Subscription Form Delivery Instructions**

**Subscription Documents and Cheques and Bank Drafts:** All original subscription documents and cheques and bank drafts must be delivered directly to the Administrator or through an Agent or investment dealer for delivery to the Administrator at the address provided below (electronic forms and payments may be submitted in accordance with the instructions of your dealer):

| <b>Payment Methods</b>   |   |
|--|---|
| A. Funds can be transferred via FundSERV from your brokerage account at an investment dealer | Instruct your dealer to purchase applicable Participating Preferred Trust Units:<br>For Class A Participating Preferred Trust Units the FundSERV Code is CDO NW031<br>For Class F Participating Preferred Trust Units the FundSERV Code is CDO NW032        |
| B. Cheque or bank draft  | <b>Payable to:</b> NationWide Self Storage & Auto Wash Trust<br><br><b>Couriered to:</b> NationWide Self Storage & Auto Wash Trust<br>Attention: Subscription Processing Department<br>P.O. Box 10357, Suite 808, 609 Granville St<br>Vancouver, BC V7Y 1G5 |
| C. Funds can be wire transferred from your bank account                                      | Banking Institution: ScotiaBank<br>Institution number: 002<br>Transit: 47696<br>Account: provided upon request to<br>subscriptions@nationwideselfstorage.ca   |

### **Questions can be sent to:**

NationWide Self Storage & Auto Wash Trust  
P.O. Box 10357, Suite 808, 609 Granville Street, Vancouver, British Columbia V7Y 1G5  
Tel: (604) 684-5750, Toll Free: 1 (866) 688-5750, Fax: (604) 684-5748  
subscriptions@nationwideselfstorage.ca

### **Resale Restrictions:**

The Participating Preferred Trust Units are subject to restrictions on resale. There is no market for the Participating Preferred Trust Units and none is expected to develop, and therefore it may be difficult or impossible for you to sell them. You will be restricted from selling your securities for an indefinite period. See Item 10, "Resale Restrictions".

### **Purchaser's Rights:**

You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11.

**This is a speculative offering. While CPDC (as defined herein) has acquired the Development Property and intend to sell it to the Partnership, there can be no assurance that sufficient funds will be raised pursuant to the Offering to complete the sale or that the Administrator will otherwise conclude that the Development Property is a suitable location for operations. The purchase of Participating Preferred Trust Units involves significant risks. There is currently no market through which the Participating Preferred Trust Units may be sold and purchasers may not be able to resell the securities purchased under this Offering Memorandum. No market for the Participating Preferred Trust Units is expected to develop. The Participating Preferred Trust Units are only transferable in exceptional circumstances, and never to non-residents of Canada. An**

investment is appropriate only for Subscribers who have the capacity to absorb the loss of some or all of their investment. There is no guarantee that an investment in the Trust will earn a specified rate of return in the short or long term. Participating Preferred Trust Unitholders must rely on the discretion and knowledge of the Administrator in respect of the identification of suitable investment opportunities. If the Partnership does not acquire the Development Property, there can be no assurance that the Administrator, on behalf of the Trust, will be able to identify a sufficient number of Investments to permit the Trust to invest all the Gross Proceeds. Federal, provincial or territorial income tax legislation may be amended, or its interpretation changed, so as to alter fundamentally the tax consequences of holding or disposing of Participating Preferred Trust Units. Other risk factors associated with an investment in the Trust include the Administrator having only nominal assets. Prospective Subscribers should consult their own professional advisors to assess the income tax, legal and other aspects of their investment. An investment in Participating Preferred Trust Units is subject to a number of additional risks. See Item 8, "Risk Factors".

#### **Incorporation by Reference of Certain Marketing Materials:**

Any "OM marketing materials" (as that term is defined below) related to each distribution under this Offering Memorandum and delivered or made reasonably available to a prospective Subscriber before the termination of the distribution is, and is deemed to be, incorporated by reference into this Offering Memorandum. Notwithstanding the foregoing, OM marketing materials incorporated by reference as described above are no longer incorporated by reference, and no longer form part of this Offering Memorandum, to the extent to which such materials have been superseded by a statement or statements contained in (i) an amendment to the Offering Memorandum, or an amended and restated Offering Memorandum, or (ii) subsequent OM marketing materials delivered to or made reasonably available to a prospective Subscriber.

"OM marketing materials" means a written communication, other than an OM standard term sheet (as that term is defined in NI 45-106), intended for prospective purchasers regarding this distribution of Participating Preferred Trust Units under this Offering Memorandum that contains material facts relating to the Trust, the Participating Preferred Trust Units and this Offering.

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## FORWARD LOOKING STATEMENTS

Certain statements in this Offering Memorandum as they relate to the Trust and the Administrator are “forward-looking statements”. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects”, “does not expect”, “is expected”, “anticipates”, “does not anticipate”, “plans”, “estimates”, “believes”, “does not believe” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or achieved), are not statements of historical fact and may be “forward-looking statements”. Forward-looking statements are based on expectations, estimates and projections at the time the statements are made. The Administrator believes these expectations, estimates and projections are reasonable and conservative based on management of the Administrator’s past experience. However, forward looking statements based on such expectations, estimates and projections involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipated. These include, but are not limited to, the fact that:

- (a) an investment in Participating Preferred Trust Units is not guaranteed to earn a specified or any rate of return;
- (b) the Administrator has no prior experience in managing a trust;
- (c) there is no market for the Participating Preferred Trust Units and none is expected to develop;
- (d) the Trust may not source a sufficient number or any self storage projects or facilities in which to invest;
- (e) fees and expenses payable by the Trust may decrease the assets available for investment by the Trust;
- (f) there may be defects in title to or other ownership disputes with respect to the Trust’s assets; and
- (g) the Trust competes with other entities in the self storage industry, many of whom are larger, which may decrease the investment opportunities available to the Trust. See Item 8, “Risk Factors”.

Forward-looking information is based (in whole or in part) upon factors that, if not as expected, may cause actual results, performance or achievements of the Partnership, and, consequently, those of the Trust, to differ materially from those contemplated or predicted (whether expressly or by implication) in the forward-looking information. Those factors are based on information currently available to the Trust including information obtained from third-party industry analysts and other third party sources. While we do not know what impact any of those differences may have, our business, results of operations, financial condition and credit stability may be materially adversely affected. Factors that could cause actual results, performance, achievements or outcomes to differ materially from those expressed or implied by forward-looking information include, among other things, risks associated with:

- any inability to complete the acquisition and development of the Development Property;
- the inability of the Trust to achieve the maximum Offering or otherwise arrange sufficient financing;
- the timing and extent of revenues generated by the Partnership’s self storage and/or car wash operations;
- tax consequences to acquiring, holding and disposing of Participating Preferred Trust Units;
- legislative and regulatory developments that may affect costs, revenues, the speed and degree of competition entering the market, global capital markets activity, timing and extent of changes in prevailing interest rates; and
- impeding or adversely affecting, directly or indirectly, in whole or in part, the Partnership’s ability to successfully purchase, construct and develop, operate, use, sell, or generate a profit from, the Investment.

We caution you that the above lists of material assumptions and risk factors are not exhaustive. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ



materially from those anticipated in such statements. Accordingly, prospective investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this Offering Memorandum, and neither the Trust nor the Administrator undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable laws. The foregoing statements expressly qualify any forward-looking information contained in this Offering Memorandum.

#### **MARKET AND INDUSTRY DATA**

Unless otherwise indicated, the market and industry data contained in this Offering Memorandum is based upon information from independent industry and government publications. While the Administrator believes this data to be reliable, market and industry data is subject to variation and cannot be verified due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Neither the Trust nor the Administrator has independently verified the accuracy or completeness of such information contained herein.

## GLOSSARY

The following terms used in this Offering Memorandum have the meanings set out below:

“**Administrator**” means NationWide Self Storage & Auto Wash Management Corp.

“**Affiliate**” has the meaning ascribed to that term in the *Securities Act* (Ontario).

“**Agents**” means, collectively, persons who introduce the Trust to potential subscribers of Participating Preferred Trust Units pursuant to the Offering in accordance with applicable securities laws.

“**Agents’ fees**” means the fees payable to Agents. See Item 7, “Compensation Paid to Sellers and Finders”.

“**arm’s length**” has the meaning ascribed to that term in the Tax Act.

“**Asset Value**” means the aggregate value of the assets of the Partnership as reported in the most recently prepared audited annual financial statements of the Trust or the Partnership, provided, however, that if any portion of the Partnership’s assets have been appraised after the date of the most recent financial statements by an independent qualified appraiser, the General Partner will be entitled to rely on the assessed value of the Partnership’s assets according to such appraisal in its determination of Asset Value, provided that such Asset Value is approved by all of the independent directors of the General Partner.

“**Business Day**” means a day, other than a Saturday, Sunday or holiday, when banks in the City of Vancouver, British Columbia are generally open for the transaction of banking business.

“**CADO**” means CADO Bancorp Ltd., the parent company of the Administrator.

“**Capital Contribution**” in respect of a Limited Partner means the aggregate of all amounts of cash contributed to the capital of the Partnership by the Limited Partner for the issuance of LP Units.

“**Class**” means either of the two classes of Participating Preferred Trust Units, and “**Classes**” means both of them.

“**Class A Participating Preferred Trust Unit**” means a Participating Preferred Trust Unit of the Trust with an undivided interest in the Investments attributable to the Class A Participating Preferred Trust Units entitling the holder of record thereof to the rights, restrictions, privileges and obligations provided in the Declaration of Trust.

“**Class F Participating Preferred Trust Unit**” means a Participating Preferred Trust Unit of the Trust with an undivided interest in the Investments attributable to the Class F Participating Preferred Trust Units entitling the holder of record thereof to the rights, restrictions, privileges and obligations provided in the Declaration of Trust.

“**Closing**” means the completion of the purchase and sale of any Participating Preferred Trust Units.

“**Closing Date**” means the date of a Closing.

“**CPDC**” means CADO Property Development Corp.

“**CRA**” means Canada Revenue Agency.

“**Declaration of Trust**” means the declaration of trust dated as of January 3, 2018 among the Trustees, the Administrator, the Initial Participating Preferred Trust Unitholder, and each person who becomes a Participating Preferred Trust Unitholder thereafter together with all amendments, supplements, restatements and replacements thereof from time to time.

“**Development Property**” means the property located at 1485 West Trans-Canada Highway in Kamloops, British Columbia as further described in Item 2.2 “– Our Business – Development Property”.

“**Distributable Cash**” of the Trust at any particular time means: (i) the amount of Cash held by the Trust at that time less any amounts that in the opinion of the Administrator, acting reasonably and in good faith, are required in order to finance the Trust’s business and operations and meet its obligations; and (ii) at the time of dissolution of the Trust, shall include the value of any assets of the Trust required to be distributed *in specie*.

**“Distribution Period”** means the twelve-month period ending December 31 in each calendar year, or such other periods as may be determined from time to time by the Trustees or the Administrator.

**“Distribution Record Date”** means the last Business Day in a Distribution Period or such other date as may be determined from time to time by the Trustees or the Administrator.

**“Distributions”** means all amounts paid or securities or other property of the Trust distributed to a Participating Preferred Trust Unitholder in respect of such Participating Preferred Trust Unitholder’s interest or entitlement in the Trust in accordance with the provisions of the Declaration of Trust.

**“Exempt Plan”** means any registered retirement savings plan (“RRSP”), registered retirement income fund (“RRIF”), deferred profit sharing plan (“DPSP”), registered education savings plan (“RESP”), registered disability savings plan (“RDSP”) or tax-free savings account (“TFSA”), all as defined in the Tax Act.

**“Expense Assumption Agreement”** means the expense assumption agreement to be dated on or before the initial Closing Date between the Trust and the Partnership, as amended, supplemented or amended and restated from time to time.

**“Extraordinary Resolution”** in respect of the Trust and the Partnership means a resolution passed by more than two-thirds of the votes cast, either in person or by proxy, at a duly convened meeting of the Participating Preferred Trust Unitholders of a Class (in the case of the Trust) or of the Limited Partners (in the case of the Partnership) to approve any item required by the Declaration of Trust or Limited Partnership Agreement, as applicable, or, alternatively, in the case of the Trust a written resolution signed by Participating Preferred Trust Unitholders holding more than two-thirds of the Participating Preferred Trust Units of the Class outstanding and in the case of the Partnership Limited Partners holding more than two-thirds of the LP Units outstanding, and in each case entitled to vote on such resolution at a meeting.

**“Financial Institution”** means a financial institution as defined in subsection 142.2(1) of the Tax Act.

**“General Partner”** means the general partner appointed pursuant to the Partnership Agreement. Currently, the Administrator has been appointed as the General Partner.

**“General Partner’s Fee”** means the fee which the General Partner will receive from the Partnership pursuant to the Partnership Agreement during the period commencing on the Closing Date and ending on the date of the dissolution of the Trust, equal to 1/12<sup>th</sup> of 2.0% of the Partnership’s then-current Asset Value of the Partnership for each month of service, plus GST if applicable, calculated and paid monthly in arrears.

**“Gross Proceeds”** means, in respect of the sale of Participating Preferred Trust Units pursuant to the Offering, \$100.00 multiplied by the number of Participants Preferred Trust Units sold.

**“High Quality Money Market Instruments”** means money market instruments which are accorded the highest rating category by Standard & Poor’s, a division of The McGraw-Hill Companies (A-1) or by DBRS Limited (R-1(high)), banker’s acceptances and government guaranteed obligations all with a term of one year or less, and interest-bearing deposits with Canadian banks, trust companies or other like institutions in the business of providing commercial loans, operating loans or lines of credit to companies.

**“Income”** and **“Loss”** mean, in respect of any period, the income or loss of the Trust or the Partnership, as applicable, in respect of such period, determined in accordance with accounting principles then in effect.

**“Initial Participating Preferred Trust Unitholder”** means CADO.

**“Investments”** means the Partnership’s assets, expected to consist primarily of a combined self storage facility/car wash facility located on the Development Property in Kamloops, British Columbia, as further described under Item 2, “Business of NationWide Self Storage & Auto Wash Trust”.

**“Limited Partners”** means the holders of LP Units from time to time.

**“Liquidity Event”** means a transaction that the Administrator may propose for the approval of the Participating Preferred Trust Unitholders in order to provide liquidity, which could include a sale of the LP Units or the Investments for cash, publicly-traded securities or a combination of cash and such securities.

**“LP Distributable Cash”** of the Partnership at any particular time means: (i) the amount of cash held by the Partnership at that time, less all amounts that in the opinion of the General Partner, acting reasonably and in good faith, are required in order to finance the Partnership’s business and operations (including the acquisition of Investments) and meet its obligations (including the payment of fees to the General Partner pursuant to the Partnership Agreement); and (ii) at the time of dissolution of the Partnership, shall include the value of any assets of the Partnership required to be distributed *in specie*.

**“LP Units”** means the limited partnership units of the Partnership.

**“Manager”** means StorageVault Management Services, a division of StorageVault Canada Inc.

**“Net Asset Value”** means the Asset Value less the aggregate value of the Partnership's liabilities (other than any liabilities owing to the Trust) as reported in the most recently prepared financial statements of the Trust or the Partnership.

**“NI 45-106”** means National Instrument 45-106 – *Prospectus Exemptions*.

**“Offering”** means the offering of Participating Preferred Trust Units by the Trust pursuant to this Offering Memorandum.

**“Operating Reserve”** means the funds set aside by the Trust from the Gross Proceeds to pay the ongoing operating and administrative costs of the Trust.

**“Ordinary Resolution”** means in respect of the Trust and the Partnership a resolution passed by more than 50% of the votes cast, either in person or by proxy, at a duly convened meeting of the Participating Preferred Trust Unitholders of a Class (in the case of the Trust) or of the Limited Partners (in the case of the Partnership) to approve any item required by the Declaration of Trust or Limited Partnership Agreement, as applicable, or, alternatively, in the case of the Trust a written resolution signed by Participating Preferred Trust Unitholders holding more than 50% of the Participating Preferred Trust Units of the Class outstanding and in the case of the Partnership Limited Partners holding more than 50% of the LP Units outstanding, and in each case entitled to vote on such resolution at a meeting.

**“Participating Preferred Trust Unitholder”** or **“Holder”** means each person who holds one or more Participating Preferred Trust Units from time to time.

**“Participating Preferred Trust Units”** means the Class A Participating Preferred Trust Units and the Class F Participating Preferred Trust Units.

**“Partnership”** means NationWide Self Storage & Auto Wash Limited Partnership.

**“Partnership Agreement”** means the limited partnership agreement governing the Partnership and dated January 3, 2018 among NationWide Self Storage & Auto Wash Management Corp., as general partner, NationWide Self Storage & Auto Wash Trust, as the founding limited partner, and such other persons who become Limited Partners in accordance with the terms of such agreement, as the same may be amended, supplemented or amended and restated from time to time.

**“Performance Bonus”** means the General Partner’s entitlement to receive from the Partnership (a) once Participating Preferred Trust Unitholders have received 8% cash return on their investment in Participating Preferred Trust Units in any calendar year commencing December 31, a share of any further LP Distributable Cash distributed in respect of the remainder of that calendar year equal to the LP Distributable Cash being distributed multiplied by the Performance Bonus Formula calculated at the time of distribution, and/or (b) once Participating Preferred Trust Unitholders have received a cumulative 8% annualized (but not compounded) return over the life of their investment in Participating Preferred Trust Units, a share of all assets of the Partnership distributable in connection with the

dissolution or winding up of the Partnership or the sale of all or substantially all of its assets or similar transaction (collectively for the purposes of this definition, the “**Assets**”) equal to the total value of the Assets multiplied by the Performance Bonus Formula calculated at such time.

“**Performance Bonus Formula**” means at any particular time the percentage amount derived from the following formula:  $1 - (a \times (0.70/b))$ , where  $a$  = the number of Participating Preferred Trust Units then outstanding, and  $b$  equals the total number of Participating Preferred Trust Units issued pursuant to the Offering.

“**Promoter**” means the Administrator.

“**Redemption Notes**” means promissory notes issued in series, or otherwise, by the Trust pursuant to a note indenture or otherwise and issued to a redeeming Unitholder as described in Item 4.1, “Capital - Summary of the Declaration of Trust - Redemptions” and having the following terms and conditions:

- (a) unsecured and bearing interest from and including the issue date of each such note at a market rate determined at the time of issuance, based on the advice of an independent financial advisor, by the Administrator and payable annually in arrears (with interest after as well as before maturity, default and judgement, and interest on overdue interest at such rate);
- (b) subordinated and postponed to all senior indebtedness and which may be subject to specific subordination and postponement agreements to be entered into by the Trust pursuant to the note indenture with holders of senior indebtedness;
- (c) subject to earlier prepayment, being due and payable on the earlier of the fifth anniversary of the date of issuance and the date the Trust is wound up; and
- (d) subject to such other standard terms and conditions as would be included in a note indenture for promissory notes of this kind, as may be approved by the Administrator.

“**Recordkeeper**” means the recordkeeper of the Trust appointed by the Administrator to keep track of the owners of Participating Preferred Trust Units and process purchase and redemption orders, the recordkeeper being Investment Administration Solutions Inc.

“**Subscriber**” means a person who subscribes for Participating Preferred Trust Units.

“**Subscription Agreement**” means the subscription agreement to be completed by all subscribers for Participating Preferred Trust Units pursuant to the Offering, in the form prescribed by the Administrator.

“**Tax Act**” means the *Income Tax Act* (Canada), as amended from time to time.

“**Tax Income**” and “**Tax Loss**” mean, in respect of any period, the income or loss of the Trust or the Partnership, as applicable, determined in accordance with the Tax Act.

“**Termination Date**” means December 31, 2024, unless the Trust’s operations are continued in accordance with the Declaration of Trust. See Item 4.1, “Details of the Declaration of Trust – Term of the Trust and Distribution on Wind-Up”.

“**Trust**” means NationWide Self Storage & Auto Wash Trust.

“**Trust Property**” at any time, means all of the money, properties and other assets of any nature or kind whatsoever as are, at such time, held by the Trust or by the Trustees on behalf of the Trust, including the LP Units.

“**\$**” means Canadian dollars.

## Item 1 USE OF AVAILABLE FUNDS

### 1.1 Funds.

The Gross Proceeds will be \$13,900,000 if the maximum Offering is completed, and \$3,000,000 if the minimum Offering is completed. The following table sets out the funds that will be available for investment in connection with each of the maximum and minimum Offering.

|   | <b><u>Maximum<br/>Offering</u></b> | <b><u>Minimum<br/>Offering</u></b> |
|---|------------------------------------|------------------------------------|
| Gross Proceeds to the Trust:  | \$13,900,000                       | \$3,000,000                        |
| Agents' fees <sup>(1)</sup> .....   | \$(1,112,000)                      | \$(240,000)                        |
| Estimated offering expenses <sup>(1)(2)</sup> .....                               | \$(486,500)                        | \$(108,000)                        |
| Operating Reserve .....   | \$(378,000)                        | \$(50,000)                         |
| Available Funds <sup>(1)</sup> .....  | <u>\$11,923,500</u>                | <u>\$2,602,000</u>                 |
| Additional Sources of Funding Required <sup>(3)</sup> ..                          | Nil                                | Nil                                |
| Current Working Capital (or Working<br>Capital Deficiency) as at August 21, 2018. | <u>Nil</u>                         | <u>Nil</u>                         |
| Total <sup>(1)</sup> .....  | <u>\$11,923,500</u>                | <u>\$2,602,000</u>                 |

- (1) While the Trust will incur expenses in connection with the Offering, including paying Agents' fees to Agents or, where permitted, non-registrants of up to 8.0% of the subscription proceeds obtained by such persons or from subscribers for Class A Participating Preferred Trust Units introduced to the Trust by such persons, the Partnership has agreed to either directly pay, or reimburse, the Trust for all costs and expenses to be incurred by the Trust in connection with obtaining financing for investment in the Partnership. See Item 2.7, "Material Agreements - The Expense Assumption Agreement". Accordingly, unless otherwise agreed between the Trust and the Partnership, the Trust will not directly bear the cost of the Agents' fees or other expenses of the Offering (but will do so indirectly through its investment in the Partnership). See Item 7, "Compensation Paid to Sellers and Finders".
- (2) Assumes only Class A Participating Preferred Trust Units are sold. Expenses of the Offering include, but are not limited to, legal, accounting and audit, travel, marketing and sales expenses. If only Class F Participating Preferred Trust Units were sold, the Available Funds and Total would both be \$13,035,500 in the case of the maximum Offering of Participating Preferred Trust Units and \$2,842,000 in the case of the minimum Offering of Participating Preferred Trust Units.
- (3) The Trust and/or the Partnership may also borrow funds in the course of their business activities, subject to a maximum 0.65 to 1 debt to equity ratio. See also Item 1.2, "Use of Available Funds" below.

### 1.2 Use of Available Funds.

The Trust will invest all the Gross Proceeds in the Partnership by acquiring up to 139,000 LP Units at a price equal to the proceeds from the sale of the Participating Preferred Trust Units. The Partnership will in turn use these funds to finance its business operations, including sourcing and acquiring Investments, and to satisfy its obligations under the Expense Assumption Agreement. See Item 2, "Business of NationWide Self Storage & Auto Wash Trust".

For illustrative purposes, the following table sets out the Administrators expectations of the acquisition and development costs of the combination self-storage/car wash facility at the Development Property:

|                                  |                     |
|----------------------------------|---------------------|
| Purchase land                    | \$3,200,000         |
| Develop self storage building    | \$5,740,000         |
| Develop auto wash facility       | <u>\$3,480,000</u>  |
| <b>Total Capital Requirement</b> | <b>\$12,420,000</b> |

In the case of the maximum Offering, the difference between the total development costs and the Available Funds would be funded, if necessary, through the use of borrowing. If only the minimum Offering is completed, then the Partnership would use the first \$1,000,000 towards the purchase of the Development Property, and the balance of the proceeds plus borrowings will be used to finance the development of the auto wash facility. The Partnership would then operate the auto wash on a stand-alone basis and use the revenues from operations to finance the development of the self storage facility. The remainder of the purchase price for the Development Property would be payable over 20 years on standard commercial loan terms, bearing interest at a rate of 5% per annum, with principal and interest paid monthly. The debt will be secured by a charge over the Development Property and will be convertible into Participating Preferred Trust Units or LP Units at the option of the lender at the lesser of \$100 per unit or the fair market value of a Participating Preferred Trust Unit at the time of conversion.

The Gross Proceeds from the issue of the Participating Preferred Trust Units will be paid to the Trust at Closing and deposited in its bank account and managed on behalf of the Trust by the Administrator. Pending the investment of the Gross Proceeds in LP Units, all such funds will be invested in High Quality Money Market Instruments. Interest earned by the Trust from time to time will accrue to the benefit of the Trust.

The Trust will hold Participating Preferred Trust Unit subscription proceeds received from Subscribers prior to the Closing until subscriptions for the minimum Offering are received and other Closing conditions of the Offering have been satisfied.

### **1.3 Reallocation.**

We intend to spend the available funds as stated above. We will reallocate funds to another purpose only with the approval of Participating Preferred Trust Unitholders by Ordinary Resolution.

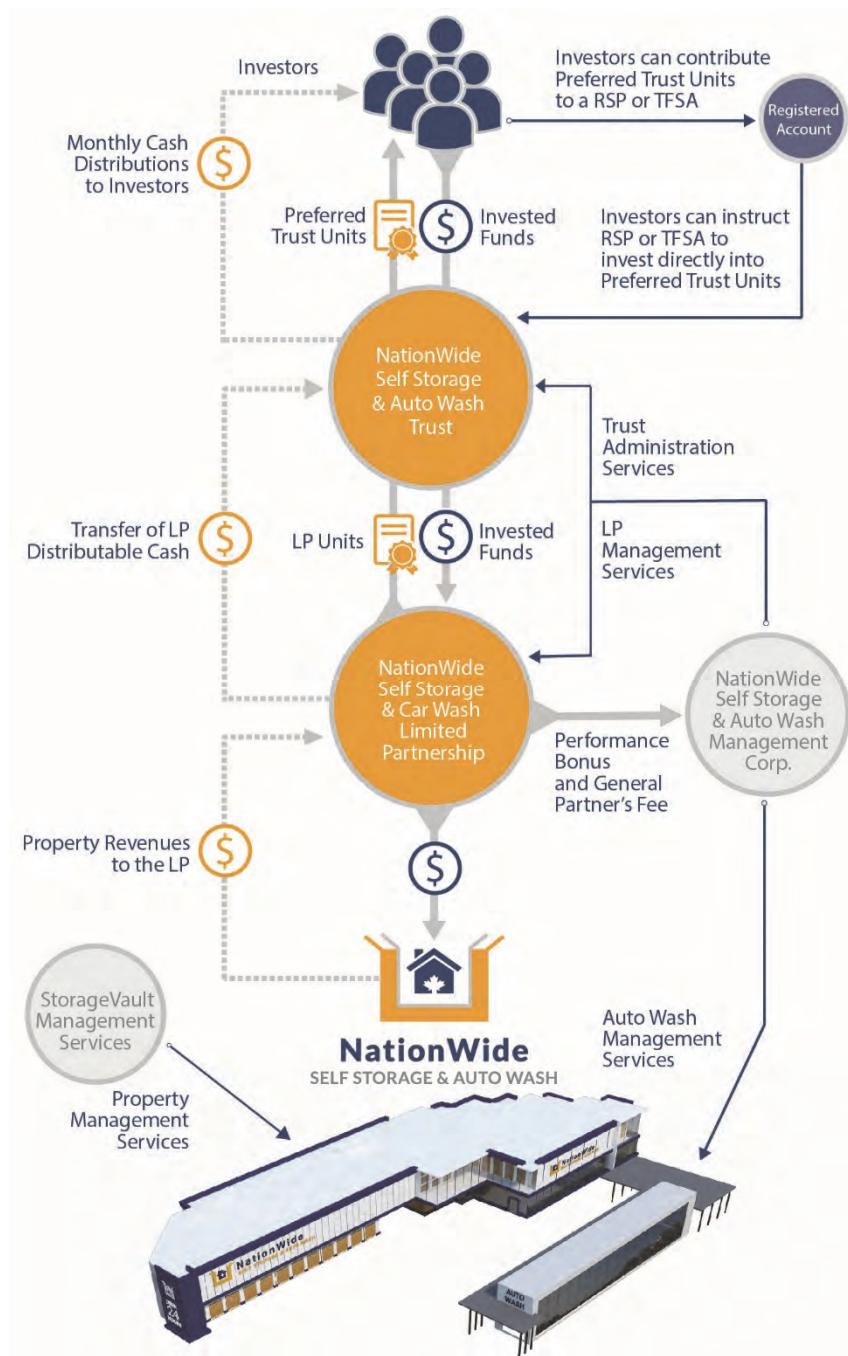
The exact use of available funds may vary dependent upon several factors including the timing of raising the equity and or any required debt and the timing of any payments required for the Development Property including auto wash components and self storage lockers and other ancillary equipment. As well, the funds may be reallocated based on any terms or condition imposed by any lenders or municipalities (such as a requirement for commercial retail clients on the main level or a certain percentage of floor space designated as office facilities).

## **Item 2                    BUSINESS OF NATIONWIDE SELF STORAGE & AUTO WASH TRUST**

### **2.1        Structure.**

The Trust has been formed for the purpose of indirectly investing in the acquisition, development and management of a combination self storage/car wash facility in Kamloops, British Columbia. It intends to do so by raising capital and investing that capital in LP Units issued by the Partnership, which will in turn use those funds to carry on the business of acquiring, developing and operating the combined self storage/car wash facility at the Development Property, as further described under Item 2, “Business of NationWide Self Storage & Auto Wash Trust”. The following diagram shows the relationship between the Participating Preferred Trust Unitholders, the Trust and the Partnership and the anticipated flow of funds. This diagram is provided for illustrative purposes, is intentionally non-technical in nature and is qualified in its entirety by the detailed information found elsewhere in this Offering Memorandum.





(a) **The Trust**

The Trust was formed under the laws of the Province of British Columbia on January 3, 2018 under the name “NationWide Self Storage & Auto Wash Trust” pursuant to the Declaration of Trust. Certain provisions of the Declaration of Trust are summarized in this Offering Memorandum. See Item 4.1, “Capital Structure”.

The Trust has been established to invest the Gross Proceeds generated from the sale of its Participating Preferred Trust Units in LP Units issued by the Partnership. See “- The Partnership” below.

The investment objective of the Trust is to provide Holders of Participating Preferred Trust Units with:

1. three components to the investment return:

- (a) an annualized preferred base target return of 8%;
  - (b) up to 70% participation in returns exceeding the 8% preferred base target return – paid monthly in arrears; and
  - (c) capital appreciation on disposition of the Development Property;
2. tax advantaged target monthly income distributions, as a portion of the distributions will be taxed as a return of capital;
  3. a source of cash flow in various economic environments<sup>(1)</sup>; and
  4. an investment backed by urban industrial real estate through the Trust's ownership of the Partnership.

<sup>(1)</sup> See, for example, <https://www.fool.com/investing/dividends-income/2015/03/31/3-reasons-self-storage-reits-are-great-dividend-st.aspx> accessed January 16, 2018

After the target preferred base return is paid to investors, investors will be entitled to up to 70% of all incremental cash distributions over and above the target 8% preferred base return in that year.

The Trust has two classes of Participating Preferred Trust Units – the Class A Participating Preferred Trust Units and the Class F Participating Preferred Trust Units. The Class A and Class F Participating Preferred Trust Units are identical to each other, except the selling expenses applicable to each Class. See Item 7, “Compensation Paid to Sellers and Finders”.

The Trust is not considered a mutual fund under applicable Canadian securities legislation. Provided that the Trust qualifies as a mutual fund trust under the Tax Act before April 1, 2018 and elects pursuant to subsection 132(6.1) of the Tax Act in its tax return for its 2017 taxation year, the Trust will qualify as a mutual fund trust under the Tax Act from the beginning of its 2017 taxation year.

The registered office of the Trust is 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia, V7X 1T2. The head office of the Trust is Suite 808 - 609 Granville Street, Vancouver, British Columbia, V7Y 1G5.

#### **(b) The Partnership**

The Partnership was formed under the laws of the Province of British Columbia under the name “NationWide Self Storage & Auto Wash Limited Partnership” pursuant to the Partnership Agreement, and became a limited partnership effective January 17, 2018, the date of filing of its Certificate of Limited Partnership. Certain provisions of the Partnership Agreement are summarized in this Offering Memorandum. See Item 2.5, “Material Agreements – (a) The Partnership Agreement”.

The Partnership has been established to carry on a combined self storage/car wash business by investing in the acquisition, development and management of a self storage/car wash facility at the Development Property in Kamloops, British Columbia. See Item 2.2, “Our Business”.

The registered office of the Partnership is 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia, V7X 1T2. The head office of the Partnership is Suite 808 - 609 Granville Street, Vancouver, British Columbia, V7Y 1G5.

#### **(c) The Administrator**

The Administrator was incorporated under the provisions of the *Canada Business Corporations Act* on October 20, 2017. The Administrator is a wholly owned subsidiary of CADO Bancorp Ltd. The registered office of the Administrator is 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia, V7X 1T2. The head office of the Administrator is Suite 808 - 609 Granville Street, Vancouver, British Columbia, V7Y 1G5.

During the existence of the Trust, the Administrator's sole business activity will be acting as administrator of the Trust and acting as general partner of the Partnership.

The Administrator has co-ordinated the formation, organization and registration of the Trust and the Partnership. The Administrator will: (i) act as general partner of the Partnership; (ii) be involved in selecting, negotiating and managing the Investments; (iii) work with the Agents in developing and implementing all aspects of the Trust's communications, marketing and distribution strategies; and (iv) manage the ongoing business and administrative affairs of the Trust and, in its capacity as General Partner of the Partnership, the Partnership.

The Administrator has exclusive authority, responsibility and obligation to administer, manage, conduct, control and operate the business and affairs of the Trust and has all power and authority, for and on behalf of and in the name of the Trust, to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary or appropriate for or incidental to carrying on the business of the Trust. The authority and power so vested in the Administrator is broad and includes all authority necessary or incidental to carry out the objects, purposes and business of the Trust. The Administrator may contract with any third party to carry out the duties of the Administrator under the Declaration of Trust and may delegate to such third party any power and authority of the Administrator under the Declaration of Trust where in the discretion of the Administrator it would be in the best interests of the Trust to do so, but no such contract or delegation will relieve the Administrator of any of its obligations under the Declaration of Trust.

In addition to the services provided by the Manager, the Administrator will engage third party consultants and service providers (which may, subject to the approval of the independent directors of the Administrator, include CPDC), including realtors, architects, engineers and specialist self storage industry experts, where the Administrator considers it appropriate to assist it with the evaluation of potential Investments and the development of Investments after their acquisition.

**(d) The Manager**

The Administrator, on behalf of the Partnership, has engaged the Manager to manage the day to day operations of the Partnership's self storage business at the Development Property. The Manager is a division of StorageVault Canada Inc. (collectively, "**StorageVault**"). StorageVault has been in storage business for over 17 years and currently owns, controls and manages over 140 stores representing over 8 million square feet of space, making StorageVault Canada's largest self storage company.

Over the past decade the storage industry has experienced an evolution in technology, marketing, facility design and customer expectations. StorageVault is a market leader in the storage business and is widely viewed as one of the top operators in the country. Now more than ever, scale is critical in the storage industry with the internet requiring increased sophistication and significant investment. This allows large operators to take a disproportionate share of customers and StorageVault is in a great position to capitalize on this trend.

StorageVault's commitment is to operate their business with the best possible customer service, marketing, training and development and store design. With senior management having over 100 years of direct storage experience, their overall focus is to:

- Increase cash flow and profitability by utilizing expertise in operations and revenue management;
- Increase the value of assets to maximize the return on investment;
- Execute on the fundamentals of the business to improve customer service, closing percentages, economic occupancy and operational efficiency;
- Reduce overall costs through economies of scale;
- Minimize lease up time;
- Increase customer retention by implementing techniques designed to promote longer term rentals;
- Recruit, train and continuously develop the best team to work at the stores;
- Develop strong working relationships with local competitors; and
- Network and actively participate within local community to improve visibility.

The information provided above was provided to the Administrator by StorageVault.

## 2.2 Our Business.

The Trust was formed for the purpose of indirectly investing in the acquisition, development and management of a combination self storage/car wash facility in Kamloops, British Columbia. The Trust will raise capital and invest the Gross Proceeds in LP Units issued by the Partnership, and the Partnership will in turn use those funds to acquire the Development Property from CPDC and carry on the business of developing and operating the combined self storage/car wash facility at the site, as further described below under “- The Targeted Development Property”.

In the event the acquisition by the Partnership of the Development Property does not proceed for any reason, management of the Partnership will look at alternative Investment opportunities. In these circumstances, the General Partner will attempt to secure an alternative site or sites in Canada (and in particular British Columbia) for combined self storage/car wash operations, either through the development of new facilities or acquiring and, if need be, retrofitting an existing facility. The acquisition of any site other than the Development Property using the Gross Proceeds will require approval of holders of Participating Preferred Trust Units by Ordinary Resolution.

If the Partnership pursues alternative investment opportunities, other than the Investment, then depending on the properties selected, the timeline for commercialization will vary. The Partnership aims to provide standard self storage locker units in sizes ranging from 25 square feet of storage space to 200 square feet. The Partnership has developed a detailed timeline that indicates the commercialization of the facility or facilities under each development option. For a retrofit facility, the renovations to make a facility operational would take approximately eight to twelve months. For purchasing a readily available self storage building, the transaction, hiring and training of staff to ready the facility for operations would take approximately one or two months to prepare after completing the acquisition. Lastly, for a constructed facility, such as the expected facility at the Development Property, the construction process would take approximately 18-22 months to complete.

### ***Self Storage Business - General***

#### *Industry Overview*

Self storage facilities are designed to provide customers with easily accessible and secure storage locker units for personal and business use on an economical basis. From both the customer and operator’s perspective, self storage facilities are simple to understand. Self storage facilities provide secure storage locker units of varying sizes on a rental basis to various types of customers including, residential customers, commercial businesses, military personnel, and college or university students. For residential customers, self storage units act as a secure extension of the home to store personal belongings such as household items, paperwork, vehicles and boats. For commercial businesses, self storage units may act as a storage extension unit for the business’ extra inventory or, in certain cases, the self storage operator may even act as a receiver for the business when items are delivered to the storage unit.

Modern self storage facilities generally consist of large industrial/office/warehouse-like facilities that inside, have identical rooms or locker units of varying sizes, and often, mobile storage containers for customers to safely store their belongings. Certain self storage facilities offer storage options for vehicles and boats, which often require the facilities to be climate controlled. The cost of providing climate-controlled facilities is usually passed on to the customer and available to the customer in heated and non-heated options. In addition, self storage facilities may offer outdoor parking lots for the secure storage of vehicles and boats however this is more typically associated with rural or suburban storage facilities rather than urban facilities.

Many self storage facilities rent storage space to customers on a monthly basis, while other facilities require customers sign leases for extended periods of time. This allows for flexibility for both tenants and operators because the operators can easily raise rents to boost revenues and evict tenants that are not profitable to the facility, while tenants can limit their rental periods. Self storage tenants tend to be less price-sensitive because the rent paid towards storage units comprises a relatively small percentage of their disposable income. Colliers International Property Consultants, Inc. (“Colliers”), a commercial real estate agency, indicates that it is rare for self storage tenants to compare their rental rates to others, thus allowing the storage facility operators to increase rents individually (See “Investing in Self Storage: Why the Information is Bright” at <http://knowledge-leader.colliers.com/editor/investing-in-self-storage-why-the-outlook-is-bright/>, accessed on January 8, 2018). In

addition, overhead and management expenses for self storage facilities are relatively low. Such expenses include basic utilities and keeping the facilities well-lit with easy and secure access for 24 hours a day.

Self storage facilities provide an important service through the typical stages of life. Life stages including, attending college, first-time home buying, adult children leaving the nest, and death, each bring with it a need of additional space to store extra belongings. Based on these typical stages of life, there is a constant demand from the community for self storage options and facilities. In addition, both strong and weak economic times benefit the self storage industry. For example, in weak economic times, many people downsize from large expensive homes and adult children may return to live with parents to save money; this moving activity equates to excessive accumulation of items and a need for storage space. In contrast, in strong economic times, the overall population has more disposable income to spend on goods and durables, which also requires sufficient space for storage.

#### *Canadian Market Overview*

The self storage market has remained a relatively small component of the overall real estate investment market, but its revenue generating abilities and returns are significant. Data generated in 2015 by the US-based Self Storage Association (the “SSA”) (See [http://www.selfstorage.org/LinkClick.aspx?fileticket=fJYAow6\\_AU0%3D&portalid=0](http://www.selfstorage.org/LinkClick.aspx?fileticket=fJYAow6_AU0%3D&portalid=0), accessed on January 8, 2018) reveals that the self storage industry in the US generated revenues of US\$27.2 billion in 2014. According to the SSA, the US market currently has approximately 25 million storage locker units, which translates to 0.078 lockers per capita. In contrast, the Canadian self storage market is comparatively in an infancy stage and industry experts expect the market in Canada to match the US market based on the number of lockers and square footage per capita. According to the SSA, there are currently 3,000 self storage facilities in Canada, and based on estimations of the numbers of storage locker units per facility in the US, this would equate to 1.64 million locker units currently in Canada. In order for Canada to reach an equivalent market size as the US, the self storage locker unit supply in Canada would have to increase an estimated 1.14 million units to 2.78 million storage locker units. This shortfall of available locker units in Canada illustrates the potential there is for growth in the Canadian market.

#### *British Columbia Market Opportunity*

The demand for self storage facilities in British Columbia is pronounced due to the consistent rise in real estate prices. A January 12, 2018 News Release from the British Columbia Real Estate Association (the “BCREA”) indicates that the province of British Columbia has surpassed residential unit sales of 100,000 units for the third consecutive year but also saw a slight decline of 7.5% from a record of 112,211 residential unit sales in 2016 to 103,763 residential unit sales in 2017. During this same period, 2017 residential home prices have increased by 2.7% from the previous year (source: <http://www.bcrea.bc.ca/news-and-publications/news-room/news-releases/2017-12-statistical-release>, accessed January 17, 2018).

With the continuous rise in home prices, homeowners have been attracted by the appreciation in value of their homes and in turn, many have chosen to sell their homes in order to downsize from detached homes into condominiums or rental space. When transitioning from a larger to a smaller home, dislocated homeowners must find a place for their personal belongings. Personal items generally hold a sentimental value and therefore, there may be a reluctance to sell personal items during a transition into a smaller home. This requirement of additional space provides an opportunity for the self storage business to grow.

NationWide will face competition from existing self storage facility providers in its target markets. For example, in an April 23, 2015 report prepared for the SSA, consultants identified the following significant self storage facility business then operating in the lower mainland of British Columbia:

| Portfolio Name           | # of Facilities | Estimated Square Feet of Space |
|--------------------------|-----------------|--------------------------------|
| 1. PUBLIC STORAGE        | 14              | 961,785                        |
| 2. MAPLE LEAF            | 10              | 886,566                        |
| 3. U-HAUL                | 11              | 585,690                        |
| 4. SELF STORAGE DEPOT    | 6               | 382,270                        |
| 5. ADVANCED STORAGE      | 4               | 302,897                        |
| 6. STORAGE FOR YOUR LIFE | 4               | 292,930                        |

In total, these seven operators held a total of 3,591,508 square feet of storage inventory, or approximately 55% of the lower mainland's total inventory of space.

The majority of the 3,000 self storage facilities in Canada are located in Ontario to serve the Greater Toronto Area residents. Approximately 24% of the facilities are located in British Columbia. Several self storage facilities are located in the interior of British Columbia and some facilities are operated by small, local operators. This landscape of the current self storage facilities located in British Columbia illustrates a fragmented market for self storage units in British Columbia. See the January 2014 issue of "Inside Self Storage – Trends in Canadian Self Storage 2014".

### ***Car Wash Business – General***

The information in this section, except the parts entitled "- The Targeted Development Property" and, except where indicated, "- Demographic Profile", is derived from the Evans & Evans, Inc. feasibility report attached hereto as **Schedule C**.

#### ***Industry Overview***

Rising Canadian per capita disposable income has fueled demand for discretionary consumer services like car washes. Further as the Canadian population becomes increasingly more affluent, more people shift to the do-it-for me model as opposed to home car washing.

Demand for car washes has also increased as Consumers are more educated with regards to how driveway car washing is bad for the environment. The International Carwash Association reports that in 2015 28.4% of consumers washed their cars at home – down from 47.6% in 1996. The average household carwash uses 140 gallons of water, compared to 45 gallons or less used at professional carwashes. Further many newer car washes use water reclamation systems to minimize environmental impact.

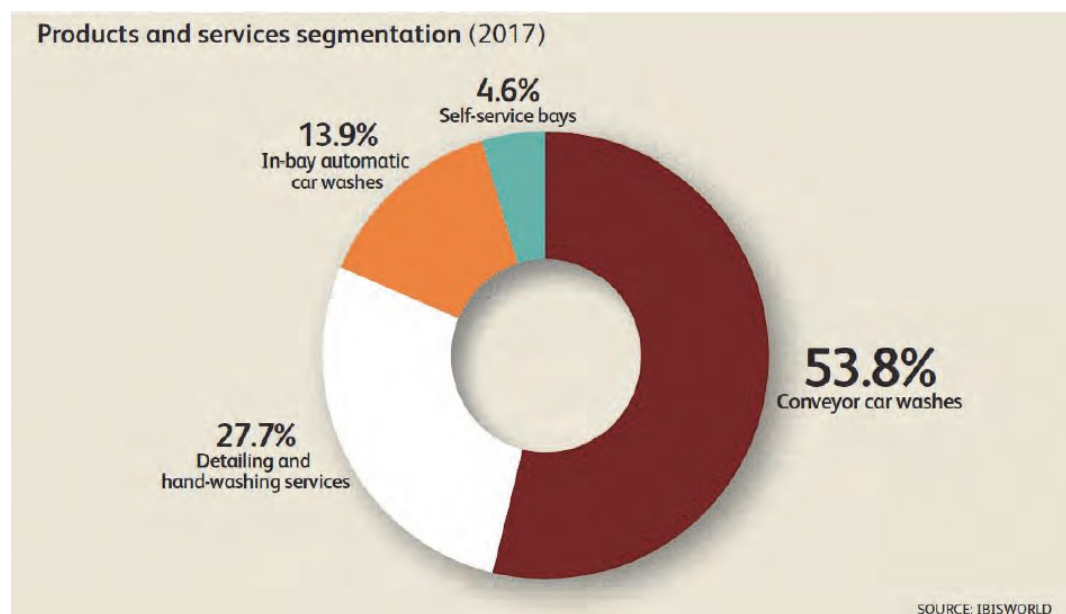
According to data from IBIS World, a leading market research firm, the Canadian car wash market is estimated at \$465 million, growing at a rate of 2% to 3% per annum. The Canadian market is dominated by independent retailers with no major national chains. Research has shown that there is little seasonality in the car wash market, with average daily car volumes not changing significantly from month to month. The market is expected to see continued growth through 2020 (see Section 4.1, Evans & Evans Feasibly Study.)



## Industry Data

|      | Revenue<br>(\$m) | Industry<br>Value Added<br>(\$m) | Establish-<br>ments | Enterprises | Employment |
|------|------------------|----------------------------------|---------------------|-------------|------------|
| 2008 | 391.1            | 185.5                            | 2,438               | 2,359       | 7,594      |
| 2009 | 396.4            | 186.3                            | 2,461               | 2,384       | 7,390      |
| 2010 | 399.8            | 187.2                            | 2,571               | 2,497       | 7,475      |
| 2011 | 402.2            | 190.6                            | 2,897               | 2,815       | 7,634      |
| 2012 | 410.3            | 191.5                            | 2,668               | 2,591       | 7,719      |
| 2013 | 416.5            | 189.5                            | 2,971               | 2,885       | 7,879      |
| 2014 | 429.2            | 193.6                            | 3,096               | 3,006       | 8,082      |
| 2015 | 445.4            | 199.1                            | 3,156               | 3,074       | 8,260      |
| 2016 | 457.7            | 204.4                            | 3,185               | 3,099       | 8,430      |
| 2017 | 465.0            | 208.2                            | 3,304               | 3,218       | 8,593      |
| 2018 | 472.6            | 211.2                            | 3,323               | 3,235       | 8,705      |
| 2019 | 480.1            | 215.2                            | 3,459               | 3,373       | 8,883      |
| 2020 | 487.4            | 218.6                            | 3,485               | 3,396       | 8,997      |
| 2021 | 492.8            | 221.9                            | 3,621               | 3,536       | 9,151      |
| 2022 | 499.6            | 224.9                            | 3,652               | 3,565       | 9,271      |

As can be seen from the following chart, conveyor car washes like that proposed by the Partnership dominated the market in 2017, according to a 2017 study from IBIS World (see Section 1.2, Evans & Evans Feasibly Study).



### *Car Wash Operators*

The business model in the car wash market has changed in recent years, from labour intensive to capital intensive. As a result the minimal labor, high volume and quick return on investment business models have attracted increased investor interest.

Technology enables locations to wash more cars per hour with faster service times, better and safer cleaning, more complete drying, and an overall better customer experience.

In addition to increased automation, there has been development in the types of cleaning and detailing products used in this industry, which have increased industry revenue.

#### *Vehicle Ownership, Use and Drivers*

Demand for car washing services positively correlates with the growth in the number of motor vehicles in the area, the number of drivers and how often those drivers are on the road, driving past the car wash. As the number of vehicles increases, so does the demand for after-market services, such as car washes. According to data from Desrosiers Automotive Consultants Inc. ("DACI"), 2015 was a record year for the automotive industry in Canada, reaching all new highs across multiple sectors (See Section 3.3, Evans & Evans Feasibly Study).

### **Automotive Revenue - Canada - \$ Billions**

|          | Total<br>Revenue<br>New<br>Vehicle<br>Sales | Total<br>Revenue<br>Used<br>Vehicle<br>Sales | Total<br>Revenue<br>Parts and<br>Service<br>Sales | Total<br>Revenue<br>Automotive<br>Finance<br>Sales | Total<br>Revenue<br>Automotive<br>In Canada |
|----------|---|--|---|--|---|
| 2006     | \$52.3                                      | \$25.9                                       | \$16.7  | \$54.2   | \$149.2                                     |
| 2007     | \$52.5                                      | \$25.9                                       | \$17.6  | \$58.1   | \$154.2                                     |
| 2008     | \$50.4                                      | \$28.2                                       | \$18.3  | \$55.0   | \$151.8                                     |
| 2009     | \$46.2                                      | \$29.9                                       | \$18.7  | \$51.7   | \$146.5                                     |
| 2010     | \$51.4                                      | \$32.4                                       | \$19.2  | \$58.2   | \$161.2                                     |
| 2011     | \$53.0                                      | \$35.1                                       | \$19.6  | \$61.8   | \$169.5                                     |
| 2012     | \$55.6                                      | \$35.5                                       | \$19.3  | \$67.5   | \$177.9                                     |
| 2013     | \$59.8                                      | \$35.9                                       | \$20.1  | \$73.5   | \$189.3                                     |
| 2014     | \$64.7                                      | \$34.5                                       | \$20.2  | \$77.3   | \$196.7                                     |
| 2015     | \$67.8                                      | \$37.2                                       | \$20.9  | \$82.1   | \$208.0                                     |
| % Change | 4.7%  | 7.7%   | 3.6%  | 6.3%   | 5.7%  |

DACI also reports that Canadians' ownership levels continue to grow. According to DACI's data, Canadians are embracing personal use vehicles faster than any developed country in the world.

### **VEHICLE OWNERSHIP TRENDS - CANADA**

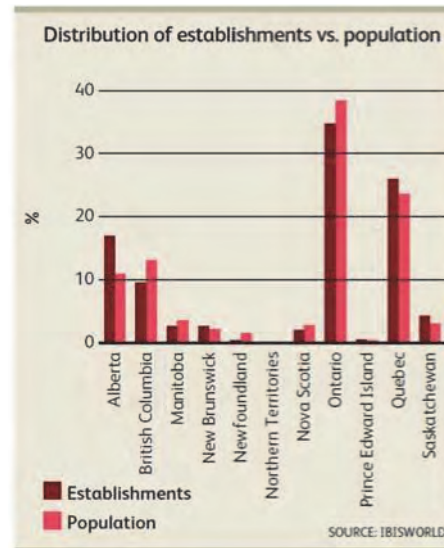
| CALENDAR<br>YEAR | TOTAL<br>VEHICLE<br>SALES<br>UNITS<br>Inc HD Truck | Percent<br>Truck | VEHICLE<br>USAGE<br>BILLIONS OF<br>KILOMETRES | Percent<br>Change | Expected<br>Useful Life<br>KILOMETRES | TOTAL<br>UNITS IN<br>OPERATION | TOTAL<br>UNITS IN<br>OPERATION<br>PERCENT<br>TRUCK | VEHICLES PER<br>DRIVING AGE<br>POPULATION |
|------------------|--|------------------|---|-------------------|---------------------------------------|--------------------------------|--|---|
| 1960             | 523,188  | 14.4%            | 118   |                   | 226,493                               | 5,937,660                      | 23.9%  | 50.4%                                     |
| 1970             | 774,372  | 17.3%            | 176   | 0.5%              | 227,620                               | 8,111,166                      | 24.4%  | 53.8%                                     |
| 1980             | 1,263,807  | 26.2%            | 231   | -3.0%             | 182,728                               | 11,742,670                     | 25.5%  | 63.5%                                     |
| 1990             | 1,314,118  | 32.6%            | 333   | -0.3%             | 253,406                               | 15,128,911                     | 26.6%  | 70.1%                                     |
| 2000             | 1,586,083  | 46.5%            | 395   | 2.2%              | 248,994                               | 17,100,899                     | 37.5%  | 70.1%                                     |
| 2010             | 1,583,388  | 56.1%            | 524   | 0.8%              | 331,161                               | 22,001,278                     | 45.2%  | 78.4%                                     |
| 2011             | 1,620,221  | 57.9%            | 529   | 0.9%              | 326,443                               | 22,184,955                     | 46.3%  | 78.1%                                     |
| 2012             | 1,716,178  | 56.4%            | 537   | 1.6%              | 313,077                               | 22,502,815                     | 47.0%  | 77.3%                                     |
| 2013             | 1,780,523  | 57.6%            | 562   | 4.6%              | 315,631                               | 23,521,261                     | 47.5%  | 79.8%                                     |
| 2014             | 1,889,437  | 60.0%            | 599   | 6.5%              | 316,805                               | 24,479,774                     | 48.7%  | 82.0%                                     |
| 2015             | 1,950,502  | 61.9%            | 635   | 6.1%              | 325,639                               | 25,532,938                     | 49.7%  | 84.6%                                     |



### *Competition*

The distribution of car wash establishments is highly correlated to population density, income dispersion and weather patterns, as warmer regions in Canada have a greater concentration of car washing and auto detailing service centres.

Alberta (17.0%) and British Columbia (9.6%) account for the third- and fourth largest shares of establishments in 2017. Both regions have high business concentrations as well as per capita disposable income and population levels.



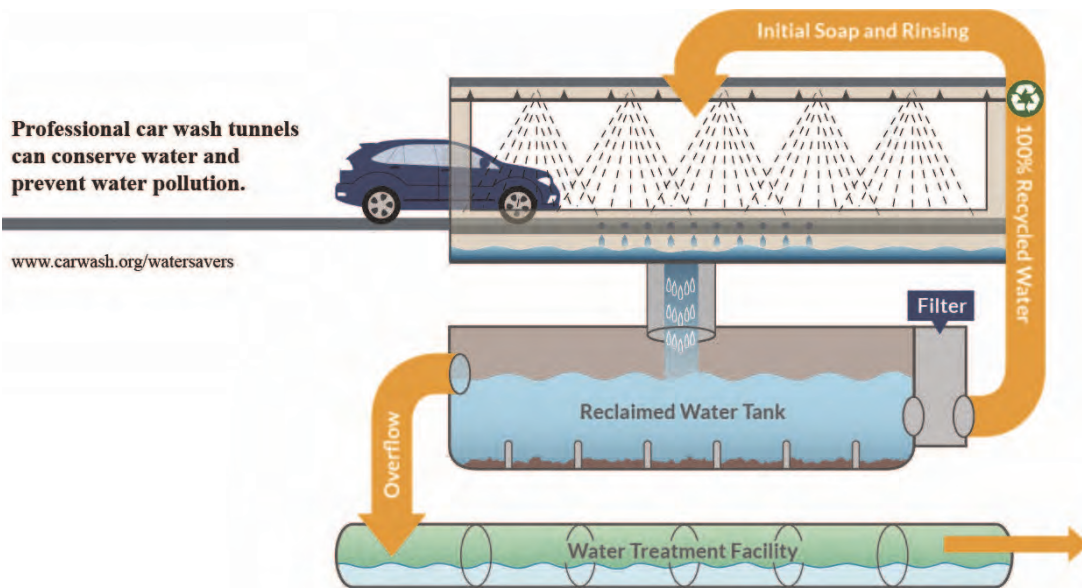
The car wash industry is considered to be highly competitive given the number of small businesses that operate on a local or regional basis. Competition is mainly driven by price, and as such promotions, coupons and discounts are often used to attract new customers. Offerings of loyalty wash cards, offering rewards and/or volume-based discounts, have increased over the past five years (see Section 5.1, Evans & Evans Feasibility Study).

### *Environmental Impact of a Professional Car Wash*

According to the Canadian Carwash Association Professional carwashes use on average about a third of the water used when washing a car at home. Industry numbers indicate that a typical car washed by a consumer in a driveway takes as much as 120 gallons (450 litres), while the industry WaterSavers™ program target is 40 gallons (150 litres) per wash (or about the same as an average bath or an eight minute shower with a standard shower head).

Studies show that letting any type of chemical or soap run into storm sewers can be environmentally harmful. Typical storm sewers hooked up to street grates that take water runoff from rain directly to lakes and rivers, and the sanitary sewer system which takes industrial and household waste water to a processing plant.

Professional carwashes are environmentally friendly alternative to driveway washing. Computer controlled metering delivers the precise volume of water to ensure optimal cleaning with no waste (source: [www.canadiancarwash.ca/Carwash\\_Myths.aspx](http://www.canadiancarwash.ca/Carwash_Myths.aspx) accessed January 15, 2018).



### *The Targeted Development Property*

CPDC has acquired a property located at 1485 West Trans-Canada Highway in Kamloops, British Columbia (the “**Development Property**”) pursuant to an agreement dated August 16, 2017. The purchase price for the Development Property was \$1,650,000. Hugh Cartwright and Shane Doyle, the shareholders of CPDC and CADO and Trustees of the Trust and Directors of the Administrator, established CPDC to acquire the Development Property with the intention of transferring it to the Partnership at the fair market value of the Development Property once CPDC advanced the property as set out below and the Trust secured financing pursuant to this Offering.

CPDC, at its own expense and with CADO, have since acquired the Development Property and have added considerable value to the Development Property by progressing it from an unused vacant industrial lot to a property that is now ready for commercial development with a full development plan and ready for construction and subsequent operation. The following advancements in sourcing, evaluating, acquiring and in the design and development readiness of a suitable property, being the Development Property, are now completed:

- after a thorough market review of a variety of land acquisition opportunities in a variety of municipalities, CPDC identified the Development Property as a suitable property for development;
- researched the various business and development opportunities available (based on zoning restriction and municipal acceptance of proposed development) to maximize the returns on an investment in the Development Property, including conceiving of the combination car wash/self storage facility;
- negotiated acceptance of and favourable development terms with the City of Kamloops;
- engaged BTY Group as the project manager;
- engaged the Manager;
- completed environmental and geotechnical surveying of the Development Property;
- held a competitive bidding process and awarded an architectural contract to CTA Design Group;
- architecturally designed and sourced both the self storage and car wash look to fit within zoning requirements, as well as the suppliers of all of the necessary components to develop both the car wash and the self storage facility;
- completed three feasibility studies, two for the self storage component of the project and one for the car wash;
- completed the acquisition of the Development Property; and
- obtained an independent 3<sup>rd</sup> party valuation for the Development Property from Avison Young (Canada) Inc., as at November 10<sup>th</sup>, 2017.

The Trust has obtained the independent valuation of the Development Property from Avison Young (Canada) Inc., after the value added by CPDC, and Avison Young (Canada) Inc. indicates the fair market value, as at November 10<sup>th</sup>, 2017, of the development property ranges between \$3,200,000 and \$3,400,000.

The Partnership has entered into an agreement to acquire the Development Property from CPDC for the lowest fair market value, being \$3,200,000, and intends to develop the combination self storage/car wash facility at the site.



Artistic representation for illustrative purposes. Actual results may be different.

### *Demographic Profile*

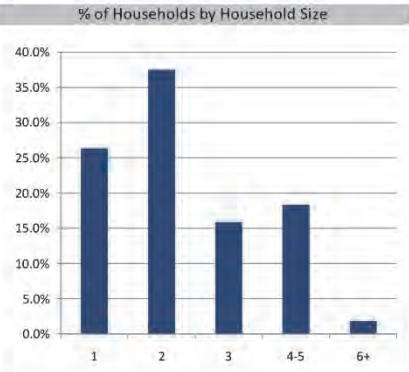
Kamloops is a city in south central British Columbia at the confluence of Thompson River's north and south branches near Kamloops Lake. It is the largest community in the Thompson-Nicola Regional District and the location of the regional district's offices. It is ranked 36th on the list of the 100 largest metropolitan areas in Canada and represents the 44th largest census agglomeration nationwide, with 103,811 residents in 2016 (source: <http://www12.statcan.gc.ca/census-recensement/2016/dp-pd/hlt-fst/pd--l/Table.cfm?Lang=Eng&T=201&SR=26&S=3&O=D&RPP=25&PR=0&CMA=0&CSD=0>, accessed January 16, 2018).

The following charts and maps provide additional information on the demographics of the Kamloops market in graphic form.

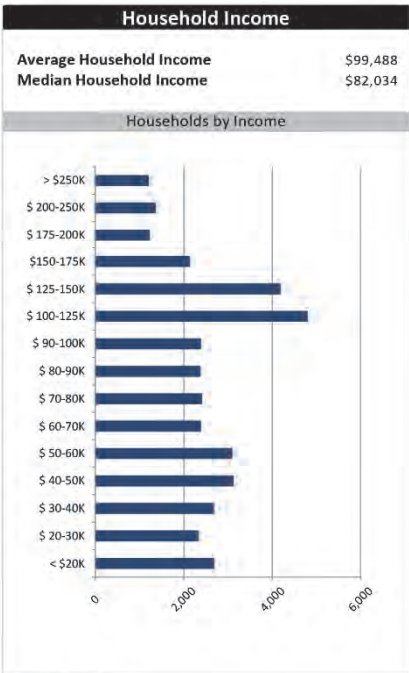
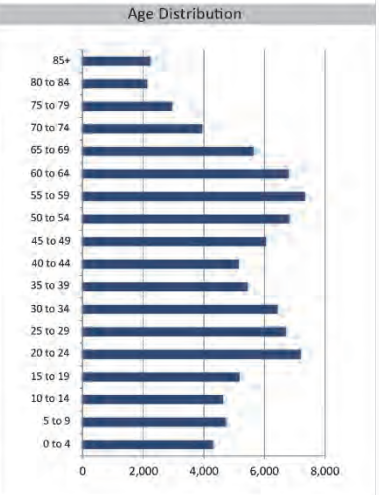


| Business Summary                               |        |
|--|--------|
| Number of Businesses                           | 3,682  |
| Daytime Population at Work                     | 46,671 |
| Business Profile                               |        |
| Agricultural and Natural Resources             | 3%     |
| Construction                                   | 7%     |
| Manufacturing                                  | 4%     |
| Transportation                                 | 4%     |
| Wholesale Trade                                | 4%     |
| Building Mat., Home Furnishings & Misc. Retail | 7%     |
| General Merchandise & Apparel Retail           | 2%     |
| Food Stores, Eating & Drinking Places Retail   | 7%     |
| Auto Dealers & Service Stations Retail         | 2%     |
| Finance Insurance and Real Estate              | 7%     |
| Hotels, Amusement & Rec., Attractions, etc.    | 4%     |
| Educational, Health & Social Services          | 15%    |
| Legal, Accounting, Consulting & Bus. Services  | 16%    |
| Auto & Other Repair Services                   | 4%     |
| Personal Services                              | 5%     |
| Public Administration                          | 6%     |
| Industry Not Stated/Not Classified             | 1%     |
| Businesses by No. of Employees                 |        |
| Employee Size Not Reported                     | 1%     |
| 1-4  | 51%    |
| 5-19   | 37%    |
| 20-99  | 10%    |
| 100-499  | 1%     |
| 500+   | 0%     |

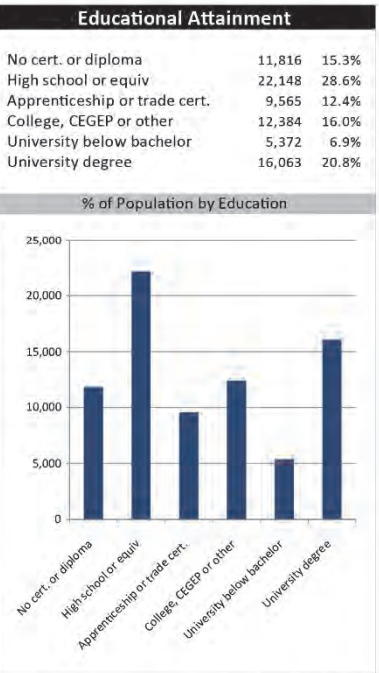
| Population & Household Summary    |        |
|-----------------------------------|--------|
| Total Population                  | 93,003 |
| Population Growth 2012-2017       | 2.2%   |
| Population Growth 2017-2022       | 2.8%   |
| Total Households                  | 38,090 |
| Household Growth 2012-2017        | 2.1%   |
| Household Growth 2017-2022        | 2.7%   |
| % of Households with Children     | 37.2%  |
| % of Households - Married w/ Kids | 26.2%  |
| % of Households - Single Parent   | 11.0%  |



| Age Cohorts                |        |       |
|----------------------------|--------|-------|
| Population: 19 yrs & under | 18,709 | 20.1% |
| Population: 20-64 yrs      | 57,577 | 61.9% |
| Population: Over 65 yrs    | 16,717 | 18.0% |
| Median Age                 | 42.1   |       |



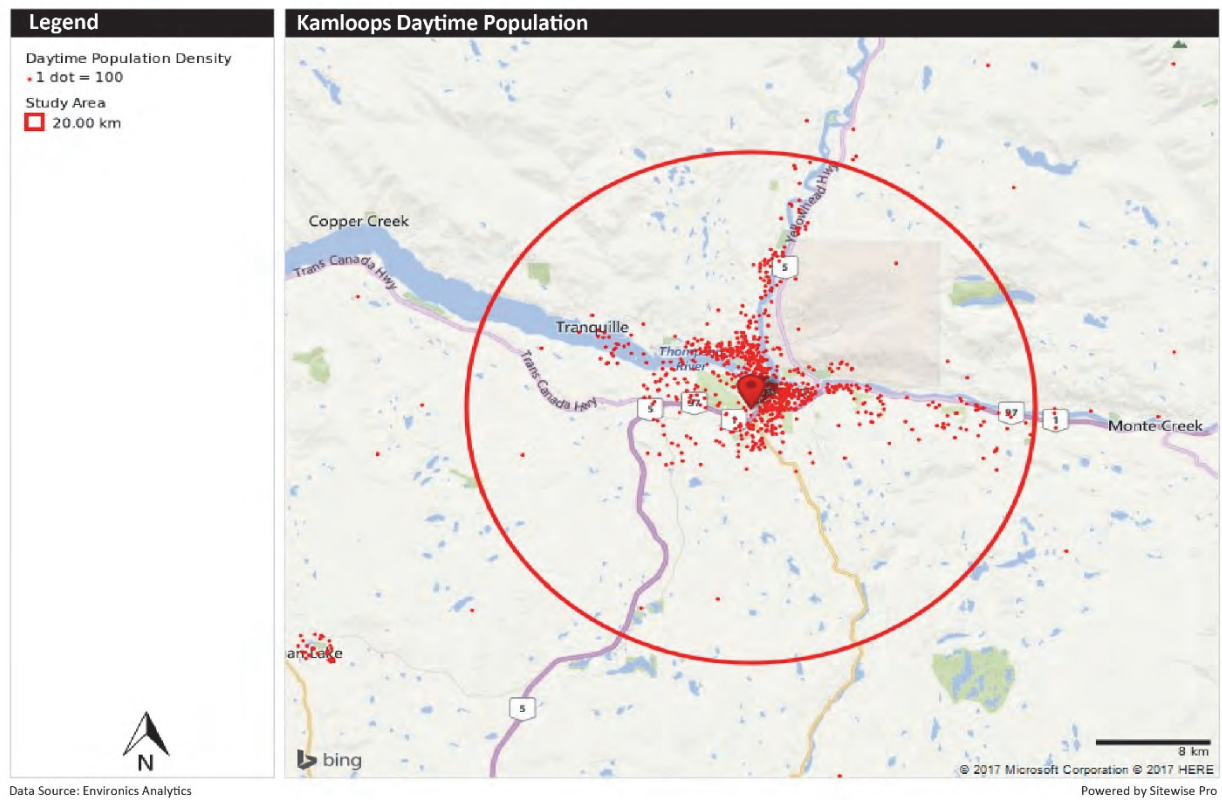
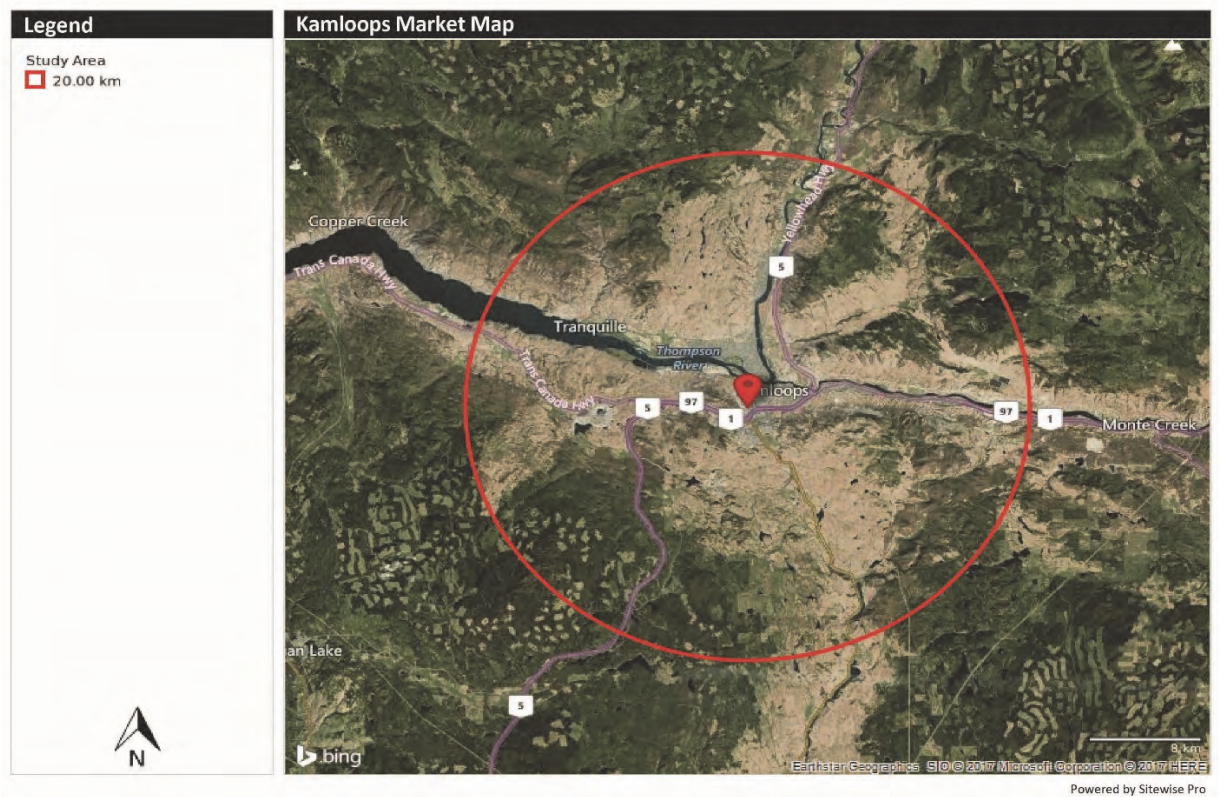
| Visible Minorities & Language         |       |
|---------------------------------------|-------|
| <b>Population by Visible Minority</b> |       |
| Chinese                               | 1.4%  |
| South Asian                           | 2.3%  |
| Black                                 | 0.2%  |
| Filipino                              | 0.7%  |
| Latin American                        | 0.2%  |
| Southeast Asian                       | 0.6%  |
| Arab                                  | 0.5%  |
| West Asian                            | 0.1%  |
| Korean                                | 0.2%  |
| Japanese                              | 1.2%  |
| Visible minority, n.i.e.              | 0.1%  |
| Multiple visible minorities           | 0.1%  |
| <b>Population by Mother Tongue</b>    |       |
| Single Responses                      | 99.3% |
| English                               | 89.7% |
| French                                | 1.3%  |
| Non-Official languages                | 8.4%  |
| Multiple responses                    | 0.7%  |



Powered by Silewise Pro

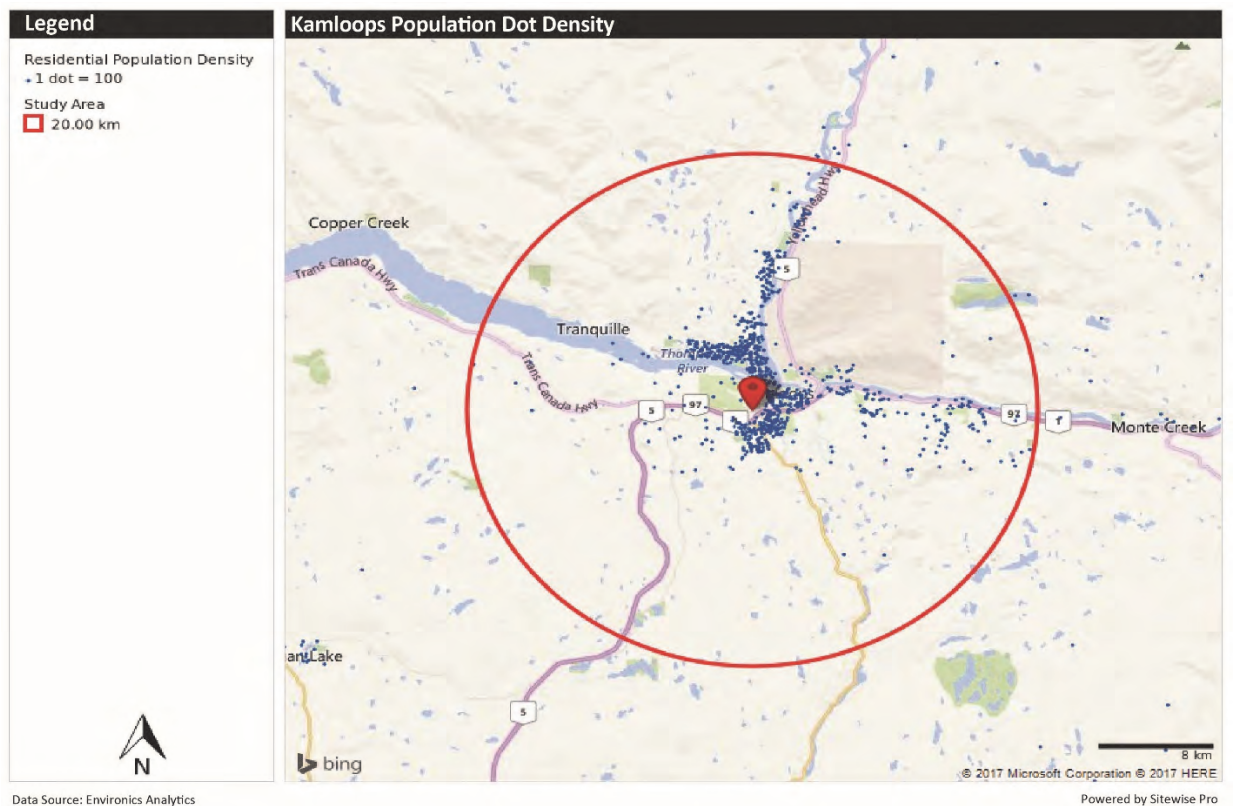
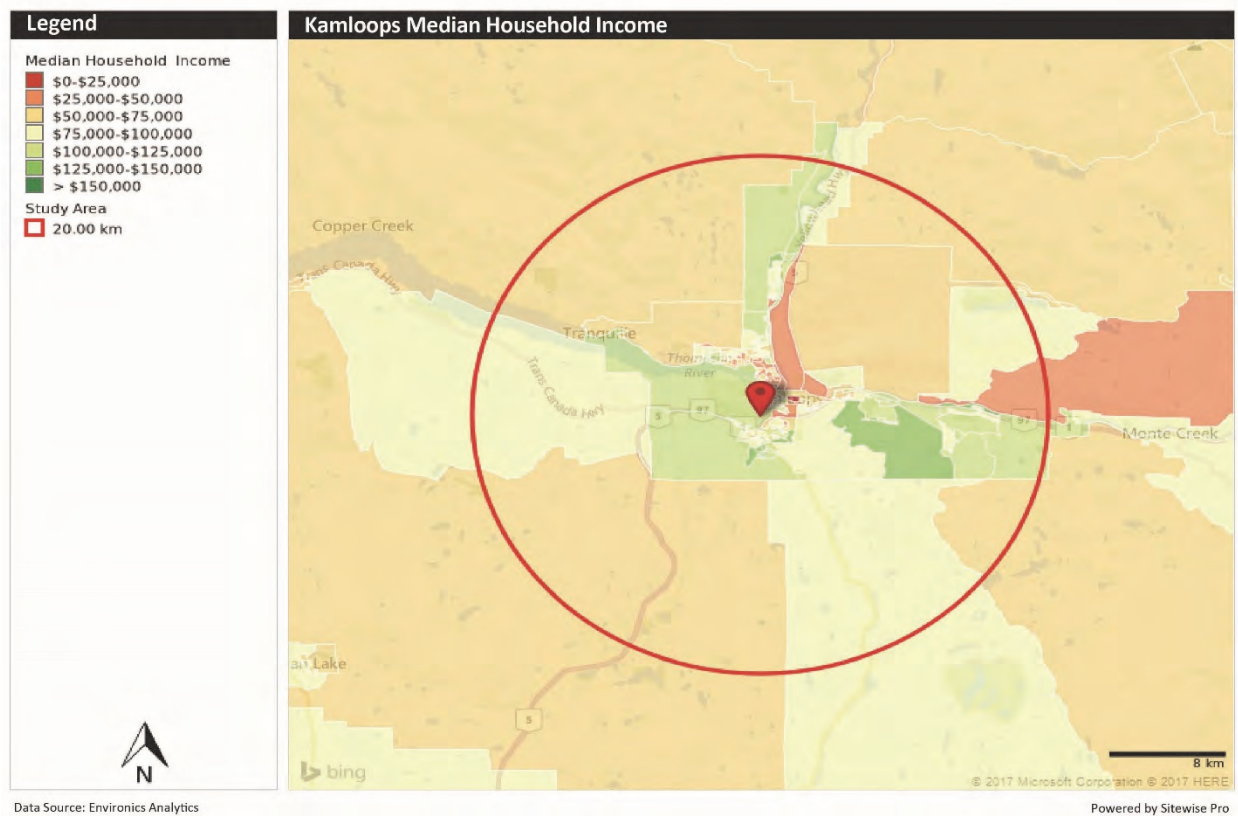
Data Source: Environics Analytics

Cushman Wakefield Environics Analytics, sourced October 27, 2017



Cushman Wakefield Environics Analytics, sourced October 27, 2017







The growth rate in the Kamloops Metropolitan area has been steady over the past 5 years, growing 5.4% between 2011 and 2016 (source: City of Kamloops, 2016 Annual Report <https://www.kamloops.ca/sites/default/files/docs/homes-businesses/16-annualreport-v3-web.pdf> accessed January 15, 2018)

The primary employers in Kamloops are involved in primary resource processing and include such operations as the Domtar Kamloops Pulp Mill, Tolko-Heffley Creek Plywood and Veneer, Lafarge Cement, and Highland Valley Copper Mine (in Logan Lake), etc. The largest employer in Kamloops is the Royal Inland Hospital. Kamloops is also home to Thompson Rivers University (“TRU”) with a student body of 10,000 including a diverse international contingent mainly from Asian countries. TRU’s Open Learning centre is the largest distance education provider in British Columbia and one of the biggest in Canada. (See Section 2.2, Evans & Evans Feasibility Study).





The Development Property is approximately 57,934 sq/ft (1.33 acres) in size and is currently zoned C-4, with storage as an allowable use under “Mini Warehousing”. The area surrounding the Development Property is of commercial nature with the Aberdeen Mall and Costco a short distance away. The areas to the south are commercial and residential in nature with some new residential housing development taking place. The Development Property is located off the Trans-Canada Highway, which is the major arterial route for the City of Kamloops, on the corner of Pacific Way and Hugh Allan Drive, which are heavily travelled streets in the west of Kamloops. Accordingly, access is excellent, and as an added benefit a self storage facility at the Development Property would be visible from the Trans-Canada Highway, providing valuable advertising potential though strategically placed signage.



The Administrator believes the Kamloops business area can support a self-storage facility of approximately 60,000 square feet. A facility of this size will leave a significant portion of the Development Property open for further use. The Administrator has investigated synergistic business opportunities to combine with the intended self storage facility, and believes that there are operational and financial efficiencies that can be gained by combining the self storage facility with a car wash business, a model that has been used by certain of the Partnership’s competitors with success.

The Administrator believes that using the excess area of the Development Property to develop a car wash business will offer operating and financial efficiencies, including: (1) shared management and administrative overhead; (2) shared property taxes; and, (3) shared operational staff. In addition, and importantly, car washes generally begin generated revenues very early in their lifecycle as they are high volume businesses. Comparatively, storage facilities take time to reach target occupancy levels. Accordingly, a car wash operation at the Development Property can potentially offset short-term losses from the storage facility. However, there is no assurance that the car wash to be developed on the Development Property will generate revenues early in its lifecycle or as contemplated by the Administrator. See Item 8, “Risk Factors”.

The self storage facility will be located on the western side of the Development Property and will be a modern, well-lit and architecturally designed building of approximately 60,000 sq/ft with 50,000 sq/ft net rentable storage space. It will offer approximately 700 individual storage lockers each with individual security systems in a temperature controlled environment and will include drive up units specifically designed to attract commercial tenants. The facility will feature commercial elevators with security restricted floor access and video surveillance.

The contemplated car wash will be located on the eastern side of the Development Property and will be a modern 4,000 sq/ft building housing an approximate 160 foot exterior detail hybrid tunnel touch auto wash system. The car wash will have approximately 10 automated application stations that will be capable of washing, waxing, sealing, tire shining and drying up to 180 cars per hour. Users will be able to select many levels of wash options such as the Bronze level wash offering a complete wash and dry, the Silver level wash offering Bronze plus triple foam polish and clear coat, the Gold level wash offering Silver plus tire shine, undercarriage wash and rust guard protectant and the Platinum level wash offering Gold plus lava foam and waterfall rinse. As well customers may select other extra



add-ons such as Rain X and Armor All Extreme Shine both for extra charges of approximately \$3. The wash level options will be available for purchase through automated touch screen drive through kiosks and the Administrator anticipates prices will range from as low as \$7.95 to over \$25 per wash. As well, the car wash will provide approximately 10 vacuum stations, detail products such as window cleaner, dash cleaner and micro fibre towels as well as air fresheners for a small extra charge of approximately \$3 each.



Artistic representation for illustrative purposes.  
Actual results may vary.



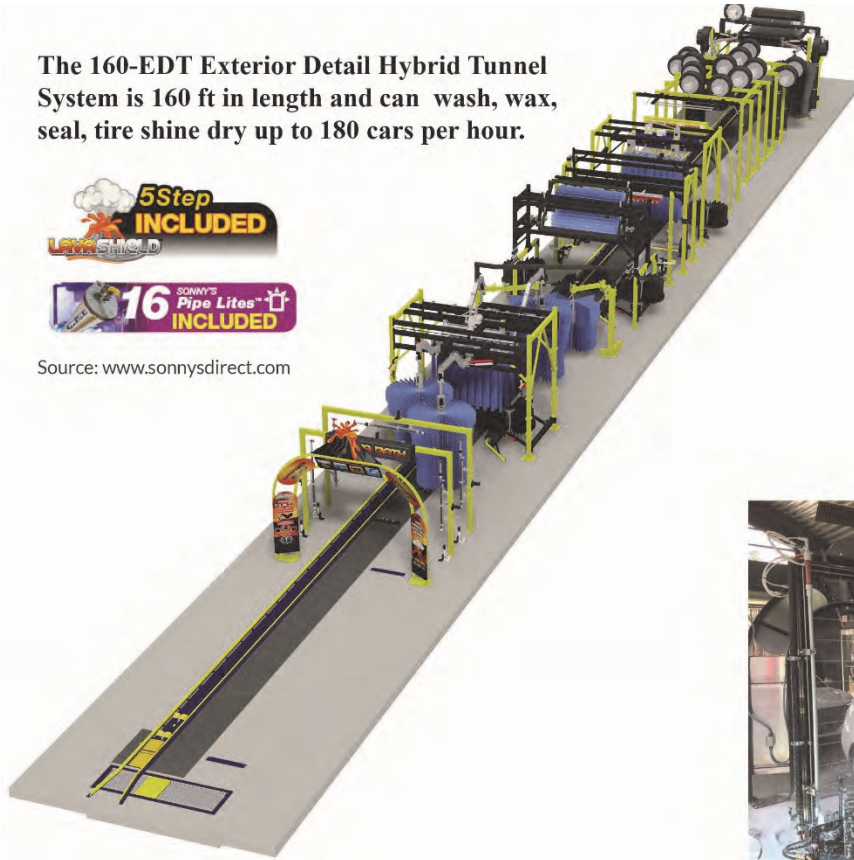
Sonny's vacuum system booms  
Source: [www.sonnysdirect.com](http://www.sonnysdirect.com)

The Partnership proposes to operate an "Express Tunnel" car wash model whereby customers pay at an automated pay station and drive onto a conveyor under the guidance of an attendant. Labour costs are therefore minimized. The Development Property itself is in a high-traffic area. Successful car wash companies are often located near other automotive care service providers. Industry operators are generally more successful when they are located in high-traffic count areas, particularly on a street corner (such as the location of the Development Property), which has a high visibility to passing cars.

The 160-EDT Exterior Detail Hybrid Tunnel System is 160 ft in length and can wash, wax, seal, tire shine dry up to 180 cars per hour.



Source: [www.sonnysdirect.com](http://www.sonnysdirect.com)



Engineering specifications for the car wash are anticipated to be provided by Sonny's the Car Wash Factory ("Sonny's"), the manufacturer of the car wash technology, and the facility will be put to competitive tender for construction. Sonny's will also train management regarding the operation of the car wash and maintenance will be contracted out to a third party car wash maintenance firm.

Sonny's, in operation since 1949, sells more conveyerized car wash equipment than anyone in the world and has over 850 years of automatic car wash equipment operations in its network. Repeatedly recognized by Dun & Bradstreet for stability and financial strength, Sonny's offers car wash operators and investors a 900+ page car wash parts catalog that is supported with over \$10 million in inventory and 12,000 stockable items. Along with educational tools, CarWash College courses, software, and equipment, Sonny's also offers up-to-date technology through their CarWash Controls Division which includes the industry's first cloud-based POS system offering affordable business and management information solutions that impacts profitability. (Source: [www.sonnysdirect.com](http://www.sonnysdirect.com), accessed on January 8, 2018.) The Administrator selected Sonny's due to its prominence within the industry and its broad suite of product and training offerings.

Currently the Development Property is occupied by an old restaurant which is currently not operating and is boarded up. The Administrator anticipates that if it acquires the Development Property it would demolish the existing structures to build a new facility. See Item 1.3, "- Use of Available Funds" for a description of the anticipated costs of developing the facility.

While due diligence remains ongoing, CADO has received Phase I and Phase II feasibility studies dated August 29, 2017 and August 31, 2017, respectively, prepared by Canadian Self Storage Valuation Services Inc., a third party valuation firm, in respect of the self storage portion of the proposed development and attached hereto as **Schedules A and B**. The Phase I feasibility study analyzed the feasibility of a self storage facility at the Development Property based on current supply and demand characteristics in the trade area, and involved among other things a site visit by the appraiser and the collection and review of local market data. The Phase II feasibility study analyzed the financial feasibility of the proposed self storage development and involved the collection of more detailed market and financial data. Both feasibility studies suggest that the market conditions are conducive to the construction of a

self storage facility at the Development Property. Below are excerpts from Canadian Self Storage Valuation Services Inc.'s summaries of each feasibility study.

#### ***Self Storage Business – Phase I Feasibility Study***

- *The most positive demographic factor with respect to the [Kamloops] trade area is the age composition of the population; there is a small proportion of pre-retirees as well as a large proportion of the middle age and younger cohorts. The trade area has a pre-retirement age group along with a large group that is at the edge of entering the prime age group for self storage. This should keep the demand for storage increasing in the short to mid-term as these groups grow into storage users.*
- *With respect to housing, the combined trade area reflects a high level of single detached housing and of multi-family units, particularly apartment units. It also shows a large number of owner occupied housing. This is generally considered a positive factor with respect to self storage demand as it correlates with lower mobility of the population and thus longer average stays in self storage and a higher per capita demand for storage.*
- *In our opinion, the supply of self storage in the trade area as a whole is supportable and indicates that additional self storage space could be absorbed readily.*
- *The current population is under supplied by the offerings of self storage leaving an opportunity for a new facility to service this demand. In addition, it has been indicated that customers have shown a preference of higher quality storage at a higher price as opposed to low quality storage at a low price. This should be further examined so that a new facility can maximize on these users, thus gaining a better facility average for rental rates.*

#### ***Self Storage Business – Phase II Feasibility Study***

In summary, it is our opinion that a properly constructed, managed and marketed self storage facility would be a profitable investment situated on the subject property. It is important to understand that the key factors of supply and rental rates are monitored as any development plan progresses to the construction phase. This is important as the excess demand in the trade area is large but additions to supply could lengthen the lease up period of a newly constructed facility. It is also imperative that current rents in the trade area do not decline to insure a good return on any investment made in a new facility. As with any new business, it will be necessary to properly market the new facility to ensure a lease up is as short as possible. This will allow the facility to reach profitability sooner and therefore show a return to the investors in a timely manner.

#### ***Auto Wash Business - Feasibility Study***

In addition, CADO commissioned a feasibility study dated September 27, 2017 prepared by Evans & Evans, Inc., a leading Canadian boutique investment banking and business advisory firm, on the planned car wash business. A copy of the Evans & Evans, Inc. feasibility study is attached as **Schedule C**. The conclusions set out in the Evans & Evans, Inc. study are set out below.

*In the five years to 2022, the car wash and auto detailing research supports that industry operators will benefit from rising per capita disposable income, fuelling an increase in demand for discretionary consumer services, such as car washes. Furthermore, the total number of vehicles in use in Canada is projected to rise steadily during the next five years, expanding the industry's potential customer base. As a result, industry revenue is expected to increase at an annualized rate of 1.4% to \$499.6 million in the five years to 2022, including growth of 1.6% in 2018.*

*The car wash and auto detailing industry has low market share concentration. The industry has only one major player, Petro-Canada, which operates more than 240 SuperWash and Glide auto wash establishments. Otherwise, the industry is characterized by a large number of small-scale operators, with the majority of companies operating on a local basis and owning just one establishment.*

*Kamloops represents an attractive market as the populations skews younger, the median disposable income is high, there are no established chains, and a high percentage of workforce is employed and drives to work. Further, Kamloops offers access to land at prices which enhance returns.*

*Evans & Evans found in its research that industry operators with the most up-to date technology will attract more customers and can charge higher prices. Such trends bode well for the NW Car Wash as it will be newly-built using state-of-the-art technology.*

*The Site itself is in a high-traffic area. Successful car wash companies are often located near other automotive care service providers. Industry operators are generally more successful when they are located in high-traffic count areas, particularly on a street corner, which has a high visibility to passing cars.*

*The Trust intends to develop both a Storage Facility and the NW Car Wash at the Site. Storguard Storage Services and Shine Auto Wash have developed a similar, reportedly successful model, in Vancouver, British Columbia.*

*The combined operations benefit from operational and financial efficiencies such as: (1) shared management and administrative overhead; (2) shared property taxes; and, (3) shared operational staff.*

*Importantly, car washes generally begin generated revenues very early in their lifecycle as they are high volume businesses. Comparatively, storage facilities take time reach target occupancy levels. Accordingly, the NW Car Wash can potentially offset short-term losses from the Storage Facility.*

**The statements provided above are qualified in their entirety by the full content of the feasibility studies, including the assumptions, limitations and qualifications contained therein. Copies of the feasibility studies are attached as Schedules A, B and C. There can be no assurance that all or any of the statements by Canadian Self Storage Valuation Services Inc. or Evans & Evans, Inc. referred to above will ultimately prove to be correct, and readers are cautioned against placing undue reliance on them. In addition, there can be no assurance that financing for the purchase of the Development Property will be raised pursuant to the Offering, or that the purchase of the Development Property will otherwise proceed. See “Risk Factors”.**

#### *Prior Offerings*

In 2016 the Promoter established NationWide Self Storage Trust (the “**First Prior Trust**”), a trust organized to indirectly invest in a self storage business with investment objectives and strategies and management structure that are the same as the Trust’s in all material respects. Pursuant to its offering memorandum dated June 1, 2016 and amended and restated January 24, 2017 and March 8, 2017, the First Prior Trust raised a total of \$16,717,305 by issuing an aggregate of 155,841 participating preferred trust units. The First Prior Trust used the unit sale proceeds to invest in a limited partnership (the “**First Prior Partnership**”), which acquired two adjoining parcels of property located at 1223 and 1235 East Pender Street, Vancouver, British Columbia. The First Prior Partnership is currently in the process of arranging for permitting prior to constructing a new self storage facility at this site.

In 2017 the Promoter established the NationWide II Self Storage Trust (the “**Second Prior Trust**”), a trust established to source and locate a self storage project in Canada, and in particular the BC lower mainland. The Second Prior Trust has investment objectives and restrictions identical in all material respects to the First Prior Trust. The Second Prior Trust is currently in the process of raising capital, and as at January 18, 2018 the Second Prior Trust has raised a total of \$12,204,380.51 pursuant to its offering memorandum dated May 11, 2017. The First Prior Trust and the Second Prior Trust differ from the Trust, in that both of these prior trusts were blind pools, established without an identified acquisition target, and both of them focus entirely on the self storage business, with an emphasis on facilities located in the lower mainland of British Columbia.

### **2.3 Long Term Objectives.**

The Partnership’s management team has identified the following key milestones that it intends to pursue in order to achieve medium and long-term success:

1. *Provide Additional Value-Added Services.* The Partnership’s management team believes that adding low maintenance value-added services will provide additional revenue streams and provide high operating

margins. These services may include sales of moving supplies; provision of rental insurance services; and rental of mailboxes. By introducing a wider range of services, the Trust expects the Partnership can capture a larger target market and further reinforce the convenience and ease of use in its customers' minds.

2. *Generate Early Revenues.* As noted earlier, car wash facilities typically will generate cashflow earlier than a self storage facility because of the longer leasing time required for a self storage facility. The Administrator expects to use these revenues to assist with the development of the self storage portion of the Partnership's business. In addition, the Administrator expects that as Kamloops' population increases over time, demand for the Partnership's car wash services will increase.
3. *Growth in Self Storage Demand, Revenues and Operating Income.* Management believes that the demand for self storage will increase over the near and long-term. This will result in the opportunity to increase monthly storage unit rental rates resulting in annualized growth in revenue and income of the Partnership and therefore the Trust. Further, due to various factors, including appreciation in real estate prices, the increase in the overall British Columbia population and the increase in the aging population the Trust views the long term demand for urban self storage in Canada to be robust.
4. *Expand Geographically.* Once the Partnership has developed its initial facility and it is operational and successful in attracting and retaining customers, the Partnership may replicate its model and expand into other Canadian markets and, potentially, the United States.



## 2.4 Short Term Objectives and How We Intend to Achieve Them.

The following table shows how the Trust intends to achieve its objectives during the next 12 months:

| What the Trust must do and how it will do it   | Anticipated completion date            | Partnership's cost to complete and/or use of proceeds                  |
|--|--|--|
| Raise capital pursuant to the Offering and invest the Gross Proceeds in LP Units issued by the Partnership   | Prior to December 31, 2018             | Gross Proceeds raised in all Closings                                  |
| Cause the Partnership to purchase the Development Property or, if the acquisition does not proceed, invest in commercial land suitable to develop combination self storage/car wash buildings or existing buildings suitable for retrofits or acquire existing high quality buildings suitable for self storage/car wash operations with expansion potential | Prior to December 31, 2018             | Proceeds from the purchase by the Trust of LP Units                    |
| Develop and manage the Partnership's self storage/car wash facility (or potentially facilities)  | From and after the date of acquisition | Proceeds from the purchase by the Trust of LP Units and operating cost |

## 2.5 Material Agreements.

In addition to the Declaration of Trust (described in Item 4.1, "Capital" below), there are four agreements that the Administrator considers material to the Trust's business and operations: the Partnership Agreement, the Administration Agreement, the Manager Agreement and the Expense Assumption Agreement. A description of each of the agreements is set out below.

The following are summaries of the material provisions of the Partnership Agreement, the Administration Agreement, the Manager Agreement and the Expense Assumption Agreement and do not purport to be complete. Reference should be made to the full text of these agreements, which will be available for inspection by Participating Preferred Trust Unitholders at the Trust's offices, for the complete details of these and other provisions contained therein.

### (a) The Partnership Agreement

#### General Partner

Pursuant to the Partnership Agreement the Administrator has been appointed as the General Partner of the Partnership. For details on the directors and officers of the Administrator, please see "- The Administration Agreement – Officers and Directors of the Administrator" below.

#### Functions and Powers of the General Partner

The General Partner of the Partnership has exclusive authority to direct and manage the affairs of the Partnership, with full power and authority to administer, manage, control and operate the business carried on by the Partnership and to do any act, take any proceedings, make any decisions and execute and deliver any instrument, deed, agreement or document necessary for or incidental to carry on the Partnership business for and on behalf of the Partnership.

Generally, the General Partner is required to exercise its powers and discharge its duties honestly, in good faith, and in the best interests of the Limited Partners and shall, in discharging its duties, exercise the degree of care, diligence

and skill that a reasonably prudent and qualified general partner would exercise in discharging its duties in similar circumstances. During the existence of the Partnership, the officers of the General Partner will devote such time and effort to the business of the Trust as may be necessary to promote adequately the interests of the Partnership and the mutual interests of the Limited Partners. Prior to the dissolution of the Partnership, the General Partner shall not engage in any business other than acting as the General Partner of the Partnership.

### **LP Units**

The interests of the Limited Partners in the Partnership will be divided into an unlimited number of LP Units. Each issued and outstanding LP Unit shall be equal to each other LP Unit with respect to all rights, benefits, obligations and limitations provided for in the Partnership Agreement and all other matters, including the right to distributions from the Partnership and no LP Unit shall have any preference, priority or right in any circumstances over any other LP Unit. At all meetings of the Limited Partners, each Limited Partner will be entitled to one vote for each LP Unit held in respect of each matter for which the LP Units are entitled to vote. Each Limited Partner will contribute \$100.00 to the capital of the Partnership for each LP Unit purchased (depending on the issue price for the related Participating Preferred Trust Units at the time). There are no restrictions as to the maximum number of LP Units that a Limited Partner may hold in the Partnership.

The General Partner, in its sole discretion, may issue LP Units and any other securities of the Partnership from time to time, to any person where it is necessary or desirable in connection with the conduct of the business of the Partnership, and in each case such securities may be issued at such prices and upon such terms and at such time or times as the General Partner may determine.

### **Resignation, Replacement or Removal of General Partner**

The General Partner may resign as the General Partner of the Partnership at any time upon giving at least 180 days' written notice to the Limited Partners, provided the General Partner nominates a qualified successor whose admission to the Partnership as a General Partner is ratified by the Limited Partners by Ordinary Resolution within such period. Such resignation will be effective upon the earlier of: (i) 180 days after such notice is given, if a meeting of Limited Partners is called to ratify the admission to the Partnership as a General Partner of a qualified successor; and (ii) the date such admission is ratified by the Limited Partners by Ordinary Resolution. The General Partner will be deemed to have resigned upon bankruptcy or dissolution and in certain other circumstances if a new General Partner is appointed by the Limited Partners by Special Resolution within 180 days' notice of such event. The General Partner is not entitled to resign as General Partner of the Partnership if the effect of its resignation would be to dissolve the Partnership.

The General Partner may be removed at any time if: (a) the General Partner has been found by a court of competent jurisdiction to have committed fraud or wilful misconduct in the performance of, or wilful disregard or breach of, any material obligation or duty of the General Partner under the Partnership Agreement; (b) its removal as General Partner has been approved by an Extraordinary Resolution; and (c) a qualified successor has been admitted to the Partnership as the General Partner and has been appointed as the General Partner of the Partnership by Ordinary Resolution of the Limited Partners, provided that the General Partner shall not be removed in respect of a curable breach of an obligation or duty of the General Partner under the Partnership Agreement unless it has received written notice thereof from a Limited Partner and has failed to remedy such breach within 30 days of receipt of such notice. It is a condition precedent to the resignation or removal of the General Partner that the Partnership shall pay all amounts payable by the Partnership to the General Partner pursuant to the Partnership Agreement accrued to the date of resignation or removal.

The remuneration of any new General Partner will be determined by Ordinary Resolution of the Limited Partners. Upon any resignation, replacement or removal of a General Partner, the General Partner ceasing to so act is required to transfer title of any assets of the Partnership in its name to the new General Partner.

The Trustees of the Trust have been granted the right to direct the voting of all of the issued and outstanding voting securities of the General Partner in respect of any matter pertaining to the election or removal of the directors of the General Partner.

## Compensation of the General Partner

### *General Partner's Fee*

As partial consideration for its services to the Partnership, the Partnership will pay to the General Partner the General Partner's Fee which is equal to  $1/12^{\text{th}}$  of 2.0% of the Partnership's then-current Asset Value (which must be approved by the independent directors of the General Partner – see the definition of "Asset Value" in the Glossary) for each month of service, plus GST if applicable, calculated and paid monthly in arrears. The General Partner will be entitled, at its discretion, to share a portion of the General Partner's Fee it receives with third parties, including agents or brokers who assist in the sale of Participating Preferred Trust Units. The Partnership will deduct the General Partner's Fee in computing the Partnership's Income.

### *Performance Bonus*

The Performance Bonus consists of two components, each of which (if earned) are calculated independently of one another. The first component is a share of the Partnership's cash distributions in a calendar year based on the performance of the Partnership in that year, and the second component is a share in the Partnership's assets on dissolution based on the performance of the Partnership over its entire term. More specifically, once Unitholders have received an 8% return on their investment in Participating Preferred Trust Units in any calendar year, the Performance Bonus will entitle the General Partner to a share of all remaining distributions of LP Distributable Cash in that calendar year. For greater certainty, the target returns to Unitholders must be met in each calendar year for the General Partner to earn the Performance Bonus in that year. In addition, once Unitholders have received a cumulative 8% annualized (but not compounded) return over the life of their investment in Participating Preferred Trust Units, the Performance Bonus will entitle the General Partner to a share of all of the Partnership assets on dissolution. See "Glossary – Performance Bonus" and "- Performance Bonus Formula" for a description of how the Performance Bonus is calculated. The Performance Bonus varies depending on the number of Participating Preferred Trust Units that have been redeemed as at any particular time, increasing as Participating Preferred Trust Units are redeemed and fewer Participating Preferred Trust Units remain outstanding. Essentially this means that as Participating Preferred Trust Units are redeemed the Performance Bonus (and therefore the General Partner's interest in the LP Distributable Cash and assets on dissolution of the Partnership) proportionately increases.

By way of numerical example, if the Trust issues 100,000 Participating Preferred Trust Units and none have yet been redeemed, the Performance Bonus, if payable, would be calculated as follows:

$$1 - (100,000 \times (0.70/100,000)), \text{ or } 1 - (70) = 30\% \text{ Performance Bonus}$$

So the initial Performance Bonus would be equal to 30% once investors have received an 8% return on their investment in Participating Preferred Trust Units in any calendar year and/or a cumulative 8% annualized (but not compounded) return over the life of their investment in Participating Preferred Trust Units. If subsequently 20,000 of the 100,000 Participating Preferred Trust Units are redeemed, the Performance Bonus payable to the General Partner once investors after investors have received the threshold return would be calculated as follows:

$$1 - (80,000 \times (0.70/100,000)), \text{ or } 1 - (56) = 44\% \text{ Performance Bonus}$$

### *Expenses*

The Partnership will be responsible for all expenses associated with its operation and administration, and the General Partner will be entitled to be reimbursed for all reasonable out-of-pocket expenses incurred by it in connection with the performance of its obligations to the Partnership.

The General Partner, together with the general partners of other Nationwide limited partnerships, have adopted an expense allocation policy which provides, among other things, that each limited partnership will pay all expenses directly attributable to them, and where the expenses are for services that benefit all limited partnerships equally, the expenses will be paid by them pro-rata in accordance with their respective sizes. A copy of the expense allocation policy is available upon request from the General Partner. The expense allocation policy has been approved by the independent directors of the General Partner.



## *Other*

Pursuant to the Partnership Agreement, the General Partner is entitled to receive 0.01% of the Income of the Partnership.

Pursuant to the Partnership Agreement the General Partner shall be entitled to elect to receive all or a portion of any outstanding fees or other amounts owing to it under the Partnership Agreement in the form of LP Units. The number of LP Units to be issued upon such election will be determined based on the Net Asset Value of the Partnership as at the date of issue.

## **Allocation of Income and Loss**

The LP Agreement provides that the Income or Loss of the Partnership for each fiscal period, as well as its Income or Loss from a particular source or a source in a particular place, and the capital gains and capital losses, shall each be allocated among the Limited Partners and General Partner in a manner consistent with the distribution of LP Distributable Cash as set forth in the LP Agreement, and no distributions of LP Distributable Cash are made by the Partnership in a given fiscal period, the Income or Loss of the Partnership, as well as its Income or Loss from a particular source or a source in a particular place, and the capital gains and capital losses, shall each be allocated among the Limited Partners *pro-rata* in proportion to the number of LP Units held by each of them at the end of such fiscal period.

## **Cash Distributions**

The LP Agreement provides that, until Participating Preferred Trust Unitholders have received in a calendar year an 8% preferred base target return on their initial investment in the Trust, the General Partner shall distribute 100% of the LP Distributable Cash in respect of a distribution period *pro rata* to Limited Partners of record as of the close of business on the relevant distribution record date. Once Participating Preferred Trust Unitholders have received in a calendar year the applicable return set out above on their initial investment in the Trust, the Performance Bonus will accrue to the General Partner and be paid out of the LP Distributable Cash in respect of a distribution period, and the remaining LP Distributable Cash will be distributed *pro rata* to Limited Partners of record as of the close of business on the relevant distribution record date.

## **Asset Distributions**

If the General Partner considers it appropriate, the General Partner may make a distribution of equity securities or debt instruments under which the holder thereof has no material obligations to the debtor owned by the Partnership and any other property of the Partnership or in a combination of cash and any such equity securities, debt instruments or other property (“**Distributable Assets**”) with fair market value, together with all cash held by the Partnership at that time. If a distribution is not in the form of cash, then the General Partner, acting reasonably, may determine the value of the Distributable Assets by reference to its fair market value and for the purposes of the Partnership Agreement the value so determined shall be the amount of that distribution.

## **Liability of General Partner and Indemnification of Limited Partners**

The General Partner has agreed to indemnify and hold harmless each Limited Partner from any and all losses, liabilities, expenses and damages suffered by such Limited Partner where the liability of such Limited Partner is not limited, provided that such loss of limited liability was caused by an act or omission of the General Partner or by the negligence or wilful misconduct in the performance of, or wilful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. The General Partner has also agreed to indemnify and hold harmless the Partnership and each Limited Partner from and against any costs, damages, liabilities, expenses or losses suffered or incurred by the Partnership and/or the Limited Partner, as the case may be, resulting from or arising out of negligence or wilful misconduct in the performance of, or wilful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. The General Partner currently has and will have minimal financial resources and assets and, accordingly, such indemnities of the General Partner will have only nominal value.

The General Partner has unlimited liability for the debts, liabilities and obligations of the Partnership. The General Partner will not be liable to the Limited Partners for any mistakes or errors in judgment, or for any act or omission

believed by it in good faith to be within the scope of the authority conferred upon it by the Partnership Agreement (other than an act or omission which is in contravention of the Partnership Agreement or which results from or arises out of the General Partner's negligence or wilful misconduct in the performance of, or wilful disregard or breach of, a material obligation or duty of the General Partner under the Partnership Agreement) or for any loss or damage to any of the property of the Partnership attributable to an event beyond the control of the General Partner or its Affiliates.

In any action, suit or other proceeding commenced by a Limited Partner against the General Partner, other than a claim for indemnity pursuant to the Partnership Agreement, the Partnership shall bear the reasonable expenses of the General Partner in any such action, suit or other proceedings in which or in relation to which the General Partner is adjudged, not to be in breach of any duty or responsibility imposed upon it hereunder; otherwise, such costs will be borne by the General Partner.

### **Term and Dissolution**

The Partnership is to continue in existence until December 31, 2024, provided that liquidation and dissolution may commence earlier or later upon the occurrence of certain stated events as set forth in the Partnership Agreement. In addition the General Partner may decide, in its discretion, to extend the termination date for up to two additional two year periods. Prior to the dissolution of the Partnership the General Partner will, in its discretion, take steps to convert all or any part of the assets of the Partnership to cash or freely trading securities.

### **Distributions on Dissolution**

On the dissolution of the Partnership, the net proceeds from the liquidation of the assets of the Partnership will be distributed in the following order of priority: (a) to pay off any mortgages or other secured debts of the Partnership; (b) to pay the expenses of liquidation and all other outstanding debts and liabilities of the Partnership to its creditors, including all fees and expenses (including the Performance Bonus, if earned) payable to the General Partner; (c) to provide for such reserves as the receiver or Administrator may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Partnership; (d) to the General Partner, the balance in the General Partner's capital account; and (e) any balance then remaining to the Limited Partners *pro rata* in accordance with their proportionate interest in the Partnership.

### **Amendments to the Partnership Agreement**

The LP Agreement may be amended only with the approval of the Limited Partners given by Extraordinary Resolution, except in the following circumstances where amendments may be made without prior approval or consent of any Limited Partner: (a) ensuring continuing compliance, by the Partnership, with applicable laws, regulations, requirements or policies of any governmental authority or regulatory body having jurisdiction over the Partnership; (b) to give effect to a change in the governing law of the Partnership to any other province of Canada; (c) to give effect to the admission, substitution, withdrawal or removal of partners of the Partnership; (d) to give effect to a change that, as determined by the General Partner, is necessary or appropriate to qualify or continue the qualification of the Partnership as a limited partnership in which the Limited Partners have limited liability under applicable laws; (e) providing, in the opinion of the General Partner, additional protection for the Limited Partners or to obtain, preserve or clarify the provision of desirable tax treatment for Limited Partners; (f) making amendments to the LP Agreement which, in the opinion of the General Partner, are necessary or desirable in the interests of the partners as a result of changes in taxation laws or in their interpretation or administration (including changes in the administrative practices and assessing policies of the Canada Revenue Agency); (g) making amendments to the LP Agreement as are necessary or desirable for correcting typographical mistakes or for curing, correcting or rectifying any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions; (h) making amendments to the LP Agreement as are required to undertake an internal reorganization of the Partnership or its affiliates; or (i) making amendments to the LP Agreement for any purpose in addition to those stated above, provided that, in the opinion of the General Partner, the rights of the Limited Partners are not materially prejudiced thereby.

Any amendment requiring approval by the Trust, as a Limited Partner, will be put to the Participating Preferred Trust Unitholders for vote. See *Item 2.1.1 - The Trust - Restrictions on Trustees*.

**(b) The Administration Agreement**

The Administrator is the General Partner.

**Duties and Services to be Provided by the Administrator**

The Trust has retained the Administrator to provide management, administrative and other services to the Trust.

Pursuant to the Administration Agreement, the Administrator will manage the day-to-day operations and affairs of the Trust, make all decisions regarding the business of the Trust and bind the Trust. The Administrator may delegate certain of its powers to third parties where, in the discretion of the Administrator, it would be in the best interests of the Trust to do so.

The Administrator's duties will include:

- (a) establishing and maintaining bank accounts on behalf of the Trust;
- (b) receiving payments from the Partnership from the investment in LP Units and processing cash flow distributions to Participating Preferred Trust Unitholders;
- (c) establishing appropriate legal and accounting systems for the proper control of the Trust;
- (d) collecting and mailing financial and other reports and all other notices to Participating Preferred Trust Unitholders;
- (e) attending to all arrangements necessary for meetings of the Participating Preferred Trust Unitholders;
- (f) responding to all inquiries by Participating Preferred Trust Unitholders;
- (g) providing Participating Preferred Trust Unitholders with detailed statements for income tax purposes;
- (h) ensuring that any regulatory or legislative matters affecting the Trust are dealt with in a timely manner; and
- (i) preparing annual financial reports and arranging for an audit of such annual financial reports for the Trust.

**Details of the Administration Agreement**

Pursuant to the Administration Agreement, the Administrator will provide the services set out above under "Duties and Services to be Provided by the Administrator". The Administrator will not be paid a fee by the Trust for its services, but will be entitled to be reimbursed for costs and expenses incurred by it in connection with the provision of its services to the Trust, including overhead, general and administrative costs, and out-of-pocket and third party fees and expenses.

The Administrator has no obligation to the Trust other than to render services under the Administration Agreement honestly and in good faith and in the best interests of the Trust and to exercise the degree of care, diligence and skill a reasonably prudent person would exercise in comparable circumstances.

The Administration Agreement provides that the Administrator will not be liable in any way to the Trust if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Trust has agreed to indemnify the Administrator for any losses as a result of the performance of the Administrator's duties under the Administration Agreement other than as a result of the negligence, willful misconduct and bad faith on the part of the Administrator or material breach or default of the Administrator's obligations under the Administration Agreement. The Administrator has agreed to indemnify the Trust against any claims arising from the Administrator's willful misconduct, bad faith, negligence or disregard of its duties or standard of care, diligence and skill.

The Administration Agreement, unless terminated as described below, will continue until the dissolution of the Trust. Either the Administrator or the Trust may terminate the Administration Agreement upon two months' prior written notice. Either party to the Administration Agreement may terminate the Administration Agreement: (a) without payment to either party thereto, in the event that either party to the Administration Agreement is in breach or default of the provisions thereof and, if capable of being cured, such breach or default has not been cured within 60 days after the receipt of written notice of such breach or default to the other party thereto; or (b) automatically in the event that one of the parties to the Administration Agreement dissolves, winds up, makes a general assignment for the benefit of creditors, or a similar event occurs. In addition, the Trust may terminate the Administration Agreement if any of the licenses or registrations necessary for the Administrator to perform its duties under the Administration Agreement are no longer in full force and effect.

### Officers and Directors of the Administrator

The name, municipality of residence, office or position held with the Administrator and principal occupation of each of the directors and senior officers of the Administrator are set out below:

| Name and Municipality of Residence                              | Office or Position                              | Principal Occupation   |
|---|---|--|
| ROBERT HUGH CARTWRIGHT<br>Vancouver, British Columbia           | Chairman and Director                           | President, Managing Partner and Director, Maple Leaf Funds; Managing Partner and Director, CADO Bancorp Ltd.   |
| SHANE WILLIAM DOYLE .....<br>Vancouver, British Columbia        | President, Chief Executive Officer and Director | Managing Partner and Director, Maple Leaf Funds and CADO Bancorp Ltd. Previously regional director for SEI Canada and director of operations for RBC Financial Group |
| BYRON STRILOFF .....<br>White Rock, British Columbia            | Director  | Vice President, Corporate Development and Investor Relations, Peptide Technologies Inc.  |
| NANCY GOERTZEN .....<br>SURREY, BRITISH COLUMBIA                | Director  | Independent Businesswoman; Chair, Canadian Women in Private Equity and Venture Capital BC  |
| JOHN WILLARD DICKSON .....<br>North Vancouver, British Columbia | Chief Financial Officer                         | Chief Financial Officer, Maple Leaf Funds and CADO Bancorp Ltd.  |

### (c) The Manager Agreement

The Trust has entered into a Memorandum of Understanding with the Manager whereby the Manager agrees to provide day to day management services in respect of the self storage projects acquired by the Partnership over a five year period (the “**Manager Agreement**”). As the manager, the Manager shall engage qualified personnel to provide top quality services to the Partnership’s properties. The Manager has agreed to manage the properties in a diligent and prudent manner and to:

- Collect and where necessary enforce the collection of receivable due from tenants;
- Provide annual budgets to be approved by the General Partner and present on a quarterly basis the performance of the Investments;
- Provide the General Partner with quarterly financial statements including variance analysis and quarterly unit rental update reports;
- Provide basic accounting functions related to the day to day operations including depositing monies received in connection with the Investments in the Partnership’s account;
- Negotiate and enter into leases and tenancies with existing and prospective tenants;

- Hire, train, supervise and terminate independent contractors and employees, necessary for the operation;
- Handle tenant requests and negotiations on behalf of the Partnership and use reasonable efforts to assure compliance by tenants with the provision of their leases;
- Maintain records of funds received and disbursed in connection with the Investments;
- Prepare or arrange for the preparation of all use agreements and other documents required for the management of the Investments; and
- Provide marketing and other forms of publicity, promotions, website maintenance and development and advertising of the Investments in the media subject to the General Partner's approval.

Pursuant to the Manager Agreement, the Manager will be paid a fee by the Partnership for its services equal to 6% of the total monthly revenue from each Investment managed by the manager, subject to a minimum of \$5,000 per month. In addition the Manager will be entitled to be reimbursed for costs and expenses incurred by it in connection with the provision of its services.

The Manager Agreement contemplates that the parties will enter into a new, more fulsome agreement with standard termination provisions and indemnities prior to the Manager commencing the provision of services to the Partnership.

**(d) The Auto Wash Training Agreement**

The General Partner will provide the minimal staff necessary to operate the car wash facility. As part of the Partnership's agreement with Sonny's, Sonny's will provide training to the General Partner's personnel on how to operate the car wash facility at the Development Property. Sonny's offers a comprehensive training program to owners, investors, managers and key equipment personnel in the car wash industry. Established in 2006, Sonny's CarWash College, the industry recognized authority for conveyor car wash training, has successfully trained over 1,800 students. Since 2006, Car Wash College has offered the only on-going education in the industry for new and existing operators, delivering custom training programs and consulting services to meet any clients' needs. Sonny's has the most comprehensive and successful training program in the industry. (source: [https://www.sonnysdirect.com/sonnysdirect/en/abt\\_car\\_wash\\_history\\_carwash\\_college](https://www.sonnysdirect.com/sonnysdirect/en/abt_car_wash_history_carwash_college), accessed on January 11, 2018).

**(e) The Expense Assumption Agreement**

In exchange for the Trust raising capital to invest in the Partnership and thereby financing the Partnership's business and operations, the Partnership has agreed, pursuant to the Expense Assumption Agreement, to either directly pay or reimburse the Trust for payments made by it in respect of costs and expenses to be incurred by the Trust in connection with obtaining financing for investment by it in the Partnership. These cost and expenses include those associated with (i) establishing and maintaining the Trust's existence to enable it to undertake such financings, (ii) paying Agents' fees and other compensation payable to Agents in connection with sales of Participating Preferred Trust Units; and (ii) all other expenses associated with the Offering. As a result of the Expense Assumption Agreement the Manager expects that 100% of the Gross Proceeds will be invested in LP Units. See Item 1.1, "Funds".

**Item 3****DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS****3.1 Compensation and Securities Held.**

The following table provides relevant information about each Trustee, each director and officer of the Administrator, each promoter of the Trust, and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Trust (a “**principal holder**”):

| <b>Name and municipality of principal residence</b>       | <b>Positions held and the date of obtaining that position</b>  | <b>Compensation paid by Partnership since inception, and compensation anticipated to be paid in the current financial year</b> | <b>Number, type and percentage of securities of the Trust held after completion of min. Offering</b> | <b>Number, type and percentage of securities of the Trust held after completion of max. Offering</b> |
|---|--|--|--|--|
| Robert Hugh Cartwright<br>Vancouver, British Columbia     | Trustee of the Trust since January 3, 2018 and Chairman of the Administrator since October 10, 2017                | Nil  | Nil  | Nil  |
| John Willard Dickson<br>North Vancouver, British Columbia | Trustee of the Trust since January 3, 2018 and Chief Financial Officer of the Administrator since October 10, 2017 | Nil  | Nil  | Nil  |
| Shane William Doyle<br>Vancouver, British Columbia        | Chief Executive Officer and Director of the Administrator since October 10, 2017                                   | Nil  | Nil  | Nil  |
| Byron Striloff<br>White Rock, British Columbia            | Trustee of the Trust since January 3, 2018 and Director of the Administrator since October 10, 2017                | Nil  | Nil  | Nil  |
| Nancy Goertzen<br>Surrey, British Columbia                | Director of the Administrator since October 10, 2017   | Nil  | Nil  | Nil  |

Trustees of the Trust will not be entitled for compensation from the Trust for acting as Trustees, but will be entitled to be reimbursed for their out-of-pocket expenses.

The Administrator, in its capacity as general partner of the Partnership, will be paid the Performance Bonus, if earned, and other compensation from the Partnership. The Administrator is a wholly-owned subsidiary of CADO. Two of the directors and officers of the Administrator, Hugh Cartwright and Shane Doyle, are also directors of CADO, which is 100% controlled by Hugh Cartwright and Shane Doyle. Therefore each of Messrs. Cartwright and Doyle have an interest in the compensation payable to the Administrator in its capacity as general partner of the Partnership. See Item 2.5, “Material Agreements – The Partnership Agreement – Compensation of the General Partner”.

The Administrator may be considered to be a promoter of the Trust within the meaning of securities legislation.

**3.2 Management Experience.**

The name, municipality of residence, office or position held with the Trust and/or the Administrator and principal occupation of each of the Trustees and the directors and senior officers of the Administrator are set out below:

| <b>Name and Municipality of Residence</b>                       | <b>Position with the Trust/Administrator</b>                                     | <b>Principal Occupation</b>   |
|---|--|---|
| ROBERT HUGH CARTWRIGHT .....<br>VANCOUVER, BRITISH COLUMBIA     | Trustee of the Trust and Chairman of the Board and Director of the Administrator | Managing Partner and Director, CADO Bancorp Ltd., President, Managing Partner and Director, Maple Leaf Short Duration Holdings Ltd.               |
| JOHN WILLARD DICKSON .....<br>NORTH VANCOUVER, BRITISH COLUMBIA | Trustee of the Trust and Chief Financial Officer of the Administrator            | Chief Financial Officer, CADO Bancorp Ltd. and Maple Leaf Funds Ltd.  |
| SHANE WILLIAM DOYLE .....<br>VANCOUVER, BRITISH COLUMBIA        | President, Chief Executive Officer and Director of the Administrator             | Managing Partner and Director, CADO Bancorp Ltd., Chief Executive Officer, Managing Partner and Director, Maple Leaf Short Duration Holdings Ltd. |
| BYRON STRILOFF .....<br>WHITE ROCK, BRITISH COLUMBIA            | Trustee of the Trust and Director of the Administrator                           | Vice President, Corporate Development and Investor Relations, Peptide Technologies Inc.   |
| NANCY GOERTZEN .....<br>SURREY, BRITISH COLUMBIA                | Director of the Administrator  | Independent Businesswoman; Chair, Canadian Women in Private Equity and Venture Capital BC   |

There are no committees of the board of trustees of the Trust or board of directors of the Administrator, other than the Audit Committee of the Trust, which consists of the board of trustees as a whole.

The biographies of each of the Trustees of the Trust and the directors and senior officers of the Administrator, including their principal occupations for the last five years, are set out below.

The officers of the Administrator will not be fulltime employees of the Administrator, but will devote such time as is necessary to the business and offices of the Administrator.

#### **Robert Hugh Cartwright, B.Comm – Trustee of the Trust and Chairman and Director of the Administrator**

Mr. Cartwright is the Managing Partner and a Director of CADO, the parent company of the Promoter and its wholly-owned subsidiary CADO Investment Fund Management Inc. As well, Mr. Cartwright is the Chief Executive Officer and a director of Qwest Bancorp Ltd., a British Columbia-based merchant banking company with over 20 years of experience in investment banking, structured finance, syndication and fund administration. Mr. Cartwright is also the former Chief Executive Officer and director of Trilogy Bancorp Ltd., a British Columbia-based asset and administrative management company.

Mr. Cartwright was also a founder and from November 1998 to February 2006 was a director of Qwest Energy Corp. (“**Qwest Energy**”), a company which structured, managed and syndicated tax-assisted investments in the oil and gas industry. Qwest Energy and its subsidiaries were, from 1999 to 2005, involved in the management of energy investments, including in-house accounting, financial reporting, investor relations and tax reporting.

Mr. Cartwright was also a founder and former Chief Executive Officer and a director of Qwest Energy Investment Management Corp. from May 2003 to February 2006 and the general partner of each of Qwest Energy RSP/Flow-Through Limited Partnership, Qwest Energy IV Flow-Through Limited Partnership, Qwest Energy 2004 Flow-Through Limited Partnership, Qwest Energy 2005 Flow-Through Limited Partnership, Qwest Energy 2005-II Flow-Through Limited Partnership and Qwest Energy 2005-III Flow-Through Limited Partnership. In addition, Mr. Cartwright was the founder, Chief Executive Officer and a director of each of Qwest Energy RSP/Flow-Through Financial Corp., Qwest Energy 2004 Financial Corp. and Qwest Energy 2005 Financial Corp.

Mr. Cartwright is a founder, officer and/or director of the Opus Cranberries Limited Partnerships, Western Royal Ginseng Management Corp., Western Royal Ginseng I Corp., Western Royal Ginseng II Corp., Western Royal Ginseng III Corp., Pacific Canadian Ginseng Ltd., Pacific Canadian Ginseng I Ltd., Pacific Canadian Ginseng II

Ltd., Ponderosa Ginseng Farms Ltd. and Qwest Emerging Technologies (VCC) Fund Ltd. as well as a director and officer of Imperial Ginseng Products Ltd. and a former director and officer of Knightswood Financial Corp. (“**Knightswood**”) (both publicly traded companies listed on the TSXV). He was also the founder and former Chairman and director of Qwest Emerging Biotech (VCC) Fund Ltd.

In addition, Mr. Cartwright is or has formerly been the Director and/or Officer of the general partners of each of Fairway Energy (06) Flow-Through Limited Partnership, Fairway Energy (07) Flow-Through Limited Partnership, Jov Diversified Flow-Through 2007 Limited Partnership, Jov Diversified Flow-Through 2008 Limited Partnership, Jov Diversified Flow-Through 2008-II Limited Partnership, Jov Diversified 2009 Flow-Through Limited Partnership, Jov Diversified Québec 2009 Flow-Through Limited Partnership, Maple Leaf Short Duration 2010 Flow-Through Limited Partnership, Maple Leaf Short Duration 2011 Flow-Through Limited Partnership, Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership, Maple Leaf Short Duration 2012 Flow-Through Limited Partnership, Maple Leaf Short Duration 2013 Flow-Through Limited Partnership, Maple Leaf Short Duration 2014 Flow-Through Limited Partnership, Maple Leaf 2014-II Flow-Through Limited Partnership, Maple Leaf Short Duration 2015 Flow-Through Limited Partnership, Maple Leaf Short Duration 2015-II Flow-Through Limited Partnership, Maple Leaf Short Duration 2016 Flow-Through Limited Partnership, Maple Leaf Short Duration 2016-II Flow-Through Limited Partnership and Maple Leaf Short Duration 2017 Flow-Through Limited Partnership. Mr. Cartwright also is or has formerly been a director and/or officer of the general partners of WCSB GORR Oil & Gas Income Participation 2008-I Limited Partnership, WCSB Oil & Gas Royalty Income 2008-II Limited Partnership, WCSB Oil & Gas Royalty Income 2009 Limited Partnership, WCSB Oil & Gas Royalty Income 2010 Limited Partnership, WCSB Oil & Gas Royalty Income 2010-II Limited Partnership, Maple Leaf 2011 Energy Income Limited Partnership, Maple Leaf 2012 Energy Income Limited Partnership, Maple Leaf 2012-II Energy Income Limited Partnership, and Maple Leaf 2013 Oil & Gas Income Limited Partnership.

Mr. Cartwright graduated from the University of Calgary with a Bachelor of Commerce degree and specialized in finance.

**John Willard Dickson, B. Comm, CPA, CGA – Trustee of the Trust and Chief Financial Officer of the Administrator**

As Chief Financial Officer of the Administrator, John Dickson brings over 15 years of experience in financial management, accounting and securities reporting as well as all back-office accounting and reporting duties for investment issuers.

Mr. Dickson is the Vice-President Finance of the general partners of Jov Diversified Flow-Through 2007 Limited Partnership, Jov Diversified Flow-Through 2008 Limited Partnership, Jov Diversified Flow-Through 2008-II Limited Partnership, Jov Diversified Québec 2009 Flow-Through Limited Partnership, Jov Diversified 2009 Flow-Through Limited Partnership, Maple Leaf Short Duration 2010 Flow-Through Limited Partnership, Fairway Energy (06) Flow-Through Limited Partnership and Fairway Energy (07) Flow Through Limited Partnership, as well as Jov Flow-Through Holdings Corp.

In addition, Mr. Dickson is also Chief Financial of the general partners of WCSB GORR Oil & Gas Income Participation 2008-I Limited Partnership, WCSB Oil & Gas Royalty Income 2008-II Limited Partnership, WCSB Oil & Gas Royalty Income 2009 Limited Partnership, WCSB Oil & Gas Royalty Income 2010 Limited Partnership, WCSB Oil & Gas Royalty Income 2010-II Limited Partnership, Maple Leaf 2011 Energy Income Limited Partnership, Maple Leaf 2012 Energy Income Limited Partnership, Maple Leaf 2013 Oil & Gas Income Limited Partnership, Maple Leaf Short Duration 2011 Flow-Through Limited Partnership, Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership, Maple Leaf Short Duration 2012 Flow-Through Limited Partnership, Maple Leaf Short Duration 2013 Flow-Through Limited Partnership, Maple Leaf Short Duration 2014 Flow-Through Limited Partnership, Maple Leaf Short Duration 2014-II Flow-Through Limited Partnership, Maple Leaf Short Duration 2015 Flow-Through Limited Partnership, Maple Leaf 2015-II Flow-Through Limited Partnership, Maple Leaf Short Duration 2016 Flow-Through Limited Partnership and Maple Leaf Short Duration 2016-II Flow-Through Limited Partnership, as well as WCSB Holdings Corp., Maple Leaf Energy Income Holdings Corp. and Maple Leaf Short Duration Holdings Corp. Mr. Dickson is also the Chief Financial Officer and Director of the General Partners of Maple Leaf Charitable Giving (2007) II Limited Partnership and Maple Leaf Charitable Giving Limited Partnership.



Prior to joining the WCSB and Jov entities, Mr. Dickson was Controller of Cactus Restaurants Ltd. In addition, Mr. Dickson formerly was the Controller of Qwest Bancorp Ltd., a British Columbia-based merchant banking company, Controller of Trilogy Bancorp Ltd., a British Columbia-based asset and administrative management company, and Controller of several flow-through limited partnerships including Qwest Energy (2001) limited partnership, Qwest Energy II Limited Partnership, Qwest Energy IV Flow-Thorough Limited Partnership, and Qwest Energy 2004 Flow-Thorough Limited Partnership.

Mr. Dickson is a Certified Professional Accountant (Certified General Accountant) and has earned a Bachelor of Arts degree from Lakehead University in Ontario, Canada.

**Shane William Doyle, BA, MBA –President, Chief Executive Officer and Director of the Administrator**

Mr. Doyle is the Managing Partner and a Director of CADO, the parent company of the Promoter and its wholly-owned subsidiary CADO Investment Fund Management Inc. Mr. Doyle is also a Managing Partner and a director of Maple Leaf Short Duration Holdings Ltd. Mr. Doyle was, from September 2004 to October 2006 the Regional Director for SEI Investments Canada Company (“SEI”), an institutional investment management firm. Mr. Doyle’s responsibilities at SEI included business development and client relationship management with institutional investors. Prior to SEI, Mr. Doyle was from January 2004, to August 2004 Director of Sales and Marketing at Trez Capital Corporation, a mortgage investment company. Mr. Doyle’s responsibilities at Trez Capital Corporation included corporate finance advisory and business development services. Prior to Trez Capital Corporation, Mr. Doyle was, from March 2001 to December 2003 a Director of Sales for Qwest Energy Corporation. Prior to joining Qwest Energy Corporation Mr. Doyle was, from March 2000 to February 2001, Director of Operations RBC Financial Group. Mr. Doyle’s responsibilities at RBC Financial Group included business development, relationship management and territorial oversight. Prior to joining RBC Financial Group, Mr. Doyle was, from January 1997 to February 2000, Regional Sales Manager for Western Canada for UnumProvident Corporation. Mr. Doyle’s responsibilities at UnumProvident Corporation included managing a sales force of 16 employees throughout western Canada and managing all office operations.

In addition, Mr. Doyle is the Chief Executive Officer and President of Maple Leaf Charitable Giving Management Corp., the general partner of the Maple Leaf Charitable Giving Limited Partnership, and is or has been a Director and/or officer the general partners of Fairway Energy (07) Flow Through Limited Partnership, Jov Diversified Flow-Through 2007 Limited Partnership, Jov Diversified Flow-Through 2008 Limited Partnership, Jov Diversified Flow-Through 2008-II Limited Partnership, Jov Diversified 2009 Flow-Through Limited Partnership, Jov Diversified Québec 2009 Flow-Through Limited Partnership, Maple Leaf Short Duration 2010 Flow-Through Limited Partnership, Maple Leaf Short Duration 2011 Flow-Through Limited Partnership, Maple Leaf Short Duration 2011-II Flow-Through Limited Partnership, Maple Leaf Short Duration 2012 Flow-Through Limited Partnership, Maple Leaf Short Duration 2013 Flow-Through Limited Partnership, Maple Leaf Short Duration 2014 Flow-Through Limited Partnership, Maple Leaf 2014-II Flow-Through Limited Partnership, Maple Leaf Short Duration 2015 Flow-Through Limited Partnership, Maple Leaf Short Duration 2015-II Flow-Through Limited Partnership, Maple Leaf Short Duration 2016 Flow-Through Limited Partnership, Maple Leaf Short Duration 2016-II Flow-Through Limited Partnership, Maple Leaf Short Duration 2017 Flow-Through Limited Partnership WCSB GORR Oil & Gas Income Participation 2008-I Limited Partnership, WCSB Oil & Gas Royalty Income 2008-II Limited Partnership, WCSB Oil & Gas Royalty Income 2009 Limited Partnership, WCSB Oil & Gas Royalty Income 2010 Limited Partnership, WCSB Oil & Gas Royalty Income 2010-II Limited Partnership, Maple Leaf 2011 Energy Income Limited Partnership, Maple Leaf 2012 Energy Income Limited Partnership, Maple Leaf 2012-II Energy Income Limited Partnership and Maple Leaf 2013 Oil & Gas Income Limited Partnership.

Mr. Doyle graduated in 1988 from St. Mary’s University in Halifax with a Masters of Business Administration.

**Byron Striloff – Trustee of the Trust and Director of the Administrator**

Byron Striloff is currently Vice President, Corporate Development and Investor Relations, Peptide Technologies Inc. Byron spent 35 years as a senior investment advisor in the area of personal and corporate investment management, tax planning, venture capital, insurance and estate planning.

His primary area of specialization is the development of financial strategies that optimize investment performance from long-term trends, tax minimization and wealth creation for individuals and businesses. Byron was a producing

branch manager and has held senior management and directorship positions for various national investment dealers, and recently left CIBC Wood Gundy to join Peptide Technologies. Currently Byron is a master qualified member of the Dent Foundation and frequently speaks at public seminars on demographic economic forecasting.

#### **Nancy Goertzen, CIPR – Director of the Administrator**

Nancy brings over 25 years of experience in corporate development, strategic partnerships, fund raising and investor relations with public companies. She has a wide range of experience including working with start-ups, private (pre-IPO), public companies and large corporations. Nancy has worked in multiple industry sectors including broadcasting, technology and resources.

Nancy holds the Certified Professional in Investor Relations designation from Richard Ivey Business School and is in good standing as a member of the Canadian Investor Relations Institute.

She is the Founding Chair of Canadian Women in Private Equity and Venture Capital BC, and has grown this group to 60 senior women over the last 4 years.

### **3.3 Penalties, Sanctions and Bankruptcy**

There have been no penalties or sanctions in effect during the last 10 years, or cease trade orders that have been in effect for a period of more than 30 consecutive days during the past 10 years, against any Trustee, director, executive officer or control person of the Trust or the Administrator, or any issuer of which any Trustee, director, executive officer or control person of the Trust or the Administrator was a director, executive officer or control person at that time.

There have been no declarations of bankruptcy, voluntary assignments in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that have been in effect in the last 10 years with regard to any director, executive officer or control person of the Trust or the Administrator, or any issuer of which any director, executive officer or control person of the Trust or the Administrator was a director, executive officer or control person at that time.

## Item 4 CAPITAL STRUCTURE

### 4.1 Capital.

Subscribers of Participating Preferred Trust Units of the Trust in this Offering will be governed by the terms of the Declaration of Trust. The following table provides relevant information about the outstanding securities of the Trust:

| Description of Security             | Number authorized to be issued | Number outstanding at August 21, 2018 | Number outstanding after minimum offering | Number outstanding after maximum offering |
|-------------------------------------|--------------------------------|---------------------------------------|---|---|
| Participating Preferred Trust Units | Unlimited                      | 127,608                               | 30,000                                    | 139,000                                   |

#### Details of the Declaration of Trust

The rights and obligations of the Participating Preferred Trust Unitholders are governed by the Declaration of Trust and applicable legislation in each jurisdiction in which the Trust carries on business. The statements in this Offering Memorandum concerning the Declaration of Trust summarize the material provisions of the Declaration of Trust and do not purport to be complete. Reference should be made to the full text of the Declaration of Trust which will be available for inspection by Participating Preferred Trust Unitholders at the Trust's offices for the complete details of these and other provisions therein.

#### *Participating Preferred Trust Units*

The Trust has two classes of Participating Preferred Trust Units – the Class A Participating Preferred Trust Units and the Class F Participating Preferred Trust Units. The Trust is authorized to issue an unlimited number of each class of Participating Preferred Trust Units. The Class A and Class F Participating Preferred Trust Units are identical to each other, except the selling expenses applicable to each Class. See Item 7, “Compensation Paid to Sellers and Finders”.

#### *Subscriptions*

Subscriptions will be received subject to acceptance or rejection in whole or in part by the Administrator on behalf of the Trust and the right is reserved to close the Offering of Participating Preferred Trust Units at any time without notice. At each Closing, non-certificated interests representing the aggregate number of Participating Preferred Trust Units subscribed for at such Closing will be recorded on the register of the Trust on the date of such Closing. No certificates representing the Participating Preferred Trust Units will be issued.

#### *Business of the Trust*

The Declaration of Trust provides that the activities of the Trust are restricted to the following: (a) acquiring, holding, transferring, disposing of, investing in, lending to, and otherwise dealing with, assets, securities (whether debt or equity) and other interests or properties of whatever nature or kind of or issued by, any person (including the Partnership) and making such other investments as the Trustees in their sole discretion determine; (b) holding cash and other investments in connection with and for the purposes of the Trust's activities, including paying liabilities of the Trust (including administration expenses), paying any amounts required in connection with the redemption of Participating Preferred Trust Units, and making distributions to Participating Preferred Trust Unitholders; (c) disposing of all or any part of the Trust Property; (d) issuing Participating Preferred Trust Units, instalment receipts, and other Trust securities (including debt instruments, securities convertible into or exchangeable for Participating Preferred Trust Units or other securities of the Trust, or warrants, options or other rights to acquire Participating Preferred Trust Units or other securities of the Trust), for the purposes of, without limitation: (i) conducting, or facilitating the conduct of the activities and undertaking of the Trust (including for the purpose of raising funds for acquisitions); (ii) repayment of any indebtedness or borrowings of the Trust or any affiliate thereof; (iii) establishing and implementing Participating Preferred Trust Unitholder rights plans, distribution reinvestment plans, Participating Preferred Trust Unit purchase plans, and incentive option and other compensation plans of the Trust, if

any; (iv) satisfying obligations to deliver securities of the Trust, including Participating Preferred Trust Units, pursuant to the terms of securities convertible into or exchangeable for such securities of the Trust, whether or not such convertible or exchangeable securities have been issued by the Trust; (v) carrying out any of the transactions contemplated by any offering documents of the Trust and satisfying all obligations in connection with such transactions; and (vi) making non-cash distributions to Participating Preferred Trust Unitholders, including in specie redemptions as well as distributions; (e) repurchasing or redeeming Participating Preferred Trust Units or other Trust securities, subject to the provisions of the Declaration of Trust and applicable law; (f) issuing debt securities or otherwise borrowing funds, as well as mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of the Trust Property, whether as security for obligations of the Trust or otherwise; (g) guaranteeing (whether as guarantor, surety or co-principal obligor, or otherwise) any obligations, indebtedness or liabilities, present or future, direct or indirect, absolute or contingent, matured or not of any person for, or in pursuit of pursuing or facilitating the business and purposes of the Trust, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of the Trust Property as security for such guarantee; (h) carrying out any of the transactions, and exercising, performing and satisfying any of the rights, liabilities and obligations of the Trust under any agreements or arrangements, entered into in connection with pursuing the business and purposes of the Trust; and (i) engaging in all activities, and taking all such actions, ancillary or incidental to any of those activities set forth in (a) through (h) above, provided that the Trust is prohibited from engaging in any activity or undertaking that could reasonably be expected to cause it not to be a “mutual fund trust” for the purposes of the Tax Act.

### ***Trustees***

The Board of Trustees will consist of a minimum of two Trustees and a maximum of 5 Trustees. The number of trustees for the Trust has been set at three and such number may be changed from time to time, in the sole discretion of the Trustees, by a resolution of the Trustees. See also “- Governance of the Trust and the Administrator/General Partner”

If there is a resolution of the Trustees fixing the number of trustees of the Trust at a greater number than two (not to exceed five) the Trustees shall then, by majority vote, be entitled to elect the additional trustee(s) of the Trust to fill the vacancies created by the increase in number of trustees of the Trust or, in the alternative, if the Trustees of the Trust so decide they may call a meeting of Participating Preferred Trust Unitholders to elect the additional trustee(s) of the Trust to fill the vacancies created by the increase in number of trustees of the Trust. The Trustees remain in office until the earlier of the date of their death, disqualification, resignation or removal in accordance with the Declaration of Trust. In the case of a resignation, a majority of the Trustees remaining in office may appoint an individual as a replacement Trustee or, if they fail to so appoint a replacement or the Trustees determine to have the replacement elected by Participating Preferred Trust Unitholders, a meeting of Participating Preferred Trust Unitholders may be called to elect, by Ordinary Resolution, the replacement Trustee. Any Trustee may be removed at any time with or without cause by Ordinary Resolution passed in favour of the removal of such Trustee and such removal shall be effective upon the date stated in the Ordinary Resolution or upon the date of such Ordinary Resolution if not otherwise stated. If a Trustee dies, becomes disqualified from being a trustee of the Trust, or Otherwise becomes incapable of acting as a trustee, the remaining Trustees shall forthwith remove such Trustee and appoint a new trustee of the Trust to replace such deceased, disqualified or incapacitated Trustee or, if they fail to so appoint a replacement or the Trustees determine to have the replacement elected by Participating Preferred Trust Unitholders, a meeting of Participating Preferred Trust Unitholders may be called to elect, by Ordinary Resolution, the replacement Trustee. If at any time the number of Trustees then in office is less than the minimum number of trustees of the Trust required (being two in number) then at any time a Participating Preferred Trust Unitholder, a Trustee or any other interested person may apply to a court of competent jurisdiction for the appointment of a trustee(s) in order that the required minimum number be maintained.

The Declaration of Trust provides that, subject only to any limitations and restrictions contained in the Declaration of Trust, the Trustees have full, absolute and exclusive power, control and authority over the Trust Property and over the affairs of the Trust to the same extent as if the Trustees were the sole owners of such property in their own right and may do all such acts and things as they, in their sole judgment and discretion, deem necessary or incidental to, or desirable for, the carrying out the purposes of the trust created by the Declaration of Trust.

All determinations of the Trustees and any agent to whom the Trustees have delegated duties, where such determinations are made in good faith with respect to any matters relating to the Trust, shall be final and conclusive and shall be binding upon the Trust and all Participating Preferred Trust Unitholders. The Declaration of Trust provides that the Trustees must act honestly and in good faith with a view to the best interests of the Trust and, in

connection therewith, exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances (herein the “**Standard of Care**”). In general, each Trustee shall be indemnified against all liabilities or claims against them or the Trust, and they shall have no liability to any holders of Participating Preferred Trust Units, where such liabilities or claims arise out of being or having been a trustee of the Trust, unless such liabilities or claims arise as a result of the Trustee failing to satisfy the Standard of Care or, in the case of a criminal or administrative action or proceeding that is enforced by monetary penalty, where such Trustee did not have reasonable grounds for believing that his conduct was lawful.

### ***Delegation***

Pursuant to the Administration Agreement the Trustees have delegated to the Administrator the obligation to provide and perform for and on behalf of the Trust essentially all services that are or may be required or advisable, from time to time, in order to manage, administer and govern the operations of the Trust. See Item 2.5, “Material Agreements Administration Agreement”.

### ***Restrictions of Trustees***

The Trustees shall not:

- (a) without the approval of the Participating Preferred Trust Unitholders by Extraordinary Resolution, amend the Declaration of Trust except in certain circumstances. See “- Amendments to the Declaration of Trust” below.
- (b) without the approval of the Participating Preferred Trust Unitholders by Extraordinary Resolution, authorize any sale, lease, exchange, transfer or other disposition of all or substantially all of the property of the Trust, other than (i) as otherwise permitted under the Declaration of Trust, including pursuant to the wind-up and termination of the Trust and pursuant to in specie redemptions or distributions, (ii) in order to acquire securities of the Partnership or other affiliate of the Trust, or to consolidate the assets held by the Partnership with other similar issuers established by the General Partner or its affiliates, or (iii) in conjunction with an internal reorganization of the Trust.
- (c) without the approval of the Participating Preferred Trust Unitholders by Extraordinary Resolution, vote the Trust's securities of the Partnership to approve the Partnership carrying on business other than that which is then currently authorized by the LP Agreement, the removal of the general partner of the Partnership and substitution of a new general partner, any amendment to the LP Agreement that required Limited Partner approval pursuant to the terms of the LP Agreement, or the wind-up and dissolution of the Partnership if proposed by the General Partner.
- (d) without the approval of the Participating Preferred Trust Unitholders by Ordinary Resolution, vote the Trust's securities of the Partnership to approve the selection of a new General Partner in the event of the resignation of the General Partner or to approve the appointment or removal of the Partnership's auditor.

### ***Distributions***

The Trust expects to generate Distributable Cash through distributions on the LP Units held by the Trust. See Item 2.7, “Material Agreements – LP Agreement – Cash Distributions”. The Trustees, in respect of a Distribution Period, may declare payable to Participating Preferred Trust Unitholders of record as at the close of business on the Distribution Record Date for such Distribution Period, all or any part of the Distributable Cash for such Distribution Period as determined by the Trustees in their discretion. Each Participating Preferred Trust Unit issued and outstanding on the Distribution Record Date for a particular Distribution Period shall be entitled to an equal proportionate share of the Distributable Cash which is declared payable to Participating Preferred Trust Unitholders. The Trust is targeting a minimum 8% cumulative preferred base annual return on an investment in Participating Preferred Trust Units through distributions of Distributable Cash. Once Participating Preferred Trust Unitholders have received an 8% return on their investment in any calendar year and/or a cumulative 8% preferred base annual return on their investment over the life of the Partnership, the Administrator (in its capacity as general partner of the Partnership) will be entitled to the Performance Bonus from the Partnership.

The Administrator anticipates that distributions will commence approximately 12-24 months from the date of the final Closing of the Offering.

In addition to the foregoing the Trust may make such other distributions (“Special Distributions”) as the Trustees may determine from time to time. The Trustees intend to make additional distributions, payable in cash or by the issuance of additional Participating Preferred Trust Units, in respect of its Tax Income (including its net realized capital gains), if any, of the Trust in a fiscal year to the extent necessary to ensure that the Trust will not be liable for tax under Part I of the Tax Act in such year.

### **Redemptions**

A holder of Participating Preferred Trust Units is entitled to require the Trust to redeem, at any time at the demand of the holder, all or any part of the Participating Preferred Trust Units registered in the name of the Participating Preferred Trust Unitholder. Redemptions will be satisfied on the last day of the quarter in which the redemption request has been received (the “**Valuation Date**”), provided that the redemption request has been received at least twenty (20) days prior to the Valuation Date. Redemption requests received after such date will be satisfied at the end of the next quarter. There are certain procedural requirements, set forth in the Declaration of Trust, which must be adhered to in connection with any redemption of Participating Preferred Trust Units. Unless Participating Preferred Trust Units were to become listed, the price per Participating Preferred Trust Unit to be received on a redemption will be equal to (a) if the redemption occurs before January 1, 2022, 98%, and (b) in any other case 100%, of the Net Asset Value of such Participating Preferred Trust Unit, as at the relevant Valuation Date. If, in the opinion of the Administrator, acting reasonably, there has been a material change in the business and affairs of the Trust (and, by extension, the Partnership) such that the Net Asset Value determined by reference to the Trust’s latest audited annual financial statements is no longer reasonable or appropriate as at a particular Valuation Date, then the updated Net Asset Value used for the purposes of funding redemptions will be determined by a third party appraisal firm and unanimously approved by the independent Trustees.

Payment of the redemption price shall be in cash, provided that if the Participating Preferred Trust Units tendered for redemption in the same quarter exceeds an amount equal to 0.25% of the Gross Proceeds until January 1, 2022, and 0.625% of the Gross Proceeds thereafter (as set out in Table 1 below), then the Trustees shall only be obligated to make cash payment to a maximum of such amount and the balance (payable to investors seeking to redeem *pro rata* based on the number of Participating Preferred Trust Units tendered for redemption), subject to receipt of any applicable regulatory approvals, may be paid by the Trust, in the discretion of the Administrator, through the issuance of Redemption Notes and/or through a distribution, in specie, of property of the Trust. In addition, the Trustees will have the right to pay redemption proceeds in Redemption Notes in circumstances where redeeming Preferred Trust Units for cash would be unduly detrimental to the business of the Trust (for example, where paying out redemption proceeds in cash would render the Trust insolvent or otherwise unable to pay its debts when they become due). **There may be significant adverse tax consequences to a Participating Preferred Trust Unitholder that receives Redemption Notes or other non-cash property of the Trust on the redemption of Participating Preferred Trust Units.**

*Table 1*

| 1. <b>Applicable Redemption Period</b>              | 2. <b>Cash Redemption Limit per Quarter</b> | 3. <b>Maximum Cash Redemption per Quarter Based on Maximum Offering of \$13,900,000</b> |
|---|---|---|
| Prior to January 1, 2022                            | 0.25% of the Gross Proceeds                 | Maximum of \$31,250 per quarter   |
| From January 1, 2022 until termination of the Trust | 0.625% of the Gross Proceeds                | Maximum of \$78,125 per quarter   |

In the event that the Trust issues Redemption Notes to redeeming Participating Preferred Trust Unitholders, the Trust and the Administrator shall comply with the following:

- (a) the Administrator, on behalf of the Trust, shall only issue Redemption Notes in compliance with the terms and conditions of the Declaration of Trust;
- (b) the form of the Redemption Notes to be issued by the Trust shall be approved by the independent directors of the Administrator;
- (c) the Administrator, on behalf of the Trust, shall advise redeeming Participating Preferred Trust Unitholders as soon as practicable in writing (the “**Redemption Note Issuance Notice**”) that the redemption price for the Participating Preferred Trust Units tendered for redemption will be paid in whole or in part by Redemption Notes, and such Participating Preferred Trust Unitholders have 15 Business Days from the date of the Redemption Note Issuance Notice to rescind their redemption request, if desired; and
- (d) the Redemption Note Issuance Notice shall include: (i) the form of the Redemption Note; (ii) reference to Item 6 of the Offering Memorandum in relation to the ineligibility of Redemption Notes as a qualified investment for Exempt Plans; (iii) discussion of options available to a Participating Preferred Trust Unitholder and a trustee of an Exempt Plan of a Participating Preferred Trust Unitholder, as a result of receiving a prohibited investment in a Exempt Plan as issued by the Trust; (iv) reference to the Risk Factor found in Item 8 of the Offering Memorandum under the heading Priority of Redemption Notes over Participating Preferred Trust Units; (v) discussion of potential priority issues of between holders of Redemption Notes, whether held inside or outside an Exempt Plan, as applicable and Participating Preferred Trust Unitholders, upon the occurrence of the liquidation or potential liquidation of the Trust Assets; and (vi) advice to the Participating Preferred Trust Unitholder to speak with their legal counsel and tax advisors regarding points (i)-(v) above.

### ***Meetings of Participating Preferred Trust Unitholders***

There is no requirement to hold annual meetings of the Participating Preferred Trust Unitholders. A meeting of Participating Preferred Trust Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned in writing by the Participating Preferred Trust Unitholders representing not less than 25% of all votes entitled to be voted at a meeting of Participating Preferred Trust Unitholders. Any such meeting requisition must comply with the requirements set forth in the Declaration of Trust, including that the request specify in reasonable detail the business proposed to be transacted at the meeting. Participating Preferred Trust Unitholders of record may attend and vote at all meetings of the Participating Preferred Trust Unitholders either in person or by proxy and a proxyholder need not be a Participating Preferred Trust Unitholder. One or more persons present in person and being Participating Preferred Trust Unitholders or representing by proxy Participating Preferred Trust Unitholders, and who hold in total not less than 5% of the votes attached to the then outstanding Participating Preferred Trust Units, will constitute a quorum for the transaction of business at all meetings. Each Participating Preferred Trust Unit entitles the holder to one vote at all meetings. The Declaration of Trust contains various other provisions pertaining to the procedural requirements with respect to the calling and holding of meetings of Participating Preferred Trust Unitholders.

### ***Term of the Trust and Distribution on Wind-Up***

The Trust is obligated to commence its wind-up and termination on the first of the following to occur (each of the following being hereinafter referred to as an “**Event of Termination**”): (a) December 31, 2024, unless the Trustees decide, in their discretion, to extend the termination date for up to two additional two year periods, (b) the date specified in proposal by the Administrator to wind-up and terminate the Trust which is approved by an Extraordinary Resolution; and (c) the date on which all material business in which the Trust holds an interest or has otherwise invested, have been liquidated (which generally means such business has been wound-up and its net assets distributed to those so entitled upon a wind-up, dissolution or termination of such business). It is currently contemplated that the only material business in which the Trust will invest is the Partnership and, consequently, that the termination of the Trust will be triggered by the wind-up and dissolution of the Partnership. The ability of the Trust to make distributions on the Participating Preferred Trust Units on the wind-up and dissolution of the Trust will be primarily dependent on the Trust’s receiving distributions on the LP Units in connection with the wind-up and dissolution of the Partnership. See Item 2.1.2, “The Partnership - Formation and Term of the Partnership and Item 2.7 - Material Agreements - LP Agreement Distributions on Dissolution”.

On the occurrence of an Event of Termination, the Trustees shall commence the wind-up and termination of the affairs of the Trust and will use their reasonable commercial efforts to, as soon as practicable, liquidate and distribute all the Trust Property and wind-up the Trust. Once the Administrator is able to determine, with a reasonable degree of certainty, the time at which the Trust will be in a position to distribute the net assets of the Trust, then the Administrator shall give

notice of the timing of such anticipated distribution. Such notice shall designate the time or times at which Participating Preferred Trust Unitholders may surrender their Participating Preferred Trust Units for cancellation and the date at which the registers of Participating Preferred Trust Units shall be closed.

After paying, retiring or discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Trust (including expenses relating to the wind-up and termination of the Trust) and providing for an indemnity against any other outstanding liabilities and obligations, provided the holders of Participating Preferred Trust Units, then after the payment of the Performance Bonus, if earned, the Administrator shall distribute the remaining Trust Property to the holders of the Participating Preferred Trust Units *pro rata* in accordance with their respective interest in the Trust, without preference or distinction. If the Administrator is unable to sell all or any of the Trust Property within a reasonable period of time, the Administrator may, subject to obtaining all necessary regulatory or other approvals, distribute undivided interests in the remaining Trust Property directly to the holders of the Participating Preferred Trust Units in accordance with their entitlements to the property of the Trust on a wind-up or termination of the Trust.

Notwithstanding the foregoing, the Trustees may call a meeting of Participating Preferred Trust Unitholders to approve, by Ordinary Resolution, extending the term of the Trust and continue operations on terms recommended by the Trustees.

### ***Transfer of Participating Preferred Trust Units***

**There is no market through which the Participating Preferred Trust Units may be sold and none is expected to develop. The Participating Preferred Trust Units will not be listed on any stock exchange. Subscribers are likely to find it difficult or impossible to sell their Participating Preferred Trust Units.** Under the Declaration of Trust, Participating Preferred Trust Units may be transferred by a Participating Preferred Trust Unitholder subject to the following conditions: (a) the Participating Preferred Trust Unitholder must deliver to the Recordkeeper, a form of transfer and power of attorney, substantially in the form annexed to the Declaration of Trust, duly completed and executed by the Participating Preferred Trust Unitholder, as transferor, and the transferee and other necessary documentation duly executed, together with such evidence of the genuineness of the endorsement, execution and authorization thereof and of such other matters as may reasonably be required by the Recordkeeper; (b) the transferee will not become a Participating Preferred Trust Unitholder in respect of the Participating Preferred Trust Unit transferred to him or her until the prescribed information has been entered on the register of Participating Preferred Trust Unitholders; (c) no transfer of a Participating Preferred Trust Unit shall cause the dissolution of the Trust; (d) transfers of a fractional part of a Participating Preferred Trust Unit shall be recognized as long as it is part of a transfer of at least one additional Participating Preferred Trust Unit; (e) any transfer of a Participating Preferred Trust Unit is at the expense of the transferee (but the Trust will be responsible for all costs in relation to the preparation of any amendment to the Trust's register and similar documents in jurisdictions other than British Columbia); and (f) no transfer of Participating Preferred Trust Units will be accepted by the Recordkeeper after notice of dissolution of the Trust is given to the Participating Preferred Trust Unitholders. All transfers of Participating Preferred Trust Units are subject to the approval of the Administrator.

A transferee of Participating Preferred Trust Units, by executing the transfer form, agrees to become bound by and subject to the Declaration of Trust as a Participating Preferred Trust Unitholder as if the transferee had personally executed the Declaration of Trust and to grant the power of attorney provided for in the Declaration of Trust. The form of transfer includes representations, warranties and covenants on the part of the transferee that the transferee is not a "non-resident" for purposes of the Tax Act and is not a "non-Canadian" for purposes of the Investment Canada Act, that no interest in the transferee is a "tax shelter investment", as defined in the Tax Act, that the transferee is not a partnership (other than a "Canadian partnership", as defined in the Tax Act, that the transferee is not a Financial Institution unless such transferee has provided written notice to the contrary prior to the date of acceptance of the transferee's subscription, and that the transferee will continue to comply with these representations, warranties and covenants during the time that the transferee holds one or more Participating Preferred Trust Units. The Administrator has the right to reject the transfer of Participating Preferred Trust Units, in whole or in part, to a transferee who it believes to be a "non-resident" (or a partnership that is not a "Canadian partnership") for the purposes of the Tax Act, a "non-Canadian" for the purposes of the Investment Canada Act, a transferee an interest in which is a "tax shelter investment" for purposes of the Tax Act, or a Financial Institution. In addition, the Administrator may reject any transfer (a) if in the opinion of counsel to the Trust such transfer would result in the violation of any applicable securities laws; or (b) the Administrator believes that the representations and warranties provided by the transferee in the required form of transfer are untrue. A transferor of Participating Preferred Trust Units will remain liable to reimburse the Trust for any amounts distributed to such transferor by the Trust which



may be necessary to restore the capital of the Trust to the amount existing immediately prior to such distribution, if the distribution resulted in a reduction of the capital of the Trust and the incapacity of the Trust to pay its debts as they became due.

Under certain circumstances, the Administrator may require any Participating Preferred Trust Unitholder that is a “non-resident” of Canada (or a partnership that is not a “Canadian partnership”) for the purposes of the Tax Act (“**Non-Resident Participating Preferred Trust Unitholder**”) to transfer the Non-Resident Participating Preferred Trust Unitholder’s Participating Preferred Trust Units to one or more persons who are not non-residents of Canada. The Administrator has the right pursuant to the Declaration of Trust either to purchase from a Non-Resident Participating Preferred Trust Unitholder whose Participating Preferred Trust Units are not sold as required, their Participating Preferred Trust Units for cancellation, or sell those Participating Preferred Trust Units to a person who is qualified to hold Participating Preferred Trust Units, in either case at their net asset value as determined by the Administrator with reference to the then current Net Asset Value.

The Declaration of Trust provides that if the Administrator becomes aware that the beneficial owners of 45% or more of the Participating Preferred Trust Units of a Class then outstanding are, or may be, Financial Institutions or that such a situation is imminent, among other rights set forth in the Declaration of Trust, the Administrator has the right to refuse to issue Participating Preferred Trust Units of that Class or register a transfer of Participating Preferred Trust Units of that Class to any person unless that person provides a declaration that it is not a Financial Institution.

### ***Repurchase***

The Trust has the right and entitlement to offer to any one or more Participating Preferred Trust Unitholders, as the Trustees determine in their sole discretion, and upon acceptance of such offer by the holder of such Participating Preferred Trust Units to whom such offer was made, to purchase for cancellation, at any time, by private agreement or otherwise, the whole or from time to time any part of the outstanding Participating Preferred Trust Units in respect of which the offer was accepted, at a price per security and on a basis as determined by the Trustees in their sole discretion but in compliance with all applicable laws, rules, regulations or policies governing same. Such offers may be made to one or more holders of Participating Preferred Trust Units to the exclusion of other holders of Participating Preferred Trust Units.

### ***Conflicts of Interest***

Under the terms of the Declaration of Trust, the Participating Preferred Trust Unitholders acknowledge and accept that there are, and will continue to be, potential or actual interests of one or more of the Trustees, or their associates or affiliates (including conflicts of interest) with respect to business or other interests held directly or indirectly by, and/or contractual arrangements or transactions directly or indirectly involving, one or more of the Trustees, or their respective associates or affiliates, and the Participating Preferred Trust Unitholders agree that:

- (a) any Trustee is permitted (notwithstanding any liability which might otherwise be imposed by law or in equity upon such Trustee as a trustee of the Trust) to derive direct or indirect benefit, profit or advantage from time to time as a result of dealing with the Trust or its affiliates or as a result of the relationships, matters, contracts, transactions, affiliations or other interests it may have and such Trustee shall not be liable in law or in equity to pay or account to the Trust, or to any Participating Preferred Trust Unitholder (whether acting individually or on behalf of itself and other Participating Preferred Trust Unitholders as a class) for any such direct or indirect benefit, profit or advantage nor, in such circumstances, will any contract or transaction be void or voidable at the instance of the Trust of any Participating Preferred Trust Unitholder or any other person; and
- (b) interests of any Trustee, or their respective associates or affiliates, including any conflicts of interest, will not form the basis for any claim against such Trustee, or their respective affiliate or associate, or for any attempt to challenge or attack the validity of any contract, transaction or arrangement (or renewal, extension or amendments of same) which the Trustees may enter into on behalf of the Trust;

provided, in each case, that the Trustee in question has otherwise exercised its powers and discharged its duties, as set out in the Declaration of Trust, honestly and in good faith in respect to the matter, contract, transaction or interest in question.

### ***Governance of the Trust and the Administrator/General Partner***

In order to provide for better governance and to address certain Conflict of Interest Matters, the Declaration of Trust and the by-laws of the Administrator (which is also the General Partner) require the following:

- (a) at least two (2) members of the board of trustees and board of directors of the Administrator (together, the “**Boards**”) must be Independent (the “**Minimum Independent Director Requirement**”);
- (b) the Trustees and the officers and/or directors of the Administrator must bring all Conflict of Interest Matters to the attention of the applicable Board and any Conflict of Interest Matter in any authorizing resolution requires the unanimous agreement of all Independent Trustees and Board members then sitting as Trustees and Board members, in addition to the requisite majority of non-Independent Trustees and directors voting in favour of such a resolution;
- (c) if a Board or the Trust has no Independent director or Trustee, then no Conflict of Interest Matter can be approved by a Board or the Trustees, as applicable. CADO, the sole shareholder of the Administrator, may, in its sole discretion, elect to appoint more than one Independent director to a Board; and
- (d) annually, the Trust will provide, along with its annual financial statements, a report of the Independent Trustee(s) and director(s) of the Administrator regarding the review and approval of any Conflict of Interest Matters in the prior year.

For these purposes, “**Conflict of Interest Matter**” means any matter in respect of which a reasonable person would consider the Administrator, or an entity related to the Administrator, to have an interest that may conflict with the Administrator’s ability to act in good faith and in the best interests of the Trust, and “**Independent**” and “**Independence**” will be determined in accordance with the test set out in National Instrument 52-110 – *Audit Committees*. As of the date of this Offering Memorandum, one trustee, Byron Striloff, would be considered independent.

### ***Power of Attorney***

The Declaration of Trust includes a power of attorney coupled with an interest, the effect of which is to constitute it an irrevocable power of attorney. This power of attorney authorizes the Trustees, with full power of substitution, on behalf of the Participating Preferred Trust Unitholders, among other things, to execute the Declaration of Trust, any amendments to the Declaration of Trust, all instruments, documents and agreements in connection with the business and affairs of the Trust, and all instruments necessary to reflect the dissolution of the Trust and distribution and partition of assets distributed to Participating Preferred Trust Unitholders on dissolution, as well as any elections, determinations or designations under the Tax Act or taxation legislation of any province or territory with respect to the affairs of the Trust or a Participating Preferred Trust Unitholder’s interest in the Trust, including in respect in respect of the dissolution of the Trust. **By subscribing for Participating Preferred Trust Units, each Subscriber acknowledges and agrees that he or she has given such power of attorney and will ratify any and all actions taken by the Trustees pursuant to such power of attorney.**

### ***Amendments to the Declaration of Trust***

Except where otherwise specifically provided in the Declaration of Trust, the Declaration of Trust may only be amended or altered from time to time by Extraordinary Resolution. The Declaration of Trust specifically provides that the Trustees will be entitled, at their discretion and without the approval of the Participating Preferred Trust Unitholders, to make amendments to the Declaration of Trust for any purpose on or prior to the initial Closing and at any time for any of the following purposes: (i) ensuring continuing compliance, by the Trust, with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or the Trust; (ii) providing, in the opinion of the Trustees, additional protection for the Participating Preferred Trust Unitholders or to obtain, preserve or clarify the provision of desirable tax treatment to Participating Preferred Trust Unitholders; (iii) making amendments to the Declaration of Trust which, in the opinion of the Trustees, are necessary or desirable in the interests of the Participating Preferred Trust Unitholders as a result of changes in taxation laws or in their interpretation or administration (including changes in the administrative practices and assessing policies of the Canada Revenue Agency); (iv) making corrections, or removing or curing any conflicts or inconsistencies between the provisions of the Declaration of Trust or any supplemental agreement and any other agreement of the Trust or any

offering document with respect to the Trust, or any applicable law or regulation of any jurisdiction, provided that in the opinion of the Trustees the rights of the Participating Preferred Trust Unitholders are not materially prejudiced thereby; (v) making amendments to the Declaration of Trust as are necessary or desirable for correcting typographical mistakes or for curing, correcting or rectifying any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions; (vi) making amendments to the Declaration of Trust as is required to undertake an internal reorganization of the Trust or its affiliates; or (vii) making amendments to the Declaration of Trust for any purpose in addition to those stated above, provided that, in the opinion of the Trustees, the rights of the Participating Preferred Trust Unitholders are not materially prejudiced thereby.

## 4.2 Prior Sales

| Date of Issuance | Type of Security Issued                    | Number of Securities Issued | Price Per Security | Total Funds Received |
|------------------|--|-----------------------------|--------------------|----------------------|
| January 3, 2018  | Initial Participating Preferred Trust Unit | 1                           | \$100              | \$100                |
| March 29, 2018   | Participating Preferred Trust Units        | 39,918                      | \$100              | \$3,991,800          |
| April 13, 2018   | Participating Preferred Trust Units        | 5,734                       | \$100              | \$573,400            |
| April 30, 2018   | Participating Preferred Trust Units        | 8,660                       | \$100              | \$866,000            |
| May 15, 2018     | Participating Preferred Trust Units        | 6,085                       | \$100              | \$608,500            |
| May 30, 2018     | Participating Preferred Trust Units        | 7,804                       | \$100              | \$780,400            |
| June 15, 2018    | Participating Preferred Trust Units        | 6,187                       | \$100              | \$618,700            |
| June 29, 2018    | Participating Preferred Trust Units        | 12,185                      | \$100              | \$1,218,500          |
| July 16, 2018    | Participating Preferred Trust Units        | 6,834                       | \$100              | \$683,400            |
| July 30, 2018    | Participating Preferred Trust Units        | 34,200                      | \$100              | \$3,420,000          |

## Item 5            **SECURITIES OFFERED**

### 5.1        **Terms of Securities.**

#### **General**

The interests of the Participating Preferred Trust Unitholders in the Trust will be divided into an unlimited number of Participating Preferred Trust Units, of which a maximum of 139,000 Participating Preferred Trust Units and a minimum of 30,000 Participating Preferred Trust Units will be issued pursuant to the Offering. Each issued and outstanding Participating Preferred Trust Unit of a Class shall be equal to each other Participating Preferred Trust Unit of that Class with respect to all rights, benefits, obligations and limitations provided for in the Declaration of Trust and all other matters, including the right to distributions from the Trust and no Participating Preferred Trust Unit of a Class shall have any preference, priority or right in any circumstances over any other Participating Preferred Trust Unit of that Class. The Trust will not create any class of Units that has a preference to the Participating Preferred Trust Units over the distribution of Distributable Cash or entitlement to assets on disposition or dissolution.

At all meetings of the Participating Preferred Trust Unitholders, each Participating Preferred Trust Unitholder will be entitled to one vote for each Participating Preferred Trust Unit held in respect of all matters upon which holders of Participating Preferred Trust Units of that Class are entitled to vote. Each Participating Preferred Trust Unitholder will contribute to the capital of the Trust the applicable purchase price for each Participating Preferred Trust Unit purchased. There are no restrictions as to the maximum number of Participating Preferred Trust Units that a Participating Preferred Trust Unitholder may hold in the Trust, subject to limitations on the number of Participating Preferred Trust Units that may be held by Financial Institutions and provisions relating to take-over bids. The minimum purchase for each Participating Preferred Trust Unitholder is \$10,000 in Participating Preferred Trust Units. Additional purchases may be made in Participating Preferred Trust Unit multiples of \$1,000. Fractional Participating Preferred Trust Units may be issued. The Participating Preferred Trust Units constitute securities for the purposes of the *Securities Transfer Act* (Ontario) and similar legislation in other jurisdictions. See Item 4.1, “Capital - Summary of the Declaration of Trust”.

Under certain circumstances, the Administrator may require Non-Resident Participating Preferred Trust Unitholders to transfer their Participating Preferred Trust Units to persons who are not “non-residents” of Canada.

In addition, the Declaration of Trust provides that if the Administrator becomes aware that the beneficial owners of 45% or more of the Participating Preferred Trust Units then outstanding are, or may be, Financial Institutions or that such a situation is imminent, among other rights set forth in the Declaration of Trust, the Administrator has the right to refuse to issue Participating Preferred Trust Units or register a transfer of Participating Preferred Trust Units to any person unless that person provides a declaration that it is not a Financial Institution.

On the dissolution of the Trust, the Administrator shall, after payment or provision for the payment of the debts and liabilities of the Trust and liquidation expenses, including the payment to the Administrator (in its capacity as general partner of the Partnership) of the Performance Bonus, if earned, distribute to each Participating Preferred Trust Unitholder an undivided interest in each asset of the Trust that has not been sold for cash or securities or distributed to the in proportion to the number of Participating Preferred Trust Units owned by the Participating Preferred Trust Unitholder.

Pursuant to the Declaration of Trust, each Subscriber, among other things:

- (i) consents to the disclosure of certain information to, and its collection and use by, the Administrator and its service providers, including such Subscriber’s full name, residential address or address for service, social insurance number or the corporation account number, as the case may be, for the purpose of administering such Subscriber’s subscription for Participating Preferred Trust Units;
- (ii) acknowledges that the Subscriber is bound by the terms of the Declaration of Trust and is liable for all obligations of a Participating Preferred Trust Unitholder;

- (iii) makes the representations and warranties and covenants set out in the Declaration of Trust;
- (iv) irrevocably nominates, constitutes and appoints the Trustees as its true and lawful attorney with full power and authority as set out in the Declaration of Trust;
- (v) irrevocably authorizes the Trustees to transfer the assets of the Trust and implement the dissolution of the Trust;
- (vi) irrevocably authorizes the Trustees to file on behalf of the Subscriber all elections under applicable income tax legislation in respect of any dissolution of the Trust; and
- (vii) covenants and agrees that all documents executed and other actions taken on his, her or its behalf as a Participating Preferred Trust Unitholder pursuant to the power of attorney as set out in the Declaration of Trust will be binding on him, her or it and agrees to ratify any such documents or actions on request of the Administrator.

After completion of the Offering the Trustees, in their sole discretion, may issue Participating Preferred Trust Units, from time to time, to any person where it is necessary or desirable in connection with the conduct of the business of the Trust, including in connection with the purchase of additional Investments, and in each case such securities may be issued at such prices and upon such terms and at such time or times as the Trustees may determine.

Please also refer to Item 4.1, “Capital” for a description of the Declaration of Trust, which governs the terms of the Participating Preferred Trust Units.

## **Liquidity**

**There is no market for the Participating Preferred Trust Units and it is not anticipated that any market will develop.** It is expected that the primary mechanism for Participating Preferred Trust Unitholders to achieve liquidity for their investments will be pursuant to the redemption rights attached to the Participating Preferred Trust Units. However, in order to provide Participating Preferred Trust Unitholders with enhanced liquidity, the Administrator may investigate implementing a Liquidity Event. The tax implications of the Liquidity Event will vary depending on the nature of the transaction but will generally be a taxable transaction. See “Canadian Federal Income Tax Considerations” for a discussion of the tax implications of a Liquidity Event. In all cases, the amount distributed to Participating Preferred Trust Unitholders will be net of all liabilities payable and amounts owing to the Administrator.

### *Timing*

The decision to implement a Liquidity Event will be dependent on the market conditions and transaction opportunities available at the time. Therefore there can be no assurance that a Liquidity Event will be implemented.

### *Valuation of the Investments*

Prior to the Liquidity Event, the Administrator will obtain a report prepared by an arm’s length business valuator, evaluating the fair market value of the Investments utilizing discount rates which are appropriate in the circumstances. If the Administrator determines that the consideration payable under a Liquidity Event for an Investment is less than the fair market value of the Investment, or that the Trust could obtain materially better consideration, the Administrator is not obligated to accept such Liquidity.

Fair market value has been described as the highest price, expressed in terms of money or money’s worth, obtainable in an open and unrestricted market between knowledgeable, informed and prudent parties acting at arm’s length. It has also been described as the value that can be obtained in a market in which sellers are ready but not too anxious to sell to potential arm’s length purchasers ready and able to purchase.

### *Liquidity Event Alternatives*

The form of any Liquidity Event would depend on the opportunities available at the time. For example, a Liquidity Event could take the form of a sale of the Trust's or the Partnership's assets for cash, publicly traded shares, or a combination thereof. In any event, the Administrator does not anticipate proposing any Liquidity Events that do not result in the Participating Preferred Trust Unitholders receiving cash or assets that are not readily convertible into cash.

### *Participating Preferred Trust Unitholders Meeting*

The Administrator will call a meeting of Participating Preferred Trust Unitholders to approve a Liquidity Event, if any, and no Liquidity Event will be implemented if a majority of the Participating Preferred Trust Units voted at such meeting are voted against the Liquidity Event.

The Administrator has been granted all necessary power, on behalf of the Trust and each Participating Preferred Trust Unitholder, to implement Offers, transfer the assets of the Trust pursuant to a Liquidity Event, implement the dissolution of the Trust thereafter and to file all elections deemed necessary or desirable by the Administrator to be filed under the Tax Act and any other applicable tax legislation in respect of any transaction with another entity or the dissolution of the Trust.

## **5.2 Subscription Procedure.**

The Participating Preferred Trust Units are offered for sale during the period (the "**Offering Period**"), which is intended to end on or before December 31, 2018. The purchase price is \$100 per Participating Preferred Trust Unit.

The purchase price of the Participating Preferred Trust Units is payable on execution of the Subscription Agreement and there is a minimum subscription of \$10,000 in Participating Preferred Trust Units per investor. The Offering is being made to all residents of Canada. Payment of the purchase price may be made either by direct debit from the Subscriber's brokerage account or by certified cheque or bank draft made payable to the Trust. Prior to each Closing, all certified cheques and bank drafts will be held by the Trust. No certified cheques or bank drafts will be cashed prior to the relevant Closing.

The Administrator has the right to accept or reject any subscription and will promptly notify each prospective Subscriber of any such rejection. All subscription proceeds of a rejected subscription will be returned, without interest or deduction, to the rejected Subscriber.

The Administrator will be responsible for collecting all subscription orders and subscription proceeds from subscribers and the Agents, and for either returning same in the case the Minimum Offering is not attained or remitting them to the Trust once the minimum offering has been obtained.

You may subscribe for Participating Preferred Trust Units by returning to the Administrator on behalf of the Trust a completed and signed Subscription Agreement in the form accompanying this Offering Memorandum, prepared in accordance with the instructions on the cover of the Subscription Agreement, together with a cheque, bank draft or wire transfer for the total subscription price of the Participating Preferred Trust Units you wish to purchase, payable to "NationWide Self Storage & Auto Wash Trust". **Please read the instructions on the cover of the Subscription Agreement carefully to ensure it is properly completed.**

The Trust will hold your subscription funds in trust until midnight on the second business day after the day on which we received your signed Subscription Agreement. Subscription proceeds will be held by the Administrator pending closing. If the Offering is not completed because the Minimum Offering has not been met by June 30, 2018 (or any postponed or extended final Closing Date), all subscription funds will be returned to Subscribers without interest or deduction as soon as possible, unless the Closing Date has been extended.

A Subscriber will be entitled to receive written confirmation from the Recordkeeper of Participating Preferred Trust Units subscribed for, provided the Subscriber has paid the full subscription price for his Participating Preferred Trust Units. The Administrator has appointed Investment Administration Solutions Inc. to undertake registrar and transfer agent function in respect of the Participating Preferred Trust Units.

## Exemptions from Prospectus Requirements.

The Offering is being made in reliance upon exemptions from the prospectus requirements provided in NI 45-106. Accordingly, no prospectus has been or will be filed with any securities commission in Canada in connection with the Offering.

### Offering Memorandum Exemption

Section 2.9 of NI 45-106 provides exemptions for the sale of Participating Preferred Trust Units to Subscribers if the Subscriber purchases as principal and the Trust delivers this Offering Memorandum to the Subscriber in the required form; and the Subscriber signs the Risk Acknowledgment on Form 45-106F4 attached as Appendix I to the Subscription Agreement that accompanies this Offering Memorandum. All jurisdictions of Canada where the offering memorandum exemption is available, except British Columbia and Newfoundland and Labrador, impose eligibility criteria on persons or companies investing under the offering memorandum exemption. In these jurisdictions, **if** the Subscriber's aggregate subscription price is more than \$10,000, then the Subscriber must be an "eligible investor". In certain jurisdictions there are also limits on the maximum amounts Subscribers can buy, as further outlined below.

An "**eligible investor**" includes the following investors (among other categories):

- (a) a person whose
  - (i) net assets, alone or with a spouse, in the case of an individual, exceed \$400,000,
  - (ii) net income before taxes exceeded \$75,000 in each of the two most recent calendar years and who reasonably expects to exceed that income level in the current calendar year, or
  - (iii) net income before taxes, alone or with a spouse, in the case of an individual exceeded \$125,000 in each of the two most recent calendar years and who reasonably expects to exceed that income level in the current calendar year,
- (b) a person of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors,
- (c) a Partnership of which all of the partners are eligible investors,
- (d) a Limited Partnership of which the majority of the general partners are eligible investors,
- (e) a trust or estate in which all of the beneficiaries or a majority of the trustees or executors are eligible investors,
- (f) an accredited investor,
- (g) a person described in section 2.5 of NI 45-106 [Family, friends and business associates], or
- (h) a person that has obtained advice regarding the suitability of the investment and if the person is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility adviser.

In addition, in Alberta, New Brunswick, Nova Scotia, Ontario, Quebec and Saskatchewan, there is a requirement that the acquisition cost of all securities acquired by a Subscriber who is an individual under the Offering Memorandum exemption in the preceding 12 months does not exceed the following amounts:

- (i) in the case of a purchaser that is not an eligible investor, \$10,000;
- (ii) in the case of a purchaser that is an eligible investor, \$30,000;



- (iii) in the case of a purchaser that is an eligible investor and that received advice from a portfolio manager, investment dealer or exempt market dealer that the investment is suitable, \$100,000.

In British Columbia and Newfoundland and Labrador, a Subscriber may purchase Participating Preferred Trust Units with a total subscription price over \$10,000, and there is no requirement that the Subscriber be an "eligible investor".

#### Accredited Investor Exemption

Section 2.3 of NI 45-106 allows "accredited investors" to purchase Participating Preferred Trust Units. The definition of "accredited investor" includes (among other categories):

- an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000;
- an individual whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of those years and who, in either case, reasonably expects to exceed that net income level in the current calendar year;
- an individual who, either alone or with a spouse, has net financial assets (which does not include real estate) of at least \$1,000,000;
- an individual who, either alone or with a spouse, has net assets of at least \$5,000,000; and
- a registrant acting on behalf of a fully managed account.

See the Accredited Investor Certificate attached to the Subscription Agreement for a complete list of the categories of "accredited investor". Each Subscriber who purchases as an accredited investor must complete and sign the Accredited Investor Certificate attached to the Subscription Agreement, and if they are an individual must sign the Risk Acknowledgment for Individual Accredited Investors on Form 45-106F9.

#### \$150,000 Minimum Purchase Exemption (not available for individuals)

Section 2.10 of NI 45-106 allows a purchaser who is not an individual, is purchasing as principal and invests not less than \$150,000 to purchase Participating Preferred Trust Units. A Risk Acknowledgment on Form 45-106F4 or Form 45-106F9 need not be signed in this case.



## Item 6 INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

In this summary, an otherwise undefined term in quotation marks means that term as defined in the Tax Act.

In the opinion of Borden Ladner Gervais LLP, counsel to the Trust, the following fairly summarizes the principal Canadian federal income tax consequences of acquiring, holding, and disposing of Participating Preferred Trust Units acquired pursuant to the Offering generally applicable under the Tax Act to a Subscriber who, at all relevant times for the purposes of the Tax Act,

- (a) is an individual or corporation,
- (b) is resident solely in Canada,
- (c) holds all Participating Preferred Trust Units, solely as capital property,
- (d) deals at arm's length, and is not affiliated, with the Trust,
- (e) is not a "financial institution" for the purposes of the mark-to-market rules, or a "specified financial institution",
- (f) is not an entity an interest in which is a "tax shelter investment",
- (g) has not entered into or will enter into, in respect of the Units, a "derivative forward agreement" or a "synthetic disposition arrangement",
- (h) is not exempt from tax under Part I of the Tax Act (except for the limited discussion under the heading "*Eligibility for Investment*"), and
- (i) has not elected to determine its Canadian tax results in accordance with a "functional currency".

(each a "**Holder**").

A Subscriber's Participating Preferred Trust Units generally will be capital property of the Subscriber unless the Subscriber holds them in the course of carrying on a business or as an adventure in the nature of trade. A Subscriber whose Participating Preferred Trust Units might not otherwise be capital property may in certain circumstances irrevocably elect pursuant to subsection 39(4) of the Tax Act that the Subscriber's Participating Preferred Trust Units, together with all of the Subscriber's other "Canadian securities", be capital property.

This summary assumes that no Participating Preferred Trust Unit will be listed or traded on a stock exchange or other public market at any material time. Adverse tax consequences to the Fund and Holders may arise of Participating Preferred Trust Units are so listed or traded.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "**Regulations**"), all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) to the date hereof (the "**Tax Proposals**") and counsel's understanding of the current published administrative policies and assessing practices of the CRA to the date hereof. This summary assumes that the Tax Proposals will be enacted as currently proposed and that there will be no other material change to any applicable law, policy, or practice, although no assurance can be given in these respects. This summary does not take into account any provincial, territorial or foreign tax law or treaty, which may result in different considerations from those discussed below.

**This summary is of a general nature and is not, and is not to be construed as, legal or tax advice to any particular Holder. Each Holder should consult the Holder's own tax advisers with respect to the legal and tax consequences of acquiring, holding and disposing of Participating Preferred Trust Units applicable to the Holder's particular circumstances.**

## **Tax Status of the Trust**

This summary assumes that the Trust will qualify as a “mutual fund trust” as defined in the Tax Act on completion of the Offering of Participating Preferred Trust Units, and thereafter will continuously qualify as a mutual fund trust at all relevant times. If the Trust does not qualify or ceases to qualify as a mutual fund trust, the income tax considerations described below would be materially and adversely different.

In order to qualify as a mutual fund trust as defined in the Tax Act at any particular time,

- (a) the Trust must be a “unit trust” that is resident in Canada,
- (b) it must not be reasonable to consider that the Trust was established or is maintained primarily for the benefit of non-residents of Canada,
- (c) Participating Preferred Trust Units must have conditions requiring the Trust to accept at the demand of a Participating Preferred Trust Unitholder and at prices determined and payable in accordance with the conditions, the surrender of the Participating Preferred Trust Units that are fully paid,
- (d) the undertaking of the Trust must be limited to the investing of funds in property (other than real property or an interest in real property), or the acquiring, holding, maintaining, improving, leasing or managing of real property (or an interest in real property) that is capital property of the Trust, or any combination of such activities, and
- (e) the Trust must comply with certain prescribed requirements including that the Participating Preferred Trust Units be qualified for distribution to the public and that at all relevant times there must be no fewer than 150 beneficiaries of the Trust, each of whom holds at least 100 units of the Trust (assuming the fair market value of each unit is less than \$25) having an aggregate fair market value of \$500.

This summary assumes that these requirements have been satisfied and will continue to be satisfied at all material times.

## **Taxation of the Trust**

The Trust’s taxation year is the calendar year. The Trust will be subject to tax under the Tax Act on its income for each taxation year of the Trust, computed in accordance with the detailed provisions of the Tax Act and including any net taxable capital gains realized in the year, as if it were an individual resident in Canada subject to income tax at the highest marginal rate applicable to individuals.

The Trust’s income for a taxation year will include its share of the income of the Partnership (which will also have a calendar taxation year) for its corresponding taxation year.

The Partnership’s income for a taxation year will include the rent paid or payable to it for the use of storage facilities and any income from the car wash business in the year, and net taxable capital gains for the year, if any, from dispositions of capital property by the Partnership. Subject to detailed rules set out in the Tax Act, the Partnership will generally be entitled to deduct from its income for a year reasonable expenses that it incurs in the year to earn income, and capital cost allowance in respect of its depreciable property.

Subject to detailed rules set out in the Tax Act, the Trust will generally be entitled to deduct from its income for a taxation year the reasonable administrative costs, interest and other expenses that it incurs in the year to earn income.

The Trust will also be entitled to deduct from its income for a taxation year that amount of its income that is payable or deemed to be payable to Participating Preferred Trust Unitholders in the year. An amount of the Trust’s income for a year will be considered to be payable to a Participating Preferred Trust Unitholder in a taxation year if the Trust pays it to the Participating Preferred Trust Unitholder in the year, or the Participating Preferred Trust Unitholder becomes entitled to enforce payment of the amount in that year. The Trustees have confirmed their intention to cause the Trust to distribute sufficient of its income annually, whether in cash or by the issue of

additional Participating Preferred Trust Units, to ensure that the Trust should not be liable for tax in any taxation year. The Trust cannot allocate losses, if any, that it incurs in a year to Participating Preferred Trust Unitholders, but may deduct them against its income in future years in accordance with detailed rules in the Tax Act.

The Trust will be entitled, in each taxation year in which it would otherwise be liable for tax on net taxable capital gains realized in the year, to reduce (or receive a refund in respect of) its liability for such tax by an amount determined under the Tax Act based on the redemption of Participating Preferred Trust Units during the year (the “**Capital Gains Refund**”). In certain circumstances, the Trust’s Capital Gains Refund for a particular taxation year may not completely offset its tax liability in respect of its capital gains for the taxation year that arise as a consequence of the Trust’s distribution of non-cash assets to satisfy the redemption of Participating Preferred Trust Units in the year. The Declaration of Trust provides that the Trustees may allocate any capital gain so realized by the Trust in connection with the redemption of a Participating Preferred Trust Unit by a Participating Preferred Trust Unitholder in the year to the Participating Preferred Trust Unitholder. The Participating Preferred Trust Unitholder would then be required to include the taxable portion of the allocated capital gain in the Participating Preferred Trust Unitholder’s income.

## **Taxation of Holders**

### *Amounts Payable on Participating Preferred Trust Units*

Each Holder generally will be required to include in the Holder’s income for a taxation year in which a taxation year of the Trust ends (the “**Trust’s Taxation Year**”) that portion of the Trust’s income for the Trust’s Taxation Year that became payable to the Holder in the Trust’s Taxation Year, whether the portion becomes payable in cash or by the issue of additional Participating Preferred Trust Units (each a “**Reinvested Participating Preferred Trust Unit**”). A Holder to whom the Trust issues a Reinvested Participating Preferred Trust Unit will acquire the Reinvested Participating Preferred Trust Unit at a cost equal to the amount of the Trust’s income that is thereby distributed to the Holder, and must average that cost with the adjusted cost base of all of the Holder’s other Participating Preferred Trust Units to determine the adjusted cost base of the Holder’s Participating Preferred Trust Units.

Provided that the Trust makes appropriate designations as permitted under the Tax Act, such portion of the Trust’s net taxable capital gains, if any, that may reasonably be considered to be included in the Holder’s income will retain their tax character as a taxable capital gain in the Holder’s hands, and be taxed accordingly (see “Taxation of Capital Gains and Losses” below).

A Holder to whom a non-taxable portion of a net capital gain of the Trust’s becomes payable in a taxation year (a “**Non-taxable Capital Gains Distribution**”) will not be required to include the non-taxable portion in the Holder’s income, provided that the Trust designated the taxable portion of the capital gain to the Holder.

A Holder will not be required to include in the Holder’s income for a year the amount (the “**Excess**”), if any, by which the amount of all distribution on the Holder’s Participating Preferred Trust Units that became payable in the year (other than Non-taxable Capital Gains Distributions, if any, for the year) exceed the portion of the Trust’s income for the year that became payable to the Holder for the year. The Holder will be required to reduce the adjusted cost base of the Holder’s Participating Preferred Trust Units by the amount of the Excess and will be deemed to have realized a capital gain equal to the amount, if any, by which that adjusted cost base thereby becomes negative. Any such deemed capital gain will be subject the taxation rules described below (see “Taxation of Capital Gains and Losses”). The adjusted cost base of the Holder’s Participating Preferred Trust Units will then be reset to nil.

### *Disposition of Participating Preferred Trust Units*

A Holder who disposes or is deemed to dispose of a Participating Preferred Trust Unit (including on a redemption or repurchase thereof by the Trust) will generally realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the Participating Preferred Trust Unit, less reasonable costs of disposition, exceeds (or is exceeded by) the Participating Preferred Trust Unit’s adjusted cost base to the Holder.

For these purposes a Holder who disposes of a Participating Preferred Trust Unit on the redemption or repurchase thereof by the Trust will be considered to receive proceeds of disposition equal to the fair market value of all cash, LP Units, and other property of the Trust (if any) paid or transferred to the Holder in satisfaction of the redemption price of the Participating Preferred Trust Unit. The Holder will acquire any property that the Trust transfers to the Holder in whole or part settlement of the redemption price of the Holder's Participating Preferred Trust Unit at a cost equal to the fair market value of the transferred property.

#### *Taxation of Capital Gains and Losses*

Each Holder who realizes a capital gain (including as a result of holding Participating Preferred Trust Units with a negative adjusted cost base) or capital loss in a taxation year on the actual or deemed disposition of a Participating Preferred Trust Unit will be required to include one half of any such capital gain (taxable capital gain) in income in the year, and entitled to deduct one half of any such capital loss (allowable capital loss) against taxable capital gains realized in the year or, to the extent not so deductible, against taxable capital gains realized in any of the three preceding years or any subsequent year, to the extent and in the circumstances permitted by the Tax Act. The Holder will also be required to include in income in a taxation year the amount of any net taxable capital gains that the Trust designates to the Holder for the year.

A Holder that is a "Canadian-controlled private corporation" may be required to pay an additional 10 2/3% refundable tax on certain investment income for the year, including the Holder's net taxable capital gains.

Amounts designated as taxable dividends from taxable Canadian corporations or net taxable capital gains to an individual (other than certain trusts) may also be taken into account in determining a Holder's liability for alternative minimum tax under the Tax Act.

#### **Eligibility for Investment**

In the following paragraph an otherwise undefined term in quotation marks means that term as defined for the purposes of the Tax Act.

In the opinion of Borden Ladner Gervais LLP, counsel to the Trust, provided that the Trust qualifies as a "mutual fund trust" throughout the period in which an Exempt Plan holds the Participating Preferred Trust Unit a Participating Preferred Trust Unit should be a "qualified investment" under the Tax Act for the Exempt Plan.

If at any time the Trust does not qualify or ceases to qualify as a mutual fund trust for purposes of the Tax Act then Participating Preferred Trust Units will cease to be qualified investments for Exempt Plans. Further, the value of distributions or redemptions received by Exempt Plans in specie (other than the issuance of additional Participating Preferred Trust Units), including Redemption Notes, may not constitute qualified investments for Exempt Plans. Holding non-qualified investments within an Exempt Plan may result in significant adverse consequences to the Exempt Plan and the annuitant or beneficiary of the Exempt Plan. Therefore, any Exempt Plan that proposes to acquire or redeem Participating Preferred Trust Units should consult the Exempt Plan's own tax advisers before doing so.

Notwithstanding the foregoing, the annuitant or holder (as the case may be) of an Exempt Plan that is an RRSP, RDSP, RESP, RRIF or TFSA will be subject to a penalty tax in respect of a Participating Preferred Trust Unit held in the Exempt Plan if the Participating Preferred Trust Unit is a "prohibited investment" of the Exempt Plan. A Participating Preferred Trust Unit generally should not be a "prohibited investment" for an RRSP, RDSP, RESP, RRIF or TFSA of which a Participating Preferred Trust Unitholder is the annuitant or holder (as the case may be) provided that the Participating Preferred Trust Unitholder does not hold a "significant interest" in the Trust and the Trust deals at arm's length with the Participating Preferred Trust Unitholder. Generally, an annuitant or holder will not have a significant interest in the Trust unless the annuitant or holder owns 10% or more of the value of the Trust's outstanding units, either alone or together with persons and partnerships with which the annuitant or holder is related or does not deal at arm's length. In addition, a Participating Preferred Trust Unit will not be a "prohibited investment" if the Participating Preferred Trust Unit is "excluded property" for the Exempt Plan. Holders, subscribers and annuitants of a RRSP, RDSP, RESP, RRIF, or TFSA should consult their own tax advisers with respect to whether a Participating Preferred Trust Unit would be a prohibited investment having regard to their particular circumstances.

**Item 7****COMPENSATION PAID TO SELLERS AND FINDERS****Class A Participating Preferred Trust Units**

The Trust will pay fees (the “**Agents’ fees**”) to Agents or, where permitted, non-registrants of up to 8.0% of the subscription proceeds obtained by such persons or from subscribers for Class A Participating Preferred Trust Units introduced to the Trust by such persons (the “**Raised Proceeds**”). In certain circumstances the Trust may reimburse Agents for their due diligence costs and provide other forms of consideration in respect of sales of Class A Units, such amounts not to exceed 1.2% of the Raised Proceeds. In addition, the Administrator is entitled, at its discretion, to share a portion of its General Partner’s Fee and up to 1/3 of the Performance Bonus (if earned) with Agents and, where permitted, non-registrants who participate in sales of Class A Participating Preferred Trust Units. Wholesalers who raise subscription proceeds will be paid cash fees by the Trust out of the proceeds from sales of Class A Participating Preferred Trust Units pursuant to the Offering.

In addition, once the Trust has commenced Distributions to Participating Preferred Trust Unitholders, the Trust may pay annual client service reimbursements to registrants that have dealing representatives whose clients have purchased and continue to hold at least \$300,000 in Class A Participating Preferred Trust Units equal to 0.5% per year of the lesser of the acquisition cost of the Class A Participating Preferred Trust Units held by such clients and the Asset Value attributable to such Class A Participating Preferred Trust Units. These reimbursements will not be paid if, in the opinion of the Trustees, such payment would cause financial hardship to the Trust and, if paid, may be discontinued at any time.

**Class F Participating Preferred Trust Units**

No Agents’ fees or other consideration will be paid in connection with sales of Class F Participating Preferred Trust Units.

**Item 8****RISK FACTORS**

**This is a speculative offering.** There is no market through which the Participating Preferred Trust Units may be sold and no market is expected to develop. As a result, Subscribers may not be able to resell Participating Preferred Trust Units purchased under this Offering Memorandum. An investment in the Participating Preferred Trust Units is appropriate only for Subscribers who have the capacity to absorb a loss of some or all of their investment. There is no assurance of a positive return on a Participating Preferred Trust Unitholder's original investment.

The Trust will invest in LP Units of the Partnership and the Partnership will in turn use these funds to invest in the Investment. The Partnership will not make any Investments until after the Closing Date. While CPDC has acquired the Development Property, which the Administrator believes represents a suitable location for a combination self storage/car wash facility, before the transfer of the Development Property to the Partnership can proceed, sufficient funds must be raised in the Offering to finance the purchase price. There can be no assurance the Administrator will ultimately decide to acquire the Development Property for operational reasons, that sufficient funds will be raised pursuant to the Offering to fund the purchase price for the Development Property, or that the purchase of the Development Property will otherwise proceed.

In addition, the purchase of Participating Preferred Trust Units involves significant risks, including, but not limited to, the following:

**Investment Risk**

**Return on Investment.** There is no assurance that sufficient net profits or cash flow will be generated from which investors will earn any specified rate of return on, or repayment of, their investment in Participating Preferred Trust Units or receive any Distributions at any time. As a result of the investment structure of the Trust whereby the Trust will invest capital in the Partnership, which will in turn invest in Investments, a return on investment in Participating Preferred Trust Units is dependent upon the success of the Partnership in generating income. There is a risk that the Trust could realize losses rather than gains. As a result, there is no guarantee that the Trust and, correspondingly, the Subscribers will earn a return on their investment. An investment in the Participating Preferred Trust Units is appropriate only for Subscribers who have the capacity to absorb a loss of some or all of their investment.

The Trust intends to invest the capital raised in the Offering in LP Units of the Partnership. The Trust's ability to make distributions to Participating Preferred Trust Unitholders will depend on several factors, including the Trust receiving distributions relating to the LP Units from the Partnership.

**Reliance on Operations of the Partnership and General Partner/Administrator.** The Trust will invest the capital raised in this Offering in LP Units of the Partnership, and those securities will comprise the assets of the Trust. As a result, any return generated by the Trust will be dependent on the success of the Partnership. Distributions to Participating Preferred Trust Unitholders, both during the term of the Trust and on wind-up and termination, are dependent on the ability of the Partnership to generate income. The success of the Partnership will rely, to a substantial degree, on the ability of the Administrator, in its capacity as General Partner, to manage the business and affairs of the Partnership. Participating Preferred Trust Unitholders must rely entirely on the discretion of the Administrator, in its capacity as General Partner of the Partnership, with respect to the selection of the composition of the Partnership's Investments. Such decisions will be based on a series of assumptions, many of which will be subject to change and will be beyond the control of the Administrator. No assurance can be given that the Investments will, when acquired or entered into, produce positive returns.

**No Prior Trust or Partnership Experience.** The Administrator, in its capacity as Administrator of the Trust and General Partner of the Partnership, has no prior experience in managing a trust or a limited partnership.

**No Prior Self Storage or Car Wash Experience; Reliance of the Manager.** The Administrator has no prior experience in evaluating, acquiring or developing self storage or car wash assets or operating self storage or car wash facilities. The Administrator will rely heavily on the services of the Manager in connection with the operation the Partnership's self storage facilities once they are operational. Although the Administrator believes there are other qualified firms in the market, a disruption in the services provided by the Manager to the Partnership could have an adverse effect on the business and affairs of the Partnership and, therefore, the Trust. The services of the Manager are not exclusive to the Partnership. The Administrator will rely on Sonny's for training its operational

staff regarding the car wash business, and maintenance of the car wash facility will be contracted out to a third-party maintenance firm.

***Diversification.*** Currently, the Administrator only anticipates developing a single project, the combination self storage/car wash facility at the Development Property. See Item 2, “Business of NationWide Self Storage & Auto Wash Trust”. The concentration of the Partnership’s investments will increase the Partnership’s (and therefore the Trust’s) exposure to the market and operational risks associated with a smaller number of projects, and an adverse development on a project will have a proportionately larger effect on the Partnership’s overall business and operations, and therefore on a return on an investment in the Trust.

***Illiquidity of Participating Preferred Trust Units.*** There is no market through which the Participating Preferred Trust Units may be sold and Subscribers may not be able to resell Participating Preferred Trust Units purchased under this Offering Memorandum. In addition, there will be no market for the LP Units held by the Trust, which impacts the Trust’s ability to convert its assets into cash, if required.

***Participating Preferred Trust Unitholder Default.*** If a Participating Preferred Trust Unitholder is in breach of its representations or obligations pursuant to the terms of the Declaration of Trust and does not remedy such default when notified, the Trust has the right to sell or repurchase the Participating Preferred Trust Units.

***Forward Looking Information.*** Market conditions are continually changing and there can be no assurance the assumptions underlying forward looking statements in this Offering Memorandum, including the statements regarding the potential for operations of a self storage facility at the Development Property referred to under Item 2., “Business of NationWide Self Storage & Auto Wash Trust”, will prove accurate or ultimately be achieved. Past results are not necessarily indicative of future performance.

***Term of the Trust.*** Unless terminated earlier, the term of the Trust extends to December 31, 2024. While the Trustees have the discretion to extend the term of the Trust by up to two additional two year periods, and the life of the Trust could be further extended with the approval of an Extraordinary Resolution of the Participating Preferred Trust Unitholders, an investor in the Trust should not expect the Trust to continue in operation or make distributions indefinitely.

## **Risks Associated With Redemptions**

***Use of Available Cash.*** The payment in cash by the Trust of the redemption price of Participating Preferred Trust Units (as opposed to payment of the redemption price through the issuance of Redemption Notes) will reduce the amount of cash available to the Trust for the payment of distributions to Participating Preferred Trust Unitholders, as cash payments of the amount due in respect of redemptions will take priority over the payment of cash distributions.

***Redemption Price.*** If a redemption occurs is before January 1, 2022, the redemption price per Participating Preferred Trust Unit shall be 98% of the Net Asset Value of each Participating Preferred Trust Unit to be redeemed, as determined by a third party appraisal firm and unanimously approved by the independent Trustees as of the last day of the quarter in which the redemption request is received. There is a risk that the estimate of the Net Asset Value of the Units so determined may not accurately reflect the true Net Asset Value of the Participating Preferred Trust Units and the Participating Preferred Trust Unitholders will have no recourse against the Trust or the Administrator in this respect.

***Limitation on Payment of Redemption Price in Cash.*** There are certain limits on the Trust’s obligations to pay for redemption requests in cash. As disclosed in Item 4.1, “Capital – Details of the Declaration of Trust - Redemptions”, if the Participating Preferred Trust Units tendered for redemption in the same quarter exceeds an amount equal to 0.25% of the Gross Proceeds until January 1, 2022, and 0.625% of the Gross Proceeds thereafter, the Trustees shall only be obligated to make cash payment to a maximum of such amount and the balance, subject to receipt of any applicable regulatory approvals, may be paid by the Trust, in the discretion of the Administrator, through the issuance of Redemption Notes and/or through a distribution, *in specie*, of property of the Trust, in respect of each of which there will not be a public market. Furthermore, the Trustees have the discretion to pay redemptions of Participating Preferred Trust Units in cash in circumstances where doing so would be unduly detrimental to the business of the Trust.

Redemption Notes will not be liquid and will not be a qualified investment for Exempt Plans and may be a prohibited investment for Exempt Plans. Adverse tax consequences generally may apply to a Participating Preferred Trust Unitholder, or Exempt Plan and/or its annuitant, beneficiary thereunder or holder thereof, as a result of the redemption of Participating Preferred Trust Units. Accordingly, investors that propose to invest in Participating Preferred Trust Units through Exempt Plans should consult their own tax advisors before doing so to understand the potential tax consequences of exercising their redemption rights attached to such Participating Preferred Trust Units.

***Redemption Notes will be Unsecured.*** Redemption Notes issued by the Trust will be unsecured debt obligations of the Trust and may be subordinated to other financing obtained by the Trust.

***Payment of Redemption Notes.*** The Trust will create a reserve fund for interest payable with respect to Redemption Notes issued by the Trust. In the event that the Trust is unable to pay out a Redemption Note on maturity it may borrow funds from related and unrelated parties or seek to extend the terms of the Redemption Note. Notwithstanding the aforesaid circumstances may arise resulting in the Trust may not have funds available to pay on maturity the principal balance and accrued unpaid interest under any Redemption Notes issued.

***Priority of Redemption Notes over Participating Preferred Trust Units.*** Redemption Notes, if issued by the Trust, may, in certain circumstances, have priority over Participating Preferred Trust Units in the event of the liquidation of the assets of the Trust. There are various considerations with respect to creditor rights and bankruptcy law that will need to be considered both at the time Redemptions Notes are issued and at the time of any liquidation of the assets of the Trust in order to determine if such a priority exists.

## **Sector Risks**

***Self storage and Car Wash Industry Risks.*** The Partnership is newly formed and does not currently own property. In the event it elects not to or is otherwise unable to complete the purchase of the Development Property, the Partnership will have to explore other business opportunities, including the identification of suitable properties for lease or purchase, the purchase of property for development of facilities, investment in other self storage/car wash businesses, and the purchase of already developed self storage/car wash facilities and/or companies. The business activities of the Partnership may be adversely affected by factors outside of its control, including real estate and development costs, competition, lack of demand of storage units, and general economic conditions and cycles. There can be no assurance the car wash operations will commence generating cashflow early in the Trust's life cycle, or as contemplated by the Administrator.

***Competition.*** The Partnership will be competing with other established self storage and car wash businesses. As the Partnership does not currently own or lease any development properties or self storage/car wash facilities, competition may be significant and intensify depending on the location of the Partnership's facilities. Competitors may offer amenities that the Partnership's facilities may not be able to offer, have access to greater capital resources, or develop additional storage and/or car wash facilities in close proximity to the Partnership's facilities. This competition may impact occupancy levels, rental rates and operating expenses.

Each of the self storage and car wash industries are highly competitive and the Partnership must compete with many companies, many of whom have far greater financial strength, experience and resources. Generally, there is competition for the acquisition of properties considered to have potential. If the development of properties and building of facilities are delayed, the profitability of the Partnership will be impacted. There is no assurance that any particular Investment will prove to be profitable or viable over the short or long term.

***Operational Hazards.*** The operations to be conducted by the Partnership will be subject to all of the operating risks normally attendant upon development and operations of self storage and car wash businesses. The Partnership's profit will be derived from the rental and operating income received from the Investments, and therefore, it will be subject to the risks related to real estate assets, including: changes in or lack of demand for self storage units or car wash services; the number of competing facilities in proximate distance; changing environmental, tax, property, construction or zoning laws that may affect the development or renovation of facilities; the ability to hire and retain knowledgeable employees.

***Developmental Hazards.*** The Partnership does not currently own any properties or facilities and therefore does not have any properties that are in the development stage. Profitability will be reduced if there are delays in the



development of the facilities, and as with other development projects, will be affected by several factors, including: budgeting; timing; permitting and zoning; construction delays and cost overruns; and environmental and weather issues when development is underway. Once the Partnership has its combined self storage and car wash business up and running, there may be a significant amount of time before the occupancy rates are optimized and the business is profitable. In addition, there can be no assurance the strategy of combining a car wash with the self storage facility will be successful or result in operating synergies, affect the timing of distributions or otherwise have a positive effect on returns.

***The Trust and the Partnership.*** There is no assurance as to the profitability of the Trust and the Partnership. The Partnership may, depending on its opportunities and funds, invest in a variety of Investments. As a result, the terms of each Investment and the success of each Investment are likely to be significantly different for each Investment. An investor in the Trust has no control over how the General Partner of the Partnership allocates the Trusts invested in the Partnership and any earnings from Investments, and in what Investments it will make. It is likely that returns, losses, successes or failures may occur to significantly different degrees in the different Investments. The effect of the above cannot be accurately predicted but may be material to the return on an investor's investment.

***Adherence to Short Term and Long Term Objectives.*** In assessing the risks and rewards of an investment in Participating Preferred Trust Units, potential investors should appreciate that they are investing in Participating Preferred Trust Units of the Trust, which will in turn invest in the Partnership, and investors will be relying solely on the good faith, judgment and ability of the Administrator to make appropriate decisions with respect to the nature of the Investments selected. While the Administrator has established short term and long term objectives and has set out how they intend to achieve such objectives, certain of the investment objectives are future oriented and require the Administrator to direct investments based upon its assessment of the likelihood of an Investment meeting such objectives in the future. There can be no assurance that these future oriented criteria will ultimately be met by any Investment.

***Borrowing by the Trust and/or Partnership.*** The Trust may borrow funds from a financial institution, subject to a maximum 0.65 to 1 debt to equity ratio. See Item 4.1, "Capital – Details of the Declaration of Trust – Business of the Trust". The Partnership is also entitled to borrow funds from time to time. There is a risk that the Trust and/or the Partnership may not be able to borrow funds, or may not be able to borrow sufficient funds to meet the obligations under an Investment Agreement and hence may, in the case of additional Investments, lose some or all of the economic opportunity from not being able to participate in any such Investments. There can be no assurance that the fees and expenses associated with such borrowings will not exceed their incremental returns or that the Trust's and/or the Partnership's borrowing strategy will enhance returns.

***Available Capital.*** If the proceeds of the Offering of Participating Preferred Trust Units are significantly less than the maximum Offering, the expenses of the Offering and the ongoing administrative expenses and interest expense payable by the Trust may result in a substantial reduction or even elimination of the returns which would otherwise be available to the Trust.

***Liability of Participating Preferred Trust Unitholders.*** Under the terms of the Declaration of Trust, Participating Preferred Trust Unitholders will not be subject to any liabilities in connection with the Trust, and in the event a Participating Preferred Trust Unitholder does become subject to any liabilities, the Participating Preferred Trust Unitholder will be entitled to indemnity and reimbursement out of the Trust Property. In addition, the Declaration of Trust provides that the Trustees and the Administrator shall make all reasonable efforts to include as a specific term of any obligations or liabilities being incurred by the Trust, a contractual provision to the effect that neither the Participating Preferred Trust Unitholders nor the Trustees have any personal liability or obligations in respect of the obligations and liabilities of the Trust. The Trustees have waived any right at law to indemnification from any Participating Preferred Trust Unitholder. Notwithstanding the foregoing, there remains some risk that a Participating Preferred Trust Unitholder may be personally liable in respect of certain liabilities and obligations of the Trust.

***Legal Rights Normally Associated with the Ownership of Shares of a Corporation.*** Holders of Participating Preferred Trust Units do not have the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppression" or "derivative" actions against the Trust. The Participating Preferred Trust Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that statute or any other legislation. Furthermore, neither the

Trust nor any of the Trustees is a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company. Neither is the Trust a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act* (Canada) or, *The Companies' Creditors Arrangement Act* (Canada). As a result, if a restructuring of the Trust were necessary, the Trust would not be able to access the remedies available under these statutes.

***Liability of Limited Partners.*** Limited Partners may lose their limited liability in certain circumstances, including by taking part in the control or management of the business of the Partnership. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province or territory but carrying on business in another province or territory have not been authoritatively established. If limited liability is lost, there is a risk that Limited Partners may be liable beyond their contribution of capital and share of undistributed Income of the Partnership in the event of judgment on a claim in an amount exceeding the sum of the net assets of the Administrator and the net assets of the Partnership. While the Administrator has agreed to indemnify the Limited Partners in certain circumstances, the Administrator has only nominal assets, and it is unlikely that the Administrator will have sufficient assets to satisfy any claims pursuant to such indemnity.

Limited Partners remain liable to return to the Partnership such part of any amount distributed to them as may be necessary to restore the capital of the Partnership to the amount existing before such distribution if, as a result of any such distribution, the capital of the Partnership is reduced and the Partnership is unable to pay its debts as they become due.

## **Tax Risks**

***Changes in Tax Laws.*** There can be no assurance that the Canadian federal or provincial tax consequences to a Participating Preferred Trust Unitholder of acquiring, holding and disposing of Participating Preferred Trust Units will not be adversely affected by changes to Canadian federal or provincial income tax laws.

***Insufficient Cash Distributions.*** There can be no assurance that the Trust's cash distributions and other payments, if any, to a Participating Preferred Trust Unitholder will be sufficient to satisfy the Participating Preferred Trust Unitholder's liability for income tax in respect of the Participating Preferred Trust Unitholder's income from Participating Preferred Trust Units, or in respect of any actual or deemed disposition of Participating Preferred Trust Units.

***Trust's Status as a "Mutual Fund Trust".*** The Canadian federal income tax consequences to a Participating Preferred Trust Unitholder in respect of the Participating Preferred Trust Unitholder's Participating Preferred Trust Units as summarized in this Offering Memorandum assume that the Trust will at all times be a "mutual fund trust" as defined for the purposes of the Tax Act. While the Trustees intend to manage the Trust so that it is a mutual fund trust at all times, there can be no guarantee that they will succeed. Different and in some cases adverse income tax consequences may arise if the Trust ceases to qualify as a mutual fund trust.

***Eligibility for Investment.*** The status of a Participating Preferred Trust Unit as a "qualified investment" for a trust governed by a "registered retirement savings plan", "registered retirement income fund", "deferred profit sharing plan", "registered education savings plan", "registered disability savings plan", or "tax-free savings account" as those terms are defined in the Tax Act require that the Trust be a "mutual fund trust" as so defined. While the Trustees intend to manage the Trust so that it is a mutual fund trust at all times, there can be no guarantee that they will succeed. Adverse Canadian federal income tax consequences may arise in respect of a Participating Preferred Trust Unit held in such a trust if the Trust ceases to be a mutual fund trust.

## **Issuer Risk**

***Lack of Operating History.*** The Trust, the Partnership and the Administrator are newly established entities and have no previous operating or investment history. The Partnership will, prior to the Closing Date, have only nominal assets and the Administrator will at all material times thereafter only have nominal assets. Prospective Subscribers who are not willing to rely on the business judgment of the Administrator, acting in its capacity as Administrator of the Trust and General Partner of the Partnership, should not subscribe for Participating Preferred Trust Units.

***Financial Resources of the General Partner.*** The Administrator, as General Partner of the Partnership has unlimited liability for the obligations of the Partnership and has agreed to indemnify the Limited Partners against losses, costs or damages suffered if the Limited Partners' liabilities are not limited as provided herein, provided that such loss of liability was caused by an act or omission of the Administrator or by the negligence or wilful misconduct in the performance of, or wilful disregard or breach of, the obligations or duties of the Administrator under the Partnership Agreement. However, the amount of this protection is limited by the extent of the net assets of the Administrator and such assets will not be sufficient to fully cover any actual loss. The Administrator is expected to have only nominal assets and, therefore, the indemnity of the Administrator will have nominal value. Limited Partners also will not be able to rely upon the Administrator to provide any additional capital or loans to the Partnership in the event of any contingency. Currently, based on the investment structure of the Trust, the Partnership expects that the Trust will be the only Limited Partner.

***Financial Resources of the Partnership.*** The only sources of cash to pay the Partnership's current and future expenses, liabilities and commitments, including reimbursement of operating and administrative costs incurred by the Administrator and the fees payable to the Administrator, will be the revenues from Investments. Accordingly, if the operating income has been expended, payment of operating and administrative costs and the compensation to the Administrator will diminish the Partnership's assets.

***Liquidity of Securities Received Pursuant to a Liquidity Event.*** Although the Administrator anticipates any securities issued pursuant to a Liquidity Event (if any) will be publicly traded on a stock exchange, there can be no assurance that such securities will be so listed or, if so listed, that the market for such securities will be an active market, which may impact on a Participating Preferred Trust Unitholder's ability to resell them.

***Resale Restrictions May be an Issue if a Liquidity Event is not Implemented and Approval is not Sought or Received for the Continued Operation of the Trust, and There can be No Assurance that it will be Implemented on a Tax-Deferred Basis.*** There are no assurances that any Liquidity Event will be proposed, receive the necessary approvals (including regulatory approvals) or be implemented. In such circumstances, each Participating Preferred Trust Unitholder's *pro rata* interest in the assets of the Trust will be distributed upon the dissolution of the Trust.

For example, if no Liquidity Event is completed and the Administrator is unable to dispose of all assets in exchange for cash or freely trading securities prior to the Termination Date, Participating Preferred Trust Unitholders may receive securities or other interests in self storage facilities for which there may be an illiquid market or which may be subject to resale and other restrictions under applicable securities law.

There is no assurance that an adequate market will exist for such securities. There can be no assurance that any Liquidity Event will be implemented on a tax-deferred basis or at all. For example, if the consideration received by the Trust from a buyer for Investments comprises cash (or assets other than shares in the capital of the buyer), income tax-deferral for the Trust may be reduced or unavailable. See "Canadian Federal Income Tax Considerations".

***Conflicts of Interest.*** The Promoter, certain of its affiliates, certain limited partnerships whose general partner is or will be a subsidiary of the Promoter or its affiliates, and the directors and officers of the Promoter or its affiliates are and/or may in the future be actively engaged in a wide range of investment and management activities, some of which are or will be similar to and in competition with the business of the Partnership and the Administrator, including acting in the future as directors and officers of the general partners of other issuers engaged in the same business as the Partnership. Accordingly, conflicts of interest may arise between Limited Partners and the directors, shareholders, officers, employees and any affiliates of the Promoter.

Although the Trust and the Partnership have adopted certain procedures to help minimize conflicts of interest (see "Conflicts of Interest" and "Governance of the Trust and the Administrator" in Item 4.1, "Capital – Details of the Declaration of Trust"), there are no assurances that conflicts of interest will not arise which cannot be resolved in a manner most favourable to holders of Participating Preferred Trust Units. Persons considering a purchase of Participating Preferred Trust Units pursuant to this Offering must rely on the judgment and good faith of the shareholders, directors, officers and employees of the Promoters in resolving such conflicts of interest as may arise.

There is no obligation on the Promoter or its employees, officers and directors and shareholders to account for any profits made from other businesses whether or not they are competitive with the business of the Partnership,

provided that certain procedures have been satisfied to help minimize conflicts of interest. See “- Conflicts of Interest” and “-Governance of the Trust and the Administrator” in Item 4.1, “Capital – Details of the Declaration of Trust”.

As described in Item 2, “Business of NationWide Self Storage & Auto Wash Trust”, the Partnership intends to use all or a portion of the proceeds from the Offering to acquire the Development Property from CPDC. CPDC is wholly-owned by Hugh Cartwright and Shane Doyle, who in addition to controlling the Administrator are directors of the Administrator and trustees of the Trust.

In addition, the Administrator is entitled, at its discretion, to share a portion of its General Partner’s Fee and/or Performance Bonus with Agents and, where permitted, non-registrants who participate in sales of Class A Participating Preferred Trust Units.

***Status of the Trust.*** The Trust is not a reporting issuer “mutual fund” for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Participating Preferred Trust Units and certain restrictions imposed on mutual funds under Canadian securities laws, including National Instrument 81-102, do not apply to the Trust.

***Lack of Separate Counsel.*** Counsel for the Trust in connection with this Offering are also counsel to the Partnership and the Administrator. Prospective Subscribers, as a group, have not been represented by separate counsel and counsel for the Trust, the Partnership and the Administrator do not purport to have acted for the Subscribers or to have conducted any investigation or review on their behalf.

## Item 9                      **REPORTING OBLIGATIONS**

The Trust's fiscal year will be the calendar year. The Administrator, on behalf of the Trust, will file and deliver to each Participating Preferred Trust Unitholder, as applicable, such financial statements and other reports as are from time to time required by applicable law.

The Administrator will forward, or cause to be forwarded on a timely basis, to each Participating Preferred Trust Unitholder, either directly or indirectly through intermediaries, the information necessary for the Participating Preferred Trust Unitholder to complete such Participating Preferred Trust Unitholder's Canadian federal and provincial income tax returns with respect to Partnership matters for the preceding year. The Administrator will make all filings required by the Tax Act with respect to tax shelters.

The Trust is not a "reporting issuer" or equivalent under the securities legislation of any jurisdiction. Accordingly, the Trust is not subject to the continuous disclosure requirements of any securities legislation and there is therefore no requirement that the Trust make ongoing disclosure of its affairs including, without limitation, the disclosure of financial information on a quarterly basis or the disclosure of material changes in the business or affairs of the Trust.

Notwithstanding the foregoing, the Trust will report to Participating Preferred Trust Unitholders on the following basis:

- (a) Subject to Applicable Law, within 120 days of the end of each financial year (or within such shorter time as may be required by applicable securities law), the Trust will make reasonably available to Participating Preferred Trust Unitholders the Trust's annual report, including without limitation the report on Conflict of Interest Matters (if any) referred to in Item 4.1, "Capital – Details of the Declaration of Trust – Governance of the Trust and the Administrator", and the audited statements of the Trust for the most recently completed fiscal year, together with comparative audited financial statements for the preceding fiscal year, if any, and the report of the auditor thereon. Such financial statements shall be prepared in accordance with International Financial Reporting Standards (IFRS); provided that such statements may vary from such principles to the extent required to comply with applicable securities laws or securities regulatory requirements or to the extent permitted by applicable securities regulatory authorities; and
- (b) Subject to Applicable Law, notice of:
  - (i) a change in the Trust's financial year end;
  - (i) discontinuation of the Trust's business;
  - (ii) a change in the Trust's industry; or
  - (iii) a change of control of the Trust.

For purposes of the foregoing, the term "**make reasonably available to Participating Preferred Trust Unitholders**" means the documents will be mailed to Participating Preferred Trust Unitholders, or Participating Preferred Trust Unitholders will receive notice that the disclosure documents can be viewed on the Trust's public website accessible by all Participating Preferred Trust Unitholders (which may be a password protected website).

The Trust may deliver to prospective investors certain documents, including this Offering Memorandum, a subscription agreement and any updates or amendments to the Offering Memorandum, from time to time by way of facsimile or e-mail. In accordance with the terms of the subscription agreement provided to prospective investors, delivery of such documents by email or facsimile shall constitute valid and effective delivery of such documents unless the Trust receives actual notice that such electronic delivery failed. Unless the Trust receives actual notice that the electronic delivery failed, the Trust is entitled assume that the facsimile or e-mail and the attached documents were actually received by the prospective investor and the Trust will have no obligation to verify actual receipt of such electronic delivery by the prospective investor.

Financial or other information relating to the Trust and provided to Participating Preferred Trust Unitholders by the Trust in the future may not by itself be sufficient for Participating Preferred Trust Unitholders to assess the performance of the Trust or the performance of an investment in Participating Preferred Trust Units.

The Administrator will ensure that the Trust complies with all other reporting and administrative requirements, including the reporting requirements contained in NI 45-106. In addition to the foregoing, the Trust will include in its audited annual financial statements a report by the independent Trustees and members of the board of directors of the General Partner regarding any Conflict of Interest Matters discussed and voted upon at any meeting of Trustees or the General Partner.

The Administrator is required to keep adequate books and records reflecting the activities of each Class in accordance with normal business practices and Canadian generally accepted accounting principles. A Participating Preferred Trust Unitholder has the right to examine the books and records of the Class in which he or she holds Participating Preferred Trust Units at all reasonable times. Notwithstanding the foregoing, a Participating Preferred Trust Unitholder will not have access to any information which in the opinion of the Administrator should be kept confidential in the interests of the Trust and which is not required to be disclosed by applicable securities laws or other laws governing the Trust.



## **Item 10                      RESALE RESTRICTIONS**

**For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Quebec, Prince Edward Island, Saskatchewan, and Yukon:**

In addition to requiring the approval of the Administrator to transfer Participating Preferred Trust Units, these securities will be subject to a number of resale restrictions on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the date the Trust becomes a reporting issuer in any province or territory of Canada. **As there is no present intention for the Trust to become a reporting issuer in any province or territory of Canada, you may never be able to transfer your Participating Preferred Trust Units unless you comply with an exemption from the prospectus and registration requirements under securities legislation.**

### **For trades in Manitoba:**

Unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless:

- (a)        The Trust has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b)        You have held the securities for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

**Subscribers of Participating Preferred Trust Units offered hereunder who wish to resell such securities should consult with their own legal advisors prior to engaging in any resale, in order to ascertain the restriction on any such resale.**

It is the responsibility of each individual Subscriber of Participating Preferred Trust Units to ensure that all forms required by the applicable securities legislation are filed as required upon disposition of the Participating Preferred Trust Units acquired pursuant to this Offering.

## **Item 11 PURCHASERS' RIGHTS**

If you purchase these securities, you will have certain rights, some of which are described below. For information about your rights, you should consult a lawyer.

Securities legislation in certain of the Provinces of Canada requires investors to be provided with a remedy for rescission or damages or both, in addition to any other right that they may have at law, where an Offering Memorandum and any amendment to it or any document referenced and incorporated into the Offering Memorandum or in amendments to it contains a misrepresentation. These remedies must be exercised by the investor within the time limits prescribed by the applicable securities legislation. Purchasers of these securities should refer to the applicable provisions of the securities legislation for the complete text of these rights and should consult with a legal adviser.

The applicable contractual and statutory rights are summarized below and are subject to the express provisions of the securities legislation of the applicable Province and reference is made thereto for the complete text of such Provinces. The rights of action described below are in addition to and without derogation from any right or remedy available at law to the investor and are intended to correspond to the provisions of the relevant securities legislation and are subject to the defenses contained therein.

### **Two-Day Cancellation Right for all Purchasers of Participating Preferred Trust Units**

You can cancel your agreement to purchase these securities. To do so, you must send a notice to the Trust by midnight on the second business day after you sign the agreement to buy the securities.

### **Rights of Action in the Event of a Misrepresentation**

Applicable securities laws in the Offering Jurisdictions provide you with a remedy to cancel your agreement to buy these securities or to sue for damages if this Offering Memorandum, or any amendment thereto, contains a misrepresentation. Unless otherwise noted, in this section, a "misrepresentation" means an untrue statement or omission of a material fact that is required to be stated or that is necessary in order to make a statement in this Offering Memorandum not misleading in light of the circumstances in which it was made.

These remedies are available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In addition, these remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by you within the strict time limit prescribed in the applicable securities laws.

The applicable contractual and statutory rights are summarized below. Subscribers should refer to the applicable securities laws of their respective Offering Jurisdiction for the particulars of these rights or consult with professional advisors.

### ***Statutory Rights of Action in the Event of a Misrepresentation for Subscribers in the Provinces of British Columbia, Alberta, Ontario, Nova Scotia, New Brunswick and Prince Edward Island***

A subscriber for Participating Preferred Trust Units pursuant to this Offering Memorandum who is a resident in Alberta or British Columbia has, in addition to any other rights the subscriber may have at law, a right of action for damages or rescission against the Trust if this Offering Memorandum, together with any amendments hereto, contains a misrepresentation. In British Columbia, Alberta and Ontario, a subscriber has additional statutory rights of action for damages against every director of the Administrator at the date of this Offering Memorandum and every person or company who signed this Offering Memorandum.

If this Offering Memorandum contains a misrepresentation, which was a misrepresentation at the time the Participating Preferred Trust Units were purchased, the subscriber will be deemed to have relied upon the misrepresentation and will, as provided below, have a right of action against the Trust for damages or alternatively, if still the owner of any of the Participating Preferred Trust Units purchased by that subscriber, for rescission, in

which case, if the subscriber elects to exercise the right of rescission, the subscriber will have no right of action for damages against the Trust, provided that:

- (a) no person or company will be liable if it proves that the subscriber purchased the securities with knowledge of the misrepresentation;
- (b) in the case of an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation;
- (c) in no case will the amount recoverable in any action exceed the price at which the securities were purchased by the subscriber under this Offering Memorandum; and
- (d) in the case of a subscriber resident in Alberta, no person or company, other than the Trust, will be liable if such person or company is entitled to rely upon certain statutory provisions set out in subsections 204(3)(a)-(e) of the *Securities Act* (Alberta).

In British Columbia, Alberta and Ontario, no action may be commenced more than:

- (a) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any other action, other than an action for rescission, more than the earlier of (i) 180 days after the subscriber first had knowledge of the facts giving rise to the cause of action; or (ii) three years after the date of the transaction that gave rise to the cause of action.

***Statutory Rights of Action in the Event of a Misrepresentation for Subscribers in the Province of Saskatchewan***

In the event that this Offering Memorandum and any amendment thereto or advertising or sales literature used in connection therewith delivered to a purchaser of the securities resident in Saskatchewan contains an untrue statement of a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of the securities (herein called a “**material fact**”) or omits a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made (herein called a “**misrepresentation**”), a purchaser will be deemed to have relied upon that misrepresentation and will have a right of action for damages against the Trust, the promoters and “directors” (as defined in the *Securities Act*, 1988 (Saskatchewan)) of the Trust, every person or company whose consent has been filed with this Offering Memorandum or amendment thereto but only with respect to reports, opinions or statements that have been made by them, every person who signed this Offering Memorandum or any amendment thereto, and every person who or company that sells the securities on behalf of the Trust under this Offering Memorandum or amendment thereto.

Alternatively, where the purchaser purchased the securities from the Trust, the purchaser may elect to exercise a right of rescission against the Trust.

In addition, where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the securities and the verbal statement is made either before or contemporaneously with the purchase of the securities, the purchaser has a right of action for damages against the individual who made the verbal statement.

No persons or company is liable, nor does a right of rescission exist, where the persons or company proves that the purchaser purchased the securities with knowledge of the misrepresentation. In an action for damages, no persons or company will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied on.

No action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

- (b) in the case of any action, other than an action for rescission, the earlier of one year after the purchaser first had knowledge of the facts giving rise to the cause of action or six years after the date of the transaction that gave rise to the cause of action.

These rights are (i) in addition to and do not derogate from any other right the purchaser may have at law; and (ii) subject to certain defences as more particularly described in the *Securities Act*, 1988 (Saskatchewan).

***Contractual Rights of Action in the Event of a Misrepresentation for Subscribers in the Provinces of Manitoba, Quebec, Newfoundland and Labrador, Nunavut, Yukon and the Northwest Territories***

In Manitoba, Quebec, Newfoundland and Labrador, Nunavut, Yukon and the Northwest Territories if there is a misrepresentation in this Offering Memorandum, you have a contractual right to sue the Trust: (a) to cancel the agreement to buy the securities; or (b) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for the securities and will not include any part of the damages that the Trust proves does not represent the depreciation in value of the securities resulting from the misrepresentation. The Trust has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence the action to cancel the agreement within 180 days after signing the agreement to purchase the securities. You must commence the action for damages within the earlier of 180 days after learning of the misrepresentation and three years after signing the agreement to purchase the securities.

**Subscribers should consult their own legal advisers with respect to their rights and the remedies available to them.**

**The rights discussed above are in addition to and without derogation from any other rights or remedies, which subscribers may have at law.**

**Item 12            FINANCIAL STATEMENTS**

Attached is the audited opening statement of financial position for the Trust.

# INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of NationWide Self Storage & Auto Wash Trust

We have audited the accompanying financial statement of NationWide Self Storage & Auto Wash Trust, which comprises the statement of financial position as at January 22, 2018, and notes, comprising a summary of significant accounting policies and other explanatory information.

## *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

## *Auditors' Responsibility*

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the financial statement presents fairly, in all material respects, the financial position of NationWide Self Storage & Auto Wash Trust as at January 22, 2018, in accordance with International Financial Reporting Standards.

(signed) KPMG LLP  
Chartered Professional Accountants

January 25, 2018

Vancouver, Canada



# NATIONWIDE SELF STORAGE & AUTO WASH TRUST

## Statement of Financial Position

January 22, 2018

| Notes   |   |    |     |
|---|---|----|-----|
| <b>Current asset:</b>                               |   |    |     |
| Cash  |   | \$ | 110 |
| <b>Net assets attributable to redeemable units:</b> |   |    |     |
| Administrator contribution                          | 3 | \$ | 10  |
| Preferred Trust Units                               | 3 |    | 100 |
|   |   | \$ | 110 |

Subsequent event (note 4)

The notes are an integral part of this statement of financial position.

Approved on behalf of the Trustees of NationWide Self Storage & Auto Wash Trust.

(signed) HUGH CARTWRIGHT

(signed) JOHN DICKSON

## **NATIONWIDE SELF STORAGE & AUTO WASH TRUST**

### Notes to Statement of Financial Position

January 22, 2018

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#### **1. Operations:**

NationWide Self Storage & Auto Wash Trust (the “Trust”) was formed on January 3, 2018 pursuant to a Declaration of Trust dated January 3, 2018. The principal purpose of the Trust is to indirectly invest in the acquisition, development and management of a combination self storage/car wash facility in Kamloops, British Columbia. The Trust will issue units, and invest the proceeds in acquiring units of NationWide Self Storage & Auto Wash Limited Partnership (the “Investment LP”), and to provide unitholders with cash distributions on a periodic basis derived from income earned by the Trust from its investment in the Investment LP units.

The Trust is managed by NationWide Self Storage & Auto Wash Management Corp. (the “Administrator”), which is also the General Partner (the “General Partner”) of the Investment LP. The address of the registered office is 1200 Waterfront Centre, 200 Burrard St., Vancouver BC V7X 1T2.

There has been no activity in the Trust since the contribution by the settlor of the Trust. Accordingly, no statement of operations or cash flows has been presented.

The statement of financial position was approved and authorized for issue by the Trustees of the Trust on January 22, 2018.

#### **2. Significant accounting policies:**

(a) Statement of compliance:

The financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

(b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Trust’s functional currency.

(c) Use of estimates:

The preparation of the financial statements in conformity with IFRS requires the Administrator to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

#### **3. Preferred Trust Units:**

The Trust has two classes of participating Preferred Trust Units – the Class A Preferred Trust Units and the Class F Preferred Trust Units. The Trust is authorized to issue an unlimited number of each class of participating Preferred Trust Units. The Class A and Class F Preferred Trust Units are identical to each other, except for the selling expenses applicable to each Class.

At the date of formation of the Trust, one Class A Preferred Trust Unit was issued to the Administrator for \$100 cash. In addition, the Administrator contributed capital of \$10 to the Trust in order to constitute and settle the Trust.

**5. Subsequent event:**

The Trust has issued an offering memorandum dated January 25, 2018, whereby it intends to raise gross proceeds of up to a maximum of \$12,500,000 pursuant to a private placement, through the issuance of a maximum of 125,000 Preferred Trust Units at a price of \$100 per unit.

**DATE AND CERTIFICATE**

Dated August 21, 2018

This Offering Memorandum does not contain a misrepresentation.

**NationWide Self Storage & Auto Wash Trust,  
by its Administrator NationWide Self Storage & Auto Wash Management Corp.**

(SIGNED) SHANE DOYLE  
Chief Executive Officer of the Administrator

(SIGNED) JOHN DICKSON  
Chief Financial Officer  
of the Administrator

**On behalf of the Board of Directors of NationWide Self Storage & Auto Wash Management Corp.**

(SIGNED) SHANE DOYLE  
Director

(SIGNED) HUGH CARTWRIGHT  
Director

**On behalf of the Trustees of NationWide Self Storage & Auto Wash Trust**

(SIGNED) JOHN DICKSON  
Trustee

(SIGNED) HUGH CARTWRIGHT  
Trustee

## **SCHEDULE A**

### **Canadian Self Storage Valuation Services Inc. – Phase I Feasibility Report**

**PHASE I FEASIBILITY STUDY OF A**  
**PROPOSED SELF STORAGE FACILITY**  
**1485 TRANS-CANADA HIGHWAY**  
**KAMLOOPS, BC**

**STUDY DATE**

August 24, 2017

**PREPARED FOR**

NationWide Storage Trust



Our File: 1081-FS-XX-BC148

August 29, 2017

NationWide Storage Trust  
609 Granville Street  
Vancouver, BC V7Y 1G5

Attention: Mr. Hugh Cartwright

Dear Mr. Cartwright

Re: **Feasibility Study – Phase I: Proposed Storage Facility located at  
1485 Trans-Canada Highway, Kamloops, BC**

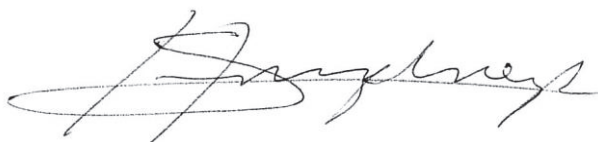
We have been asked to complete Phase I of a feasibility study with respect to a proposed self-storage development on a site located at 1485 Trans Canada Highway, Kamloops, BC.

It is our opinion that the market conditions are conducive to the construction of a self-storage facility at this location. We would advise that although there is a demand for storage space in the Vancouver area, the proper unit mix, pricing and marketing will be required to have a successful facility. Please see the details of possible demand for self-storage contained in this report before making any decisions on moving forward.

The methodology of the initial phases of this study has included defining the extent of the trade area and estimating the current demand for self-storage in consideration of the demographic factors such as population, population growth, level of education, housing, mobility, and income levels. The study includes a thorough inventory of the existing supply of self-storage in this trade area.

Please feel free to contact us with any questions about this report or for further explanation of any of the details contained within.

Respectfully submitted,  
CANADIAN SELF STORAGE VALUATION SERVICES INC.



Scott Humphreys, B.Comm, AACI, P.App.



Patrick Wood, B.Sc, AIC Candidate

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## **PURPOSE OF THE MARKET STUDY**

The prospective owner of the property located at 1485 Trans-Canada Highway, Kamloops, BC is proposing to construct a self-storage facility and has commissioned this report to analyze the feasibility of the development. The purpose of this initial report is to analyze the feasibility of the proposed self-storage development in consideration of the current supply and demand for self-storage units within the specific trade area. The research for this analysis was conducted between August 21<sup>st</sup> and 24<sup>th</sup>, 2017 and analysis and conclusions are based upon market conditions discovered during that time period.

### **Date of Study**

August 24, 2017

### **Date of Inspection**

August 24, 2017

### **Scope of Work**

During the course of this study, the appraiser:

- Inspected the subject site on August 24, 2017;
- Collected data regarding the local market and conducted a rental and occupancy survey of the competitive facilities within a 15-kilometer area;
- Obtained and summarized information with respect to zoning and other land use regulations;
- Reviewed sales and listing data with respect to sales of improved self-storage facilities;
- Prepared a self-contained narrative feasibility report.

The appropriate market data was gathered through in-house information, sales and listing data provided by agents active in this specialized market and discussions with various participants in the self-storage market including agents, developers, owners and property managers. The report was prepared in conformity with the Canadian Uniform Standards of Appraisal Practice.

## **CONTINGENT AND LIMITING CONDITIONS**

The market analyses contained in this report are based on a thorough and detailed analysis of information derived from various sources. Some of this data has required subjective interpretation and our terms of reference have, in some instances, required us to make certain assumptions in arriving at our conclusions. As a result, the opinions and conclusions contained in this report are subject to the following Contingent and Limiting Conditions:

1. No responsibility is assumed for legal factors pertaining to the state of title or for technical matters relating to hidden or apparent conditions of the property which were not brought to our attention and which may have an impact on the potential to develop the property.
2. The recommendations contained in this report are based on information gathered from various sources considered reliable and believed to be correct; it is assumed that the information that we have gathered from these sources is accurate and comprehensive.
3. Maps or plans appearing in this report are included for the sole purpose of visual reference and should not be construed as legal surveys.
4. This report is prepared in confidence for the sole use of NationWide Storage Trust. Liability to any other party relying on the report, without permission of Canadian Self Storage Valuation Services Inc., is denied. The report is valid only if it bears the original signature of the author(s).
5. The findings and conclusions of this report are based on market conditions between August 21<sup>st</sup> and August 24<sup>th</sup>, 2017. It is assumed that there will be no significant change in the economy within the short term. If such a change should occur it is recommended that the conclusions of the report be reviewed.

## **THE SELF STORAGE CONCEPT**

Following is a brief introduction to the concept of self-storage.

### ***Self-Storage Concept***

The mini-storage or self-storage concept involves the provision of safe and convenient storage spaces of varying sizes to users on an individual basis, differing from a standard warehouse in offering much smaller units in which goods are stored by tenants themselves. Originating in Texas in the late 1960's, the mini-storage idea spread rapidly throughout the southern and western United States and was introduced to Canada in the mid 1970's.

### ***Physical Appearance***

Physically, the traditional conventional self-storage facility appears to be rows of lockers or side-by-side garages; the majority of new facilities in the southern urban centres are of tilt-up concrete construction with engineered roof systems and buildings are clear span with movable partitions. Facilities in cold climates are predominantly of metal construction which is best suited to withstand the winter weather. Considerable changes have been made to exterior designs of mini storage facilities in order that developments may complement the surrounding neighbourhood development. Ceiling heights are usually eight to ten feet although half-size lockers of reduced height may also be offered in a stacked configuration in urban locations. Unit modules are generally in multiples of five and ten feet.

Since the late 1980's, escalating land prices have resulted in the development of two and three storey self-storage facilities in more established urban markets with upper floors accessed by means of freight elevators and movable stairs, pallets and dollies provided to assist the tenant in transporting his goods to the locker.

### ***Tenant Mix***

Self-storage users comprise two major groups: residential (storing personal effects) and business or commercial (storing industrial or commercial enterprise material or inventory). Additional niche markets target specific users, such as owners of boats, mobile homes and recreational vehicles and storage of specialty items such as wine

storage. In the United States, both the military and student populations form small but consistent segments of the market. The major residential users include homeowners, apartment and condominium dwellers and mobile home dwellers.

Business and commercial tenants traditionally comprise about 20% to 35% of the Canadian self-storage market and professional personnel form an ever-increasing market (storing dead files and documents) particularly at urban/downtown locations.

***Trade Area*** The trade area of a self-storage facility is generally identified as being the area represented within a three to five-mile radius of a specific site although the trading area is also affected by geographic boundaries, existing competition and the proximity of freeways or arterial routes which decrease travel time and enhance exposure of a facility or serve as man-made barriers between areas. Ideally the best exposure and access is available to “going-home traffic”.

Another means of determining the trade area is to identify and chart the area within a ten-minute driving time of the facility.

In more spread out communities or communities that service a much larger area as we see in the Prairie provinces, the trade area must be expanded to take into account the additional traffic that will use a city as a hub of activity. It should also be noted that in these areas, driving an extra 10-20 minutes is much less of a hurdle than in more densely populated areas.

***Average size*** The overall average facility size in the United States is 50,859 square feet with approximately 489 units according to the 2015 Self Storage Almanac; this would indicate an average unit size of 108 square feet. By comparison, the average size of a facility in the Vancouver CMA is estimated to be 39,352 square feet.

**Management** Historically, self-storage facilities over 40,000 square feet employed a resident manager who was responsible for security, leasing units, collections, answering inquiries and generally representing the owner to the public. There was a movement in the late 1990's, in the United States and in Canada, away from employment of the typical husband and wife resident management team for a number of reasons not the least of which was the improvement in security systems due to technological advances. In recent years, the advent of online access and booking systems has made the job of an on-site manager less intensive as many payment and unit booking related activities have been moved to online platforms.

The latest U.S. statistics, reported in the 2015 Almanac, indicate that 32.1% of all U.S. facilities are managed by a full time on-site resident manager; resident management is most prevalent in the West Pacific Region with 50% of facilities managed by a resident manager. In Canadian urban centres, the majority of new facilities have elected to replace resident managers with off-site management in conjunction with modern security technology and extended access hours.

**Facility Access** Access is usually available to tenants for twelve to fifteen hours daily. Some facilities offer 24-hour access units to their commercial tenants. This service is offered at an additional fee by many facilities.

**Security** Most modern facilities are now protected by round-the-clock video and electronic monitoring and computerized electronic gate access as well as contact alarms, motion sensors, individually alarmed units, and restricted elevator access. This has what the industry standard is and is expected of most newly constructed facilities.



## PROFILE OF THE SELF STORAGE USER

There was a study completed in 2014 for the Self-Storage Association which compares data collected to the previous study done in 2007; the findings of the study suggest that through the recession the industry has been stable, particularly penetration, but there have been some shifts, specifically with respect to the most favoured unit size and lengths of stay; italics inserted are mine and point out significant differences between the two studies.

- The largest single user of self-storage is the owner of a single family house (68% of all self-storage renters in the U.S.) and the majority of these self-storage renters are using self-storage as a source of additional not primary storage as they have some sort of extra storage space in their homes in the form of a garage (64%), an attic (47%), or a basement (33%). ***There has been a 3% shift from proportions of single family home residents to apartment/condo residences since 2007.***
- In the U.S. the single largest group of self-storage renters is in the \$125,000 plus income bracket (15%) followed by the less than \$20,000 income bracket (13%). In 2007, the largest group was the less than \$20,000 bracket (19%). This suggests that there is a more affluent renter group than previously but there are still a large proportion of renters with household incomes of less than \$40,000 annually.
- Most renters are employed full time (39%), followed by retirees (19%), and self-employed (18%). In 2007 53% of all renters had full-time employment and fewer were retirees or self-employed. ***This finding suggests that there may be a larger retired renter population than previously estimated.***
- Most renter households are located in suburban areas (50%) and urban (35%) areas with a smaller proportion located in rural areas (21%). *Urban* is defined by the U.S. Census Bureau as core census block groups of at least 1000 people per square mile with surrounding census blocks of at least 500 people per square mile. The study relied on self-reporting, as there is no definition for *suburban* as a subset of urban, and defined *rural* as less than 500 persons per square mile. ***Since 2007 there has been a shift from urban (-2%) to suburban (+6%) and rural (+8%).***

- The single most popular unit size is still the 10' x 10' unit (30%) followed by the 5' x 10' unit (23%). The third most popular unit sizes are the 10' x 15' and 10' x 20' (each 16%). Rental of smaller units (5' x 5') has increased by 4% and rental of larger units (10' x 30' and larger) has decreased by 5% since 2007. ***The conclusion is that the smaller units are more popular since the recession when many tenants downsized.*** 57% of all units rented comprise exterior drive-up units; 19% of renters rent interior drive-up units; 18% rent interior units accessed by elevator. These proportions are unchanged since 2007.
- 45% of renters travel less than 10 minutes to get to their units and another 35% travel 10 to 19 minutes (unchanged since 2007).
- ***Payment by credit card (30%) has outstripped payment by cheque (23%), which was the most favoured form of payment in 2007, and payment online has increased by 4% to 16%.***
- 32% of tenants visit their unit once a month; 24% visit 3-6 times a year and 29% visit every two weeks. 45% of all tenants travel less than 10 minutes to get to their unit; 35% travel 10 to 19 minutes.
- The primary reason for renting self-storage is that there is no room for the items at the residence (53%); the second most prevalent reason for utilizing self-storage was for temporary storage while changing residence (41%). The next two reasons have significantly lower incidence: "items no longer needed/wanted" (16%) and "storing a relative's items due to changes in their living situation" (14%). 11% of tenants are storing items inherited. ***All of these reasons and their ranking are unchanged since the earlier report but in 2007 a larger proportion of tenants were renting self-storage temporarily while changing residence (49%). The conclusion is that with the slowdown of the housing market there have been fewer movers.***
- The most prevalent item stored is "indoor furniture" (60%), followed by pictures/photos/paintings (55%), "kitchenware" (55%), clothing (51%), holiday seasonal items (51%); household supplies (50%), and books and magazines (48%). These findings are very similar to those of the 2007 study.

- When asked to indicate how they found the facility where they are storing their goods, 43% of all respondents reported that they saw the facility while driving, 22% found the facility through word of mouth , and 18% used the internet (by comparison to 4% in 2007).
- First contact with the facility was in person in 47% of all cases; followed by telephone contact (43% of first contacts); and distantly by contact via the internet (6%). 53% of all tenants rented from the first facility that they contacted while 19% contacted one other facility while looking and 27% contacted more than one other facility.
- The most important information requested by prospective tenants was price (92%); followed by size (77%); availability of units (70%); location (42%); and amenities offered (30%). This was consistent with the 2007 study.
- The top-rated features were found to be drive-up parking at the unit (80%); anytime access (77%); electronic entrance gates (75%); pest control (71%); and closeness to the residence (70%).
- The bottom-rated features were found to be customer mail boxes (7%); pick-up and delivery services (10%); specialized containers for unique items (10%); and shelving in the storage units (20%).
- Among current self-storage renters, 44% of the entire consumer self-storage market were self-classified as "temporary renters" (down from 54% in 2007) and "long term renters" form 46% of the total market (up 8% from 2007). The decrease in temporary renters is believed to be the result of the economic recession as most temporary renters rent units while they are in the process of moving or remodeling. 63% of temporary renters plan to keep their units one year or less (most commonly 3 to 6 months) and 69% of long term renters plan to keep their units more than one year.
- The estimated penetration with respect to businesses is inconclusive because of the difficulty of estimating the total number of businesses; the best estimate is that penetration has remained consistent. 79% of businesses renting have fewer than 100 employees. The top five types of businesses using storage are: professional services (18%); health care (10%); retail (10%); manufacturing

(7%) and education (6%). The location of businesses using storage has shifted from urban (-9%) to suburban (+7%) and rural (+3%). 61% of business tenants rent one unit and 59% are renting an exterior drive-up unit. 23% are renting a 10' x 10' (up 5% since 2007) but 20% are renting a 10' x 30' or larger (up 8% since 2007). 52% of business tenants are renting for two years plus.

- 45% of business tenants visit the unit once a month or less and 37% pay by cheque (followed by 34% paying by debit or credit). 42% of businesses travel 10 minutes or less to reach their unit.
- Items that businesses store include: overflow furniture, supplies, and equipment (41%); inventory (35%); records required by government regulations (33%); other records (24%); items no longer needed or wanted (24%). The main items stored are: paper-based records (47%), inventory (35%); furniture (35%); equipment excluding computers (34%); and office supplies (27%).
- The top amenities desired are anytime access (75%); closeness to place of work (71%); drive-up units (69%); discounts for long term storage (68%); and pest control (63%). The bottom amenities desired are: mail boxes (9%); telephone service in the unit (15%); availability of truck rentals (16%); internet availability in the unit (16%); and the availability of storage aids for sale (18%). Specialized services desired include: a log of unit access (38%); customized interior finishing (22%); the ability to fax or e-mail electronic copies of records (17%); pick-up and delivery services (16%); and consulting regarding the efficient archiving of records (14%).

The important findings of the study include the conclusion that there is no "storage cliff" impending; that tenants are actually staying and planning to stay for longer periods; that penetration rates are constant; and that growth can be anticipated as the economy recovers and particularly as the housing market bounces back. The trend through the recession has been toward renting smaller units and rents are almost unchanged from 2007. The overall conclusion of the study is "cautiously optimistic".

## 2015 Canadian Survey for the 2016 Self Storage Almanac

A Canadian section was added to the 2016 Self Storage Almanac based on the results of a survey completed in 2015 by a relatively small proportion of owners. In general, Canadian facilities appear to have a greater proportion of commercial tenants than those of the U.S. as indicated by the following table. The average rental period in Canada appears to be longer for two categories of tenant, the military and students, about the same for residential tenants, and shorter for commercial tenants as shown by the following combined table.

| Tenant Mix              | Commercial | Residential | Military | Students |
|-------------------------|------------|-------------|----------|----------|
| Canada                  | 25.5%      | 63.4%       | 7.4%     | 5.2%     |
| U.S.                    | 18.7%      | 75.0%       | 3.2%     | 3.1%     |
|                         |            |             |          |          |
| Length of Stay (months) | Commercial | Residential | Military | Students |
| Canada                  | 22.7       | 16.7        | 20.6     | 16.1     |
| U.S.                    | 30.9       | 16.5        | 8.8      | 3.6      |
|                         |            |             |          |          |

Canadian facilities are slightly larger than U.S. facilities overall with a slightly smaller average unit size and a greater proportion of the smallest unit size category (5' x 5'). The Canadian responses indicate that facilities have fewer competitors within a five mile radius (4.5 by comparison to 7.7 in the U.S.). The following tables summarize occupancy by province (excluding facilities in rent-up), by NRA, by number of units, by market area, and by age of the facility.

### NATIONAL OCCUPANCY RATE TRENDS EXCLUDING FACILITIES IN LEASE-UP

| Provinces and Territories | Physical               | Economic               | Difference  |
|---------------------------|------------------------|------------------------|-------------|
| Alberta                   | 82.0%                  | 78.9%                  | 2.1%        |
| British Columbia          | 86.5%                  | 71.6%                  | 14.9%       |
| Manitoba                  | insufficient responses | insufficient responses |             |
| New Brunswick             | 88.2%                  | 84.0%                  | 4.2%        |
| Newfoundland              | insufficient responses | insufficient responses |             |
| Northwest Territories     | 85.0%                  | 81.0%                  | 4.0%        |
| Nunavut                   | insufficient responses | insufficient responses |             |
| Ontario                   | 75.9%                  | 70.2%                  | 5.7%        |
| Quebec                    | 78.5%                  | 76.1%                  | 2.4%        |
| Saskatchewan              | 82.0%                  | 79.1%                  | 2.9%        |
| Yukon Territory           | insufficient responses | insufficient responses |             |
| <b>NATIONAL</b>           | <b>79.9%</b>           | <b>74.1%</b>           | <b>5.8%</b> |

### OCCUPANCY RATE BY RENTABLE SQUARE FOOTAGE

| Square Footage   | Physical     | Economic     | Difference  |
|------------------|--------------|--------------|-------------|
| Less than 25,000 | 77.0%        | 75.8%        | 1.2%        |
| 25,000 to 49,999 | 83.6%        | 80.8%        | 2.8%        |
| 50,000 to 74,999 | 76.3%        | 74.1%        | 2.2%        |
| 75,000 to 99,999 | 74.4%        | 71.3%        | 3.1%        |
| 100,000 or more  | 78.7%        | 75.4%        | 3.3%        |
| <b>ALL SIZES</b> | <b>78.8%</b> | <b>76.3%</b> | <b>2.5%</b> |

### OCCUPANCY RATE NUMBER OF UNITS

| Number of Units  | Physical     | Economic     | Difference  |
|------------------|--------------|--------------|-------------|
| 1 to 99          | 77.5%        | 73.9%        | 3.6%        |
| 100 to 299       | 82.5%        | 78.6%        | 3.9%        |
| 300 to 499       | 80.0%        | 77.3%        | 2.7%        |
| 500 to 999       | 75.2%        | 72.9%        | 2.1%        |
| 1,000 or more    | 74.4%        | 71.1%        | 3.3%        |
| <b>ALL SIZES</b> | <b>78.8%</b> | <b>75.5%</b> | <b>2.3%</b> |

### OCCUPANCY RATE BY MARKET AREA

| Market Area                      | Physical     | Economic     | Difference  |
|----------------------------------|--------------|--------------|-------------|
| Urban                            | 78.0%        | 73.0%        | 5.0%        |
| Suburban                         | 77.0%        | 73.5%        | 3.5%        |
| Rural* (statistics not reliable) | 81.3%        | 61.0%        | 20.3%       |
| <b>ALL AREAS</b>                 | <b>78.1%</b> | <b>71.5%</b> | <b>6.6%</b> |

### OCCUPANCY RATE BY YEAR FACILITY BUILT

| Year Facility Built | Physical     | Economic     | Difference  |
|---------------------|--------------|--------------|-------------|
| Prior to 1981       | 80.3%        | 64.7%        | 15.6%       |
| 1981 to 1985        | 71.0%        | 68.0%        | 3.0%        |
| 1986 to 1990        | 85.3%        | 83.9%        | 1.4%        |
| 1991 to 1995        | 77.8%        | 60.0%        | 17.8%       |
| 1996 to 2000        | 82.5%        | 79.1%        | 3.4%        |
| 2001 to 2005        | 79.9%        | 74.9%        | 5.0%        |
| 2006 or after       | 72.2%        | 64.4%        | 7.8%        |
| <b>ALL AGES</b>     | <b>78.1%</b> | <b>71.5%</b> | <b>6.6%</b> |

## **SELF-STORAGE MARKET IN B.C.**

### **Sales and Acquisitions**

Market activity Canada-wide was influenced by the acquisitions of *InStorage Real Estate Investment Trust*, which was formed in August 2006, as the first Canadian REIT developed specifically to acquire self-storage. Most of the REIT's holdings were acquired through the purchase of portfolios or individual properties in the twelve months between August 2006 and August 2007. The REIT purchased only one property after August 2007, although it purchased its own development arm in late 2008, adding eight properties in varying stages of lease-up to its portfolio; in March 2009 the acquisition of all of the units of the REIT was completed by *Storage Mart*. The majority of the properties are located in Ontario; although a development site in Vancouver was purchased and developed, no operating B.C. properties were acquired.

Over the past eight years, there has been an average of four sales of self-storage facilities per year in B.C. ranging from a low of one sale in 2008 to seven sales in 2007 and 2010.

- In 2007, there were seven sales, including two sales of the same property in Coquitlam and one sale in the Vancouver West End that was a land play. The rest of the properties were less than 34,000 square feet in net rentable area and were located outside the Lower Mainland in Prince George, Sicamous, Kamloops, and Ladysmith.
- In 2008, there was one share sale of a 26,000 square foot facility in the Interior.
- In the first half of 2009 there were two sales of small facilities (under 17,000 square feet) on the Island, and then two larger facilities sold at the end of the year, one in Kelowna (89,943 square feet) and one in Surrey (88,756 square feet).
- In 2010, other than the sale of a 65,000 square foot facility in Coquitlam to the Ministry of Highways to accommodate the road system serving the expansion of the Port Mann Bridge, there were six sales of smaller facilities (less than 31,000 square feet) in Kamloops, Comox, Campbell River, Parksville, Creston, and Gibsons Landing.



In 2011, there were three completed sales: *All-Secure Self-Storage*, a 38,638 square foot facility in Courtenay; *R-Xtra Self Storage*, a facility of 50,632 square feet located in Vernon; and *Apex Osoyoos*, a 29,310 square foot facility.

- In 2012, there were four sales in the Lower Mainland, three of which comprised a portfolio sale, and two sales of smaller facilities in Salmon Arm (15,500 square feet) and Kamloops (22,800 square feet).
- In 2013, there was a sale of a facility in Esquimalt, a sale of a small facility in Cranbrook, and another small facility in Vernon.
- In 2014, we are aware of four sales in BC, including Keating Self Storage in Central Saanich that comprises 55,000 sq. ft. of NRA and sold in June, The Storit Place in Vernon that comprises 24,600 square feet of buildings and 84 storage containers and sold in May, and Ace Self Storage and Sun Valley Mini Storage in Kamloops that each comprise 34,000 square feet are currently under offer.
- In 2015 there have been a number of smaller facilities transact due to the lower Capitalizations rates being seen in the marketplace. In addition, The Storage For Your Life Portfolio has recently sold at a reported Capitalization rate of under 6%, a first for the storage market in British Columbia.
- 2016 has seen very few transactions take place with sales being limited to smaller facilities in secondary and tertiary markets. Due to this, we have seen an increase in construction of facilities in primary and secondary markets.
- 2017 has seen sales of facilities in Chilliwack and in Prince George in the first half of the year as well as two facilities in Kamloops in the second half of 2017.

Therefore, except for 2008, the number of sales in B.C. in the last eight years has been relatively consistent, though 20 of the 35 sales have been in the price range of \$3,100,000 or less, with an average sale price of under \$2,000,000. Since 2006, there have been only ten sales of self-storage properties in B.C. over 35,000 square feet in size and there have been only six sales of properties exceeding \$9,500,000 in value.

During the same time period, two Lower Mainland portfolios were offered on the market, each comprising four facilities. The *Advanced Storage Centres* portfolio was put under contract in July 2007, but after several extensions, the purchaser did not complete the transaction and the sale collapsed in March 2008. The *Apex* portfolio was offered for sale in the Spring of 2010 with the deadline for bids set for September 2010; the property was under offer until March 2011, when the transaction collapsed.

The purchaser was the same in each instance and the circumstances surrounding the collapse of the transactions were very similar. The *Apex* portfolio was put back on the market (three Lower Mainland properties only) and was purchased by *Sentinel Self Storage*; the transaction closed in February, 2012. 2015 saw the sale of the Storage For Your Life Portfolio to Access storage out of Toronto.

In the last five years, despite the vicissitudes of the economy, capitalization rates for self-storage in British Columbia have not risen but have remained steady or compressed. This is mainly due to continuing low interest rates, lack of available quality product, and the on-going interest in self-storage as an investment.

### **Ownership Profile**

In the Vancouver Lower Mainland, 57% of the total net rentable area of self-storage is held in seven portfolios (each containing at least three facilities) or 52 of the 106 facilities. The rest of the inventory is owned by individuals or companies that have either one or two facilities.

- *Public Storage*, the largest U.S. self-storage owner/developer, has the largest portfolio in the Lower Mainland with 962,000 square feet in 14 facilities since one site was acquired by the Ministry of Transportation to accommodate highway expansion. The most recent development by Public Storage was a 74,340 square foot facility completed in 2006 in the City of Vancouver and their Braid Street facility is being expanded by 33,627 square feet.
- *Maple Leaf Self Storage* has the second largest portfolio with 885,600 square feet in 10 facilities. The most recent development was in the City of Vancouver in 2008/2009 (75,487 square feet).

- The third largest portfolio is owned by *U-Haul*, another U.S. company who purchased the Cambridge portfolio in 2000; there are 11 Lower Mainland facilities with a net rentable area of 575,690 square feet. U-Haul purchased a land and a building on SE Marine Drive in the City of Vancouver in 2005 and converted the building in 2010/2011 to offer over 108,000 square feet of self-storage as well as 15,000 square feet of storage for portable containers.
- *Self Storage Depot* has a portfolio of 6 facilities with a net rentable area of 382,270 square feet (including the expansion of Langley) to be completed in 2015.
- *Advanced Storage Centres* comprises a portfolio of 4 facilities with a net rentable area of 303,000 square feet.
- *Sentinel Storage* purchased the 3-property *Apex* Lower Mainland portfolio of 178,700 square feet in early 2012.
- *Storage For Your Life* has a portfolio of 4 facilities totaling 297,305 square feet of NRA (self-storage only) and was recently been purchased by Access Storage of Toronto in late 2015.
- *In Mid 2017 Storage Vault Acquired the 23 property Sentinel storage portfolio including the 3 properties Sentinel had acquired from Apex in 2012.*
- *Storage Vault acquired Halston storage in Kamloops and is in negotiations to acquire 4 corners storage at the time of this report.*

## **IDENTIFICATION OF THE TRADE AREA**

The subject trade area has been identified after consideration of the existing and proposed competition, neighborhoods, travel patterns and geographical boundaries. As the City of Kamloops is a very diverse area geographically, we have expanded the trade area to include all of the City of Kamloops. We have made this decision based on the fact that the population density is not evenly distributed throughout Kamloops and the city is very geographically spread out. In addition to these factors, most of the storage facilities in the City of Kamloops are clustered together in the Halston light industrial and commercial areas away from most residential developments.

The primary trade area consists of a population of 90,280 full time residents as of the 2016 national census. The metropolitan area of Kamloops has a population of 103,811 and include the First Nation reserves in the Kamloops area. This is the population we will use for the purpose of this analysis.

## **LOCATION**

Kamloops BC is part of Thompson Regional District in Province of BC.



## CITY OF KAMLOOPS

Kamloops is a city in south central British Columbia at the confluence of the two branches of the Thompson River near Kamloops Lake. It is the largest community in the Thompson-Nicola Regional District and the location of the regional district's offices. The surrounding region is more commonly referred to as the Thompson Country. It is ranked 37<sup>th</sup> on the list of the 100 largest metropolitan areas in Canada and represents the 44<sup>th</sup> largest census agglomeration nationwide, with 90,280 residents in 2016.

Industries in the Kamloops area include primary resource processing such as Domtar Kamloops Pulp Mill, Tolko-Heffley Creek Plywood and Veneer, Lafarge Cement, Highland Valley Copper Mine (in Logan Lake), and others. RIH (Royal Inland Hospital) is the city's largest employer. TRU (Thompson Rivers University) serves a student body of 10,000 including a diverse international contingent mainly from Asian countries. Thompson Rivers University, Open Learning (TRU-OL) is the biggest distance education provider in British Columbia and one of the biggest in Canada.



## NEIGHBOURHOOD DESCRIPTION

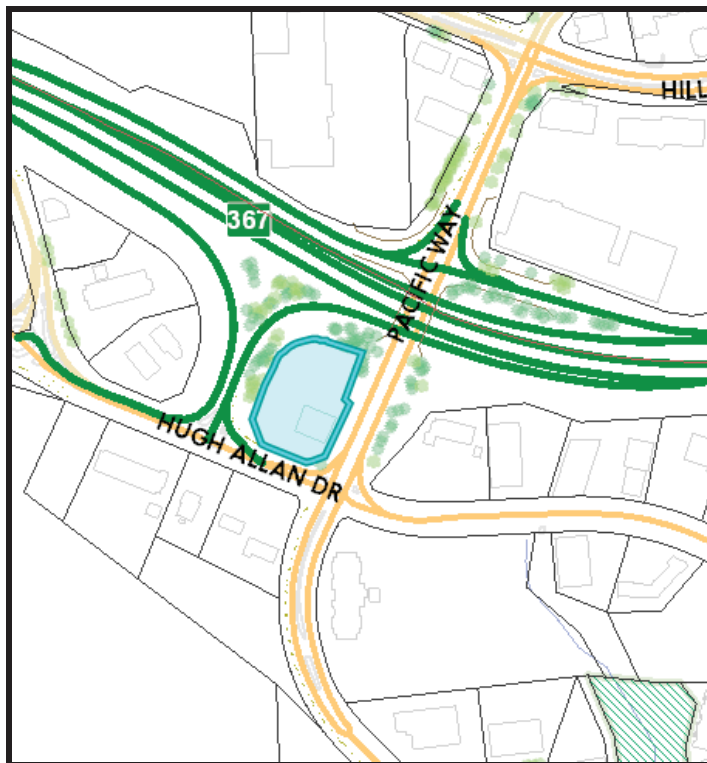
The area surrounding the subject property is of commercial nature with the Aberdeen Mall and Costco a short distance away. The areas to the south are commercial and residential in nature with some new residential housing development taking place. The proposed location of the subject facility is on the corner of the Trans-Canada Highway and Pacific Way with excellent exposure and easy access to the proposed facility from a nearby major transportation route; The Trans-Canada Highway, Pacific Way and Hugh Allan Drive





## SITE DESCRIPTION

The proposed site is located within a commercial area in the City of Kamloops. The site is currently occupied by a light industrial building used for an Shipping Business. The surrounding areas are of similar light Commercial uses with some single and multifamily residential in the surrounding areas as well.



Size: 57,934 ft<sup>2</sup> (City of Kamloops).

Topography: Level topography.

Services: Piped water. Sanitary and storm sewers. Overhead mounted hydro, telephone and cablevision. Natural gas is also available.

Access: Site is accessed from Pacific Way and Hugh Allan Drive.

Exposure: Exposure is excelent with site visible from Franklin and Powell Streets.



## **COMPETITION FOR PROPOSED FACILITY**

There are eight (8) facilities in Kamloops that would be considered direct competition to the proposed project. The total amount of storage supplied by these facilities is approximately 264,800 ft<sup>2</sup>. At the time of our survey all facilities were between 95-100% occupied with many taking waiting lists for certain locker sizes. General details of these facilities are explained below.

### **Ace Self Storage – 651 Athabasca Street**

This facility is located 5km north east of the proposed location. It consists of 24,000 ft<sup>2</sup> of NRA and is all exterior access storage. This facility offers parking for RV's and vehicles. The exposure would be considered average and access would be considered good. Its location in a light industrial area away from significant residential development would be considered a negative attribute.

### **Halston Mini Storage – 1271 Salish Road**

This facility is located 6 km to the north east of the subject property and consists of approximately 23,000 ft<sup>2</sup> NRA of storage space. This facility was recently purchased by storage vault and is in the process of becoming a Storage for Your Life location. Parking for RV's and cars is also offered at this location.

### **Los Rios Storage – 795 Athabasca Street**

This is a small facility consisting of 7,500 ft<sup>2</sup> NRA with expansion potential. It is located 6km North east of the proposed property. This facility offers parking for RV's and vehicles but does not have an onsite office for rentals. All storage is externally accessed and is unheated.

### **McGill Storage – 1226 McGill Road**

This facility is located 2 km north of the proposed location and consists of 24,500 ft<sup>2</sup> of NRA. This facility offers a mix of internal and external storage with some heated units. RV and vehicle parking is also available on site. There is very little residential development in the vicinity of this facility however it is in close proximity to the local University.

**Versatile Storage – 2095 Trans-Canada Highway**

This is an older facility located 2 km to the west of the proposed facility with a NRA of approximately 35,000 ft<sup>2</sup>. It is located adjacent to the Trans-Canada Highway and has excellent exposure but only good access. This facility offers outdoor storage for RV's and vehicles as well.

**4 Corners Storage – 1298 Kootenay Way**

This facility is comprised of three locations spread across Kamloops. The Iron Mask location is approximately 2km to the west while the Halston location is 6km north east. The Dallas Drive location is 10 km east of the proposed location. The total facility is 47,070 ft<sup>2</sup> of NRA with the majority being located at the Halston location. This facility is currently under contract for purchase by Storage Vault with a closing date later this year.

**Storage For Your Life – 600 Okanogan Way**

This facility is located 5km north east of the proposed location and is two nearly locations operated as a single facility. This facility consists of 51,000 ft<sup>2</sup> of NRA and is all externally accessible storage. This facility offers RV and vehicle storage as well. Storage Vault Canada is the operator of this facility.

**Budget Storage – 820 Notre Dame Ave**

This is an older facility with a mix of internal and external heated storage. This facility is located 2 km north east of the proposed facility and shares its location with a budget car and truck rental kiosk. This facility is comprised of 51,550 ft<sup>2</sup> of NRA spread over 498 units.

## **ANALYSIS OF DEMAND**

### **POPULATION TRENDS**

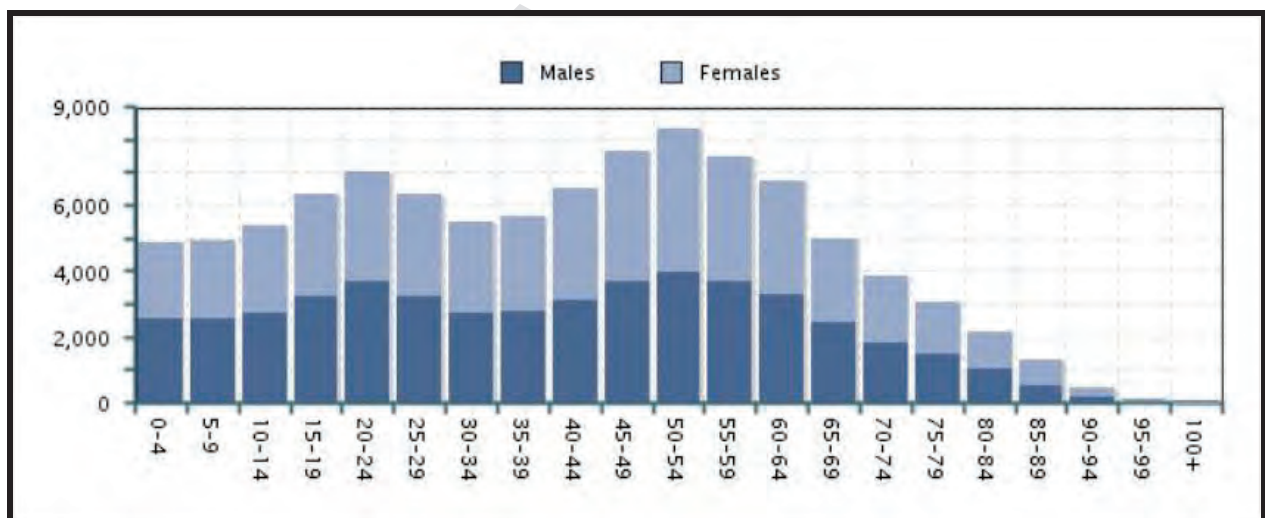
Growth in the Kamloops Metropolitan area has been steady over the past decade at around 0.66% per year. This makes the current population of what we would consider the total trade area to be 103,811 as of the end of 2016. The population is estimated to rise to 107,237 by 2021. The growth trend in the total trade area is expected to remain steady over the next decade with new housing construction keeping pace with population demand for the foreseeable future.

### **CHARACTERISTICS OF THE TRADE AREA POPULATION**

To follow are the population statistics that are most important to successful self-storage developments in any area. These statistics give a good overview of current and future conditions in the trade area and are helpful in planning long-term growth and marketing strategies. Kamloops is a steadily growing community, and as such, as the population grows its demographics may change. These statistics should be reviewed from time to time. As the statistics used in this analysis came from many different Municipal and Provincial sources, we have presented an overview and summary of our findings after examining all the data from relevant sources.

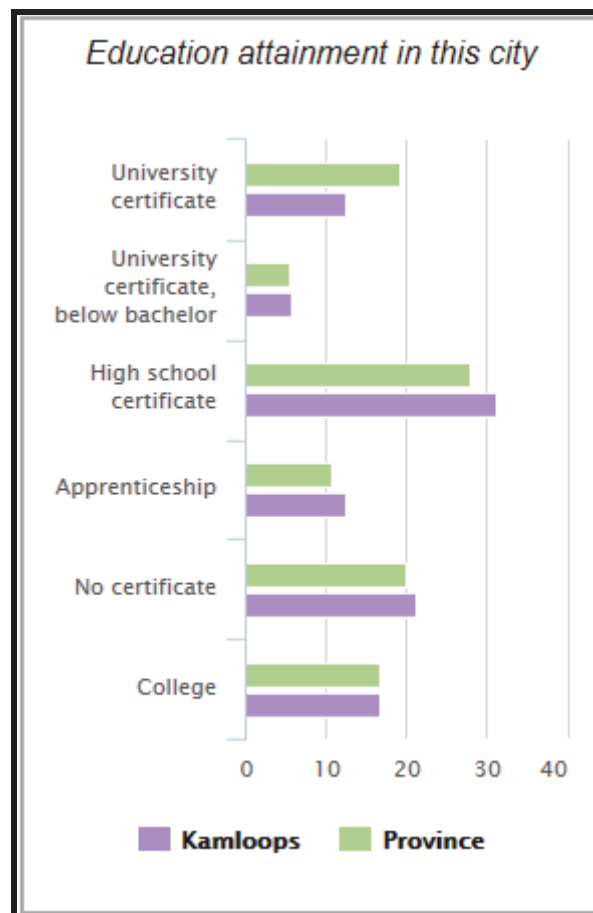
## AGE COMPOSITION

The age distribution in the Kamloops area is heavily weighted towards the younger and middle generations with a sharp decline in the age cohorts over 74 years of age. In self-storage we see participation in the market increase as the population grows into the middle aged category. When we look at very successful self-storage markets we see a bulk of the population between ages 35-64. In the case of the trade area, we do see a large portion of the population in this age bracket with the distribution weighted heavily towards the bottom end of the grouping. By having such a large grouping of the population in the section of the target market for storage, it would be expected that the demand for self-storage will stay steady if not increase as these age groups mature and acquire more possessions. This is a positive sign for storage demand in the coming years.



## EDUCATION

Education is a good determining factor of the possible demand for self-storage in a community. As education increases, so does income. This plays a large role in the demand for self-storage as higher income groups have higher demand for self-storage units. The trade area has a large portion of the population with a high school education. This is a good indication for self-storage demand as it usually speaks to a higher earning potential for the residents with education. Although this data is somewhat dated (2011), we can assume that with the growth in new residents and the number of new homes being purchased, this statistic will, in the worst case scenario, remain the same, but will more than likely improve as new residents move to the trade area. This above average level of education is a positive sign for self-storage demand in the short term.



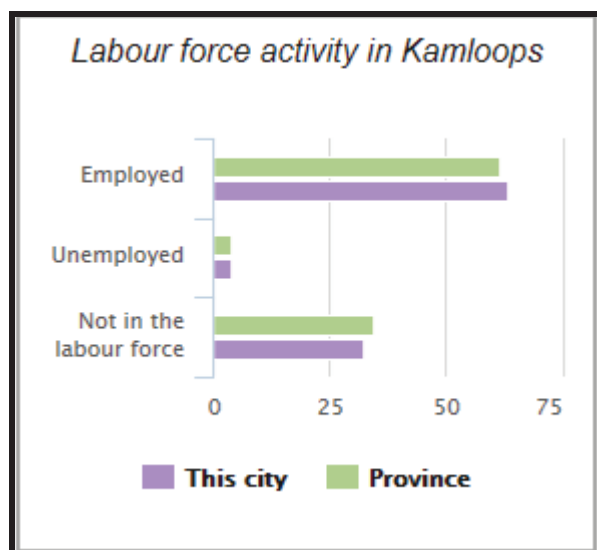
## HOUSING STOCK

The most significant factor influencing the potential demand for self-storage is the composition of the housing stock and any shift in that composition. Kamloops and the surrounding areas have a high proportion of single detached houses. There is also a great deal of development of multi-family nature currently taking place with approximately 750 multi-family units currently being built with another 1,500 units in the short to mid-term planning phases. This mixture of housing is very conducive to high levels of self-storage usage. It should also be noted that most of the newly constructed housing is smaller in size and will lack extra space to store items. This factor should only serve to increase the demand for storage as these newly built houses become occupied in the near to mid-term.

| Structural type of dwelling                          | Kamloops |       |
|--|----------|-------|
|  | number   | %     |
| Total - Structural type of dwelling                  | 40,725   | 100.0 |
| Single-detached house                                | 23,725   | 58.3  |
| Semi-detached house                                  | 2,715    | 6.7   |
| Row house  | 3,205    | 7.9   |
| Apartment, building that has five or more storeys    | 680      | 1.7   |
| Apartment, building that has fewer than five storeys | 5,935    | 14.6  |
| Apartment, duplex                                    | 2,600    | 6.4   |
| Other single-attached house <sup>11</sup>            | 45       | 0.1   |
| Movable dwelling <sup>12</sup>                       | 1,825    | 4.5   |

## EMPLOYMENT

Historically, the unemployment rate for Kamloops has been below that of the Province. This holds true today and for the near future. This would be considered a positive factor for storage demand. The unemployment rate in the Province of BC has been falling over the past years and the City of Kamloops has followed this trend. Moving forward, we expect to see high levels of employment continue in the Kamloops area due to its diverse economy and its role as a hub city for the interior of BC. This will continue to drive demand for self-storage in the short to midterm. In addition to the low rate of unemployment, Kamloops has historically had a larger than average proportion of labour force participation meaning more of the population is working on a percentage basis than the average in BC.





## **SUMMARY OF DEMAND ANALYSIS**

Following is a summary of the strengths and weaknesses of the subject trade area indicated by the demographic analysis:

### **STRENGTHS:**

The population growth in the Kamloops area is above the provincial average and is projected to continue at a steady pace for the next 10-15 years. This coupled with the demographic factors explained above point towards an increased growth in demand for self-storage. It is important to note that there is a large increase in demand for self-storage as a population ages. Some areas in Kamloops have average incomes that are up to 25% higher than the Province of BC as a whole. This is beneficial to storage facilities in the surrounding areas as it will allow a higher price point to be achieved across all locker classes.

### **WEAKNESS:**

Overall, the Kamloops area has a lower than average socio-economic status than the Province of BC. This means that the average income, education, employment and housing is on a whole inferior to that of the Province as a whole. This means the demand for storage may be less than what is seen in more affluent areas. Having said this, the continued prosperity of the Kamloops area is dependent on the continued prosperity of the economy as a whole due in large part to the nature of a great deal of the industry in the Kamloops area. If the economy were to stall or enter into a recession, expenditures on products and services in the Kamloops area would be reduced and, it would in turn cause a reduction in economic growth and demand for storage. In addition to this, the storage facilities in Kamloops are not tightly clustered for the most part and therefore compete with one another for the same customers in the trade area. This makes proper management and marketing even more important than at a facility with few competitors.

## **SUMMARY OF SUPPLY ANALYSIS**

There have been no cross-Canadian surveys with respect to self-storage demand and supply although the supply of self-storage is well documented in the United States. Key to the determination of the extent of demand for additional self-storage is a projection of the amount of space that the trade area is able to absorb. However, the supply in the immediate trade area is less than adequate. Following is a discussion of the positives and negatives with respect to the existing and proposed supply in the subject trade area and the effect of adding an additional facility to the supply.

| POSITIVES   | NEGATIVES  |
|---|--|
| <p>Current supply in the trade area as a whole is 2.55 square feet per capita.</p> <p>Average occupancy appears to be in the 95-100% range with some units available at the time of our survey.</p> | <p>Kamloops has a large geographic area.</p> <p>Established large storage operators in the trade area.</p> |

After completing and analyzing our survey of the primary trade area, we have come to the conclusion that the supply of self-storage units in the trade area is less than adequate. There is an under supply of self-storage in the Vancouver area that a new facility could capitalize on.

## **MARKET PENETRATION**

| Primary Trade Area | Based on existing space           | 2.55 sq. ft. per capita |
|--------------------|-----------------------------------|-------------------------|
|                    | Based on estimated occupied space | 2.42 sq. ft. per capita |

The Kamloops per capita storage level, when compared to the national average for storage, is undersupplied by at least half a square foot per capita. Currently the supply of Class A, third generation, facilities is not sufficient.

## **MARKET DEPTH**

Survey research and zip code studies confirm that demand or customers for a typical self-storage come from a five mile radius of the site. This is borne out by analysis of the customer base of suburban Canadian facilities by postal code as well. It is very difficult to induce demand for self-storage from outside the trade area.

Based on the findings of the most recent self-storage demand study published by the Self-Storage Association, which included a Canadian section, as well as the results of the first Canadian survey published in the 2016 Self-Storage Almanac, one of the traditional formulas has been updated as follows:

|  |                                 |
|--|---------------------------------|
| Every 30 single family houses requires               | 100 square feet of self-storage |
| Every 30 ground oriented multi-family units requires | 75 square feet of storage       |
| Every 30 multi-family apartment units requires       | 50 square feet of storage       |
| Every 30 moveable units requires                     | 25 square feet of storage       |

Each \$5000 of retail sales per capita x # of residents requires 0.50 square foot of self-storage. Based on this formula the following demand is indicated:

### **Kamloops Metropolitan Area**

| Year                              | 2016     | Formula                               | Demand (s.f.) | Per Capita |
|-----------------------------------|----------|---------------------------------------|---------------|------------|
| SF houses                         | 25,340   | 1/30 x 100 s.f.                       | 84,466        |            |
| Ground oriented MF units          | 9,345    | 1/30 x 75 s.f.                        | 23,363        |            |
| MF units (apartments)             | 6,705    | 1/30 x 50 s.f.                        | 11,175        |            |
| Moveable units                    | 1,825    | 1/30= 25 s.f.                         | 1,521         |            |
| Retail sales/cap                  | \$19,149 | retail sales/\$5000 x population x .5 | 198,787       |            |
| Total Market Depth                |          |                                       | 319,312       | 2.84       |
| Less occupied self-storage space  |          |                                       | 251,555       | 2.42       |
| Potential Residual Demand         |          | [best case scenario]                  | 67,757        | 0.65       |
| Less space available in Vancouver |          |                                       | 13,239        |            |
| Potential Residual Demand         |          | [worst case scenario]                 | 54,517        | 0.53       |

As shown by the analysis above, there is currently an under supply of self-storage in the trade area of 54,517 square feet if all other storage would have to be rented to 100% before any new facility would see demand. This would be considered the worst case scenario. The best case scenario shows an excess demand currently of 67,757 square feet.

### **Future Growth**

Assuming the population growth rate remains constant over the next five years, we would expect the population to increase by about 3,500 people by 2021. This would equate to a minimum new storage demand of 10,000 square feet bringing the total under supply to just over 71,000 square feet best case scenario. This estimate is based of growth projections and uses the current per capita demand for storage as the amount new residents would demand after moving to the area without the construction of any new storage facilities.

### **Occupancy numbers**

It should be noted that industry standard for occupancy in the self-storage market place ranges from 85-87% and the current occupancy numbers at the existing facilities in the trade area are averaging above 95% occupancy with some facilities completely full at the time of survey. This shows that the current undersupply of storage cannot be readily absorbed by the current supply of storage in these facilities. These occupancy numbers also points to a situation where there may be more demand from the current storage users who are in a situation where they do not have the ideal storage unit or storage locations and would move to a new facility to get either a larger or smaller unit or a better located unit that is currently not available in the storage facilities today.

## **ANALYSIS OF THE SUBJECT SITE**

### **Exposure:**

The proposed location of this facility is a off the Trans Canada-Highway which is the major arterial route for the City of Kamloops and transit route through the interior of BC. There is excellent exposure directly to Pacific Way and Hugh Allan Drive. The site is situated on the corner of Pacific Way and Hugh Allan Drive which are heavily traveled streets in the west of Kamloops. Recently, single and multi-family developments have been proposed and approved in the surrounding areas. These new developments will increase residents in the surrounding areas and increase the demand for storage. The Aberdeen Mall is a short drive to the north and there are numerous small commercial centers in the immediate area of the subject location.

### **Access:**

Currently, access to the proposed site would be considered excellent as it is easily accessible from major routes such as the Trans-Canada Highway and Pacific Way. As the facility can be seen from the Trans-Canada Highway, we would advise that all efforts possible be made to advertise the facility to this major transportation route.

### **Site Configuration, Size and Conditions:**

The site is currently developed with a commercial building that once housed a restaurant and will be demolished to build the new facility. The site area is 57,934 ft<sup>2</sup> and is zoned for immediate redevelopment.

## **SUMMARY OF FINDINGS**

- The most positive demographic factor with respect to the subject trade area is the age composition of the population; there is a small proportion of pre-retirees as well as a large proportion of the middle age and younger cohorts. The trade area has a pre-retirement age group along with a large group that is at the edge of entering the prime age group for self-storage. This should keep the demand for storage increasing in the short to mid-term as these groups grow into storage users.
- With respect to housing, the combined trade area reflects a high level of single detached housing and of multi-family units, particularly apartment units. It also shows a large number of owner occupied housing. This is generally considered a positive factor with respect to self-storage demand as it correlates with lower mobility of the population and thus longer average stays in self-storage and a higher per capita demand for storage.
- In our opinion, the supply of self-storage in the trade area as a whole is supportable and indicates that additional self-storage space could be absorbed readily.
- The current population is under supplied by the offerings of self-storage leaving an opportunity for a new facility to service this demand. In addition, it has been indicated that customers have shown a preference of higher quality storage at a higher price as opposed to low quality storage at a low price. This should be further examined so that a new facility can maximize on these users, thus gaining a better facility average for rental rates.

## **RECOMMENDATIONS**

- It has not been within the purview of this study to comment upon the economy as a whole but rather to focus in on the self-storage market and the demographic factors affecting demand. However, few industries flourish in a recession. The Province of British Columbia has had strong economic performance over the past five years. This trend is forecast to continue but given the uncertainty in the world economy, the economy in Canada as a whole is currently growing very slowly. These factors coupled with the uncertainty of a new Provincial Government in BC points to some uncertainty in the near to id term. Any downward change in the growth rate of the Canadian economy as a whole may begin to slow growth in BC and thus lessen the demand for storage in the province.
- According to our research, there is currently an under supply of self-storage in the City of Kamloops. This information, although found through our extensive research into demographics, supply, demand and other factors that impact self-storage, is probably known by current operators. We would advise that you be vigilant for new facilities in the planning stages that may affect the overall supply of self-storage including the two facilities in the planning phases in the same neighborhood.
- In summary, although there is an under supply of self-storage space currently in the market, new facilities could impact the opening of the proposed facility. With the projected economic growth in the region, there will no doubt be demand for self-storage that will out strip any current developments in the future. In making a decision on whether or not to go ahead, one must weigh all of these factors. We would advise you to proceed with this development given the supply and demand factors presented in this report.



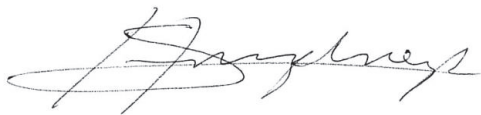
## CERTIFICATION

Market analysis of the feasibility of a proposed self-storage facility on a site located at 1485 Trans-Canada Highway, Kamloops, BC.

We certify that to the best of my knowledge and belief:

- ❑ The statements of fact contained in this report are true and correct;
- ❑ 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;
- ❑ We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- ❑ We are not in a conflict of interest to undertake this assignment;
- ❑ We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- ❑ Our engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate(s), or a conclusion favouring the client;
- ❑ Our analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice;
- ❑ We have the knowledge, skills and experience to complete the assignment competently;
- ❑ Patrick Wood, AIC Candidate, made a personal inspection of the site which is the subject of this report on August 24, 2017. The competitive facilities were visited and surveyed for occupancy and rents between August 21<sup>st</sup> and August 24<sup>th</sup> 2017. Scott Humphreys, AACI, P.App, did not inspect the subject property.
- ❑ As of the date of this report the undersigned have fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for Members;

Dated this 30<sup>th</sup> day of August, 2017



Scott Humphreys, B.Comm, AACI, P.App



Patrick Wood, AIC Candidate

## **SCHEDULE B**

### **Canadian Self Storage Valuation Services Inc. – Phase II Feasibility Report**

**PHASE II FEASIBILITY STUDY OF PROPOSED**  
**SELF STORAGE FACILITY**  
**1485 TRANS-CANADA HIGHWAY**  
**KAMLOOPS, BC**

**STUDY DATE**

August 24, 2017

**PREPARED FOR**

NationWide Storage Trust



CANADIAN SELF STORAGE  
VALUATION SERVICES INC.



CANADIAN SELF STORAGE  
VALUATION SERVICES INC.

SUITE 303-1001 CLOVERDALE AVENUE, VICTORIA BC, V8X4C9 PHONE (250) 384-2929 FAX (250) 388-6290  
EMAIL [info@cssvs.ca](mailto:info@cssvs.ca) WEBPAGE [www.cssvs.ca](http://www.cssvs.ca)

Our File: 1081-FS-XX-BC148A

September 14, 2017

NationWide Storage Trust  
609 Granville Street  
Vancouver, BC V7Y 1G5

Attention: Mr. Hugh Cartwright

Dear Mr. Cartwright

Re: **Feasibility Study – Phase II: Proposed Storage Facility located at  
1485 Trans-Canada Highway, Kamloops, BC**

---

We have been asked to complete Phase II of a feasibility study with respect to self storage development on a site located at 1485 Trans-Canada Highway, Kamloops, BC. The self storage site would be located in a commercial residential area in Kamloops BC.

Our research shows that there would be a demand for a properly planned, constructed, marketed and managed facility not to exceed 60,000 sq. ft. in the City of Kamloops, British Columbia. We have come to this conclusion after examining the current facilities, population demographics and trends, economic factors and expected growth in the District. A full examination of these factors is contained within this report.

Respectfully submitted,

CANADIAN SELF STORAGE VALUATION SERVICES INC.

A handwritten signature in black ink, appearing to read 'Scott Humphreys', written over a horizontal line.

Scott Humphreys, B.Comm, AACI, P.App, CRP  
SH/PW/ks

A handwritten signature in black ink, appearing to read 'Patrick Wood', written over a horizontal line.

Patrick Wood, B.Sc, AIC Candidate



CANADIAN SELF STORAGE  
VALUATION SERVICES INC.

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## **PURPOSE OF THE MARKET STUDY**

The current owner of the property located at 1485 Trans-Canada Highway, Kamloops, BC is proposing construct a self-storage facility and has commissioned this report to analyze the financial feasibility of the development. The purpose of this Phase II report is to analyze the financial aspects of the proposed self-storage development. The research for this analysis was conducted between August 21<sup>st</sup> and August 24<sup>th</sup>, 2017 and analyses and conclusions are based upon market conditions discovered during that time period.

### **Date of Study**

August 24, 2017

### **Date of Inspection**

August 24, 2017

### **Scope of Work**

During the course of this study, the appraiser:

- Inspected the subject trade area on August 24, 2017;
- Collected data regarding the local market and conducted a rental and occupancy survey of the competitive facilities within a 15-kilometer area;
- Reviewed sales and listing data with respect to sales of improved self-storage facilities;
- Prepared a self-contained narrative feasibility report.

The appropriate market data was gathered through in-house information, sales and listing data provided by agents active in this specialized market and discussions with various participants in the self-storage market including agents, developers, owners and property managers. The report was prepared in conformity with the Canadian Uniform Standards of Appraisal Practice.

## **ASSUMPTIONS AND LIMITING CONDITIONS**

The market analyses contained in this report are based on a thorough and detailed analysis of information derived from various sources. Some of this data has required subjective interpretation and our terms of reference have, in some instances, required us to make certain assumptions in arriving at our value conclusions. As a result, the opinions and conclusions contained in this report are subject to the following Contingent and Limiting Conditions:

1. No responsibility is assumed for legal factors pertaining to the state of title or for technical matters relating to hidden or apparent conditions of the property which were not brought to our attention and which may have an impact on the potential to develop the property.
2. The recommendations contained in this report are based on information gathered from various sources considered reliable and believed to be correct; it is assumed that the information that we have gathered from these sources is accurate and comprehensive.
3. Maps or plans appearing in this report are included for the sole purpose of visual reference and should not be construed as legal surveys.
4. This report is prepared in confidence for the sole use of NationWide Storage Trust. Liability to any other party relying on the report, without permission of Canadian Self Storage Valuation Services Inc., is denied. The report is valid only if it bears the original signature of the author.
5. The findings and conclusions of this report are based on market conditions between August 21<sup>st</sup> and August 24<sup>th</sup>, 2017. It is assumed that there will be no significant change in the economy within the short term. If such a change should occur it is recommended that the conclusions of the report be reviewed.



## **EXTRAORDINARY ASSUMPTIONS**

### **PHASE II**

This is the second part of the feasibility study into the proposed self-storage facility in Kamloops, BC. It should be noted that this report must be read in conjunction with the Phase I report (1081-FS-XX-BC148) to fully understand the project and current market conditions. All Assumptions and Limiting Conditions on page 3 from that report should be considered to be in full effect for this report as well.

In this report we have studied the current market conditions in Kamloops and the surrounding areas as well as the greater self storage industry as a whole. We have used this study in conjunction with plans, estimates and details provided by our client to arrive at our suggestions for this proposed facility.

It should be noted that all estimates of value are based on a facility that is completed in a timely fashion and is of good workmanship and quality. If there were to be any delays in moving forward with this project, we reserve the right to re-examine the market conditions in the Kamloops area to see if our findings still hold true to the current market conditions.

## ANALYSIS OF THE PROPOSED DEVELOPMENT

Currently the property is vacant and was once used as a restaurant. Given the current market for commercial properties in the west area of Kamloops, a multi storey drive up type facility would be the most financially feasible. The current zoning of the property is C-4 and storage is an allowable use under “Mini Warehousing”. Given the overall size of the property (1.33 acres, 57,934 ft<sup>2</sup>) it would be advantageous to build a new facility in a single phase. Given the demand for storage in the Kamloops area found in our Phase I report and after discussions with the Client, we would suggest a net rentable area (NRA) of 50,000 ft<sup>2</sup> for the proposed development and will base our analysis off this size for this report and is allowable under the current zoning.



## **Management and Security**

### **Resident vs. Non Resident**

In terms of onsite management, there are generally two types in the self-storage industry. A resident manager situation is where the manager lives on site in a residential unit and is there most of the time to oversee any issues or security concerns. A non-resident management situation is where the manager is at the facility during business hours only.

For a facility of this type and located close to the downtown core, we would suggest the use of a non-resident manager as the added security and attention should not be needed at a facility located so close to a municipal core. This should also keep costs down for the facility as a whole, as residential management can be more expensive for a smaller facility.

### **Types of Security**

When securing a facility, there are two regimes that are employed by the self-storage industry. One is the onsite guard to secure the facility. This is used in high risk areas or for very large facilities. The other is an advanced security system including video monitoring and alarm response. This is a less expensive arrangement if the area the facility is located in is fairly safe.

## **Requirements for Area and Customers' Expectations**

In the City of Kamloops, property crime is not a very large problem, especially in the residential/commercial area the proposed facility would be located in. For this reason we would suggest that this facility use a state of the art alarm with security response rather than a resident manager set up.

### **Unit mix**

#### **Types of Units**

In self-storage there are many different types of units but they all fall into one of two categories external access or internal access. This refers to the way in which one would gain access to the locker either from the outside or from the internal hallway of a building. Many people find the external access to be more desirable as it allows drive up access to their locker and unload their possessions. This cuts down on the amount of work moving items in or out of the lockers. Depending on building design, some facilities may be entirely external access units while other facilities may have a few or no units that can be accessed from the outside.

Given the current market in Kamloops, with some competing facilities having drive-up units and many of those being full, with a waiting list (for certain sizes), we feel the decision to maximize the number of drive up units in the proposed facility to be a good one. This decision should help decrease lease up times as it can satisfy some of the pent-up demand for these types of units in the Trade area. In addition, historically, drive up units command a premium over non drive-up units. This should allow the proposed facility to compete with the surrounding facilities while not negatively affecting their profitability.

Another major differentiation between many facilities is heated and non-heated units. This can further break down into climate controlled and non-climate controlled units. In some areas where the winter temperatures can drop well below zero, heated storage units are essentially the only type that you will find. In more temperate climates, you will find both heated and non-heated units as not everything needs to be kept very warm when in storage. A further evolution of this is the climate controlled and non-climate controlled storage units. In climate controlled units the temperature is kept above freezing but not as warm as in heated units and the humidity is kept in an acceptable range.

As the Kamloops area does experience extended periods of time in the winter when temperatures are below the freezing level, heated storage units are essential in this area. Some of the competitors in the area are not heated but and command a lower rate when compared to heated facilities.



## Unit Sizes

Typically, we see units in the 5x5, 5x10, 10x10 and 10x20 range at most facilities. As the unit sizes increase the revenue per foot decreases. It can also be an issue at some facilities with too many large units having higher vacancy rates. There may only be 4 vacant units but when they are very large they make up a large portion of the overall facility. We recommend limiting large units to a few, while focusing on small to medium units to help generate better revenue.

## Design Features

We would advise any client to make all efforts possible to make the entrance to the facility as welcoming as possible with landscaping and good design work. In addition, we would advise the client to make security features such as cameras and keypads as visible as possible as this has the effect of making clients see the security that is in places without having to be told about it. We would also advise that in the office where the security camera monitoring is located, at least one screen be made visible to the tenants so that they can see that the security system is functioning.

## Proposed Unit Mix

Below is a proposed unit mix based on the demand for units in the facilities that we surveyed.

| Size         | Number     | Total ft <sup>2</sup> |
|--------------|------------|-----------------------|
| 5x5          | 124        | 3,000                 |
| 5x10         | 140        | 7,000                 |
| 10x10        | 220        | 22,000                |
| 10x15        | 66         | 9,900                 |
| 10x20        | 40         | 8,000                 |
| <b>Total</b> | <b>590</b> | <b>50,000</b>         |

Our research has indicated that the Kamloops market currently demands units in the 5x10 to 10x15 more heavily than larger units. For this reason, we have weighted our unit mix around the 10x10 unit size. Surveys of competitive facilities in the trade area show that there is a greater availability of large units, therefore we have kept the larger units to a minimum to avoid a situation where a small number of units account for a large portion of vacancy on a per square foot basis.

## **FINANCIAL ANALYSIS**

In this section, we will examine all of the financial aspects of the facility including rental rates, expenses, additional revenue streams, strategies to lower operational costs and the expected final value of the facility based on expected rental rates and lease up period in the form of a discounted cash flow analysis showing the expected value of the facility at the 5 and 10 year mark of ownership.

### **Unit Rentals**

When planning to build and open a new facility, a key factor that must be taken into account is the current rental rates that are being demanded and also the rates that are actually being paid by consumers. It is very important to note all discounts; promotions and incentives that are being offered in the trade area as they give a much clearer picture of the true rental rates that are being received by facilities.

Understanding the true rental rates makes making the decision on the feasibility of a new facility one based on the actual rates that would be expected rather than those that are posted in the public. These rates can vary greatly as discounts such as one month free or discounts against posted rates can eat away at the average rental rates and make the net income of a facility fall. It is important to base projection on the true rental rates of the area rather than those that are posted to the public.

In our studies, we survey all of the competing facilities as prospective customers. This allows us to gain a true sense of the rental rates being achieved rather than those that are being posted by facilities. Below are the rental rates we were quoted by some of the competing facilities in the area of the proposed facility. We were unable to obtain some rental rates due to no units of certain sizes being available or lack of response from some facilities.

### **Posted Rates**

The table below shows the rates of the four most similar facilities to the proposed subject based on location, quality and condition that are either posted on the competitor's website or were quoted over the phone or in person when the facilities were surveyed in August of 2017. We asked for most standard unit sizes when surveying the facility and were able to get rates for most sizes that are offered.

| <b>Property</b>       | <b>5' x 5'</b> | <b>5' x 10'</b> | <b>10' x 10'</b> | <b>10' x 15'</b> | <b>10' x 20'</b> |
|-----------------------|----------------|-----------------|------------------|------------------|------------------|
| Halston Self-Storage  |                | \$ 80.00        | \$120.00         |                  | \$190.00         |
| Budget Storage        | \$70.00        | \$105.00        | \$135.00         | \$170.00         | \$185.00         |
| Storage For Your Life | \$70.00        | \$ 95.00        | \$140.00         | \$175.00         | \$199.00         |
| 4 Corners Storage     | \$65.00        | \$ 92.00        | \$130.00         | \$170.00         | \$175.00         |
| <b>Average</b>        | <b>\$68.33</b> | <b>\$ 93.00</b> | <b>\$131.25</b>  | <b>\$171.66</b>  | <b>\$187.25</b>  |

After reviewing the current rental rates above, we feel that a new facility in the prime location of the proposed facility could command rents at the top of the rental range. Below are the proposed rental rates for the proposed facility. These will be used in the financial analysis of this report.

### **Proposed Rental Rates**

| <b>Size</b> | <b>Price</b> | <b>Price PSF</b> |
|-------------|--------------|------------------|
| 5x5         | \$ 75.00     | \$3.00           |
| 5x10        | \$ 95.00     | \$1.90           |
| 10x10       | \$145.00     | \$1.45           |
| 10x15       | \$175.00     | \$1.17           |
| 10x20       | \$200.00     | \$1.00           |

We have set the proposed rental rates of the units below the some of the current market levels. This was done to account for possible rental lag in the market. Posted rates are typically what a facility feels it can currently achieve on its units that are available for rent but does not factor in the rental rates for previously rented units. Using the current rental rates as the facility average may overstate the potential revenue in a given trade area. For this reason, we have used a rent level slightly below that of what is currently being achieved.

## **Additional Revenue**

It is important to maximize all sources of revenue available to a facility. This includes selling merchandise, insurance, and other cost plus items. Selling these will ensure that every customer is contributing to the bottom line of the facility. It is much easier to maximize revenue from an existing customer than to recruit a new customer to the facility. Detail of each additional revenue stream and what can be expected in way of revenue is detailed for each source below. If properly marketed and implemented an owner could see up to an additional 5% of Expected Gross Income from these additional revenue streams.

### **Merchandise**

In the self-storage industry, merchandise and goods associated with self-storage are a mainstay in every self-storage facility office you walk into. This is with good reason as there is at a minimum a 50% profit margin in selling these goods. Most facilities will stock essentials such as tape, boxes, packing supplies, locks and other associated items. Some go further and have other retail items such as soft drinks and snacks for sale as well.

There are some issues that arise when selling merchandise. One of the major issues we see that can have a negative effect on income is poor inventory control. This is even truer when other items such as soft drinks and snacks are brought into a facility. If a facility is planning on using these items to generate revenue then a strict inventory control system must be implemented from day one.



## **Content Insurance**

Content insurance is a policy that is taken out by the renter to insure the contents of the locker against loss. This has become a very big industry in the United States with some facilities reporting over 60% of clients taking out content insurance. Contents insurance is a very good additional revenue stream for a facility as it has almost no cost to the facility. The insurance is offered by a third party and the facility gets a commission on every policy sold. This can be offered as a value added service or included in the price to make the rental look more appealing to a potential renter.

We have clients that both offer insurance at the time of rental and who have included the insurance in the rental price. We would advise that as a new facility, content insurance is offered as a value added item to be sold at the time of rental. This will require more training in the short run but offers better revenue potential in the long run.

## **Late Fees/Auctions**

Late fees and administration fees can generate 1.0%-2.0% of effective gross income and are an integral part of any successful facility. It is necessary to have penalties when lockers are not paid for promptly. In doing so renters are encouraged to have a payment card on file and this in turn helps with cash flow. It is also necessary to have a mechanism in place to deal with very delinquent units. The industry standard is to auction the contents off to the highest bidder to try to recover some of the fees that were not paid by the tenant. These auctions can be very lucrative and have been in recent years popularized by reality television. There are companies that will do all of the leg work in setting up an auction and selling the units for a fee and, depending on the ability of the manager, this may be an avenue to consider for this facility.

## **Estimated Absorption and Stabilized Occupancy**

### **Area Market**

The Kamloops area is a very unique one as the city is geographically long and skinny and runs along the major transportation routes. This makes Kamloops unique in that the residents typically travel longer distances on a daily basis and will most likely be willing to use storage a greater distance from home than a typical storage uses.

### **Facility Challenges**

As a new facility, it is always difficult to start off the leasing process. As this facility doesn't have name recognition like large chain storage facilities, it is sometimes difficult to spread the word about the new facility and its opening. In addition, with a relatively new facility in the trade area, lease up times may stretch if not properly managed.

### **Time Estimates**

In opening a new facility, many different factors come into play when trying to predict lease up times. After surveying the market in the Kamloops area and viewing and engaging with the completion, we feel that there is a very real opportunity to take market share away quickly if a new facility were to properly advertise and give exceptional customer service. If these aspects were addressed along with proper management and planning, we feel that the lease up time to a positive cash flow position of would be 18-24 months with full stabilized occupancy coming in the next 12-18 months thereafter.

### **Best/Worst Case Scenarios**

Our research has indicated facilities in nearby municipalities have opened in the past three years and have reached stabilized occupancy in 24 months. We would consider this the best case scenario as there are no examples of facilities that have leased up faster. As for the worst case scenario, it took Storage for Your Life in Mission, BC over five years to reach stabilized occupancy. This was due mostly to a poor unit mix that left a number of fairly large units in difficult locations on higher floors, unoccupied for an extended period of time. This may be a risk to a new facility with a unit mix that is weighted too much towards large units that may take longer to lease up.

**Stabilized Occupancy**

It should be noted that in the self-storage industry, stabilized occupancy is considered to be a range from 83% to 87% for facilities of this size. This is the level that at which we would call a facility fully stabilized as it allows for continued revenue growth via increased rates for new clients. Given the currently occupancy of the nearby facilities, an occupancy above the industry average is considered appropriate for the proposed facility. We will stabilize occupancy at 95% due to the occupancies of surrounding somewhat similar facilities being between 95-100% at the time of this study.

## **OPERATING EXPENSES**

The principal expense items associated with self-storage developments are property taxes, management (both on-site and overall management), and administration. In Canadian urban centers the item of property taxes is significant, usually being the largest expense item, by comparison to the United States where management is the principal expense item and taxes are a much lower component. The property tax expense item varies widely between taxing jurisdictions depending on the level of assessments and the mil rate.

Our experience with respect to the valuation of self-storage facilities reflects that operating expenses in mid to large sized facilities, in urban centers, are generally in the range of 35.0% and 45.0% of effective gross income (EGI), mainly due to increases in property taxes. Smaller facilities reflect higher expense ratios because of lack of economies of scale and older facilities reflect higher expense ratios because of higher repairs and maintenance costs, inefficiencies that result in higher utilities costs, and higher advertising and promotion costs. The expenses of the subject have been stabilized based on operating history and comparison to the expenses of similarly sized facilities. As the rental rates achieved in the trade area by competitive facilities are above industry standards, we would expect the operating expenses to be below that of the industry average.

### ***a) Property Taxes***

The property taxes are estimated at \$55,000 based on the projected value of the property and the property tax regime in the municipality the proposed facility will be located in. This equates to just over 5.75% of EGI which is within the industry standard.

### ***b) Wages and Benefits (on-site management)***

Salaries and benefits are running at approximately 6.75% of EGI. This is within the expected range for a facility of this size and occupancy.

### ***c) Overall Management***

The Canadian industry standard for self-storage is to charge 4.0-6.0% of EGI. We have used 5.00% for the purpose of this report.

***d) Utilities***

As the building will be fully heated, utility expenses would be expected to be above that of non-heated facilities. For the purpose of this report, we have used 2.34% of EGI, which is slightly above the industry standard of 2.0-3.0%

***e) Advertising***

Advertising charges generally represent the cost of a prominent ad in the Yellow Pages for the market area and have generally decreased because most facilities are cutting back on Yellow Pages advertising in favour of internet advertising. As this is a new facility, we will set advertising costs higher as the advertising expense is expected to be high in a new facility. We would expect this to fall once stabilized occupancy is reached in the Subject facility. This expense is set around the 1.50% EGI level.

***f) Repairs and Maintenance***

The subject facility will be a newly constructed facility and will have low maintenance costs. Maintenance expenses should be around 1.25% of EGI.

***g) Insurance***

Insurance costs have been decreasing throughout the province generally because of greater competition between insurance companies competing for self-storage clients. Insurance costs for the subject property are 1.65% of EGI.

***h) Administration expenses***

Administration expenses include office expenses, bank charges and bad debt expense, professional fees, licenses and membership fees, travel expenses, and telephone. These items have been projected based on the history of these costs in the facility as well as by comparison with other properties as follows:

- Office expenses are above average at 1.51% of EGI
- Bank charges will be stabilized at 1.95% of EGI
- With respect to professional fees, this expense item is stabilized at 0.70%
- Licenses and permits and membership fees are projected at \$3,000
- Entertainment and travel expenses are stabilized at \$0.05 per square foot
- Telephone costs have been stabilized at \$0.07 per square foot

***i) Supplies (Costs of Storage Aids)***

The costs of merchandise have been stabilized at 50.0% of sales as per industry standards.

**Industry Standards**

In the self-storage industry, we normally say that a facility expense ratio is within the range of 35-45% of EGI. Any deviation from this should be examined to ensure that all expenses are being properly captured by the analysis. In some cases, the location of a facility or other characteristics may help reduce the overall expense ratio of the facility. Some major factors that can have a large effect on the expense ratio are high property taxes in major metropolitan areas, higher advertising costs of a new facility, or a facility that is in its initial lease up phase.

**Facility Advantages**

The Subject facility has a few distinct advantages over other facilities of its size that help reduce its overall expense ratio. The Subject facility is located in an area with a low property tax regime. In addition to this, the high occupancy levels of surrounding facilities and lower expenses due to lower staffing requirements and lower management costs all contribute to a below average expense ratio.

**Expected Expenses for Subject Facility**

We would expect the expense ratio of the Subject facility, to be in the 28-32% of Effective Gross Income range. This would be below what is considered industry standard as the rental rates are above what would be considered industry standard and large expenses such as wages and property taxes are low due to location and facility design. For the purpose of this report, we have stabilized the operating expenses at 29.20% of EGI.

## **VALUATION PROCEDURE**

The value of the property is estimated primarily by the Income Approach. The property is developed for the sole use of generating rental income and income analysis is the preferred method for valuing self-storage facilities. In valuing the property via the Income Approach, two methods of analyzing the income have been utilized, the direct capitalization of stabilized net income and the discounted cash flow (DCF) method of analysis. The Direct Comparison Approach is used primarily as a check against the Income Approach value test.

The Cost Approach is not developed in this report. The approach is most suited to new or proposed facilities. In our experience, self-storage properties transact based on their income generating capabilities and not based on replacement cost.

## **INCOME APPROACH**

An estimate of value by the Income Approach is based on the theory that the value of the property is the present worth of the net income it will produce during the remainder of its useful economic life.

An outline of the main steps involved in this approach is as follows:

1. Estimate the gross income of the property.
2. Estimate the owner's operating expenses.
3. Estimate the net income before depreciation.
4. Select a capitalization rate from the market, which will convert the net income estimate into capital value.

Properties that produce income are typically purchased for some form of financial return rather than for direct use by the owner, though the two objectives may be combined. The financial return stems directly from the ability of the property to generate income and its capital value is a function of the rental productivity of the property in relation to the expectations of an investor with respect to future revenue.



## Potential Revenue

After reviewing the competitors posted rates and attempting to rent a unit to see if any discounts are offered, we have tabulated what we feel are attainable rates per billing period for the proposed facility. It should be noted that some of these rates are above the average rate for the competitors in the area. This is due to the lack of availability of units in the competitor's facilities and the proposed Class A facility.

| Size  | Price    | Price PSF |
|-------|----------|-----------|
| 5x5   | \$ 75.00 | \$3.00    |
| 5x10  | \$ 95.00 | \$1.90    |
| 10x10 | \$145.00 | \$1.45    |
| 10x15 | \$175.00 | \$1.17    |
| 10x20 | \$200.00 | \$1.00    |

Based on the above unit mix and price per unit, we have put together the potential storage income based on our proposed unit mix in the table below. We have allocated all of the units to heated units as the current plan is for one large building that will be heated.

| Size         | Price    | Number     | Revenue          |
|--------------|----------|------------|------------------|
| 5x5          | \$ 75.00 | 124        | \$ 9,300         |
| 5x10         | \$ 95.00 | 140        | \$ 13,300        |
| 10x10        | \$145.00 | 220        | \$ 31,900        |
| 10x15        | \$175.00 | 66         | \$ 11,550        |
| 10x20        | \$200.00 | 40         | \$ 8,000         |
| <b>Total</b> |          | <b>590</b> | <b>\$ 74,000</b> |

The total monthly potential income of the proposed facility is \$74,000 per month or \$1.48 PSF. This equates to \$962,800 per year based on 4 week billing cycles.

## Expected stabilized rental income

Below is the stabilized income analysis of the proposed Subject facility.

|                            |               |          |        |
|----------------------------|---------------|----------|--------|
| Stabilized Income Approach |               |          |        |
|                            |               |          |        |
|                            | 95% Occupancy |          |        |
|                            |               | \$/Sq Ft | %EGI   |
|                            |               |          |        |
| Gross Revenue              | \$962,000.00  |          |        |
| Vacancy Rate of 5%         | \$48,100.00   |          |        |
| Additional Revenue         | \$48,100.00   | \$0.96   |        |
| EGI                        | \$962,000.00  | \$19.24  |        |
|                            |               |          |        |
| Insurance                  | \$16,000.00   | \$0.32   | 1.66%  |
| Bank charges               | \$18,759.00   | \$0.38   | 1.95%  |
| Licences and dues          | \$3,000.00    | \$0.06   | 0.31%  |
| Advertising and promotion  | \$14,500.00   | \$0.29   | 1.51%  |
| Office expense             | \$14,500.00   | \$0.29   | 1.51%  |
| Professional services      | \$5,500.00    | \$0.11   | 0.57%  |
| Property Taxes             | \$55,000.00   | \$1.10   | 5.72%  |
| Repairs and maintenance    | \$12,000.00   | \$0.24   | 1.25%  |
| Telephone                  | \$3,500.00    | \$0.07   | 0.36%  |
| Travel                     | \$2,500.00    | \$0.05   | 0.26%  |
| Utilities                  | \$22,500.00   | \$0.45   | 2.34%  |
| Wage and Benefits          | \$65,000.00   | \$1.30   | 6.76%  |
| External Management        | \$48,100.00   | \$0.96   | 5.00%  |
|                            |               |          |        |
|                            |               | \$5.62   | 29.20% |
|                            |               |          |        |
| Total Expense Estimate     | \$280,859.00  |          |        |
|                            |               |          |        |
|                            |               |          |        |
|                            |               |          |        |
| Net Operating Income       | \$681,141.00  |          |        |

The net income of the property after expenses is estimated to be \$681,141. This includes projected additional revenue from merchandise sales and late fees.

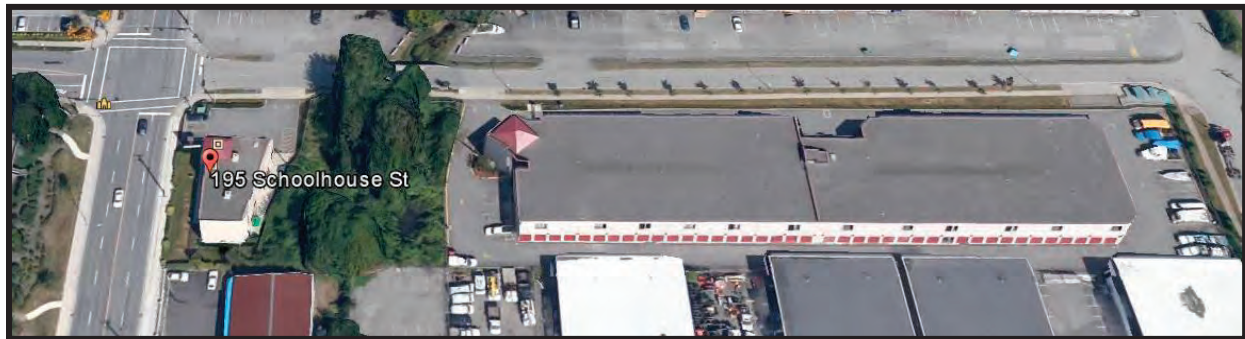
### Estimated Overall Rate of Return Upon Completion

The appraiser has reviewed sales of self-storage facilities in British Columbia and Alberta to form an opinion of the appropriate capitalization rate for the proposed subject investment.

#### **INDEX No. 1. - APEX: 8866 LAUREL STREET, VANCOUVER, BC**

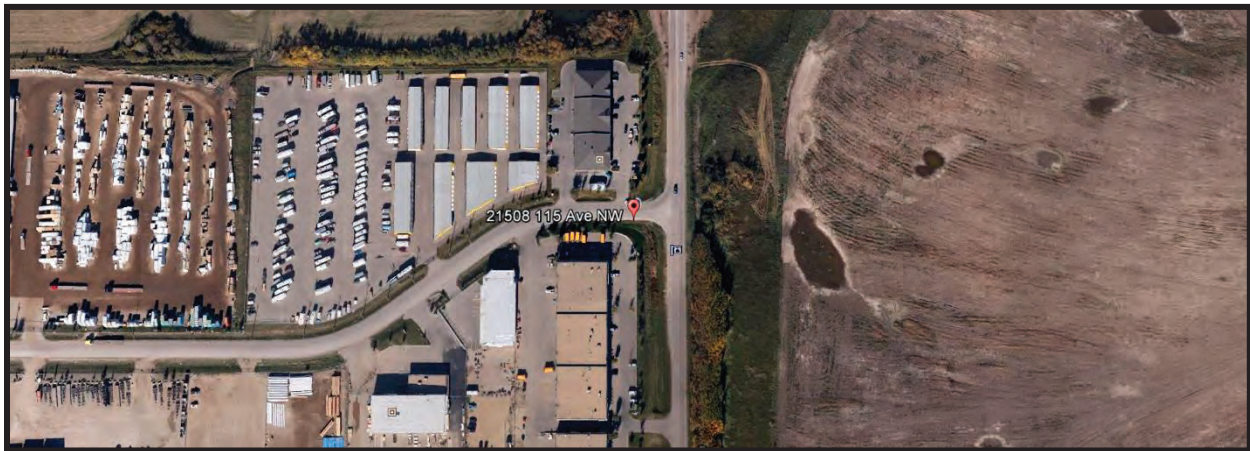


|                          |  |
|--------------------------|--|
| ADDRESS                  | 8866 Laurel Street, Vancouver, B.C.  |
| LEGAL DESCRIPTION        | PID: 024-608-947   |
| SITE AREA                | 1.08 acres   |
| NET RENTABLE AREA        | 66,423 square feet in one two storey converted building.   |
| DETAILS OF BUILDINGS     | The existing industrial building was converted in 2005-2006 with the addition of a full mezzanine floor. There is covered loading along the west side of the building and there are 27 drive-up units at the ground level. There are a total of 968 units (average unit size of 69 square feet). |
| SECURITY FEATURES        | Surveillance cameras, key pad entry to the building, individual unit alarms.   |
| SALE PRICE               | \$14,270,145   |
| DATE OF SALE             | February 2012  |
| ESTIMATED STABILIZED NOI | \$924,767  |
| INDICATED CAP RATE       | 6.5%   |
| PRICE/S.F. NRA           | \$214.84   |
| COMMENTS                 | Rents in the facility were at \$2.10 per s.f. per month; occupancy was 90.4% at sale.  |

**INDEX No. 2 – APEX: 195 SCHOOLHOUSE STREET, COQUITLAM, BC**

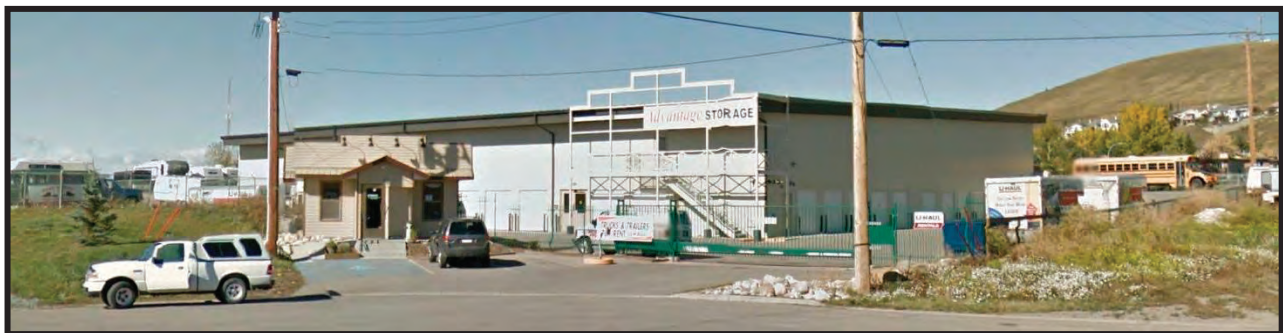
|                          |   |
|--------------------------|---|
| ADDRESS                  | 195 Schoolhouse Street, Coquitlam, B.C.   |
| LEGAL DESCRIPTION        | PID: 024-608-947<br>Lot A, District Lot 47, Group 1, NWD, Plan LMP43257   |
| SITE AREA                | 2.514 acres   |
| NET RENTABLE AREA        | 60,583 s.f. in one 2-storey building.   |
| DETAILS OF BUILDINGS     | Facility comprises a two storey climate controlled storage building completed in 2004 and offering 671 units with an average size of 90 s.f. There is a separate office/reception building with frontage to Schoolhouse St. which also contains a 1,500 s.f. retail unit. |
| SECURITY FEATURES        | Fenced compound with electronic gate access, digital video surveillance with cameras throughout the site, individual unit alarms.   |
| SALE PRICE               | \$10,492,794  |
| DATE OF SALE             | February 2012   |
| ESTIMATED STABILIZED NOI | \$694,836   |
| INDICATED CAP RATE       | 6.6%  |
| PRICE/S.F. NRA           | \$173.20  |



**INDEX No. 3. - ACME SELF STORAGE: EDMONTON AB**

|                          |   |
|--------------------------|---|
| ADDRESS                  | 21508 - 115 Avenue, Edmonton, AB  |
| LEGAL DESCRIPTION        | n/a   |
| SITE AREA                | 7 acres   |
| NET RENTABLE AREA        | 44,052 s.f. of self storage in 9 buildings.   |
| DETAILS OF BUILDINGS     | Constructed in 2005, the facility includes 9 single-storey buildings demised into 265 units with an average unit size of 166 s.f. 37 units are heated. Modular construction, metal buildings. |
| SECURITY FEATURES        | Perimeter fencing, electronic gate.   |
| SALE PRICE               | \$4,850,812   |
| DATE OF SALE             | January 2013  |
| ESTIMATED STABILIZED NOI | \$293,597   |
| INDICATED CAP RATE       | 6.1%  |
| PRICE/S.F. NRA           | \$110   |

# INDEX No. 4. - ADVANTAGE STORAGE: COCHRANE, AB



|                          |   |
|--------------------------|---|
| ADDRESS                  | 20 Griffin Industrial Park, Cochrane AB   |
| LEGAL DESCRIPTION        | n/a   |
| NET RENTABLE AREA        | 37,500 s.f. of self storage in one building.  |
| DETAILS OF BUILDINGS     | Constructed in 2007, the building is heated.  |
| SECURITY FEATURES        | Perimeter fencing, electronic gate.   |
| SALE PRICE               | \$5,600,000   |
| DATE OF SALE             | February 2014   |
| ESTIMATED STABILIZED NOI | \$403,200   |
| INDICATED CAP RATE       | 7.2% reported   |
| PRICE/S.F. NRA           | \$149   |
| COMMENTS                 | 30% expense ratio, 82% occupancy. Located in an industrial area with local exposure. Sold to Store Smart who own facilities in Red Deer, Edmonton, and Canmore. |



**INDEX No 5. - MCMURRAY MINI STORAGE: FORT MCMURRAY,. AB**

|                          |   |
|--------------------------|---|
| ADDRESS                  | 170 Maclellan Crescent, Fort McMurray, AB   |
| LEGAL DESCRIPTION        | n/a   |
| SITE AREA                | 3.05 acres  |
| NET RENTABLE AREA        | 60,704 square feet demised into 601 units with an average size of 101 s.f.  |
| DETAILS OF BUILDINGS     | One, three storey wood frame building with 287 heated units (conversion) as well as 6,695 s.f. of rentable office space, and 7 single storey metal frame buildings offering 314 units (53 heated). Built in 1987, expanded 2000-2007. |
| SECURITY FEATURES        | Electronic gate.  |
| SALE PRICE               | \$13,000,000  |
| DATE OF SALE             | February 15, 2015   |
| ESTIMATED STABILIZED NOI | n/a   |
| INDICATED CAP RATE       | 8.14% reported  |
| PRICE/S.F. NRA           | \$193   |
| COMMENTS                 | Purchased by Real Storage; revenue stabilized at 75% occupancy.   |



**INDEX No 6. - AFFORDABLE STORAGE CENTRE: SHERWOOD PARK (EDMONTON) AB**

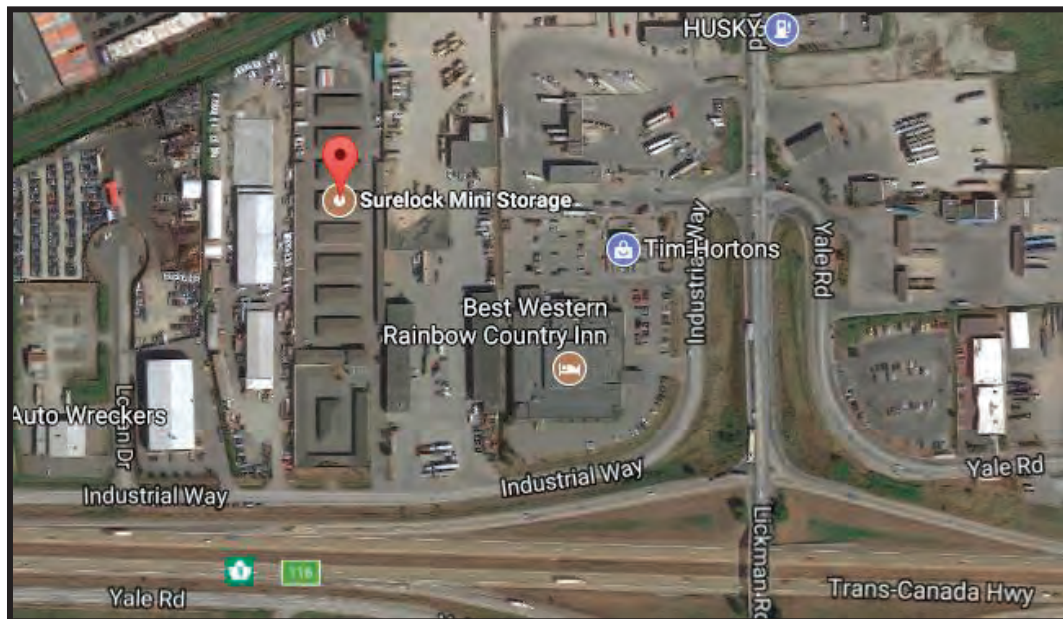
|                          |   |
|--------------------------|---|
| ADDRESS                  | 61 Broadway Boulevard, Sherwood Park, AB  |
| LEGAL DESCRIPTION        | Plan 0023658, Block 204, Lot 1A excepting there out all mines and minerals.   |
| SITE AREA                | 3.95 acres  |
| NET RENTABLE AREA        | 62,900 square feet demised into 417 units with an average size of 151 s.f.  |
| DETAILS OF BUILDINGS     | Constructed in 2001, the facility comprises 7 buildings. 24,700 s.f. of the NRA area is heated (166 units). Renovated 1,560 s.f. office. Concrete block construction.<br>Class B+ facility in an almost "Main St" location. |
| SECURITY FEATURES        | Electronic gate, video surveillance.  |
| SALE PRICE               | \$15,959,000  |
| DATE OF SALE             | February 2015.  |
| ESTIMATED STABILIZED NOI | \$1,051,349   |
| INDICATED CAP RATE       | 6.6%.   |
| PRICE/S.F. NRA           | \$253.72 (asking price)   |

**INDEX No. 7. – A STORAGE: SPRINGBANK, AB**

|                          |   |
|--------------------------|---|
| ADDRESS                  | 130 Commercial Court, Springbank Alberta  |
| LEGAL DESCRIPTION        | Lot 46 Block 28, Plan 5565AH  |
| SITE AREA                | 115,819 ft <sup>2</sup>   |
| NET RENTABLE AREA        | 87,527 sq. ft.  |
| SECURITY FEATURES        | Electronic keypad access, individual unit alarms, video surveillance, computer tracking, exterior CFL lighting. |
| SALE PRICE               | \$14,950,000  |
| DATE OF SALE             | September 2016  |
| ESTIMATED STABILIZED NOI | \$971,750   |
| INDICATED CAP RATE       | 6.5%  |
| PRICE/S.F. NRA           | \$171   |
| COMMENTS                 | Sold to Access Storage. 45% of income is from RV storage. Room to add 25,000 ft NRA with approved plans.        |



## INDEX No. 8. – SURE LOCK STORAGE: CHILLIWACK, BC



|                      |   |
|----------------------|---|
| ADDRESS              | 43903 Industrial Way, Chilliwack, BC  |
| SITE AREA            | 3.95 acres  |
| NET RENTABLE AREA    | 64,014 square feet demised into 744 units.  |
| DETAILS OF BUILDINGS | 13 buildings. Concrete construction. Room for additional 16,000 ft <sup>2</sup> of storage at the rear of facility. |
| SECURITY FEATURES    | Electronic gate, video surveillance.  |
| SALE PRICE           | \$13,500,000  |
| DATE OF SALE         | May 2017.   |
| ESTIMATED NOI        | \$853,200   |
| INDICATED CAP RATE   | 6.20%.  |
| PRICE/S.F. NRA       | \$210.89  |

## INDEX No. 9. – HALSTON SELF STORAGE: KAMLOOPS, BC



|                    |   |
|--------------------|---|
| ADDRESS            | 1271 Salish Road, Kamloops, BC              |
| SITE AREA          | 2.87 acres                                  |
| NET RENTABLE AREA  | 23,220, square feet demised into 498 units. |
| SECURITY FEATURES  | Electronic gate, video surveillance.        |
| SALE PRICE         | \$2,800,000                                 |
| DATE OF SALE       | June 2017.                                  |
| ESTIMATED NOI      | \$201,600                                   |
| INDICATED CAP RATE | 7.20%.                                      |
| PRICE/S.F. NRA     | \$120.59                                    |

## **SALES ANALYSIS**

| SALE    | NAME OF FACILITY          | N. R. A. | SALE PRICE   | SALE DATE | CAP. RATE |
|---------|---------------------------|----------|--------------|-----------|-----------|
| 1       | Apex Coquitlam            | 60,583   | \$10,492,794 | 02-12     | 6.60%     |
| 2       | Apex Vancouver            | 66,423   | \$14,270,145 | 02-12     | 6.50%     |
| 3       | Acme Self Storage         | 44,052   | \$ 4,850,812 | 01-13     | 6.10%     |
| 4       | Advantage Storage         | 37,500   | \$ 5,600,000 | 02-14     | 7.20%     |
| 5       | McMurray Mini Storage     | 60,704   | \$13,000,000 | 02-15     | 8.14%     |
| 6       | Affordable Storage Center | 62,900   | \$15,959,000 | 03-15     | 6.60%     |
| 7       | A Storage                 | 87,527   | \$14,950,000 | 09-16     | 6.50%     |
| 8       | Sure Lock Storage         | 64,014   | \$13,500,000 | 05-17     | 6.20%     |
| 9       | Halston Storage           | 23,220   | \$ 2,800,000 | 06-17     | 7.20%     |
| Subject | 1485 Trans-Canada Highway | 50,000   |              |           |           |

Our research has indicated that there have been no recent public sales for Class A third generation facilities in the Kamloops area. Therefore, we have used dated sales throughout Western Canada and adjusted for timing and location. These sales have been selected as they mirror quality, size location and overall similarity to the proposed subject property. Some adjustments will need to be made when using these sales to determine the value of the proposed subject property.

**Index No. 1** is the sale in February of 2012 of Apex Vancouver to Sentinel Storage. The facility at the time of sale had an average rental rate of \$2.10 PSF and occupancy of about 90%. Although a somewhat dated sale, this is a good representation of a facility in the lower mainland of British Columbia and should be adjusted for the increase in the real estate market as a whole and the demand for self-storage since this sale took place.

**Index No. 2** represents the sale of Apex Coquitlam. Although somewhat dated, this is a good representation of a storage sale in the lower mainland of BC. When sold, this facility had occupancy of 89% and a PSF facility average rental rate of \$1.80. This sale will need to be time adjusted due to the increase in the self-storage market in the lower mainland since this sale.

**Index No. 3** is a sale from January 2013 of a poorly managed and under occupied facility. Sale was to a large storage chain who owns other nearby facilities. Site had additional vacant land used for RV storage.

**Index No. 4** is of a medium size facility in Cochrane Alberta. At the time of the sale, expenses were below industry standards and the facility had good occupancy. Sold to an operator with nearby facilities.



**Index No. 5** is a sale in February of 2015 that represents the sale of a smaller but similar facility in Alberta. At the time of this transaction, the facility had an occupancy of 75%. The Cap rate of this sale was high due to the low occupancy of the facility in the past years. Sale was based on a stabilized occupancy of 75% leading to the higher Cap rate.

**Index No. 6** is a sale from March 2015 of a larger highly occupied facility in the Sherwood Park area of Edmonton. The facility was put under contract within a week of being on the market and sold at the asking price due to occupancy and location.

**Index No. 7** is the sale, in September 2016, of A Storage Calgary AB. This is a newer facility purchased by Access Storage. A large portion of the facilities revenue is derived from RV storage. The facility is located 10 minutes outside of the Calgary city limits.

**Index No. 8** is a sale from May 2017 of a large highly occupied facility in Chilliwack BC. Occupancy was in the mid 90% range at the time of purchase and there is room for an additional 16,000 ft<sup>2</sup> of storage to be built at the rear of the facility. This expansion potential accounts for the slightly lower than market cap rate paid for this Index.

**Index No. 9** is a sale from June 2017 of a smaller highly occupied facility in Kamloops BC. Occupancy was above 95% at the time of sale. This is a Class B facility with 13 years left on the land lease for the property. Bought by storage Vault to add to their Kamloops Portfolio.

## **SUMMARY**

The overall rate of return, or capitalization rate, represents the rate of return that a prospective purchaser will accept on a particular investment based on stabilized net income. The fundamental factor influencing the overall rate of return is risk. Sales of self-storage facilities have historically reflected higher rates of return than sales of standard multi-tenant or single-tenant industrial properties because of the perceived risk attached to the month-to-month tenancies and the management-intensive nature of the business. Along with almost all property segments, self-storage properties benefited from above-average transaction volumes and declining capitalization rates over the past several years. Through 2006 and 2007, the gap narrowed between self-storage returns and returns on more traditional industrial investments with the recognition of the very solid returns that have been achieved by the asset class. Self-storage, as an investment, is widely perceived as recession-resistant.

Financial institutions recognized that there is a very low default rate on self-storage loans and were eager to lend on self-storage assets, along with most other asset classes. Over the past seven years, there has been a marked increase in interest in the industry from investors new to self-storage. Another factor influencing the significant downward movement in overall rates of return on self-storage in 2006/2007 was the entry into the market, in August 2006, of *InStorage Real Estate Investment Trust*, the first Canadian REIT formed to acquire self-storage facilities exclusively. The REIT was very aggressive in its acquisitions in order to build critical mass and the transactions influenced the actions of not only vendors in the market but also other purchasers. The movement of *InStorage REIT* to the largest self-storage owner in Canada was accomplished in the first year and there were very few acquisitions after August of 2007. However, the management team in place was not experienced enough to operate the new business and eventually internal operations failed. The stock price plummeted with declining occupancy and revenues and increased operating costs. Also, the cost of equity in the public market went from 4.7% to 11.6%. The sale of the units of the REIT was completed by way of a hostile takeover that closed in March 2009. The purchaser was *StorageMart*; the owner of 67 facilities in the U.S. at the time of purchase.

In the last ten years financing for the self-storage industry has transitioned from a handful of lenders who were willing to lend on self-storage to over 30 national lenders at the peak of the market (including 12 conduit lenders) and then back down to a handful in the recession. While conduit financing for self-storage surged between 2001 and 2007, no self-storage properties have been financed this way since 2007.

Several private lenders and credit unions have picked up the slack, but lenders overall are much more conservative than they have been in the past. Tightened lending standards include the requirement of more equity (lower loan-to-value ratios), the curtailment of the availability of longer-term mortgages, and the requirement of personal covenants.

The low capitalization rates of 2007 were also tied to low interest rates and the availability of mortgage financing at low interest rates. Historically in the U.S., low interest rates combined with low cap rates have been a major influence in self-storage assets changing hands. As low interest rates have been an incentive for buyers, low cap rates have offered existing self-storage operators the opportunity to sell properties at higher prices than ever before. The general consensus among brokers and operators within the U.S. self-storage industry has been that cap rates will climb along with interest rates.



In 2016, we saw a downward trend in overall capitalization rates. This trend is due to the low cost of borrowing in capital markets. This downward trend has been more pronounced in major cities with less downward pressure in secondary and tertiary markets.

2017 has continued to see capitalization rates trend lower in smaller markets while holding steady in large markets. This has been verified by sales in the Vancouver market as well as a number of sales across Ontario.

The following specific factors have been taken into consideration in reaching an opinion of the appropriate overall rate of return with respect to the subject property:

- The proposed facility will be a modern well-built facility that is of a higher quality than other offerings in an expanding market in demand of storage;
- Operating costs are at the middle of the range for facilities of this nature due to internal efficiencies.

In consideration of all of these factors and by comparison to the available market evidence, in our opinion, a potential purchaser would anticipate an overall rate of return in the range of 6.75% to 7.25% with respect to the subject property. In our opinion, the best comparison is formed by the sales of Halston Self Storage and Affordable storage center. Given the location of Kamloops and the medium size of the facility and the overall storage market, we assign an overall capitalization rate of 7.00% as being appropriate to the subject investment.

| Cap Rate | NOI       | Capitalized Value |
|----------|-----------|-------------------|
| 6.75%    | \$681,141 | \$10,090,978      |
| 7.00%    | \$681,141 | \$9,730,586       |
| 7.25%    | \$681,141 | \$9,395,048       |

The current market value of the proposed storage facility by the Income Approach when fully stabilized is estimated to be: **\$9,750,000.**

It should be noted that this value is based on a fully stabilized facility and does not factor in any lease up period or costs associated with that period or any financing costs that may be incurred while the facility is reaching stabilized occupancy.

**DISCOUNTED CASH FLOW ANALYSIS**

The discounted cash flow method of analysis has been included in this valuation to reflect the present value of the property based on the expectation of modest increases in income; over the past four years, average increases in potential gross revenue have been 2.6% annually.

Physical vacancy relating to the storage units has been started at 65% and reduced to 5%. For the first year of the analysis, an additional 15% economic vacancy is added, reduced to 13% for Year two, 10% for Year three, 8% for Year four and stabilized at 5% thereafter. This vacancy estimate is based on the history of occupancy in the trade area as a whole. In the analysis, the income and expenses for each of the years in the ten year time frame are calculated, beginning with the estimated income in Year one based on current potential rents. Expenses are projected to increase by 3% annually, except for overall management, which is projected at 6% of EGI in each year; bank charges, including bad debts, which are calculated at 2.5% of EGI each year; and advertising, which is estimated at 2.5% of EGI. Revenues are escalated at 2.5% annually.

The calculation assumes that the facility would either be sold at the end of Year 5 (based on the projected income in Year 6) or in Year 10 (based on the projected income in Year 11), and the disposition capitalization rate used is 50 basis points higher than the estimated market capitalization rate, recognizing the increased risk in projecting absorption into the future. In the analysis, a discount rate is applied to the annual net income in each year to reflect the fact that its receipt is deferred. The discount rate used is 100 basis points higher than the disposition capitalization rate, representing the return on capital and the return of capital.

The discounted cash flow analysis is included on the following page. The present value, based on five and ten-year time periods, is indicated in the range of (rounded): \$8,890,000 to \$9,890,000.

## DCF Including Lease Up Period

|  |           |              |             |             |             |              |             |             |             |             |             |
|--|-----------|--------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| FILENAME: DCF  |           |              |             |             |             |              |             |             |             |             |             |
| DCF ASSUMPTIONS  |           |              |             |             |             |              |             |             |             |             |             |
| Start of DCF Analysis                                    | Feb-15    |              |             |             |             |              |             |             |             |             |             |
| GROSS BLDG. AREA   | n/a       |              | VALUE       |             | PSF         |              |             |             |             |             |             |
| NET RENTABLE AREA  | 50,000    |              | \$9,890,000 |             | \$197.80    |              |             |             |             |             |             |
| INCOME GROWTH RATE                                       | 1.0350    |              |             |             |             |              |             |             |             |             |             |
| EXPENSE GROWTH RATE                                      | 1.0250    |              |             |             |             |              |             |             |             |             |             |
| R.E. TAX GROWTH RATE                                     | 1.0250    |              |             |             |             |              |             |             |             |             |             |
| TAX RATE   |           |              | \$8,890,000 |             | \$177.80    |              |             |             |             |             |             |
| Estimated Assessment Ratio                               | 0%        |              |             |             |             |              |             |             |             |             |             |
| POTENTIAL GROSS INCOME                                   | \$0       |              |             |             |             |              |             |             |             |             |             |
| DISCOUNT RATE  |           |              |             |             |             |              |             |             |             |             |             |
| DISCOUNT RATE  | 8.00%     |              |             |             |             |              |             |             |             |             |             |
| RENTAL CAP RATE  | 6.50%     |              |             |             |             |              |             |             |             |             |             |
| RENTAL COSTS   | 3.00%     |              |             |             |             |              |             |             |             |             |             |
| MARKET CAP RATE  | 6.00%     |              |             |             |             |              |             |             |             |             |             |
| OFF SITE MGMT  | 6.00%     |              |             |             |             |              |             |             |             |             |             |
| Discounted Cash Flow Analysis                            |           |              |             |             |             |              |             |             |             |             |             |
| Target Tolmie  |           |              |             |             |             |              |             |             |             |             |             |
| YEAR   | 1         | 2            | 3           | 4           | 5           | 6            | 7           | 8           | 9           | 10          | Reversion   |
| Year Ending  | 02/16     | 02/17        | 02/18       | 02/19       | 02/20       | 02/21        | 02/22       | 02/23       | 02/24       | 02/25       | 02/26       |
| POTENTIAL GROSS INCOME                                   | \$962,000 | \$995,670    | \$1,030,518 | \$1,066,587 | \$1,103,917 | \$1,142,554  | \$1,182,544 | \$1,223,933 | \$1,266,770 | \$1,311,107 | \$1,356,996 |
| - Unit Rentals   | 962,000   | 995,670      | 1,030,518   | 1,066,587   | 1,103,917   | 1,142,554    | 1,182,544   | 1,223,933   | 1,266,770   | 1,311,107   | 1,356,996   |
| - Mailboxes  | \$0       | \$0          | \$0         | \$0         | \$0         | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         |
| Stabilized Vacancy Rate                                  |           |              |             |             |             |              |             |             |             |             |             |
| -55%, 35%, 20%, 5%, 3%..... on unit renta                | \$529,100 | \$348,485    | \$206,104   | \$53,329    | \$33,118    | \$34,277     | \$35,476    | \$36,718    | \$38,003    | \$39,333    | \$40,710    |
| -Economic vacancy:15%,10%,5%, 2%, 2%...                  | \$0       | \$0          | \$0         | \$0         | \$0         | \$0          | \$0         | \$0         | \$0         | \$0         | \$0         |
| -Less Vacancy & Collection Loss                          | \$64,935  | \$64,719     | \$41,221    | \$20,265    | \$21,416    | \$22,166     | \$22,941    | \$23,744    | \$24,575    | \$25,435    | \$26,326    |
| 61.8   | \$94,035  | \$413,203    | \$247,324   | \$73,594    | \$54,534    | \$56,442     | \$58,418    | \$60,462    | \$62,578    | \$64,769    | \$67,036    |
| EFFECTIVE RENTAL INCOME                                  | \$367,965 | \$582,467    | \$783,194   | \$992,992   | \$1,049,384 | \$1,086,112  | \$1,124,126 | \$1,163,470 | \$1,204,192 | \$1,246,339 | \$1,289,960 |
| ANCILLARY INCOME   |           |              |             |             |             |              |             |             |             |             |             |
| - Fees   | 5,519     | 8,737        | 11,748      | 14,895      | 15,741      | 16,292       | 16,862      | 17,452      | 18,063      | 18,695      | 19,349      |
| - Merchandise sales                                      | 9,199     | 17,474       | 23,496      | 29,790      | 31,482      | 32,583       | 33,724      | 34,904      | 36,126      | 37,390      | 38,699      |
| Total  | 4.0       | 14,719       | 26,211      | 35,244      | 44,685      | 47,222       | 48,875      | 50,586      | 52,356      | 54,189      | 56,085      |
| EFFECTIVE GROSS RENTAL INCOME                            | \$382,684 | \$608,678    | \$818,438   | \$1,037,677 | \$1,096,606 | \$1,134,987  | \$1,174,712 | \$1,215,827 | \$1,258,380 | \$1,302,424 | \$1,348,009 |
| EXPENSES:  |           |              |             |             |             |              |             |             |             |             |             |
| Real Estate Taxes  | \$1.10    | 55,000       | \$56,375    | \$57,784    | \$59,229    | \$60,710     | \$62,227    | \$63,783    | \$65,378    | \$67,012    | \$68,687    |
| On-Site Management                                       | \$1.30    | 65,000       | 66,625      | 68,291      | 69,998      | 71,748       | 73,542      | 75,380      | 77,265      | 79,196      | 81,176      |
| Off-Site Management                                      | \$0.68    | 34,000       | 36,521      | 49,106      | 62,261      | 65,796       | 68,099      | 70,483      | 72,950      | 75,503      | 78,145      |
| Insurance  | \$0.32    | 16,000       | 16,400      | 16,810      | 17,230      | 17,661       | 18,103      | 18,555      | 19,019      | 19,494      | 19,982      |
| Maintenance  | \$0.24    | 12,000       | 12,300      | 12,608      | 12,923      | 13,246       | 13,577      | 13,916      | 14,264      | 14,621      | 14,986      |
| Utilities  | \$0.45    | 22,500       | 23,063      | 23,639      | 24,230      | 24,836       | 25,457      | 26,093      | 26,745      | 27,414      | 28,099      |
| Advertising  | \$0.29    | 14,500       | 15,217      | 20,461      | 25,942      | 27,415       | 28,375      | 29,368      | 30,396      | 31,460      | 32,561      |
| Administration   | \$11.4    | 43,500       | 44,942      | 50,929      | 57,172      | 59,426       | 61,186      | 62,999      | 64,868      | 66,793      | 68,778      |
| -Office  | \$0.29    | 14,500       | 14,863      | 15,234      | 15,615      | 16,005       | 16,405      | 16,816      | 17,236      | 17,667      | 18,109      |
| -Bank Charges and Bad Debts                              | \$0.29    | 14,500       | 15,217      | 20,461      | 25,942      | 27,415       | 28,375      | 29,368      | 30,396      | 31,460      | 32,561      |
| -Professional Fees                                       | \$0.11    | 5,500        | 5,638       | 5,778       | 5,923       | 6,071        | 6,223       | 6,378       | 6,538       | 6,701       | 6,869       |
| -Licenses, Fees, Memberships                             | \$0.06    | 3,000        | 3,075       | 3,152       | 3,231       | 3,311        | 3,394       | 3,479       | 3,566       | 3,655       | 3,747       |
| -Meals, Travel   | \$0.05    | 2,500        | 2,563       | 2,627       | 2,692       | 2,760        | 2,829       | 2,899       | 2,972       | 3,046       | 3,122       |
| -Telephone   | \$0.07    | 3,500        | 3,588       | 3,677       | 3,769       | 3,863        | 3,960       | 4,059       | 4,160       | 4,264       | 4,371       |
| Supplies   | \$0.09    | 4,600        | 8,562       | 11,513      | 14,597      | 15,426       | 15,966      | 16,525      | 17,103      | 17,702      | 18,321      |
| Signage  | \$0.00    | 0            | -           | -           | -           | -            | -           | -           | -           | -           | -           |
| Miscellaneous  | \$0.02    | 1,245        | 1,276       | 1,308       | 1,341       | 1,374        | 1,409       | 1,444       | 1,480       | 1,517       | 1,555       |
| TOTAL EXPENSES   | \$5.37    | \$268,345    | \$281,280   | \$312,449   | \$344,922   | \$357,638    | \$367,939   | \$378,546   | \$389,467   | \$400,712   | \$412,291   |
| % Total EGI  |           | 70.1         | 46.2        | 38.2        | 33.2        | 32.6         | 32.4        | 32.2        | 32.0        | 31.8        | 31.7        |
| NET INCOME   | \$114,339 | \$327,397    | \$505,989   | \$692,755   | \$738,968   | \$767,048    | \$796,166   | \$826,360   | \$857,669   | \$890,133   | \$923,795   |
| Less Replacement Reserves                                | 10,000    | 10,250       | 10,506      | 10,769      | 11,038      | 11,314       | 11,597      | 11,887      | 12,184      | 12,489      | 12,800      |
| NET CASH FLOW  | \$104,339 | \$317,147    | \$495,483   | \$681,986   | \$727,930   | \$755,734    | \$784,569   | \$814,473   | \$845,485   | \$877,644   | \$910,595   |
| P.V. FACTOR  | 0.92593   | 0.85734      | 0.79383     | 0.73503     | 0.68058     | 0.63017      | 0.58349     | 0.54027     | 0.50025     | 0.46319     | 0.42844     |
| P.V. CASH FLOWS  | \$96,610  | \$271,903    | \$393,330   | \$501,280   | \$495,417   | \$476,241    | \$457,789   | \$440,034   | \$422,953   | \$406,519   | \$391,000   |
| INDICATED OVERALL RATE OF RETURN [10 YRS]                | 1.2       | 3.3          | 5.1         | 7.0         | 7.5         | 7.8          | 8.1         | 8.4         | 8.7         | 9.0         | 9.3         |
| INDICATED OVERALL RATE OF RETURN [5 YRS]                 | 1.3       | 3.7          | 5.7         | 7.8         | 8.3         | 8.6          | 9.0         | 9.3         | 9.6         | 10.0        | 10.3        |
| SUM OF CASH FLOWS (10 Yrs.)                              |           |              | \$3,962,076 |             |             |              | 1758540     |             |             |             |             |
| REVERSION N.O.I.   |           | \$923,795    |             |             |             | 755734       |             |             |             |             |             |
| REVERSION Ro   |           | 7.00%        |             |             |             | 7.00%        |             |             |             |             |             |
| REVERSION VALUE  |           | \$13,197,067 |             |             |             | \$10,796,201 |             |             |             |             |             |
| SALE COSTS   | 3.0%      | (395,912)    |             |             |             | (323,886)    |             |             |             |             |             |
| NET SALE PROCEEDS  |           | \$12,801,155 |             |             |             | \$10,472,315 |             |             |             |             |             |
| P.V. FACTOR  | 8.00%     | 0.46319      |             |             |             | 0.68058      |             |             |             |             |             |
| P.V. REVERSION   |           |              | \$5,929,412 |             |             | \$7,127,281  |             |             |             |             |             |
| INDICATED MARKET VALUE                                   |           |              | \$9,891,488 |             |             | \$8,885,822  |             |             |             |             |             |
| Rounded To   |           |              | \$9,890,000 |             |             | \$8,890,000  |             |             |             |             |             |
| Indicated overall average rent per square foot per month | \$1.60    | \$1.66       | \$1.72      | \$1.78      | \$1.84      | \$1.90       | \$1.97      | \$2.04      | \$2.11      | \$2.19      | \$2.26      |

The estimated value range calculated by the Discounted Cash Flow Analysis is from \$8,890,000 to \$9,890,000 (rounded). It should be noted that the return calculated in this analysis is for a non leveraged investment. A leveraged investment rate of return is estimated between 19%-21% at the time of asset disposition.

## **CORRELATION AND SUMMARY**

In summary, it is our opinion that a properly constructed, managed and marketed self-storage facility would be a profitable investment situated on the subject property. It is important to understand that the key factors of supply and rental rates are monitored as any development plan progresses to the construction phase. This is important as the excess demand in the trade area is large but additions to supply could lengthen the lease up period of a newly constructed facility. It is also imperative that current rents in the trade area do not decline to insure a good return on any investment made in a new facility. As with any new business, it will be necessary to properly market the new facility to ensure a lease up is as short as possible. This will allow the facility to reach profitability sooner and therefore show a return to the investors in a timely manner.

### **Marketing and Lease Up Times**

Although it is important to lease up a facility in a timely fashion to start making a return on investment, this must be balanced with the expected revenue from the proposed facility. A full unit is always better than an empty unit however, a rented unit at a discounted rate is never better than a rented unit at full rate. Using this logic, any discounts or incentives that discount the listed price should be time limited. This is especially important as the facility moves to a more fully occupied state and is not working to fill empty lockers anymore. It would be detrimental to the income of the facility to have it full of units that were given rates below the current listed rate and not be able to take new customers at full price. There are many different ways this is handled across the industry. Some facilities offer a month free when a year is pre-paid. Some offer a percentage discount for the first number of months. Both of these are good options as they have an end to a discounted rate. One of the major storage portfolios offers the first month for one dollar. Although not always a profitable move, most storage users stay for much longer. All of these techniques can be used in a balanced manner to create a well occupied and profitable facility.

When attempting to lease up a new facility, it is important to make the surrounding community aware that you have opened and have space available. This can be done a number of different ways including on site events, involvement with sports teams or community groups or sponsorship of local events. These activities will help the community think of the new facility as part of it and will encourage local business.

**Final Thoughts**

The self-storage industry is, much like many other industries, about service. The service of people being able to easily access their goods, pay for their locker or inquire about a possible rental. In doing our market surveys of the area surrounding the potential facility, some of the facilities failed in the service area. This is an area that a new facility can stand above the rest.

The proposed facility being the only Third Generation, Class A facility will have some distinct advantages over the competition in the trade area. If properly managed, these advantages should allow the proposed facility to become the rate leader in the market and command rates above lower quality facilities.

Supply and Demand is only an indicator of success at best. For a new facility to thrive in any market, it will require proper management, marketing and proper construction from the start. If these items come together, a successful facility should follow.

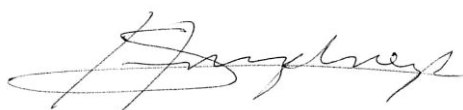
## **CERTIFICATION**

Market analysis of the feasibility of a proposed self-storage facility on a site located at 1485 Trans-Canada Highway, Kamloops, BC.

We certify that to the best of our knowledge and belief:

- ❑ The statements of fact contained in this report are true and correct;
- ❑ The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial and unbiased professional analyses, opinions and conclusions;
- ❑ We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- ❑ We are not in a conflict of interest to undertake this assignment;
- ❑ We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- ❑ Our engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate(s), or a conclusion favouring the client;
- ❑ Our analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice;
- ❑ We have the knowledge, skills and experience to complete the assignment competently;
- ❑ Patrick Wood, B.Sc, AIC Candidate made a personal inspection of the site which is the subject of this report on August 24, 2017. The competitive facilities were visited and surveyed for occupancy and rents between August 21<sup>st</sup> and August 24<sup>th</sup> 2017. Scott Humphreys, B.Comm, AACI, P.App, CRP did not inspect the subject property;
- ❑ As of the date of this report the undersigned have fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for Members;

Dated this 14<sup>th</sup> day of September, 2017



Scott Humphreys, B.Comm, AACI, P.App, CRP



Patrick Wood, B.Sc, AIC Candidate

## **SCHEDULE C**

### **Evans & Evans, Inc. – Feasibility Report**



**PHASE I FEASIBILITY STUDY OF A**  
**PROPOSED SELF STORAGE FACILITY**  
**1485 TRANS-CANADA HIGHWAY**  
**KAMLOOPS, BC**

**STUDY DATE**

August 24, 2017

**PREPARED FOR**

NationWide Storage Trust

Our File: 1081-FS-XX-BC148

August 29, 2017

NationWide Storage Trust  
609 Granville Street  
Vancouver, BC V7Y 1G5

Attention: Mr. Hugh Cartwright

Dear Mr. Cartwright

Re: **Feasibility Study – Phase I: Proposed Storage Facility located at  
1485 Trans-Canada Highway, Kamloops, BC**

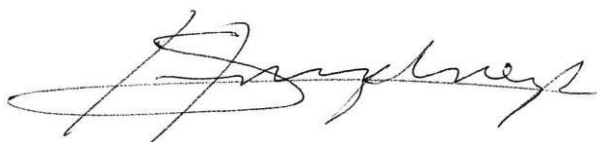
We have been asked to complete Phase I of a feasibility study with respect to a proposed self-storage development on a site located at 1485 Trans Canada Highway, Kamloops, BC.

It is our opinion that the market conditions are conducive to the construction of a self-storage facility at this location. We would advise that although there is a demand for storage space in the Vancouver area, the proper unit mix, pricing and marketing will be required to have a successful facility. Please see the details of possible demand for self-storage contained in this report before making any decisions on moving forward.

The methodology of the initial phases of this study has included defining the extent of the trade area and estimating the current demand for self-storage in consideration of the demographic factors such as population, population growth, level of education, housing, mobility, and income levels. The study includes a thorough inventory of the existing supply of self-storage in this trade area.

Please feel free to contact us with any questions about this report or for further explanation of any of the details contained within.

Respectfully submitted,  
CANADIAN SELF STORAGE VALUATION SERVICES INC.



Scott Humphreys, B.Comm, AACI, P.App.



Patrick Wood, B.Sc, AIC Candidate

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## **PURPOSE OF THE MARKET STUDY**

The prospective owner of the property located at 1485 Trans-Canada Highway, Kamloops, BC is proposing to construct a self-storage facility and has commissioned this report to analyze the feasibility of the development. The purpose of this initial report is to analyze the feasibility of the proposed self-storage development in consideration of the current supply and demand for self-storage units within the specific trade area. The research for this analysis was conducted between August 21<sup>st</sup> and 24<sup>th</sup>, 2017 and analysis and conclusions are based upon market conditions discovered during that time period.

### **Date of Study**

August 24, 2017

### **Date of Inspection**

August 24, 2017

### **Scope of Work**

During the course of this study, the appraiser:

- Inspected the subject site on August 24, 2017;
- Collected data regarding the local market and conducted a rental and occupancy survey of the competitive facilities within a 15-kilometer area;
- Obtained and summarized information with respect to zoning and other land use regulations;
- Reviewed sales and listing data with respect to sales of improved self-storage facilities;
- Prepared a self-contained narrative feasibility report.

The appropriate market data was gathered through in-house information, sales and listing data provided by agents active in this specialized market and discussions with various participants in the self-storage market including agents, developers, owners and property managers. The report was prepared in conformity with the Canadian Uniform Standards of Appraisal Practice.

## **CONTINGENT AND LIMITING CONDITIONS**

The market analyses contained in this report are based on a thorough and detailed analysis of information derived from various sources. Some of this data has required subjective interpretation and our terms of reference have, in some instances, required us to make certain assumptions in arriving at our conclusions. As a result, the opinions and conclusions contained in this report are subject to the following Contingent and Limiting Conditions:

1. No responsibility is assumed for legal factors pertaining to the state of title or for technical matters relating to hidden or apparent conditions of the property which were not brought to our attention and which may have an impact on the potential to develop the property.
2. The recommendations contained in this report are based on information gathered from various sources considered reliable and believed to be correct; it is assumed that the information that we have gathered from these sources is accurate and comprehensive.
3. Maps or plans appearing in this report are included for the sole purpose of visual reference and should not be construed as legal surveys.
4. This report is prepared in confidence for the sole use of NationWide Storage Trust. Liability to any other party relying on the report, without permission of Canadian Self Storage Valuation Services Inc., is denied. The report is valid only if it bears the original signature of the author(s).
5. The findings and conclusions of this report are based on market conditions between August 21<sup>st</sup> and August 24<sup>th</sup>, 2017. It is assumed that there will be no significant change in the economy within the short term. If such a change should occur it is recommended that the conclusions of the report be reviewed.

## **THE SELF STORAGE CONCEPT**

Following is a brief introduction to the concept of self-storage.

### ***Self-Storage Concept***

The mini-storage or self-storage concept involves the provision of safe and convenient storage spaces of varying sizes to users on an individual basis, differing from a standard warehouse in offering much smaller units in which goods are stored by tenants themselves. Originating in Texas in the late 1960's, the mini-storage idea spread rapidly throughout the southern and western United States and was introduced to Canada in the mid 1970's.

### ***Physical Appearance***

Physically, the traditional conventional self-storage facility appears to be rows of lockers or side-by-side garages; the majority of new facilities in the southern urban centres are of tilt-up concrete construction with engineered roof systems and buildings are clear span with movable partitions. Facilities in cold climates are predominantly of metal construction which is best suited to withstand the winter weather. Considerable changes have been made to exterior designs of mini storage facilities in order that developments may complement the surrounding neighbourhood development. Ceiling heights are usually eight to ten feet although half-size lockers of reduced height may also be offered in a stacked configuration in urban locations. Unit modules are generally in multiples of five and ten feet.

Since the late 1980's, escalating land prices have resulted in the development of two and three storey self-storage facilities in more established urban markets with upper floors accessed by means of freight elevators and movable stairs, pallets and dollies provided to assist the tenant in transporting his goods to the locker.

### ***Tenant Mix***

Self-storage users comprise two major groups: residential (storing personal effects) and business or commercial (storing industrial or commercial enterprise material or inventory). Additional niche markets target specific users, such as owners of boats, mobile homes and recreational vehicles and storage of specialty items such as wine

storage. In the United States, both the military and student populations form small but consistent segments of the market. The major residential users include homeowners, apartment and condominium dwellers and mobile home dwellers.

Business and commercial tenants traditionally comprise about 20% to 35% of the Canadian self-storage market and professional personnel form an ever-increasing market (storing dead files and documents) particularly at urban/downtown locations.

***Trade Area***

The trade area of a self-storage facility is generally identified as being the area represented within a three to five-mile radius of a specific site although the trading area is also affected by geographic boundaries, existing competition and the proximity of freeways or arterial routes which decrease travel time and enhance exposure of a facility or serve as man-made barriers between areas. Ideally the best exposure and access is available to "going-home traffic".

Another means of determining the trade area is to identify and chart the area within a ten-minute driving time of the facility.

In more spread out communities or communities that service a much larger area as we see in the Prairie provinces, the trade area must be expanded to take into account the additional traffic that will use a city as a hub of activity. It should also be noted that in these areas, driving an extra 10-20 minutes is much less of a hurdle than in more densely populated areas.

***Average size***

The overall average facility size in the United States is 50,859 square feet with approximately 489 units according to the 2015 Self Storage Almanac; this would indicate an average unit size of 108 square feet. By comparison, the average size of a facility in the Vancouver CMA is estimated to be 39,352 square feet.



**Management** Historically, self-storage facilities over 40,000 square feet employed a resident manager who was responsible for security, leasing units, collections, answering inquiries and generally representing the owner to the public. There was a movement in the late 1990's, in the United States and in Canada, away from employment of the typical husband and wife resident management team for a number of reasons not the least of which was the improvement in security systems due to technological advances. In recent years, the advent of online access and booking systems has made the job of an on-site manager less intensive as many payment and unit booking related activities have been moved to online platforms.

The latest U.S. statistics, reported in the 2015 Almanac, indicate that 32.1% of all U.S. facilities are managed by a full time on-site resident manager; resident management is most prevalent in the West Pacific Region with 50% of facilities managed by a resident manager. In Canadian urban centres, the majority of new facilities have elected to replace resident managers with off-site management in conjunction with modern security technology and extended access hours.

**Facility Access** Access is usually available to tenants for twelve to fifteen hours daily. Some facilities offer 24-hour access units to their commercial tenants. This service is offered at an additional fee by many facilities.

**Security** Most modern facilities are now protected by round-the-clock video and electronic monitoring and computerized electronic gate access as well as contact alarms, motion sensors, individually alarmed units, and restricted elevator access. This has what the industry standard is and is expected of most newly constructed facilities.

## **PROFILE OF THE SELF STORAGE USER**

There was a study completed in 2014 for the Self-Storage Association which compares data collected to the previous study done in 2007; the findings of the study suggest that through the recession the industry has been stable, particularly penetration, but there have been some shifts, specifically with respect to the most favoured unit size and lengths of stay; italics inserted are mine and point out significant differences between the two studies.

- The largest single user of self-storage is the owner of a single family house (68% of all self-storage renters in the U.S.) and the majority of these self-storage renters are using self-storage as a source of additional not primary storage as they have some sort of extra storage space in their homes in the form of a garage (64%), an attic (47%), or a basement (33%). ***There has been a 3% shift from proportions of single family home residents to apartment/condo residences since 2007.***
- In the U.S. the single largest group of self-storage renters is in the \$125,000 plus income bracket (15%) followed by the less than \$20,000 income bracket (13%). In 2007, the largest group was the less than \$20,000 bracket (19%). This suggests that there is a more affluent renter group than previously but there are still a large proportion of renters with household incomes of less than \$40,000 annually.
- Most renters are employed full time (39%), followed by retirees (19%), and self-employed (18%). In 2007 53% of all renters had full-time employment and fewer were retirees or self-employed. ***This finding suggests that there may be a larger retired renter population than previously estimated.***
- Most renter households are located in suburban areas (50%) and urban (35%) areas with a smaller proportion located in rural areas (21%). *Urban* is defined by the U.S. Census Bureau as core census block groups of at least 1000 people per square mile with surrounding census blocks of at least 500 people per square mile. The study relied on self-reporting, as there is no definition for *suburban* as a subset of urban, and defined *rural* as less than 500 persons per square mile. ***Since 2007 there has been a shift from urban (-2%) to suburban (+6%) and rural (+8%).***

- The single most popular unit size is still the 10' x 10' unit (30%) followed by the 5' x 10' unit (23%). The third most popular unit sizes are the 10' x 15' and 10' x 20' (each 16%). Rental of smaller units (5' x 5') has increased by 4% and rental of larger units (10' x 30' and larger) has decreased by 5% since 2007. ***The conclusion is that the smaller units are more popular since the recession when many tenants downsized.*** 57% of all units rented comprise exterior drive-up units; 19% of renters rent interior drive-up units; 18% rent interior units accessed by elevator. These proportions are unchanged since 2007.
- 45% of renters travel less than 10 minutes to get to their units and another 35% travel 10 to 19 minutes (unchanged since 2007).
- ***Payment by credit card (30%) has outstripped payment by cheque (23%), which was the most favoured form of payment in 2007, and payment online has increased by 4% to 16%.***
- 32% of tenants visit their unit once a month; 24% visit 3-6 times a year and 29% visit every two weeks. 45% of all tenants travel less than 10 minutes to get to their unit; 35% travel 10 to 19 minutes.
- The primary reason for renting self-storage is that there is no room for the items at the residence (53%); the second most prevalent reason for utilizing self-storage was for temporary storage while changing residence (41%). The next two reasons have significantly lower incidence: "items no longer needed/wanted" (16%) and "storing a relative's items due to changes in their living situation" (14%). 11% of tenants are storing items inherited. ***All of these reasons and their ranking are unchanged since the earlier report but in 2007 a larger proportion of tenants were renting self-storage temporarily while changing residence (49%). The conclusion is that with the slowdown of the housing market there have been fewer movers.***
- The most prevalent item stored is "indoor furniture" (60%), followed by pictures/photos/paintings (55%), "kitchenware" (55%), clothing (51%), holiday seasonal items (51%); household supplies (50%), and books and magazines (48%). These findings are very similar to those of the 2007 study.

- When asked to indicate how they found the facility where they are storing their goods, 43% of all respondents reported that they saw the facility while driving, 22% found the facility through word of mouth , and 18% used the internet (by comparison to 4% in 2007).
- First contact with the facility was in person in 47% of all cases; followed by telephone contact (43% of first contacts); and distantly by contact via the internet (6%). 53% of all tenants rented from the first facility that they contacted while 19% contacted one other facility while looking and 27% contacted more than one other facility.
- The most important information requested by prospective tenants was price (92%); followed by size (77%); availability of units (70%); location (42%); and amenities offered (30%). This was consistent with the 2007 study.
- The top-rated features were found to be drive-up parking at the unit (80%); anytime access (77%); electronic entrance gates (75%); pest control (71%); and closeness to the residence (70%).
- The bottom-rated features were found to be customer mail boxes (7%); pick-up and delivery services (10%); specialized containers for unique items (10%); and shelving in the storage units (20%).
- Among current self-storage renters, 44% of the entire consumer self-storage market were self-classified as "temporary renters" (down from 54% in 2007) and "long term renters" form 46% of the total market (up 8% from 2007). The decrease in temporary renters is believed to be the result of the economic recession as most temporary renters rent units while they are in the process of moving or remodeling. 63% of temporary renters plan to keep their units one year or less (most commonly 3 to 6 months) and 69% of long term renters plan to keep their units more than one year.
- The estimated penetration with respect to businesses is inconclusive because of the difficulty of estimating the total number of businesses; the best estimate is that penetration has remained consistent. 79% of businesses renting have fewer than 100 employees. The top five types of businesses using storage are: professional services (18%); health care (10%); retail (10%); manufacturing

(7%) and education (6%). The location of businesses using storage has shifted from urban (-9%) to suburban (+7%) and rural (+3%). 61% of business tenants rent one unit and 59% are renting an exterior drive-up unit. 23% are renting a 10' x 10' (up 5% since 2007) but 20% are renting a 10' x 30' or larger (up 8% since 2007). 52% of business tenants are renting for two years plus.

- 45% of business tenants visit the unit once a month or less and 37% pay by cheque (followed by 34% paying by debit or credit). 42% of businesses travel 10 minutes or less to reach their unit.
- Items that businesses store include: overflow furniture, supplies, and equipment (41%); inventory (35%); records required by government regulations (33%); other records (24%); items no longer needed or wanted (24%). The main items stored are: paper-based records (47%), inventory (35%); furniture (35%); equipment excluding computers (34%); and office supplies (27%).
- The top amenities desired are anytime access (75%); closeness to place of work (71%); drive-up units (69%); discounts for long term storage (68%); and pest control (63%). The bottom amenities desired are: mail boxes (9%); telephone service in the unit (15%); availability of truck rentals (16%); internet availability in the unit (16%); and the availability of storage aids for sale (18%). Specialized services desired include: a log of unit access (38%); customized interior finishing (22%); the ability to fax or e-mail electronic copies of records (17%); pick-up and delivery services (16%); and consulting regarding the efficient archiving of records (14%).

The important findings of the study include the conclusion that there is no "storage cliff" impending; that tenants are actually staying and planning to stay for longer periods; that penetration rates are constant; and that growth can be anticipated as the economy recovers and particularly as the housing market bounces back. The trend through the recession has been toward renting smaller units and rents are almost unchanged from 2007. The overall conclusion of the study is "cautiously optimistic".

## 2015 Canadian Survey for the 2016 Self Storage Almanac

A Canadian section was added to the 2016 Self Storage Almanac based on the results of a survey completed in 2015 by a relatively small proportion of owners. In general, Canadian facilities appear to have a greater proportion of commercial tenants than those of the U.S. as indicated by the following table. The average rental period in Canada appears to be longer for two categories of tenant, the military and students, about the same for residential tenants, and shorter for commercial tenants as shown by the following combined table.

| Tenant Mix              | Commercial | Residential | Military | Students |
|-------------------------|------------|-------------|----------|----------|
| Canada                  | 25.5%      | 63.4%       | 7.4%     | 5.2%     |
| U.S.                    | 18.7%      | 75.0%       | 3.2%     | 3.1%     |
|                         |            |             |          |          |
| Length of Stay (months) | Commercial | Residential | Military | Students |
| Canada                  | 22.7       | 16.7        | 20.6     | 16.1     |
| U.S.                    | 30.9       | 16.5        | 8.8      | 3.6      |
|                         |            |             |          |          |

Canadian facilities are slightly larger than U.S. facilities overall with a slightly smaller average unit size and a greater proportion of the smallest unit size category (5' x 5'). The Canadian responses indicate that facilities have fewer competitors within a five mile radius (4.5 by comparison to 7.7 in the U.S.). The following tables summarize occupancy by province (excluding facilities in rent-up), by NRA, by number of units, by market area, and by age of the facility.

| NATIONAL OCCUPANCY RATE TRENDS EXCLUDING FACILITIES IN LEASE-UP |                        |                        |             |
|---|------------------------|------------------------|-------------|
| Provinces and Territories                                       | Physical               | Economic               | Difference  |
| Alberta   | 82.0%                  | 78.9%                  | 2.1%        |
| British Columbia  | 86.5%                  | 71.6%                  | 14.9%       |
| Manitoba  | insufficient responses | insufficient responses |             |
| New Brunswick   | 88.2%                  | 84.0%                  | 4.2%        |
| Newfoundland  | insufficient responses | insufficient responses |             |
| Northwest Territories   | 85.0%                  | 81.0%                  | 4.0%        |
| Nunavut   | insufficient responses | insufficient responses |             |
| Ontario   | 75.9%                  | 70.2%                  | 5.7%        |
| Quebec  | 78.5%                  | 76.1%                  | 2.4%        |
| Saskatchewan  | 82.0%                  | 79.1%                  | 2.9%        |
| Yukon Territory   | insufficient responses | insufficient responses |             |
| <b>NATIONAL</b>   | <b>79.9%</b>           | <b>74.1%</b>           | <b>5.8%</b> |
| OCCUPANCY RATE BY RENTABLE SQUARE FOOTAGE                       |                        |                        |             |
| Square Footage  | Physical               | Economic               | Difference  |
| Less than 25,000  | 77.0%                  | 75.8%                  | 1.2%        |
| 25,000 to 49,999  | 83.6%                  | 80.8%                  | 2.8%        |
| 50,000 to 74,999  | 76.3%                  | 74.1%                  | 2.2%        |
| 75,000 to 99,999  | 74.4%                  | 71.3%                  | 3.1%        |
| 100,000 or more   | 78.7%                  | 75.4%                  | 3.3%        |
| <b>ALL SIZES</b>  | <b>78.8%</b>           | <b>76.3%</b>           | <b>2.5%</b> |
| OCCUPANCY RATE NUMBER OF UNITS                                  |                        |                        |             |
| Number of Units   | Physical               | Economic               | Difference  |
| 1 to 99   | 77.5%                  | 73.9%                  | 3.6%        |
| 100 to 299  | 82.5%                  | 78.6%                  | 3.9%        |
| 300 to 499  | 80.0%                  | 77.3%                  | 2.7%        |
| 500 to 999  | 75.2%                  | 72.9%                  | 2.1%        |
| 1,000 or more   | 74.4%                  | 71.1%                  | 3.3%        |
| <b>ALL SIZES</b>  | <b>78.8%</b>           | <b>75.5%</b>           | <b>2.3%</b> |
| OCCUPANCY RATE BY MARKET AREA                                   |                        |                        |             |
| Market Area   | Physical               | Economic               | Difference  |
| Urban   | 78.0%                  | 73.0%                  | 5.0%        |
| Suburban  | 77.0%                  | 73.5%                  | 3.5%        |
| Rural* (statistics not reliable)                                | 81.3%                  | 61.0%                  | 20.3%       |
| <b>ALL AREAS</b>  | <b>78.1%</b>           | <b>71.5%</b>           | <b>6.6%</b> |
| OCCUPANCY RATE BY YEAR FACILITY BUILT                           |                        |                        |             |
| Year Facility Built   | Physical               | Economic               | Difference  |
| Prior to 1981   | 80.3%                  | 64.7%                  | 15.6%       |
| 1981 to 1985  | 71.0%                  | 68.0%                  | 3.0%        |
| 1986 to 1990  | 85.3%                  | 83.9%                  | 1.4%        |
| 1991 to 1995  | 77.8%                  | 60.0%                  | 17.8%       |
| 1996 to 2000  | 82.5%                  | 79.1%                  | 3.4%        |
| 2001 to 2005  | 79.9%                  | 74.9%                  | 5.0%        |
| 2006 or after   | 72.2%                  | 64.4%                  | 7.8%        |
| <b>ALL AGES</b>   | <b>78.1%</b>           | <b>71.5%</b>           | <b>6.6%</b> |



## **SELF-STORAGE MARKET IN B.C.**

### **Sales and Acquisitions**

Market activity Canada-wide was influenced by the acquisitions of *InStorage Real Estate Investment Trust*, which was formed in August 2006, as the first Canadian REIT developed specifically to acquire self-storage. Most of the REIT's holdings were acquired through the purchase of portfolios or individual properties in the twelve months between August 2006 and August 2007. The REIT purchased only one property after August 2007, although it purchased its own development arm in late 2008, adding eight properties in varying stages of lease-up to its portfolio; in March 2009 the acquisition of all of the units of the REIT was completed by *Storage Mart*. The majority of the properties are located in Ontario; although a development site in Vancouver was purchased and developed, no operating B.C. properties were acquired.

Over the past eight years, there has been an average of four sales of self-storage facilities per year in B.C. ranging from a low of one sale in 2008 to seven sales in 2007 and 2010.

- In 2007, there were seven sales, including two sales of the same property in Coquitlam and one sale in the Vancouver West End that was a land play. The rest of the properties were less than 34,000 square feet in net rentable area and were located outside the Lower Mainland in Prince George, Sicamous, Kamloops, and Ladysmith.
- In 2008, there was one share sale of a 26,000 square foot facility in the Interior.
- In the first half of 2009 there were two sales of small facilities (under 17,000 square feet) on the Island, and then two larger facilities sold at the end of the year, one in Kelowna (89,943 square feet) and one in Surrey (88,756 square feet).
- In 2010, other than the sale of a 65,000 square foot facility in Coquitlam to the Ministry of Highways to accommodate the road system serving the expansion of the Port Mann Bridge, there were six sales of smaller facilities (less than 31,000 square feet) in Kamloops, Comox, Campbell River, Parksville, Creston, and Gibsons Landing.

In 2011, there were three completed sales: *All-Secure Self-Storage*, a 38,638 square foot facility in Courtenay; *R-Xtra Self Storage*, a facility of 50,632 square feet located in Vernon; and *Apex Osoyoos*, a 29,310 square foot facility.

- In 2012, there were four sales in the Lower Mainland, three of which comprised a portfolio sale, and two sales of smaller facilities in Salmon Arm (15,500 square feet) and Kamloops (22,800 square feet).
- In 2013, there was a sale of a facility in Esquimalt, a sale of a small facility in Cranbrook, and another small facility in Vernon.
- In 2014, we are aware of four sales in BC, including Keating Self Storage in Central Saanich that comprises 55,000 sq. ft. of NRA and sold in June, The Storit Place in Vernon that comprises 24,600 square feet of buildings and 84 storage containers and sold in May, and Ace Self Storage and Sun Valley Mini Storage in Kamloops that each comprise 34,000 square feet are currently under offer.
- In 2015 there have been a number of smaller facilities transact due to the lower Capitalizations rates being seen in the marketplace. In addition, The Storage For Your Life Portfolio has recently sold at a reported Capitalization rate of under 6%, a first for the storage market in British Columbia.
- 2016 has seen very few transactions take place with sales being limited to smaller facilities in secondary and tertiary markets. Due to this, we have seen an increase in construction of facilities in primary and secondary markets.
- 2017 has seen sales of facilities in Chilliwack and in Prince George in the first half of the year as well as two facilities in Kamloops in the second half of 2017.

Therefore, except for 2008, the number of sales in B.C. in the last eight years has been relatively consistent, though 20 of the 35 sales have been in the price range of \$3,100,000 or less, with an average sale price of under \$2,000,000. Since 2006, there have been only ten sales of self-storage properties in B.C. over 35,000 square feet in size and there have been only six sales of properties exceeding \$9,500,000 in value.

During the same time period, two Lower Mainland portfolios were offered on the market, each comprising four facilities. The *Advanced Storage Centres* portfolio was put under contract in July 2007, but after several extensions, the purchaser did not complete the transaction and the sale collapsed in March 2008. The *Apex* portfolio was offered for sale in the Spring of 2010 with the deadline for bids set for September 2010; the property was under offer until March 2011, when the transaction collapsed.

The purchaser was the same in each instance and the circumstances surrounding the collapse of the transactions were very similar. The *Apex* portfolio was put back on the market (three Lower Mainland properties only) and was purchased by *Sentinel Self Storage*; the transaction closed in February, 2012. 2015 saw the sale of the Storage For Your Life Portfolio to Access storage out of Toronto.

In the last five years, despite the vicissitudes of the economy, capitalization rates for self-storage in British Columbia have not risen but have remained steady or compressed. This is mainly due to continuing low interest rates, lack of available quality product, and the on-going interest in self-storage as an investment.

### **Ownership Profile**

In the Vancouver Lower Mainland, 57% of the total net rentable area of self-storage is held in seven portfolios (each containing at least three facilities) or 52 of the 106 facilities. The rest of the inventory is owned by individuals or companies that have either one or two facilities.

- *Public Storage*, the largest U.S. self-storage owner/developer, has the largest portfolio in the Lower Mainland with 962,000 square feet in 14 facilities since one site was acquired by the Ministry of Transportation to accommodate highway expansion. The most recent development by Public Storage was a 74,340 square foot facility completed in 2006 in the City of Vancouver and their Braid Street facility is being expanded by 33,627 square feet.
- *Maple Leaf Self Storage* has the second largest portfolio with 885,600 square feet in 10 facilities. The most recent development was in the City of Vancouver in 2008/2009 (75,487 square feet).

- The third largest portfolio is owned by *U-Haul*, another U.S. company who purchased the Cambridge portfolio in 2000; there are 11 Lower Mainland facilities with a net rentable area of 575,690 square feet. U-Haul purchased a land and a building on SE Marine Drive in the City of Vancouver in 2005 and converted the building in 2010/2011 to offer over 108,000 square feet of self-storage as well as 15,000 square feet of storage for portable containers.
- *Self Storage Depot* has a portfolio of 6 facilities with a net rentable area of 382,270 square feet (including the expansion of Langley) to be completed in 2015.
- *Advanced Storage Centres* comprises a portfolio of 4 facilities with a net rentable area of 303,000 square feet.
- *Sentinel Storage* purchased the 3-property *Apex* Lower Mainland portfolio of 178,700 square feet in early 2012.
- *Storage For Your Life* has a portfolio of 4 facilities totaling 297,305 square feet of NRA (self-storage only) and was recently been purchased by Access Storage of Toronto in late 2015.
- *In Mid 2017 Storage Vault Acquired the 23 property Sentinel storage portfolio including the 3 properties Sentinel had acquired from Apex in 2012.*
- *Storage Vault acquired Halston storage in Kamloops and is in negotiations to acquire 4 corners storage at the time of this report.*

## **IDENTIFICATION OF THE TRADE AREA**

The subject trade area has been identified after consideration of the existing and proposed competition, neighborhoods, travel patterns and geographical boundaries. As the City of Kamloops is a very diverse area geographically, we have expanded the trade area to include all of the City of Kamloops. We have made this decision based on the fact that the population density is not evenly distributed throughout Kamloops and the city is very geographically spread out. In addition to these factors, most of the storage facilities in the City of Kamloops are clustered together in the Halston light industrial and commercial areas away from most residential developments.

The primary trade area consists of a population of 90,280 full time residents as of the 2016 national census. The metropolitan area of Kamloops has a population of 103,811 and include the First Nation reserves in the Kamloops area. This is the population we will use for the purpose of this analysis.

## **LOCATION**

Kamloops BC is part of Thompson Regional District in Province of BC.



## **CITY OF KAMLOOPS**

Kamloops is a city in south central British Columbia at the confluence of the two branches of the Thompson River near Kamloops Lake. It is the largest community in the Thompson-Nicola Regional District and the location of the regional district's offices. The surrounding region is more commonly referred to as the Thompson Country. It is ranked 37<sup>th</sup> on the list of the 100 largest metropolitan areas in Canada and represents the 44<sup>th</sup> largest census agglomeration nationwide, with 90,280 residents in 2016.

Industries in the Kamloops area include primary resource processing such as Domtar Kamloops Pulp Mill, Tolko-Heffley Creek Plywood and Veneer, Lafarge Cement, Highland Valley Copper Mine (in Logan Lake), and others. RIH (Royal Inland Hospital) is the city's largest employer. TRU (Thompson Rivers University) serves a student body of 10,000 including a diverse international contingent mainly from Asian countries. Thompson Rivers University, Open Learning (TRU-OL) is the biggest distance education provider in British Columbia and one of the biggest in Canada.



## NEIGHBOURHOOD DESCRIPTION

The area surrounding the subject property is of commercial nature with the Aberdeen Mall and Costco a short distance away. The areas to the south are commercial and residential in nature with some new residential housing development taking place. The proposed location of the subject facility is on the corner of the Trans-Canada Highway and Pacific Way with excellent exposure and easy access to the proposed facility from a nearby major transportation route; The Trans-Canada Highway, Pacific Way and Hugh Allan Drive





## **SITE DESCRIPTION**

The proposed site is located within a commercial area in the City of Kamloops. The site is currently occupied by a light industrial building used for an Shipping Business. The surrounding areas are of similar light Commercial uses with some single and multifamily residential in the surrounding areas as well.



Size: 57,934 ft<sup>2</sup> (City of Kamloops).

Topography: Level topography.

Services: Piped water. Sanitary and storm sewers. Overhead mounted hydro, telephone and cablevision. Natural gas is also available.

Access: Site is accessed from Pacific Way and Hugh Allan Drive.

Exposure: Exposure is excelent with site visible from Franklin and Powell Streets.

## **COMPETITION FOR PROPOSED FACILITY**

There are eight (8) facilities in Kamloops that would be considered direct competition to the proposed project. The total amount of storage supplied by these facilities is approximately 264,800 ft<sup>2</sup>. At the time of our survey all facilities were between 95-100% occupied with many taking waiting lists for certain locker sizes. General details of these facilities are explained below.

### **Ace Self Storage – 651 Athabasca Street**

This facility is located 5km north east of the proposed location. It consists of 24,000 ft<sup>2</sup> of NRA and is all exterior access storage. This facility offers parking for RV's and vehicles. The exposure would be considered average and access would be considered good. Its location in a light industrial area away from significant residential development would be considered a negative attribute.

### **Halston Mini Storage – 1271 Salish Road**

This facility is located 6 km to the north east of the subject property and consists of approximately 23,000 ft<sup>2</sup> NRA of storage space. This facility was recently purchased by storage vault and is in the process of becoming a Storage for Your Life location. Parking for RV's and cars is also offered at this location.

### **Los Rios Storage – 795 Athabasca Street**

This is a small facility consisting of 7,500 ft<sup>2</sup> NRA with expansion potential. It is located 6km North east of the proposed property. This facility offers parking for RV's and vehicles but does not have an onsite office for rentals. All storage is externally accessed and is unheated.

### **McGill Storage – 1226 McGill Road**

This facility is located 2 km north of the proposed location and consists of 24,500 ft<sup>2</sup> of NRA. This facility offers a mix of internal and external storage with some heated units. RV and vehicle parking is also available on site. There is very little residential development in the vicinity of this facility however it is in close proximity to the local University.

**Versatile Storage – 2095 Trans-Canada Highway**

This is an older facility located 2 km to the west of the proposed facility with a NRA of approximately 35,000 ft<sup>2</sup>. It is located adjacent to the Trans-Canada Highway and has excellent exposure but only good access. This facility offers outdoor storage for RV's and vehicles as well.

**4 Corners Storage – 1298 Kootenay Way**

This facility is comprised of three locations spread across Kamloops. The Iron Mask location is approximately 2km to the west while the Halston location is 6km north east. The Dallas Drive location is 10 km east of the proposed location. The total facility is 47,070 ft<sup>2</sup> of NRA with the majority being located at the Halston location. This facility is currently under contract for purchase by Storage Vault with a closing date later this year.

**Storage For Your Life – 600 Okanogan Way**

This facility is located 5km north east of the proposed location and is two nearly locations operated as a single facility. This facility consists of 51,000 ft<sup>2</sup> of NRA and is all externally accessible storage. This facility offers RV and vehicle storage as well. Storage Vault Canada is the operator of this facility.

**Budget Storage – 820 Notre Dame Ave**

This is an older facility with a mix of internal and external heated storage. This facility is located 2 km north east of the proposed facility and shares its location with a budget car and truck rental kiosk. This facility is comprised of 51,550 ft<sup>2</sup> of NRA spread over 498 units.

## **ANALYSIS OF DEMAND**

### **POPULATION TRENDS**

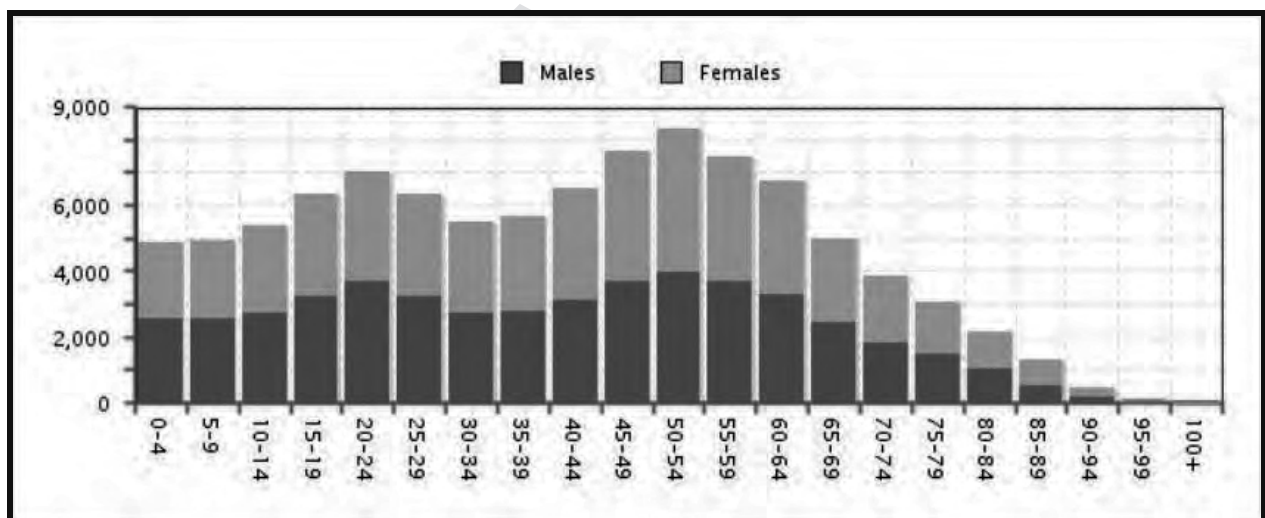
Growth in the Kamloops Metropolitan area has been steady over the past decade at around 0.66% per year. This makes the current population of what we would consider the total trade area to be 103,811 as of the end of 2016. The population is estimated to rise to 107,237 by 2021. The growth trend in the total trade area is expected to remain steady over the next decade with new housing construction keeping pace with population demand for the foreseeable future.

### **CHARACTERISTICS OF THE TRADE AREA POPULATION**

To follow are the population statistics that are most important to successful self-storage developments in any area. These statistics give a good overview of current and future conditions in the trade area and are helpful in planning long-term growth and marketing strategies. Kamloops is a steadily growing community, and as such, as the population grows its demographics may change. These statistics should be reviewed from time to time. As the statistics used in this analysis came from many different Municipal and Provincial sources, we have presented an overview and summary of our findings after examining all the data from relevant sources.

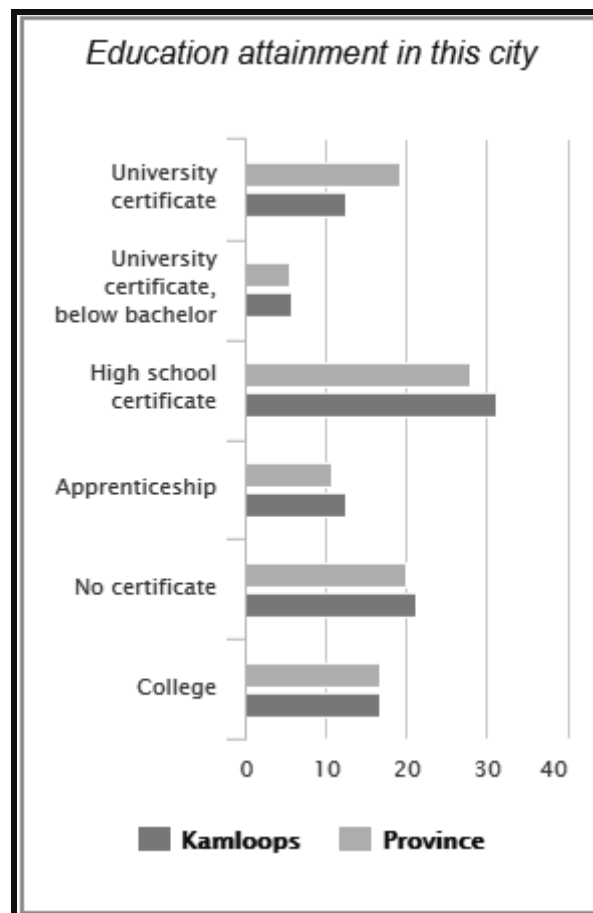
## AGE COMPOSITION

The age distribution in the Kamloops area is heavily weighted towards the younger and middle generations with a sharp decline in the age cohorts over 74 years of age. In self-storage we see participation in the market increase as the population grows into the middle aged category. When we look at very successful self-storage markets we see a bulk of the population between ages 35-64. In the case of the trade area, we do see a large portion of the population in this age bracket with the distribution weighted heavily towards the bottom end of the grouping. By having such a large grouping of the population in the section of the target market for storage, it would be expected that the demand for self-storage will stay steady if not increase as these age groups mature and acquire more possessions. This is a positive sign for storage demand in the coming years.



## EDUCATION

Education is a good determining factor of the possible demand for self-storage in a community. As education increases, so does income. This plays a large role in the demand for self-storage as higher income groups have higher demand for self-storage units. The trade area has a large portion of the population with a high school education. This is a good indication for self-storage demand as it usually speaks to a higher earning potential for the residents with education. Although this data is somewhat dated (2011), we can assume that with the growth in new residents and the number of new homes being purchased, this statistic will, in the worst case scenario, remain the same, but will more than likely improve as new residents move to the trade area. This above average level of education is a positive sign for self-storage demand in the short term.



## HOUSING STOCK

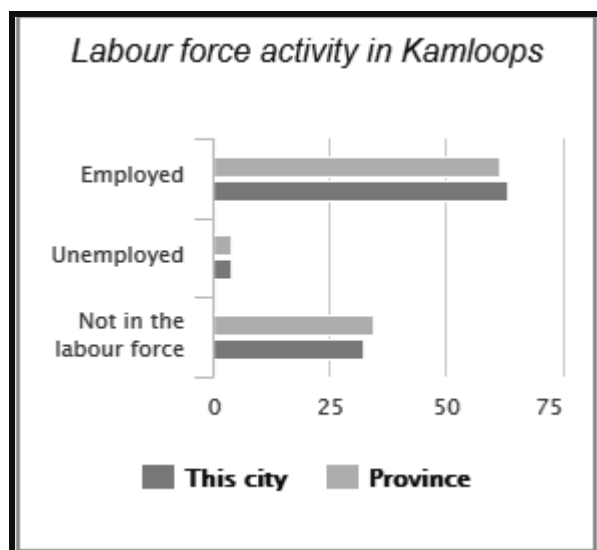
The most significant factor influencing the potential demand for self-storage is the composition of the housing stock and any shift in that composition. Kamloops and the surrounding areas have a high proportion of single detached houses. There is also a great deal of development of multi-family nature currently taking place with approximately 750 multi-family units currently being built with another 1,500 units in the short to mid-term planning phases. This mixture of housing is very conducive to high levels of self-storage usage. It should also be noted that most of the newly constructed housing is smaller in size and will lack extra space to store items. This factor should only serve to increase the demand for storage as these newly built houses become occupied in the near to mid-term.

| Structural type of dwelling                          | Kamloops |       |
|--|----------|-------|
|  | number   | %     |
| Total - Structural type of dwelling                  | 40,725   | 100.0 |
| Single-detached house                                | 23,725   | 58.3  |
| Semi-detached house                                  | 2,715    | 6.7   |
| Row house  | 3,205    | 7.9   |
| Apartment, building that has five or more storeys    | 680      | 1.7   |
| Apartment, building that has fewer than five storeys | 5,935    | 14.6  |
| Apartment, duplex                                    | 2,600    | 6.4   |
| Other single-attached house <sup>11</sup>            | 45       | 0.1   |
| Movable dwelling <sup>12</sup>                       | 1,825    | 4.5   |



## EMPLOYMENT

Historically, the unemployment rate for Kamloops has been below that of the Province. This holds true today and for the near future. This would be considered a positive factor for storage demand. The unemployment rate in the Province of BC has been falling over the past years and the City of Kamloops has followed this trend. Moving forward, we expect to see high levels of employment continue in the Kamloops area due to its diverse economy and its role as a hub city for the interior of BC. This will continue to drive demand for self-storage in the short to midterm. In addition to the low rate of unemployment, Kamloops has historically had a larger than average proportion of labour force participation meaning more of the population is working on a percentage basis than the average in BC.



## **SUMMARY OF DEMAND ANALYSIS**

Following is a summary of the strengths and weaknesses of the subject trade area indicated by the demographic analysis:

### **STRENGTHS:**

The population growth in the Kamloops area is above the provincial average and is projected to continue at a steady pace for the next 10-15 years. This coupled with the demographic factors explained above point towards an increased growth in demand for self-storage. It is important to note that there is a large increase in demand for self-storage as a population ages. Some areas in Kamloops have average incomes that are up to 25% higher than the Province of BC as a whole. This is beneficial to storage facilities in the surrounding areas as it will allow a higher price point to be achieved across all locker classes.

### **WEAKNESS:**

Overall, the Kamloops area has a lower than average socio-economic status than the Province of BC. This means that the average income, education, employment and housing is on a whole inferior to that of the Province as a whole. This means the demand for storage may be less than what is seen in more affluent areas. Having said this, the continued prosperity of the Kamloops area is dependent on the continued prosperity of the economy as a whole due in large part to the nature of a great deal of the industry in the Kamloops area. If the economy were to stall or enter into a recession, expenditures on products and services in the Kamloops area would be reduced and, it would in turn cause a reduction in economic growth and demand for storage. In addition to this, the storage facilities in Kamloops are not tightly clustered for the most part and therefore compete with one another for the same customers in the trade area. This makes proper management and marketing even more important than at a facility with few competitors.

## **SUMMARY OF SUPPLY ANALYSIS**

There have been no cross-Canadian surveys with respect to self-storage demand and supply although the supply of self-storage is well documented in the United States. Key to the determination of the extent of demand for additional self-storage is a projection of the amount of space that the trade area is able to absorb. However, the supply in the immediate trade area is less than adequate. Following is a discussion of the positives and negatives with respect to the existing and proposed supply in the subject trade area and the effect of adding an additional facility to the supply.

| POSITIVES   | NEGATIVES  |
|---|--|
| <p>Current supply in the trade area as a whole is 2.55 square feet per capita.</p> <p>Average occupancy appears to be in the 95-100% range with some units available at the time of our survey.</p> | <p>Kamloops has a large geographic area.</p> <p>Established large storage operators in the trade area.</p> |

After completing and analyzing our survey of the primary trade area, we have come to the conclusion that the supply of self-storage units in the trade area is less than adequate. There is an under supply of self-storage in the Vancouver area that a new facility could capitalize on.

## **MARKET PENETRATION**

| Primary Trade Area | Based on existing space           | 2.55 sq. ft. per capita |
|--------------------|-----------------------------------|-------------------------|
|                    | Based on estimated occupied space | 2.42 sq. ft. per capita |

The Kamloops per capita storage level, when compared to the national average for storage, is undersupplied by at least half a square foot per capita. Currently the supply of Class A, third generation, facilities is not sufficient.

## **MARKET DEPTH**

Survey research and zip code studies confirm that demand or customers for a typical self-storage come from a five mile radius of the site. This is borne out by analysis of the customer base of suburban Canadian facilities by postal code as well. It is very difficult to induce demand for self-storage from outside the trade area.

Based on the findings of the most recent self-storage demand study published by the Self-Storage Association, which included a Canadian section, as well as the results of the first Canadian survey published in the 2016 Self-Storage Almanac, one of the traditional formulas has been updated as follows:

|  |                                 |
|--|---------------------------------|
| Every 30 single family houses requires               | 100 square feet of self-storage |
| Every 30 ground oriented multi-family units requires | 75 square feet of storage       |
| Every 30 multi-family apartment units requires       | 50 square feet of storage       |
| Every 30 moveable units requires                     | 25 square feet of storage       |

Each \$5000 of retail sales per capita x # of residents requires 0.50 square foot of self-storage. Based on this formula the following demand is indicated:

### **Kamloops Metropolitan Area**

| Year                              | 2016     | Formula                               | Demand (s.f.) | Per Capita |
|-----------------------------------|----------|---------------------------------------|---------------|------------|
| SF houses                         | 25,340   | 1/30 x 100 s.f.                       | 84,466        |            |
| Ground oriented MF units          | 9,345    | 1/30 x 75 s.f.                        | 23,363        |            |
| MF units (apartments)             | 6,705    | 1/30 x 50 s.f.                        | 11,175        |            |
| Moveable units                    | 1,825    | 1/30= 25 s.f.                         | 1,521         |            |
| Retail sales/cap                  | \$19,149 | retail sales/\$5000 x population x .5 | 198,787       |            |
| Total Market Depth                |          |                                       | 319,312       | 2.84       |
| Less occupied self-storage space  |          |                                       | 251,555       | 2.42       |
| Potential Residual Demand         |          | [best case scenario]                  | 67,757        | 0.65       |
| Less space available in Vancouver |          |                                       | 13,239        |            |
| Potential Residual Demand         |          | [worst case scenario]                 | 54,517        | 0.53       |

As shown by the analysis above, there is currently an under supply of self-storage in the trade area of 54,517 square feet if all other storage would have to be rented to 100% before any new facility would see demand. This would be considered the worst case scenario. The best case scenario shows an excess demand currently of 67,757 square feet.

### **Future Growth**

Assuming the population growth rate remains constant over the next five years, we would expect the population to increase by about 3,500 people by 2021. This would equate to a minimum new storage demand of 10,000 square feet bringing the total under supply to just over 71,000 square feet best case scenario. This estimate is based of growth projections and uses the current per capita demand for storage as the amount new residents would demand after moving to the area without the construction of any new storage facilities.

### **Occupancy numbers**

It should be noted that industry standard for occupancy in the self-storage market place ranges from 85-87% and the current occupancy numbers at the existing facilities in the trade area are averaging above 95% occupancy with some facilities completely full at the time of survey. This shows that the current undersupply of storage cannot be readily absorbed by the current supply of storage in these facilities. These occupancy numbers also points to a situation where there may be more demand from the current storage users who are in a situation where they do not have the ideal storage unit or storage locations and would move to a new facility to get either a larger or smaller unit or a better located unit that is currently not available in the storage facilities today.

## **ANALYSIS OF THE SUBJECT SITE**

### **Exposure:**

The proposed location of this facility is a off the Trans Canada-Highway which is the major arterial route for the City of Kamloops and transit route through the interior of BC. There is excellent exposure directly to Pacific Way and Hugh Allan Drive. The site is situated on the corner of Pacific Way and Hugh Allan Drive which are heavily traveled streets in the west of Kamloops. Recently, single and multi-family developments have been proposed and approved in the surrounding areas. These new developments will increase residents in the surrounding areas and increase the demand for storage. The Aberdeen Mall is a short drive to the north and there are numerous small commercial centers in the immediate area of the subject location.

### **Access:**

Currently, access to the proposed site would be considered excellent as it is easily accessible from major routes such as the Trans-Canada Highway and Pacific Way. As the facility can be seen from the Trans-Canada Highway, we would advise that all efforts possible be made to advertise the facility to this major transportation route.

### **Site Configuration, Size and Conditions:**

The site is currently developed with a commercial building that once housed a restaurant and will be demolished to build the new facility. The site area is 57,934 ft<sup>2</sup> and is zoned for immediate redevelopment.

## **SUMMARY OF FINDINGS**

- The most positive demographic factor with respect to the subject trade area is the age composition of the population; there is a small proportion of pre-retirees as well as a large proportion of the middle age and younger cohorts. The trade area has a pre-retirement age group along with a large group that is at the edge of entering the prime age group for self-storage. This should keep the demand for storage increasing in the short to mid-term as these groups grow into storage users.
- With respect to housing, the combined trade area reflects a high level of single detached housing and of multi-family units, particularly apartment units. It also shows a large number of owner occupied housing. This is generally considered a positive factor with respect to self-storage demand as it correlates with lower mobility of the population and thus longer average stays in self-storage and a higher per capita demand for storage.
- In our opinion, the supply of self-storage in the trade area as a whole is supportable and indicates that additional self-storage space could be absorbed readily.
- The current population is under supplied by the offerings of self-storage leaving an opportunity for a new facility to service this demand. In addition, it has been indicated that customers have shown a preference of higher quality storage at a higher price as opposed to low quality storage at a low price. This should be further examined so that a new facility can maximize on these users, thus gaining a better facility average for rental rates.



## **RECOMMENDATIONS**

- It has not been within the purview of this study to comment upon the economy as a whole but rather to focus in on the self-storage market and the demographic factors affecting demand. However, few industries flourish in a recession. The Province of British Columbia has had strong economic performance over the past five years. This trend is forecast to continue but given the uncertainty in the world economy, the economy in Canada as a whole is currently growing very slowly. These factors coupled with the uncertainty of a new Provincial Government in BC points to some uncertainty in the near to id term. Any downward change in the growth rate of the Canadian economy as a whole may begin to slow growth in BC and thus lessen the demand for storage in the province.
- According to our research, there is currently an under supply of self-storage in the City of Kamloops. This information, although found through our extensive research into demographics, supply, demand and other factors that impact self-storage, is probably known by current operators. We would advise that you be vigilant for new facilities in the planning stages that may affect the overall supply of self-storage including the two facilities in the planning phases in the same neighborhood.
- In summary, although there is an under supply of self-storage space currently in the market, new facilities could impact the opening of the proposed facility. With the projected economic growth in the region, there will no doubt be demand for self-storage that will out strip any current developments in the future. In making a decision on whether or not to go ahead, one must weigh all of these factors. We would advise you to proceed with this development given the supply and demand factors presented in this report.

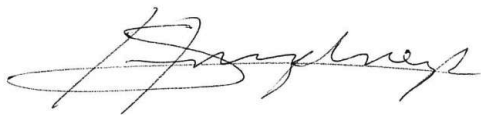
## **CERTIFICATION**

Market analysis of the feasibility of a proposed self-storage facility on a site located at 1485 Trans-Canada Highway, Kamloops, BC.

We certify that to the best of my knowledge and belief:

- ❑ The statements of fact contained in this report are true and correct;
- ❑ 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;
- ❑ We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- ❑ We are not in a conflict of interest to undertake this assignment;
- ❑ We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- ❑ Our engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate(s), or a conclusion favouring the client;
- ❑ Our analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice;
- ❑ We have the knowledge, skills and experience to complete the assignment competently;
- ❑ Patrick Wood, AIC Candidate, made a personal inspection of the site which is the subject of this report on August 24, 2017. The competitive facilities were visited and surveyed for occupancy and rents between August 21<sup>st</sup> and August 24<sup>th</sup> 2017. Scott Humphreys, AACI, P.App, did not inspect the subject property.
- ❑ As of the date of this report the undersigned have fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for Members;

Dated this 30<sup>th</sup> day of August, 2017



Scott Humphreys, B.Comm, AACI, P.App



Patrick Wood, AIC Candidate

## **SCHEDULE B**

### **Canadian Self Storage Valuation Services Inc. – Phase II Feasibility Report**

**PHASE II FEASIBILITY STUDY OF PROPOSED**  
**SELF STORAGE FACILITY**  
**1485 TRANS-CANADA HIGHWAY**  
**KAMLOOPS, BC**

**STUDY DATE**

August 24, 2017

**PREPARED FOR**

NationWide Storage Trust



CANADIAN SELF STORAGE  
VALUATION SERVICES INC.



CANADIAN SELF STORAGE  
VALUATION SERVICES INC.

SUITE 303-1001 CLOVERDALE AVENUE, VICTORIA BC, V8X4C9 PHONE (250) 384-2929 FAX (250) 388-6290  
EMAIL [info@cssvs.ca](mailto:info@cssvs.ca) WEBPAGE [www.cssvs.ca](http://www.cssvs.ca)

Our File: 1081-FS-XX-BC148A

September 14, 2017

NationWide Storage Trust  
609 Granville Street  
Vancouver, BC V7Y 1G5

Attention: Mr. Hugh Cartwright

Dear Mr. Cartwright

Re: **Feasibility Study – Phase II: Proposed Storage Facility located at  
1485 Trans-Canada Highway, Kamloops, BC**

---

We have been asked to complete Phase II of a feasibility study with respect to self storage development on a site located at 1485 Trans-Canada Highway, Kamloops, BC. The self storage site would be located in a commercial residential area in Kamloops BC.

Our research shows that there would be a demand for a properly planned, constructed, marketed and managed facility not to exceed 60,000 sq. ft. in the City of Kamloops, British Columbia. We have come to this conclusion after examining the current facilities, population demographics and trends, economic factors and expected growth in the District. A full examination of these factors is contained within this report.

Respectfully submitted,

CANADIAN SELF STORAGE VALUATION SERVICES INC.

Scott Humphreys, B.Comm, AACI, P.App, CRP  
SH/PW/ks

Patrick Wood, B.Sc, AIC Candidate



CANADIAN SELF STORAGE  
VALUATION SERVICES INC.

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**PURPOSE OF THE MARKET STUDY**

The current owner of the property located at 1485 Trans-Canada Highway, Kamloops, BC is proposing construct a self-storage facility and has commissioned this report to analyze the financial feasibility of the development. The purpose of this Phase II report is to analyze the financial aspects of the proposed self-storage development. The research for this analysis was conducted between August 21<sup>st</sup> and August 24<sup>th</sup>, 2017 and analyses and conclusions are based upon market conditions discovered during that time period.

**Date of Study**

August 24, 2017

**Date of Inspection**

August 24, 2017

**Scope of Work**

During the course of this study, the appraiser:

- Inspected the subject trade area on August 24, 2017;
- Collected data regarding the local market and conducted a rental and occupancy survey of the competitive facilities within a 15-kilometer area;
- Reviewed sales and listing data with respect to sales of improved self-storage facilities;
- Prepared a self-contained narrative feasibility report.

The appropriate market data was gathered through in-house information, sales and listing data provided by agents active in this specialized market and discussions with various participants in the self-storage market including agents, developers, owners and property managers. The report was prepared in conformity with the Canadian Uniform Standards of Appraisal Practice.

## **ASSUMPTIONS AND LIMITING CONDITIONS**

The market analyses contained in this report are based on a thorough and detailed analysis of information derived from various sources. Some of this data has required subjective interpretation and our terms of reference have, in some instances, required us to make certain assumptions in arriving at our value conclusions. As a result, the opinions and conclusions contained in this report are subject to the following Contingent and Limiting Conditions:

1. No responsibility is assumed for legal factors pertaining to the state of title or for technical matters relating to hidden or apparent conditions of the property which were not brought to our attention and which may have an impact on the potential to develop the property.
2. The recommendations contained in this report are based on information gathered from various sources considered reliable and believed to be correct; it is assumed that the information that we have gathered from these sources is accurate and comprehensive.
3. Maps or plans appearing in this report are included for the sole purpose of visual reference and should not be construed as legal surveys.
4. This report is prepared in confidence for the sole use of NationWide Storage Trust. Liability to any other party relying on the report, without permission of Canadian Self Storage Valuation Services Inc., is denied. The report is valid only if it bears the original signature of the author.
5. The findings and conclusions of this report are based on market conditions between August 21<sup>st</sup> and August 24<sup>th</sup>, 2017. It is assumed that there will be no significant change in the economy within the short term. If such a change should occur it is recommended that the conclusions of the report be reviewed.



**EXTRAORDINARY ASSUMPTIONS****PHASE II**

This is the second part of the feasibility study into the proposed self-storage facility in Kamloops, BC. It should be noted that this report must be read in conjunction with the Phase I report (1081-FS-XX-BC148) to fully understand the project and current market conditions. All Assumptions and Limiting Conditions on page 3 from that report should be considered to be in full effect for this report as well.

In this report we have studied the current market conditions in Kamloops and the surrounding areas as well as the greater self storage industry as a whole. We have used this study in conjunction with plans, estimates and details provided by our client to arrive at our suggestions for this proposed facility.

It should be noted that all estimates of value are based on a facility that is completed in a timely fashion and is of good workmanship and quality. If there were to be any delays in moving forward with this project, we reserve the right to re-examine the market conditions in the Kamloops area to see if our findings still hold true to the current market conditions.

## **ANALYSIS OF THE PROPOSED DEVELOPMENT**

Currently the property is vacant and was once used as a restaurant. Given the current market for commercial properties in the west area of Kamloops, a multi storey drive up type facility would be the most financially feasible. The current zoning of the property is C-4 and storage is an allowable use under “Mini Warehousing”. Given the overall size of the property (1.33 acres, 57,934 ft<sup>2</sup>) it would be advantageous to build a new facility in a single phase. Given the demand for storage in the Kamloops area found in our Phase I report and after discussions with the Client, we would suggest a net rentable area (NRA) of 50,000 ft<sup>2</sup> for the proposed development and will base our analysis off this size for this report and is allowable under the current zoning.



## **Management and Security**

### **Resident vs. Non Resident**

In terms of onsite management, there are generally two types in the self-storage industry. A resident manager situation is where the manager lives on site in a residential unit and is there most of the time to oversee any issues or security concerns. A non-resident management situation is where the manager is at the facility during business hours only.

For a facility of this type and located close to the downtown core, we would suggest the use of a non-resident manager as the added security and attention should not be needed at a facility located so close to a municipal core. This should also keep costs down for the facility as a whole, as residential management can be more expensive for a smaller facility.

### **Types of Security**

When securing a facility, there are two regimes that are employed by the self-storage industry. One is the onsite guard to secure the facility. This is used in high risk areas or for very large facilities. The other is an advanced security system including video monitoring and alarm response. This is a less expensive arrangement if the area the facility is located in is fairly safe.

## **Requirements for Area and Customers' Expectations**

In the City of Kamloops, property crime is not a very large problem, especially in the residential/commercial area the proposed facility would be located in. For this reason we would suggest that this facility use a state of the art alarm with security response rather than a resident manager set up.

### **Unit mix**

#### **Types of Units**

In self-storage there are many different types of units but they all fall into one of two categories external access or internal access. This refers to the way in which one would gain access to the locker either from the outside or from the internal hallway of a building. Many people find the external access to be more desirable as it allows drive up access to their locker and unload their possessions. This cuts down on the amount of work moving items in or out of the lockers. Depending on building design, some facilities may be entirely external access units while other facilities may have a few or no units that can be accessed from the outside.

Given the current market in Kamloops, with some competing facilities having drive-up units and many of those being full, with a waiting list (for certain sizes), we feel the decision to maximize the number of drive up units in the proposed facility to be a good one. This decision should help decrease lease up times as it can satisfy some of the pent-up demand for these types of units in the Trade area. In addition, historically, drive up units command a premium over non drive-up units. This should allow the proposed facility to compete with the surrounding facilities while not negatively affecting their profitability.

Another major differentiation between many facilities is heated and non-heated units. This can further break down into climate controlled and non-climate controlled units. In some areas where the winter temperatures can drop well below zero, heated storage units are essentially the only type that you will find. In more temperate climates, you will find both heated and non-heated units as not everything needs to be kept very warm when in storage. A further evolution of this is the climate controlled and non-climate controlled storage units. In climate controlled units the temperature is kept above freezing but not as warm as in heated units and the humidity is kept in an acceptable range.

As the Kamloops area does experience extended periods of time in the winter when temperatures are below the freezing level, heated storage units are essential in this area. Some of the competitors in the area are not heated but and command a lower rate when compared to heated facilities.

## Unit Sizes

Typically, we see units in the 5x5, 5x10, 10x10 and 10x20 range at most facilities. As the unit sizes increase the revenue per foot decreases. It can also be an issue at some facilities with too many large units having higher vacancy rates. There may only be 4 vacant units but when they are very large they make up a large portion of the overall facility. We recommend limiting large units to a few, while focusing on small to medium units to help generate better revenue.

## Design Features

We would advise any client to make all efforts possible to make the entrance to the facility as welcoming as possible with landscaping and good design work. In addition, we would advise the client to make security features such as cameras and keypads as visible as possible as this has the effect of making clients see the security that is in places without having to be told about it. We would also advise that in the office where the security camera monitoring is located, at least one screen be made visible to the tenants so that they can see that the security system is functioning.

## Proposed Unit Mix

Below is a proposed unit mix based on the demand for units in the facilities that we surveyed.

| Size         | Number     | Total ft <sup>2</sup> |
|--------------|------------|-----------------------|
| 5x5          | 124        | 3,000                 |
| 5x10         | 140        | 7,000                 |
| 10x10        | 220        | 22,000                |
| 10x15        | 66         | 9,900                 |
| 10x20        | 40         | 8,000                 |
| <b>Total</b> | <b>590</b> | <b>50,000</b>         |

Our research has indicated that the Kamloops market currently demands units in the 5x10 to 10x15 more heavily than larger units. For this reason, we have weighted our unit mix around the 10x10 unit size. Surveys of competitive facilities in the trade area show that there is a greater availability of large units, therefore we have kept the larger units to a minimum to avoid a situation where a small number of units account for a large portion of vacancy on a per square foot basis.

## **FINANCIAL ANALYSIS**

In this section, we will examine all of the financial aspects of the facility including rental rates, expenses, additional revenue streams, strategies to lower operational costs and the expected final value of the facility based on expected rental rates and lease up period in the form of a discounted cash flow analysis showing the expected value of the facility at the 5 and 10 year mark of ownership.

### **Unit Rentals**

When planning to build and open a new facility, a key factor that must be taken into account is the current rental rates that are being demanded and also the rates that are actually being paid by consumers. It is very important to note all discounts; promotions and incentives that are being offered in the trade area as they give a much clearer picture of the true rental rates that are being received by facilities.

Understanding the true rental rates makes making the decision on the feasibility of a new facility one based on the actual rates that would be expected rather than those that are posted in the public. These rates can vary greatly as discounts such as one month free or discounts against posted rates can eat away at the average rental rates and make the net income of a facility fall. It is important to base projection on the true rental rates of the area rather than those that are posted to the public.

In our studies, we survey all of the competing facilities as prospective customers. This allows us to gain a true sense of the rental rates being achieved rather than those that are being posted by facilities. Below are the rental rates we were quoted by some of the competing facilities in the area of the proposed facility. We were unable to obtain some rental rates due to no units of certain sizes being available or lack of response from some facilities.

### **Posted Rates**

The table below shows the rates of the four most similar facilities to the proposed subject based on location, quality and condition that are either posted on the competitor's website or were quoted over the phone or in person when the facilities were surveyed in August of 2017. We asked for most standard unit sizes when surveying the facility and were able to get rates for most sizes that are offered.

| <b>Property</b>       | <b>5' x 5'</b> | <b>5' x 10'</b> | <b>10' x 10'</b> | <b>10' x 15'</b> | <b>10' x 20'</b> |
|-----------------------|----------------|-----------------|------------------|------------------|------------------|
| Halston Self-Storage  |                | \$ 80.00        | \$120.00         |                  | \$190.00         |
| Budget Storage        | \$70.00        | \$105.00        | \$135.00         | \$170.00         | \$185.00         |
| Storage For Your Life | \$70.00        | \$ 95.00        | \$140.00         | \$175.00         | \$199.00         |
| 4 Corners Storage     | \$65.00        | \$ 92.00        | \$130.00         | \$170.00         | \$175.00         |
| <b>Average</b>        | <b>\$68.33</b> | <b>\$ 93.00</b> | <b>\$131.25</b>  | <b>\$171.66</b>  | <b>\$187.25</b>  |

After reviewing the current rental rates above, we feel that a new facility in the prime location of the proposed facility could command rents at the top of the rental range. Below are the proposed rental rates for the proposed facility. These will be used in the financial analysis of this report.

### **Proposed Rental Rates**

| <b>Size</b> | <b>Price</b> | <b>Price PSF</b> |
|-------------|--------------|------------------|
| 5x5         | \$ 75.00     | \$3.00           |
| 5x10        | \$ 95.00     | \$1.90           |
| 10x10       | \$145.00     | \$1.45           |
| 10x15       | \$175.00     | \$1.17           |
| 10x20       | \$200.00     | \$1.00           |

We have set the proposed rental rates of the units below the some of the current market levels. This was done to account for possible rental lag in the market. Posted rates are typically what a facility feels it can currently achieve on its units that are available for rent but does not factor in the rental rates for previously rented units. Using the current rental rates as the facility average may overstate the potential revenue in a given trade area. For this reason, we have used a rent level slightly below that of what is currently being achieved.

## **Additional Revenue**

It is important to maximize all sources of revenue available to a facility. This includes selling merchandise, insurance, and other cost plus items. Selling these will ensure that every customer is contributing to the bottom line of the facility. It is much easier to maximize revenue from an existing customer than to recruit a new customer to the facility. Detail of each additional revenue stream and what can be expected in way of revenue is detailed for each source below. If properly marketed and implemented an owner could see up to an additional 5% of Expected Gross Income from these additional revenue streams.

### **Merchandise**

In the self-storage industry, merchandise and goods associated with self-storage are a mainstay in every self-storage facility office you walk into. This is with good reason as there is at a minimum a 50% profit margin in selling these goods. Most facilities will stock essentials such as tape, boxes, packing supplies, locks and other associated items. Some go further and have other retail items such as soft drinks and snacks for sale as well.

There are some issues that arise when selling merchandise. One of the major issues we see that can have a negative effect on income is poor inventory control. This is even truer when other items such as soft drinks and snacks are brought into a facility. If a facility is planning on using these items to generate revenue then a strict inventory control system must be implemented from day one.



## **Content Insurance**

Content insurance is a policy that is taken out by the renter to insure the contents of the locker against loss. This has become a very big industry in the United States with some facilities reporting over 60% of clients taking out content insurance. Contents insurance is a very good additional revenue stream for a facility as it has almost no cost to the facility. The insurance is offered by a third party and the facility gets a commission on every policy sold. This can be offered as a value added service or included in the price to make the rental look more appealing to a potential renter.

We have clients that both offer insurance at the time of rental and who have included the insurance in the rental price. We would advise that as a new facility, content insurance is offered as a value added item to be sold at the time of rental. This will require more training in the short run but offers better revenue potential in the long run.

## **Late Fees/Auctions**

Late fees and administration fees can generate 1.0%-2.0% of effective gross income and are an integral part of any successful facility. It is necessary to have penalties when lockers are not paid for promptly. In doing so renters are encouraged to have a payment card on file and this in turn helps with cash flow. It is also necessary to have a mechanism in place to deal with very delinquent units. The industry standard is to auction the contents off to the highest bidder to try to recover some of the fees that were not paid by the tenant. These auctions can be very lucrative and have been in recent years popularized by reality television. There are companies that will do all of the leg work in setting up an auction and selling the units for a fee and, depending on the ability of the manager, this may be an avenue to consider for this facility.

## **Estimated Absorption and Stabilized Occupancy**

### **Area Market**

The Kamloops area is a very unique one as the city is geographically long and skinny and runs along the major transportation routes. This makes Kamloops unique in that the residents typically travel longer distances on a daily basis and will most likely be willing to use storage a greater distance from home than a typical storage uses.

### **Facility Challenges**

As a new facility, it is always difficult to start off the leasing process. As this facility doesn't have name recognition like large chain storage facilities, it is sometimes difficult to spread the word about the new facility and its opening. In addition, with a relatively new facility in the trade area, lease up times may stretch if not properly managed.

### **Time Estimates**

In opening a new facility, many different factors come into play when trying to predict lease up times. After surveying the market in the Kamloops area and viewing and engaging with the completion, we feel that there is a very real opportunity to take market share away quickly if a new facility were to properly advertise and give exceptional customer service. If these aspects were addressed along with proper management and planning, we feel that the lease up time to a positive cash flow position of would be 18-24 months with full stabilized occupancy coming in the next 12-18 months thereafter.

### **Best/Worst Case Scenarios**

Our research has indicated facilities in nearby municipalities have opened in the past three years and have reached stabilized occupancy in 24 months. We would consider this the best case scenario as there are no examples of facilities that have leased up faster. As for the worst case scenario, it took Storage for Your Life in Mission, BC over five years to reach stabilized occupancy. This was due mostly to a poor unit mix that left a number of fairly large units in difficult locations on higher floors, unoccupied for an extended period of time. This may be a risk to a new facility with a unit mix that is weighted too much towards large units that may take longer to lease up.

**Stabilized Occupancy**

It should be noted that in the self-storage industry, stabilized occupancy is considered to be a range from 83% to 87% for facilities of this size. This is the level that at which we would call a facility fully stabilized as it allows for continued revenue growth via increased rates for new clients. Given the currently occupancy of the nearby facilities, an occupancy above the industry average is considered appropriate for the proposed facility. We will stabilize occupancy at 95% due to the occupancies of surrounding somewhat similar facilities being between 95-100% at the time of this study.

## **OPERATING EXPENSES**

The principal expense items associated with self-storage developments are property taxes, management (both on-site and overall management), and administration. In Canadian urban centers the item of property taxes is significant, usually being the largest expense item, by comparison to the United States where management is the principal expense item and taxes are a much lower component. The property tax expense item varies widely between taxing jurisdictions depending on the level of assessments and the mil rate.

Our experience with respect to the valuation of self-storage facilities reflects that operating expenses in mid to large sized facilities, in urban centers, are generally in the range of 35.0% and 45.0% of effective gross income (EGI), mainly due to increases in property taxes. Smaller facilities reflect higher expense ratios because of lack of economies of scale and older facilities reflect higher expense ratios because of higher repairs and maintenance costs, inefficiencies that result in higher utilities costs, and higher advertising and promotion costs. The expenses of the subject have been stabilized based on operating history and comparison to the expenses of similarly sized facilities. As the rental rates achieved in the trade area by competitive facilities are above industry standards, we would expect the operating expenses to be below that of the industry average.

### ***a) Property Taxes***

The property taxes are estimated at \$55,000 based on the projected value of the property and the property tax regime in the municipality the proposed facility will be located in. This equates to just over 5.75% of EGI which is within the industry standard.

### ***b) Wages and Benefits (on-site management)***

Salaries and benefits are running at approximately 6.75% of EGI. This is within the expected range for a facility of this size and occupancy.

### ***c) Overall Management***

The Canadian industry standard for self-storage is to charge 4.0-6.0% of EGI. We have used 5.00% for the purpose of this report.

***d) Utilities***

As the building will be fully heated, utility expenses would be expected to be above that of non-heated facilities. For the purpose of this report, we have used 2.34% of EGI, which is slightly above the industry standard of 2.0-3.0%

***e) Advertising***

Advertising charges generally represent the cost of a prominent ad in the Yellow Pages for the market area and have generally decreased because most facilities are cutting back on Yellow Pages advertising in favour of internet advertising. As this is a new facility, we will set advertising costs higher as the advertising expense is expected to be high in a new facility. We would expect this to fall once stabilized occupancy is reached in the Subject facility. This expense is set around the 1.50% EGI level.

***f) Repairs and Maintenance***

The subject facility will be a newly constructed facility and will have low maintenance costs. Maintenance expenses should be around 1.25% of EGI.

***g) Insurance***

Insurance costs have been decreasing throughout the province generally because of greater competition between insurance companies competing for self-storage clients. Insurance costs for the subject property are 1.65% of EGI.

***h) Administration expenses***

Administration expenses include office expenses, bank charges and bad debt expense, professional fees, licenses and membership fees, travel expenses, and telephone. These items have been projected based on the history of these costs in the facility as well as by comparison with other properties as follows:

- Office expenses are above average at 1.51% of EGI
- Bank charges will be stabilized at 1.95% of EGI
- With respect to professional fees, this expense item is stabilized at 0.70%
- Licenses and permits and membership fees are projected at \$3,000
- Entertainment and travel expenses are stabilized at \$0.05 per square foot
- Telephone costs have been stabilized at \$0.07 per square foot

***i) Supplies (Costs of Storage Aids)***

The costs of merchandise have been stabilized at 50.0% of sales as per industry standards.

**Industry Standards**

In the self-storage industry, we normally say that a facility expense ratio is within the range of 35-45% of EGI. Any deviation from this should be examined to ensure that all expenses are being properly captured by the analysis. In some cases, the location of a facility or other characteristics may help reduce the overall expense ratio of the facility. Some major factors that can have a large effect on the expense ratio are high property taxes in major metropolitan areas, higher advertising costs of a new facility, or a facility that is in its initial lease up phase.

**Facility Advantages**

The Subject facility has a few distinct advantages over other facilities of its size that help reduce its overall expense ratio. The Subject facility is located in an area with a low property tax regime. In addition to this, the high occupancy levels of surrounding facilities and lower expenses due to lower staffing requirements and lower management costs all contribute to a below average expense ratio.

**Expected Expenses for Subject Facility**

We would expect the expense ratio of the Subject facility, to be in the 28-32% of Effective Gross Income range. This would be below what is considered industry standard as the rental rates are above what would be considered industry standard and large expenses such as wages and property taxes are low due to location and facility design. For the purpose of this report, we have stabilized the operating expenses at 29.20% of EGI.

## **VALUATION PROCEDURE**

The value of the property is estimated primarily by the Income Approach. The property is developed for the sole use of generating rental income and income analysis is the preferred method for valuing self-storage facilities. In valuing the property via the Income Approach, two methods of analyzing the income have been utilized, the direct capitalization of stabilized net income and the discounted cash flow (DCF) method of analysis. The Direct Comparison Approach is used primarily as a check against the Income Approach value test.

The Cost Approach is not developed in this report. The approach is most suited to new or proposed facilities. In our experience, self-storage properties transact based on their income generating capabilities and not based on replacement cost.

## **INCOME APPROACH**

An estimate of value by the Income Approach is based on the theory that the value of the property is the present worth of the net income it will produce during the remainder of its useful economic life.

An outline of the main steps involved in this approach is as follows:

1. Estimate the gross income of the property.
2. Estimate the owner's operating expenses.
3. Estimate the net income before depreciation.
4. Select a capitalization rate from the market, which will convert the net income estimate into capital value.

Properties that produce income are typically purchased for some form of financial return rather than for direct use by the owner, though the two objectives may be combined. The financial return stems directly from the ability of the property to generate income and its capital value is a function of the rental productivity of the property in relation to the expectations of an investor with respect to future revenue.

## Potential Revenue

After reviewing the competitors posted rates and attempting to rent a unit to see if any discounts are offered, we have tabulated what we feel are attainable rates per billing period for the proposed facility. It should be noted that some of these rates are above the average rate for the competitors in the area. This is due to the lack of availability of units in the competitor's facilities and the proposed Class A facility.

| Size  | Price    | Price PSF |
|-------|----------|-----------|
| 5x5   | \$ 75.00 | \$3.00    |
| 5x10  | \$ 95.00 | \$1.90    |
| 10x10 | \$145.00 | \$1.45    |
| 10x15 | \$175.00 | \$1.17    |
| 10x20 | \$200.00 | \$1.00    |

Based on the above unit mix and price per unit, we have put together the potential storage income based on our proposed unit mix in the table below. We have allocated all of the units to heated units as the current plan is for one large building that will be heated.

| Size         | Price    | Number     | Revenue          |
|--------------|----------|------------|------------------|
| 5x5          | \$ 75.00 | 124        | \$ 9,300         |
| 5x10         | \$ 95.00 | 140        | \$ 13,300        |
| 10x10        | \$145.00 | 220        | \$ 31,900        |
| 10x15        | \$175.00 | 66         | \$ 11,550        |
| 10x20        | \$200.00 | 40         | \$ 8,000         |
| <b>Total</b> |          | <b>590</b> | <b>\$ 74,000</b> |

The total monthly potential income of the proposed facility is \$74,000 per month or \$1.48 PSF. This equates to \$962,800 per year based on 4 week billing cycles.



## Expected stabilized rental income

Below is the stabilized income analysis of the proposed Subject facility.

|                            |               |          |        |
|----------------------------|---------------|----------|--------|
| Stabilized Income Approach |               |          |        |
|                            |               |          |        |
|                            | 95% Occupancy |          |        |
|                            |               | \$/Sq Ft | %EGI   |
|                            |               |          |        |
| Gross Revenue              | \$962,000.00  |          |        |
| Vacancy Rate of 5%         | \$48,100.00   |          |        |
| Additional Revenue         | \$48,100.00   | \$0.96   |        |
| EGI                        | \$962,000.00  | \$19.24  |        |
|                            |               |          |        |
| Insurance                  | \$16,000.00   | \$0.32   | 1.66%  |
| Bank charges               | \$18,759.00   | \$0.38   | 1.95%  |
| Licences and dues          | \$3,000.00    | \$0.06   | 0.31%  |
| Advertising and promotion  | \$14,500.00   | \$0.29   | 1.51%  |
| Office expense             | \$14,500.00   | \$0.29   | 1.51%  |
| Professional services      | \$5,500.00    | \$0.11   | 0.57%  |
| Property Taxes             | \$55,000.00   | \$1.10   | 5.72%  |
| Repairs and maintenance    | \$12,000.00   | \$0.24   | 1.25%  |
| Telephone                  | \$3,500.00    | \$0.07   | 0.36%  |
| Travel                     | \$2,500.00    | \$0.05   | 0.26%  |
| Utilities                  | \$22,500.00   | \$0.45   | 2.34%  |
| Wage and Benefits          | \$65,000.00   | \$1.30   | 6.76%  |
| External Management        | \$48,100.00   | \$0.96   | 5.00%  |
|                            |               |          |        |
|                            |               | \$5.62   | 29.20% |
|                            |               |          |        |
| Total Expense Estimate     | \$280,859.00  |          |        |
|                            |               |          |        |
|                            |               |          |        |
|                            |               |          |        |
| Net Operating Income       | \$681,141.00  |          |        |

The net income of the property after expenses is estimated to be \$681,141. This includes projected additional revenue from merchandise sales and late fees.

### Estimated Overall Rate of Return Upon Completion

The appraiser has reviewed sales of self-storage facilities in British Columbia and Alberta to form an opinion of the appropriate capitalization rate for the proposed subject investment.

#### **INDEX No. 1. - APEX: 8866 LAUREL STREET, VANCOUVER, BC**



|                          |  |
|--------------------------|--|
| ADDRESS                  | 8866 Laurel Street, Vancouver, B.C.  |
| LEGAL DESCRIPTION        | PID: 024-608-947   |
| SITE AREA                | 1.08 acres   |
| NET RENTABLE AREA        | 66,423 square feet in one two storey converted building.   |
| DETAILS OF BUILDINGS     | The existing industrial building was converted in 2005-2006 with the addition of a full mezzanine floor. There is covered loading along the west side of the building and there are 27 drive-up units at the ground level. There are a total of 968 units (average unit size of 69 square feet). |
| SECURITY FEATURES        | Surveillance cameras, key pad entry to the building, individual unit alarms.   |
| SALE PRICE               | \$14,270,145   |
| DATE OF SALE             | February 2012  |
| ESTIMATED STABILIZED NOI | \$924,767  |
| INDICATED CAP RATE       | 6.5%   |
| PRICE/S.F. NRA           | \$214.84   |
| COMMENTS                 | Rents in the facility were at \$2.10 per s.f. per month; occupancy was 90.4% at sale.  |

**INDEX No. 2 – APEX: 195 SCHOOLHOUSE STREET, COQUITLAM, BC**

|                          |   |
|--------------------------|---|
| ADDRESS                  | 195 Schoolhouse Street, Coquitlam, B.C.   |
| LEGAL DESCRIPTION        | PID: 024-608-947<br>Lot A, District Lot 47, Group 1, NWD, Plan LMP43257   |
| SITE AREA                | 2.514 acres   |
| NET RENTABLE AREA        | 60,583 s.f. in one 2-storey building.   |
| DETAILS OF BUILDINGS     | Facility comprises a two storey climate controlled storage building completed in 2004 and offering 671 units with an average size of 90 s.f. There is a separate office/reception building with frontage to Schoolhouse St. which also contains a 1,500 s.f. retail unit. |
| SECURITY FEATURES        | Fenced compound with electronic gate access, digital video surveillance with cameras throughout the site, individual unit alarms.   |
| SALE PRICE               | \$10,492,794  |
| DATE OF SALE             | February 2012   |
| ESTIMATED STABILIZED NOI | \$694,836   |
| INDICATED CAP RATE       | 6.6%  |
| PRICE/S.F. NRA           | \$173.20  |

**INDEX No. 3. - ACME SELF STORAGE: EDMONTON AB**

|                          |   |
|--------------------------|---|
| ADDRESS                  | 21508 - 115 Avenue, Edmonton, AB  |
| LEGAL DESCRIPTION        | n/a   |
| SITE AREA                | 7 acres   |
| NET RENTABLE AREA        | 44,052 s.f. of self storage in 9 buildings.   |
| DETAILS OF BUILDINGS     | Constructed in 2005, the facility includes 9 single-storey buildings demised into 265 units with an average unit size of 166 s.f. 37 units are heated. Modular construction, metal buildings. |
| SECURITY FEATURES        | Perimeter fencing, electronic gate.   |
| SALE PRICE               | \$4,850,812   |
| DATE OF SALE             | January 2013  |
| ESTIMATED STABILIZED NOI | \$293,597   |
| INDICATED CAP RATE       | 6.1%  |
| PRICE/S.F. NRA           | \$110   |

# INDEX No. 4. - ADVANTAGE STORAGE: COCHRANE, AB



|                          |   |
|--------------------------|---|
| ADDRESS                  | 20 Griffin Industrial Park, Cochrane AB   |
| LEGAL DESCRIPTION        | n/a   |
| NET RENTABLE AREA        | 37,500 s.f. of self storage in one building.  |
| DETAILS OF BUILDINGS     | Constructed in 2007, the building is heated.  |
| SECURITY FEATURES        | Perimeter fencing, electronic gate.   |
| SALE PRICE               | \$5,600,000   |
| DATE OF SALE             | February 2014   |
| ESTIMATED STABILIZED NOI | \$403,200   |
| INDICATED CAP RATE       | 7.2% reported   |
| PRICE/S.F. NRA           | \$149   |
| COMMENTS                 | 30% expense ratio, 82% occupancy. Located in an industrial area with local exposure. Sold to Store Smart who own facilities in Red Deer, Edmonton, and Canmore. |

**INDEX No 5. - MCMURRAY MINI STORAGE: FORT MCMURRAY,. AB**

|                          |   |
|--------------------------|---|
| ADDRESS                  | 170 Maclellan Crescent, Fort McMurray, AB   |
| LEGAL DESCRIPTION        | n/a   |
| SITE AREA                | 3.05 acres  |
| NET RENTABLE AREA        | 60,704 square feet demised into 601 units with an average size of 101 s.f.  |
| DETAILS OF BUILDINGS     | One, three storey wood frame building with 287 heated units (conversion) as well as 6,695 s.f. of rentable office space, and 7 single storey metal frame buildings offering 314 units (53 heated). Built in 1987, expanded 2000-2007. |
| SECURITY FEATURES        | Electronic gate.  |
| SALE PRICE               | \$13,000,000  |
| DATE OF SALE             | February 15, 2015   |
| ESTIMATED STABILIZED NOI | n/a   |
| INDICATED CAP RATE       | 8.14% reported  |
| PRICE/S.F. NRA           | \$193   |
| COMMENTS                 | Purchased by Real Storage; revenue stabilized at 75% occupancy.   |

**INDEX No 6. - AFFORDABLE STORAGE CENTRE: SHERWOOD PARK (EDMONTON) AB**

|                          |   |
|--------------------------|---|
| ADDRESS                  | 61 Broadway Boulevard, Sherwood Park, AB  |
| LEGAL DESCRIPTION        | Plan 0023658, Block 204, Lot 1A excepting there out all mines and minerals.   |
| SITE AREA                | 3.95 acres  |
| NET RENTABLE AREA        | 62,900 square feet demised into 417 units with an average size of 151 s.f.  |
| DETAILS OF BUILDINGS     | Constructed in 2001, the facility comprises 7 buildings. 24,700 s.f. of the NRA area is heated (166 units). Renovated 1,560 s.f. office. Concrete block construction.<br>Class B+ facility in an almost "Main St" location. |
| SECURITY FEATURES        | Electronic gate, video surveillance.  |
| SALE PRICE               | \$15,959,000  |
| DATE OF SALE             | February 2015.  |
| ESTIMATED STABILIZED NOI | \$1,051,349   |
| INDICATED CAP RATE       | 6.6%.   |
| PRICE/S.F. NRA           | \$253.72 (asking price)   |

**INDEX No. 7. – A STORAGE: SPRINGBANK, AB**

|                          |   |
|--------------------------|---|
| ADDRESS                  | 130 Commercial Court, Springbank Alberta  |
| LEGAL DESCRIPTION        | Lot 46 Block 28, Plan 5565AH  |
| SITE AREA                | 115,819 ft <sup>2</sup>   |
| NET RENTABLE AREA        | 87,527 sq. ft.  |
| SECURITY FEATURES        | Electronic keypad access, individual unit alarms, video surveillance, computer tracking, exterior CFL lighting. |
| SALE PRICE               | \$14,950,000  |
| DATE OF SALE             | September 2016  |
| ESTIMATED STABILIZED NOI | \$971,750   |
| INDICATED CAP RATE       | 6.5%  |
| PRICE/S.F. NRA           | \$171   |
| COMMENTS                 | Sold to Access Storage. 45% of income is from RV storage. Room to add 25,000 ft NRA with approved plans.        |



**INDEX No. 8. – SURE LOCK STORAGE: CHILLIWACK, BC**

|                      |   |
|----------------------|---|
| ADDRESS              | 43903 Industrial Way, Chilliwack, BC  |
| SITE AREA            | 3.95 acres  |
| NET RENTABLE AREA    | 64,014 square feet demised into 744 units.  |
| DETAILS OF BUILDINGS | 13 buildings. Concrete construction. Room for additional 16,000 ft <sup>2</sup> of storage at the rear of facility. |
| SECURITY FEATURES    | Electronic gate, video surveillance.  |
| SALE PRICE           | \$13,500,000  |
| DATE OF SALE         | May 2017.   |
| ESTIMATED NOI        | \$853,200   |
| INDICATED CAP RATE   | 6.20%.  |
| PRICE/S.F. NRA       | \$210.89  |

## INDEX No. 9. – HALSTON SELF STORAGE: KAMLOOPS, BC



|                    |   |
|--------------------|---|
| ADDRESS            | 1271 Salish Road, Kamloops, BC              |
| SITE AREA          | 2.87 acres                                  |
| NET RENTABLE AREA  | 23,220, square feet demised into 498 units. |
| SECURITY FEATURES  | Electronic gate, video surveillance.        |
| SALE PRICE         | \$2,800,000                                 |
| DATE OF SALE       | June 2017.                                  |
| ESTIMATED NOI      | \$201,600                                   |
| INDICATED CAP RATE | 7.20%.                                      |
| PRICE/S.F. NRA     | \$120.59                                    |

**SALES ANALYSIS**

| SALE    | NAME OF FACILITY          | N. R. A. | SALE PRICE   | SALE DATE | CAP. RATE |
|---------|---------------------------|----------|--------------|-----------|-----------|
| 1       | Apex Coquitlam            | 60,583   | \$10,492,794 | 02-12     | 6.60%     |
| 2       | Apex Vancouver            | 66,423   | \$14,270,145 | 02-12     | 6.50%     |
| 3       | Acme Self Storage         | 44,052   | \$ 4,850,812 | 01-13     | 6.10%     |
| 4       | Advantage Storage         | 37,500   | \$ 5,600,000 | 02-14     | 7.20%     |
| 5       | McMurray Mini Storage     | 60,704   | \$13,000,000 | 02-15     | 8.14%     |
| 6       | Affordable Storage Center | 62,900   | \$15,959,000 | 03-15     | 6.60%     |
| 7       | A Storage                 | 87,527   | \$14,950,000 | 09-16     | 6.50%     |
| 8       | Sure Lock Storage         | 64,014   | \$13,500,000 | 05-17     | 6.20%     |
| 9       | Halston Storage           | 23,220   | \$ 2,800,000 | 06-17     | 7.20%     |
| Subject | 1485 Trans-Canada Highway | 50,000   |              |           |           |

Our research has indicated that there have been no recent public sales for Class A third generation facilities in the Kamloops area. Therefore, we have used dated sales throughout Western Canada and adjusted for timing and location. These sales have been selected as they mirror quality, size location and overall similarity to the proposed subject property. Some adjustments will need to be made when using these sales to determine the value of the proposed subject property.

**Index No. 1** is the sale in February of 2012 of Apex Vancouver to Sentinel Storage. The facility at the time of sale had an average rental rate of \$2.10 PSF and occupancy of about 90%. Although a somewhat dated sale, this is a good representation of a facility in the lower mainland of British Columbia and should be adjusted for the increase in the real estate market as a whole and the demand for self-storage since this sale took place.

**Index No. 2** represents the sale of Apex Coquitlam. Although somewhat dated, this is a good representation of a storage sale in the lower mainland of BC. When sold, this facility had occupancy of 89% and a PSF facility average rental rate of \$1.80. This sale will need to be time adjusted due to the increase in the self-storage market in the lower mainland since this sale.

**Index No. 3** is a sale from January 2013 of a poorly managed and under occupied facility. Sale was to a large storage chain who owns other nearby facilities. Site had additional vacant land used for RV storage.

**Index No. 4** is of a medium size facility in Cochrane Alberta. At the time of the sale, expenses were below industry standards and the facility had good occupancy. Sold to an operator with nearby facilities.

**Index No. 5** is a sale in February of 2015 that represents the sale of a smaller but similar facility in Alberta. At the time of this transaction, the facility had an occupancy of 75%. The Cap rate of this sale was high due to the low occupancy of the facility in the past years. Sale was based on a stabilized occupancy of 75% leading to the higher Cap rate.

**Index No. 6** is a sale from March 2015 of a larger highly occupied facility in the Sherwood Park area of Edmonton. The facility was put under contract within a week of being on the market and sold at the asking price due to occupancy and location.

**Index No. 7** is the sale, in September 2016, of A Storage Calgary AB. This is a newer facility purchased by Access Storage. A large portion of the facilities revenue is derived from RV storage. The facility is located 10 minutes outside of the Calgary city limits.

**Index No. 8** is a sale from May 2017 of a large highly occupied facility in Chilliwack BC. Occupancy was in the mid 90% range at the time of purchase and there is room for an additional 16,000 ft<sup>2</sup> of storage to be built at the rear of the facility. This expansion potential accounts for the slightly lower than market cap rate paid for this Index.

**Index No. 9** is a sale from June 2017 of a smaller highly occupied facility in Kamloops BC. Occupancy was above 95% at the time of sale. This is a Class B facility with 13 years left on the land lease for the property. Bought by storage Vault to add to their Kamloops Portfolio.

## **SUMMARY**

The overall rate of return, or capitalization rate, represents the rate of return that a prospective purchaser will accept on a particular investment based on stabilized net income. The fundamental factor influencing the overall rate of return is risk. Sales of self-storage facilities have historically reflected higher rates of return than sales of standard multi-tenant or single-tenant industrial properties because of the perceived risk attached to the month-to-month tenancies and the management-intensive nature of the business. Along with almost all property segments, self-storage properties benefited from above-average transaction volumes and declining capitalization rates over the past several years. Through 2006 and 2007, the gap narrowed between self-storage returns and returns on more traditional industrial investments with the recognition of the very solid returns that have been achieved by the asset class. Self-storage, as an investment, is widely perceived as recession-resistant.

Financial institutions recognized that there is a very low default rate on self-storage loans and were eager to lend on self-storage assets, along with most other asset classes. Over the past seven years, there has been a marked increase in interest in the industry from investors new to self-storage. Another factor influencing the significant downward movement in overall rates of return on self-storage in 2006/2007 was the entry into the market, in August 2006, of *InStorage Real Estate Investment Trust*, the first Canadian REIT formed to acquire self-storage facilities exclusively. The REIT was very aggressive in its acquisitions in order to build critical mass and the transactions influenced the actions of not only vendors in the market but also other purchasers. The movement of *InStorage REIT* to the largest self-storage owner in Canada was accomplished in the first year and there were very few acquisitions after August of 2007. However, the management team in place was not experienced enough to operate the new business and eventually internal operations failed. The stock price plummeted with declining occupancy and revenues and increased operating costs. Also, the cost of equity in the public market went from 4.7% to 11.6%. The sale of the units of the REIT was completed by way of a hostile takeover that closed in March 2009. The purchaser was *StorageMart*; the owner of 67 facilities in the U.S. at the time of purchase.

In the last ten years financing for the self-storage industry has transitioned from a handful of lenders who were willing to lend on self-storage to over 30 national lenders at the peak of the market (including 12 conduit lenders) and then back down to a handful in the recession. While conduit financing for self-storage surged between 2001 and 2007, no self-storage properties have been financed this way since 2007.

Several private lenders and credit unions have picked up the slack, but lenders overall are much more conservative than they have been in the past. Tightened lending standards include the requirement of more equity (lower loan-to-value ratios), the curtailment of the availability of longer-term mortgages, and the requirement of personal covenants.

The low capitalization rates of 2007 were also tied to low interest rates and the availability of mortgage financing at low interest rates. Historically in the U.S., low interest rates combined with low cap rates have been a major influence in self-storage assets changing hands. As low interest rates have been an incentive for buyers, low cap rates have offered existing self-storage operators the opportunity to sell properties at higher prices than ever before. The general consensus among brokers and operators within the U.S. self-storage industry has been that cap rates will climb along with interest rates.

In 2016, we saw a downward trend in overall capitalization rates. This trend is due to the low cost of borrowing in capital markets. This downward trend has been more pronounced in major cities with less downward pressure in secondary and tertiary markets.

2017 has continued to see capitalization rates trend lower in smaller markets while holding steady in large markets. This has been verified by sales in the Vancouver market as well as a number of sales across Ontario.

The following specific factors have been taken into consideration in reaching an opinion of the appropriate overall rate of return with respect to the subject property:

- The proposed facility will be a modern well-built facility that is of a higher quality than other offerings in an expanding market in demand of storage;
- Operating costs are at the middle of the range for facilities of this nature due to internal efficiencies.

In consideration of all of these factors and by comparison to the available market evidence, in our opinion, a potential purchaser would anticipate an overall rate of return in the range of 6.75% to 7.25% with respect to the subject property. In our opinion, the best comparison is formed by the sales of Halston Self Storage and Affordable storage center. Given the location of Kamloops and the medium size of the facility and the overall storage market, we assign an overall capitalization rate of 7.00% as being appropriate to the subject investment.

| Cap Rate | NOI       | Capitalized Value |
|----------|-----------|-------------------|
| 6.75%    | \$681,141 | \$10,090,978      |
| 7.00%    | \$681,141 | \$9,730,586       |
| 7.25%    | \$681,141 | \$9,395,048       |

The current market value of the proposed storage facility by the Income Approach when fully stabilized is estimated to be: **\$9,750,000.**

It should be noted that this value is based on a fully stabilized facility and does not factor in any lease up period or costs associated with that period or any financing costs that may be incurred while the facility is reaching stabilized occupancy.

**DISCOUNTED CASH FLOW ANALYSIS**

The discounted cash flow method of analysis has been included in this valuation to reflect the present value of the property based on the expectation of modest increases in income; over the past four years, average increases in potential gross revenue have been 2.6% annually.

Physical vacancy relating to the storage units has been started at 65% and reduced to 5%. For the first year of the analysis, an additional 15% economic vacancy is added, reduced to 13% for Year two, 10% for Year three, 8% for Year four and stabilized at 5% thereafter. This vacancy estimate is based on the history of occupancy in the trade area as a whole. In the analysis, the income and expenses for each of the years in the ten year time frame are calculated, beginning with the estimated income in Year one based on current potential rents. Expenses are projected to increase by 3% annually, except for overall management, which is projected at 6% of EGI in each year; bank charges, including bad debts, which are calculated at 2.5% of EGI each year; and advertising, which is estimated at 2.5% of EGI. Revenues are escalated at 2.5% annually.

The calculation assumes that the facility would either be sold at the end of Year 5 (based on the projected income in Year 6) or in Year 10 (based on the projected income in Year 11), and the disposition capitalization rate used is 50 basis points higher than the estimated market capitalization rate, recognizing the increased risk in projecting absorption into the future. In the analysis, a discount rate is applied to the annual net income in each year to reflect the fact that its receipt is deferred. The discount rate used is 100 basis points higher than the disposition capitalization rate, representing the return on capital and the return of capital.

The discounted cash flow analysis is included on the following page. The present value, based on five and ten-year time periods, is indicated in the range of (rounded): \$8,890,000 to \$9,890,000.

## DCF Including Lease Up Period

|  |           |             |              |             |             |             |              |             |             |             |             |
|--|-----------|-------------|--------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|
| FILENAME: DCF  |           | 9/12/2017   | 3:20 PM      |             |             |             |              |             |             |             |             |
| DCF ASSUMPTIONS  |           |             |              |             |             |             |              |             |             |             |             |
| Start of DCF Analysis                                    | Feb-15    |             |              |             |             |             |              |             |             |             |             |
| GROSS BLDG. AREA   | n/a       | VALUE       | PSF          |             |             |             |              |             |             |             |             |
| NET RENTABLE AREA  | 50,000    | \$9,890,000 | \$197.80     |             |             |             |              |             |             |             |             |
| INCOME GROWTH RATE                                       | 1.0350    |             |              |             |             |             |              |             |             |             |             |
| EXPENSE GROWTH RATE                                      | 1.0250    |             |              |             |             |             |              |             |             |             |             |
| R.E. TAX GROWTH RATE                                     | 1.0250    |             |              |             |             |             |              |             |             |             |             |
| TAX RATE   |           | \$8,890,000 | \$177.80     |             |             |             |              |             |             |             |             |
| Estimated Assessment Ratio                               | 0%        |             |              |             |             |             |              |             |             |             |             |
| POTENTIAL GROSS INCOME                                   | \$0       |             |              |             |             |             |              |             |             |             |             |
|  |           |             |              |             |             |             |              |             |             |             |             |
| DISCOUNT RATE  | 8.00%     |             |              |             |             |             |              |             |             |             |             |
| RESALE CAP RATE  | 6.50%     |             |              |             |             |             |              |             |             |             |             |
| RESALES COSTS  | 3.00%     |             |              |             |             |             |              |             |             |             |             |
| MARKET CAP RATE  | 6.00%     |             |              |             |             |             |              |             |             |             |             |
| OFF SITE MGMT  | 6.00%     |             |              |             |             |             |              |             |             |             |             |
| Discounted Cash Flow Analysis                            |           |             |              |             |             |             |              |             |             |             |             |
| Target Tolmie  |           |             |              |             |             |             |              |             |             |             |             |
| 9/12/2017  |           |             |              |             |             |             |              |             |             |             |             |
| YEAR   | 1         | 2           | 3            | 4           | 5           | 6           | 7            | 8           | 9           | 10          | Reversion   |
| Year Ending  | 02/16     | 02/17       | 02/18        | 02/19       | 02/20       | 02/21       | 02/22        | 02/23       | 02/24       | 02/25       | 02/26       |
| POTENTIAL GROSS INCOME                                   | \$962,000 | \$995,670   | \$1,030,518  | \$1,066,587 | \$1,103,917 | \$1,142,554 | \$1,182,544  | \$1,223,933 | \$1,266,770 | \$1,311,107 | \$1,356,996 |
| - Unit Rentals   | 962,000   | \$995,670   | \$1,030,518  | \$1,066,587 | \$1,103,917 | \$1,142,554 | \$1,182,544  | \$1,223,933 | \$1,266,770 | \$1,311,107 | \$1,356,996 |
| - Mailboxes  | \$0       | \$0         | \$0          | \$0         | \$0         | \$0         | \$0          | \$0         | \$0         | \$0         | \$0         |
| Stabilized Vacancy Rate                                  |           |             |              |             |             |             |              |             |             |             |             |
| -55%, 35%, 20%, 5%, 3%..... on unit renta                | \$529,100 | \$348,485   | \$206,104    | \$53,329    | \$33,118    | \$34,277    | \$35,476     | \$36,718    | \$38,003    | \$39,333    | \$40,710    |
|  | \$0       | \$0         | \$0          | \$0         | \$0         | \$0         | \$0          | \$0         | \$0         | \$0         | \$0         |
| -Economic vacancy:15%,10%,5%, 2%, 2%...                  | \$64,935  | \$64,719    | \$41,221     | \$20,265    | \$21,416    | \$22,166    | \$22,941     | \$23,744    | \$24,575    | \$25,435    | \$26,326    |
| Less Vacancy & Collection Loss                           | \$94,035  | \$413,203   | \$247,324    | \$73,594    | \$54,534    | \$56,442    | \$58,418     | \$60,462    | \$62,578    | \$64,769    | \$67,036    |
| EFFECTIVE RENTAL INCOME                                  | \$367,965 | \$582,467   | \$783,194    | \$992,992   | \$1,049,384 | \$1,086,112 | \$1,124,126  | \$1,163,470 | \$1,204,192 | \$1,246,339 | \$1,289,960 |
| ANCILLARY INCOME   |           |             |              |             |             |             |              |             |             |             |             |
| - Fees   | 5,519     | 8,737       | 11,748       | 14,895      | 15,741      | 16,292      | 16,862       | 17,452      | 18,063      | 18,695      | 19,349      |
| - Merchandise sales                                      | 9,199     | 17,474      | 23,496       | 29,790      | 31,482      | 32,583      | 33,724       | 34,904      | 36,126      | 37,390      | 38,699      |
| Total  | 4.0       | 14,719      | 26,211       | 35,244      | 44,685      | 47,222      | 48,875       | 50,586      | 52,356      | 54,189      | 56,085      |
| EFFECTIVE GROSS RENTAL INCOME                            | \$382,684 | \$608,678   | \$818,438    | \$1,037,677 | \$1,096,606 | \$1,134,987 | \$1,174,712  | \$1,215,827 | \$1,258,380 | \$1,302,424 | \$1,348,009 |
| EXPENSES:  |           |             |              |             |             |             |              |             |             |             |             |
| Real Estate Taxes  | \$1.10    | 55,000      | \$56,375     | \$57,784    | \$59,229    | \$60,710    | \$62,227     | \$63,783    | \$65,378    | \$67,012    | \$68,687    |
| On-Site Management                                       | \$1.30    | 65,000      | 66,625       | 68,291      | 69,998      | 71,748      | 73,542       | 75,380      | 77,265      | 79,196      | 81,176      |
| Off-Site Management                                      | \$0.68    | 34,000      | 36,521       | 49,106      | 62,261      | 65,796      | 68,099       | 70,483      | 72,950      | 75,503      | 78,145      |
| Insurance  | \$0.32    | 16,000      | 16,400       | 16,810      | 17,230      | 17,661      | 18,103       | 18,555      | 19,019      | 19,494      | 19,982      |
| Maintenance  | \$0.24    | 12,000      | 12,300       | 12,608      | 12,923      | 13,246      | 13,577       | 13,916      | 14,264      | 14,621      | 14,986      |
| Utilities  | \$0.45    | 22,500      | 23,063       | 23,639      | 24,230      | 24,836      | 25,457       | 26,093      | 26,745      | 27,414      | 28,099      |
| Advertising  | \$0.29    | 14,500      | 15,217       | 20,461      | 25,942      | 27,415      | 28,375       | 29,368      | 30,396      | 31,460      | 32,561      |
| Administration   | 11.4      | 43,500      | 44,942       | 50,929      | 57,172      | 59,426      | 61,186       | 62,999      | 64,868      | 66,793      | 68,778      |
| -Office  | \$0.29    | 14,500      | 14,863       | 15,234      | 15,615      | 16,005      | 16,405       | 16,816      | 17,236      | 17,667      | 18,109      |
| -Bank Charges and Bad Debts                              | \$0.29    | 14,500      | 15,217       | 20,461      | 25,942      | 27,415      | 28,375       | 29,368      | 30,396      | 31,460      | 32,561      |
| -Professional Fees                                       | \$0.11    | 5,500       | 5,638        | 5,778       | 5,923       | 6,071       | 6,223        | 6,378       | 6,538       | 6,701       | 6,869       |
| -Licenses, Fees, Memberships                             | \$0.06    | 3,000       | 3,075        | 3,152       | 3,231       | 3,311       | 3,394        | 3,479       | 3,566       | 3,655       | 3,747       |
| -Meals, Travel   | \$0.05    | 2,500       | 2,563        | 2,627       | 2,692       | 2,760       | 2,829        | 2,899       | 2,972       | 3,046       | 3,122       |
| -Telephone   | \$0.07    | 3,500       | 3,588        | 3,677       | 3,769       | 3,863       | 3,960        | 4,059       | 4,160       | 4,264       | 4,371       |
| Supplies   | \$0.09    | 4,600       | 8,562        | 11,513      | 14,597      | 15,426      | 15,966       | 16,525      | 17,103      | 17,702      | 18,321      |
| Signage  | \$0.00    | 0           | -            | -           | -           | -           | -            | -           | -           | -           | -           |
| Miscellaneous  | \$0.02    | 1,245       | 1,276        | 1,308       | 1,341       | 1,374       | 1,409        | 1,444       | 1,480       | 1,517       | 1,555       |
| TOTAL EXPENSES   | \$5.37    | \$268,345   | \$281,280    | \$312,449   | \$344,922   | \$357,638   | \$367,939    | \$378,546   | \$389,467   | \$400,712   | \$412,291   |
| % Total EGI  |           | 70.1        | 46.2         | 38.2        | 33.2        | 32.6        | 32.4         | 32.2        | 32.0        | 31.8        | 31.7        |
| NET INCOME   |           | \$114,339   | \$327,397    | \$505,989   | \$692,755   | \$738,968   | \$767,048    | \$796,166   | \$826,360   | \$857,669   | \$890,133   |
| Less Replacement Reserves                                |           | 10,000      | 10,250       | 10,506      | 10,769      | 11,038      | 11,314       | 11,597      | 11,887      | 12,184      | 12,489      |
| NET CASH FLOW  |           | \$104,339   | \$317,147    | \$495,483   | \$681,986   | \$727,930   | \$755,734    | \$784,569   | \$814,473   | \$845,485   | \$877,644   |
| P.V. FACTOR  |           | 0.92593     | 0.85734      | 0.79383     | 0.73503     | 0.68058     | 0.63017      | 0.58349     | 0.54027     | 0.50025     | 0.46319     |
| P.V. CASH FLOWS  |           | \$96,610    | \$271,903    | \$393,330   | \$501,280   | \$495,417   | \$476,241    | \$457,789   | \$440,034   | \$422,953   | \$406,519   |
| INDICATED OVERALL RATE OF RETURN [10 YEARS]              |           |             |              |             |             |             |              |             |             |             |             |
| INDICATED OVERALL RATE OF RETURN [5 YEARS]               |           | 1.2         | 3.3          | 5.1         | 7.0         | 7.5         | 7.8          | 8.1         | 8.4         | 8.7         | 9.0         |
|  |           | 1.3         | 3.7          | 5.7         | 7.8         | 8.3         | 8.6          | 9.0         | 9.3         | 9.6         | 10.0        |
| SUM OF CASH FLOWS (10 Yrs.)                              |           |             |              |             |             |             |              |             |             |             |             |
| REVERSION N.O.I.   |           |             | \$923,795    |             |             |             | 755734       | 1758540     |             |             |             |
| REVERSION Ro   |           |             | 7.00%        |             |             |             | 7.00%        |             |             |             |             |
| REVERSION VALUE  |           |             | \$13,197,067 |             |             |             | \$10,796,201 |             |             |             |             |
| SALE COSTS   | 3.0%      |             | (395,912)    |             |             |             | (323,886)    |             |             |             |             |
| NET SALE PROCEEDS  |           |             | \$12,801,155 |             |             |             | \$10,472,315 |             |             |             |             |
| P.V. FACTOR  | 8.00%     |             | 0.46319      |             |             |             | 0.68058      |             |             |             |             |
| P.V. REVERSION   |           |             | \$5,929,412  |             |             |             | \$7,127,281  |             |             |             |             |
| INDICATED MARKET VALUE                                   |           |             | \$9,891,488  |             |             |             | \$8,885,822  |             |             |             |             |
| Rounded To   |           |             | \$9,890,000  |             |             |             | \$8,890,000  |             |             |             |             |
| Indicated overall average rent per square foot per month |           |             |              |             |             |             |              |             |             |             |             |
|  |           | \$1.60      | \$1.66       | \$1.72      | \$1.78      | \$1.84      | \$1.90       | \$1.97      | \$2.04      | \$2.11      | \$2.19      |

The estimated value range calculated by the Discounted Cash Flow Analysis is from \$8,890,000 to \$9,890,000 (rounded). It should be noted that the return calculated in this analysis is for a non leveraged investment. A leveraged investment rate of return is estimated between 19%-21% at the time of asset disposition.



## **CORRELATION AND SUMMARY**

In summary, it is our opinion that a properly constructed, managed and marketed self-storage facility would be a profitable investment situated on the subject property. It is important to understand that the key factors of supply and rental rates are monitored as any development plan progresses to the construction phase. This is important as the excess demand in the trade area is large but additions to supply could lengthen the lease up period of a newly constructed facility. It is also imperative that current rents in the trade area do not decline to insure a good return on any investment made in a new facility. As with any new business, it will be necessary to properly market the new facility to ensure a lease up is as short as possible. This will allow the facility to reach profitability sooner and therefore show a return to the investors in a timely manner.

### **Marketing and Lease Up Times**

Although it is important to lease up a facility in a timely fashion to start making a return on investment, this must be balanced with the expected revenue from the proposed facility. A full unit is always better than an empty unit however, a rented unit at a discounted rate is never better than a rented unit at full rate. Using this logic, any discounts or incentives that discount the listed price should be time limited. This is especially important as the facility moves to a more fully occupied state and is not working to fill empty lockers anymore. It would be detrimental to the income of the facility to have it full of units that were given rates below the current listed rate and not be able to take new customers at full price. There are many different ways this is handled across the industry. Some facilities offer a month free when a year is pre-paid. Some offer a percentage discount for the first number of months. Both of these are good options as they have an end to a discounted rate. One of the major storage portfolios offers the first month for one dollar. Although not always a profitable move, most storage users stay for much longer. All of these techniques can be used in a balanced manner to create a well occupied and profitable facility.

When attempting to lease up a new facility, it is important to make the surrounding community aware that you have opened and have space available. This can be done a number of different ways including on site events, involvement with sports teams or community groups or sponsorship of local events. These activities will help the community think of the new facility as part of it and will encourage local business.

**Final Thoughts**

The self-storage industry is, much like many other industries, about service. The service of people being able to easily access their goods, pay for their locker or inquire about a possible rental. In doing our market surveys of the area surrounding the potential facility, some of the facilities failed in the service area. This is an area that a new facility can stand above the rest.

The proposed facility being the only Third Generation, Class A facility will have some distinct advantages over the competition in the trade area. If properly managed, these advantages should allow the proposed facility to become the rate leader in the market and command rates above lower quality facilities.

Supply and Demand is only an indicator of success at best. For a new facility to thrive in any market, it will require proper management, marketing and proper construction from the start. If these items come together, a successful facility should follow.

**CERTIFICATION**

Market analysis of the feasibility of a proposed self-storage facility on a site located at 1485 Trans-Canada Highway, Kamloops, BC.

We certify that to the best of our knowledge and belief:

- ❑ The statements of fact contained in this report are true and correct;
- ❑ The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial and unbiased professional analyses, opinions and conclusions;
- ❑ We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- ❑ We are not in a conflict of interest to undertake this assignment;
- ❑ We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- ❑ Our engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate(s), or a conclusion favouring the client;
- ❑ Our analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice;
- ❑ We have the knowledge, skills and experience to complete the assignment competently;
- ❑ Patrick Wood, B.Sc, AIC Candidate made a personal inspection of the site which is the subject of this report on August 24, 2017. The competitive facilities were visited and surveyed for occupancy and rents between August 21<sup>st</sup> and August 24<sup>th</sup> 2017. Scott Humphreys, B.Comm, AACI, P.App, CRP did not inspect the subject property;
- ❑ As of the date of this report the undersigned have fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for Members;

Dated this 14<sup>th</sup> day of September, 2017



Scott Humphreys, B.Comm, AACI, P.App, CRP



Patrick Wood, B.Sc, AIC Candidate

## **SCHEDULE C**

### **Evans & Evans, Inc. – Feasibility Report**

September 27, 2017

**NATIONWIDE STORAGE TRUST**  
609 Granville Street  
Vancouver, British Columbia V7Y 1G5

**Attention: Mr. Hugh Cartwright**

Dear Sir:

**Feasibility Study – Proposed Car Wash Facility in Kamloops, British Columbia**

Evans & Evans, Inc. (“Evans & Evans” or the “authors of the Study”) have been asked to prepare a preliminary Feasibility Study (the “Study”) with respect to a proposed car wash facility (the “NW Car Wash”) on a site located at 1485 Trans-Canada Highway in Kamloops, British Columbia (the “Site”).

Evans & Evans has primarily relied upon data provided by the NationWide Storage Trust (“NationWide” or the “Trust”) with respect to the proposed financial results of the NW Car Wash. Based on the data provided by the Trust, it would appear there is demand for the NW Car Wash. The methodology of the Study included a review of demographic data, financial data and a summary review of competition.

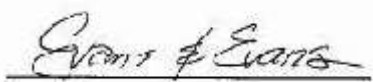
Evans & Evans understands the Trust intends to develop both the NW Car Wash and a 565 unit self-storage facility (the “Storage Facility”) at the Site. It would appear, based on data provided by NationWide, there are operational and financial efficiencies that can be gained by combining the two businesses. The Trust provided Evans & Evans with six financial scenarios as outlined in the table below. If NationWide is capable of achieving the target results through efficiencies and oversight, it would appear the potential returns to investors are significant.

| Terminal Value<br>(10 Years) | Amount of Leverage on NW Car Wash |             |             | Internal Rate of Return<br>(10 Years) | Amount of Leverage on NW Car Wash |        |        |
|------------------------------|-----------------------------------|-------------|-------------|---------------------------------------|-----------------------------------|--------|--------|
|                              | 0%                                | 25%         | 50%         |                                       | 0%                                | 25%    | 50%    |
| 250 Cars per Day             | \$4,670,642                       | \$3,924,879 | \$3,186,511 | 250 Cars per Day                      | 15.48%                            | 18.42% | 23.91% |
| 300 Cars per Day             | \$6,114,204                       | \$5,368,441 | \$4,630,073 | 300 Cars per Day                      | 20.73%                            | 24.97% | 32.87% |
| 350 Cars per Day             | \$7,533,706                       | \$6,787,944 | \$6,049,575 | 350 Cars per Day                      | 25.42%                            | 30.83% | 41.04% |

Please contact the undersigned with any questions about this study.

Regards,

**EVANS & EVANS, INC.**



Jennifer Lucas, MBA, CBV, ASA  
Managing Partner



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## 1 CAR WASH OPERATIONS

### 1.1 Car Wash Operating Models

There are a variety of automated car wash models available in the market.

**Express-Exterior Car Wash** (“Express Wash”) whereby customers pay at an automated pay station and drive onto a conveyor under the guidance of an attendant. An Express Wash is a high volume location with a value-priced base wash and free self-serve vacuums.

**Flex-Serve Car Wash** (“Flex Serve”) is the combination of Express Exterior and Full-Service interior offerings on one property. The most popular layout utilizes automated pay stations offering affordable express wash packages, as well as interior and express detailing options.

**Full-Serve Car Wash** (“Full Serve”) offers a robust number of profit opportunities yielding higher revenue per car. Greeted by a live attendant, the customer selects their wash level and extra services before exiting the vehicle to a retail waiting area or convenience store.

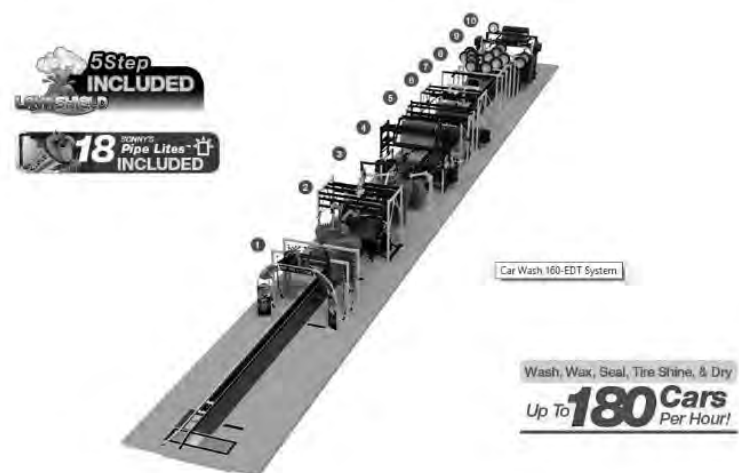
**Extreme-Express Car Wash** (“Extreme Express”) retrofits the high-volume Express-Exterior conveyorized wash model to smaller footprints found at c-store/gas station and in-bay automatic locations. Multiple vehicles are processed simultaneously to increase throughput with minimal onsite labor.

### 1.2 NationWide Selected Operating Model

The Trust proposes to operate an Extreme Express whereby customers pay at an automated pay station and drive onto a conveyor under the guidance of an attendant. Specifically the Trust has selected the Hybrid 160-EDT system from Sonny’s the Car Wash Factory (“Sonny’s”).

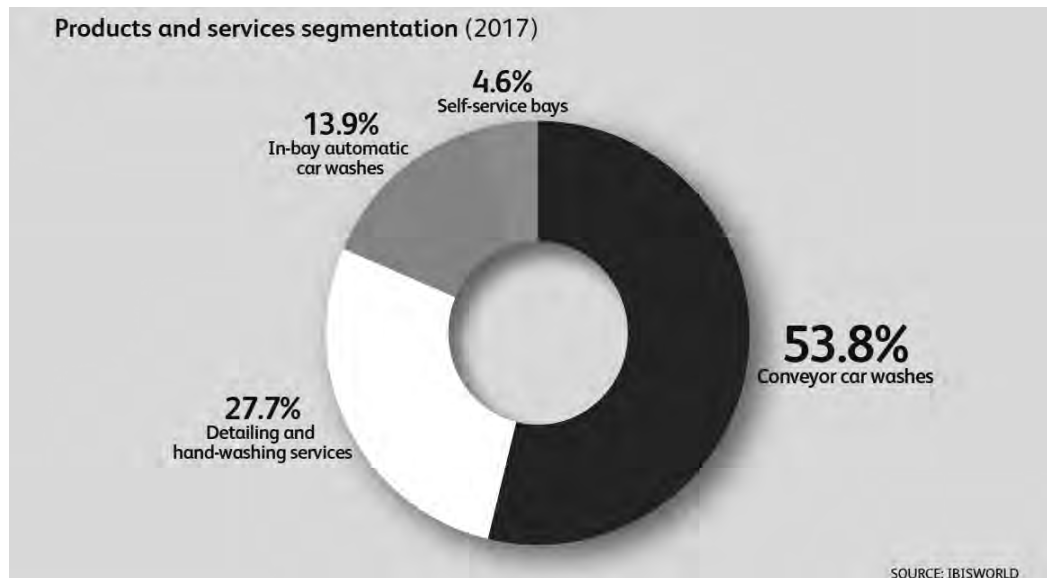
Sonny’s is a one-stop shop supplying the car wash equipment, parts, education, software. The firm reports it sells more conveyorized car wash equipment than anyone in the world. Sonny’s is the largest manufacturer of conveyorized car wash systems in the world, designed and manufactured in-house in the United States.

Sonny’s has been washing cars since 1949 and has over 850 years of automatic car wash equipment operations experience in its network.





As can be seen from the following chart, conveyor car washes like that proposed by NationWide, dominated the market in 2017 according to a 2017 study from IBIS World.



Conveyor car washes are the most conventional and consistently used form of car washing provided by the industry. In a conveyor wash, a vehicle is typically driven onto a conveyor belt and taken through a tunnel that uses mechanized brushes and cloths in conjunction with high-pressure water application and a drying system. Customers have the option of purchasing a range of services such as express wash, wheel brite, waxes and undercarriage washes.

## 2 LOCATION

### 2.1 Site Overview

The proposed location of the NationWide Storage Trust (“NationWide” or the “Trust”) car wash (the “NW Car Wash”) is 1485 Trans-Canada Highway in Kamloops, British Columbia (the “Site”). The Site is currently occupied by a light industrial building used for a shipping business and the surrounding properties are light industrial.

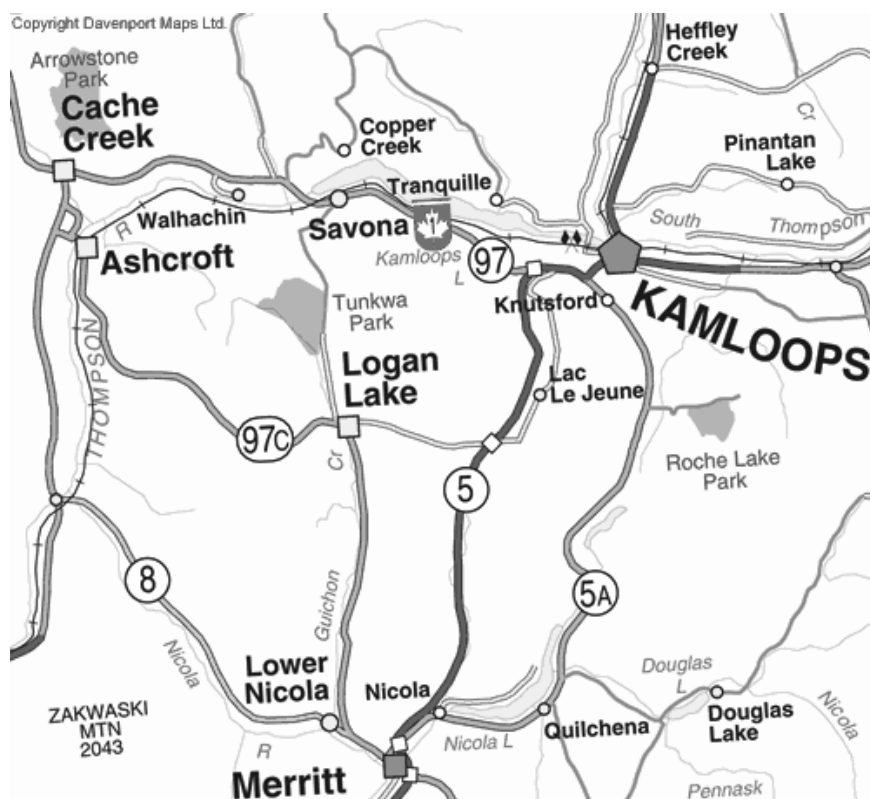
At 57,934 ft<sup>2</sup>, the Site is considered too large for a standalone car wash and accordingly the Trust intends to develop the Site to include a self-storage facility (the “Storage Facility”) and the NW Car Wash.

The Site has the necessary infrastructure for the NW Car Wash and the Storage Facility with sanitary and storm sewers along with overhead mounted hydro and telephone.

The proposed capital expenditure for the Site, including the purchase of the land, is \$3,480,000 for the NW Car Wash and \$5,740,000 for the 565 unit Storage Facility.

## 2.2 Kamloops Overview

Kamloops, with a population of full-time residents of 90,280<sup>1</sup>, is the largest community in the Thompson-Nicola Regional District (“TNRD”). The population of Metro Kamloops is 103,811 if one includes residents of surrounding First Nations lands. Kamloops is 37<sup>th</sup> on the list of largest metropolitan cities in Canada and is the 44<sup>th</sup> largest census agglomeration in Canada.



The primary employers in Kamloops are involved in primary resource processing and include such operations as the Domtar Kamloops Pulp Mill, Tolko-Heffley Creek Plywood and Veneer, Lafarge Cement, and Highland Valley Copper Mine (in Logan Lake), etc. The largest employer in Kamloops is the Royal Inland Hospital.

Kamloops is also home to Thompson Rivers University (“TRU”) with a student body of 10,000 including a diverse international contingent mainly from Asian countries. TRU’s Open Learning centre is the largest distance education provider in British Columbia and one of the biggest in Canada.



<sup>1</sup> 2016 Census Data

### 2.3 Site Details

The Site is a high traffic location near Costco and Aberdeen Mall. The areas to south are a combination of commercial and residential and new residential developments under construction within minutes.



The proposed location of the NW Car Wash is on the corner of the Trans-Canada Highway and Pacific Way with excellent exposure and easy access to the Site from a nearby major transportation route; The Trans-Canada Highway, Pacific Way and Hugh Allan Drive.



### 3 Demographics

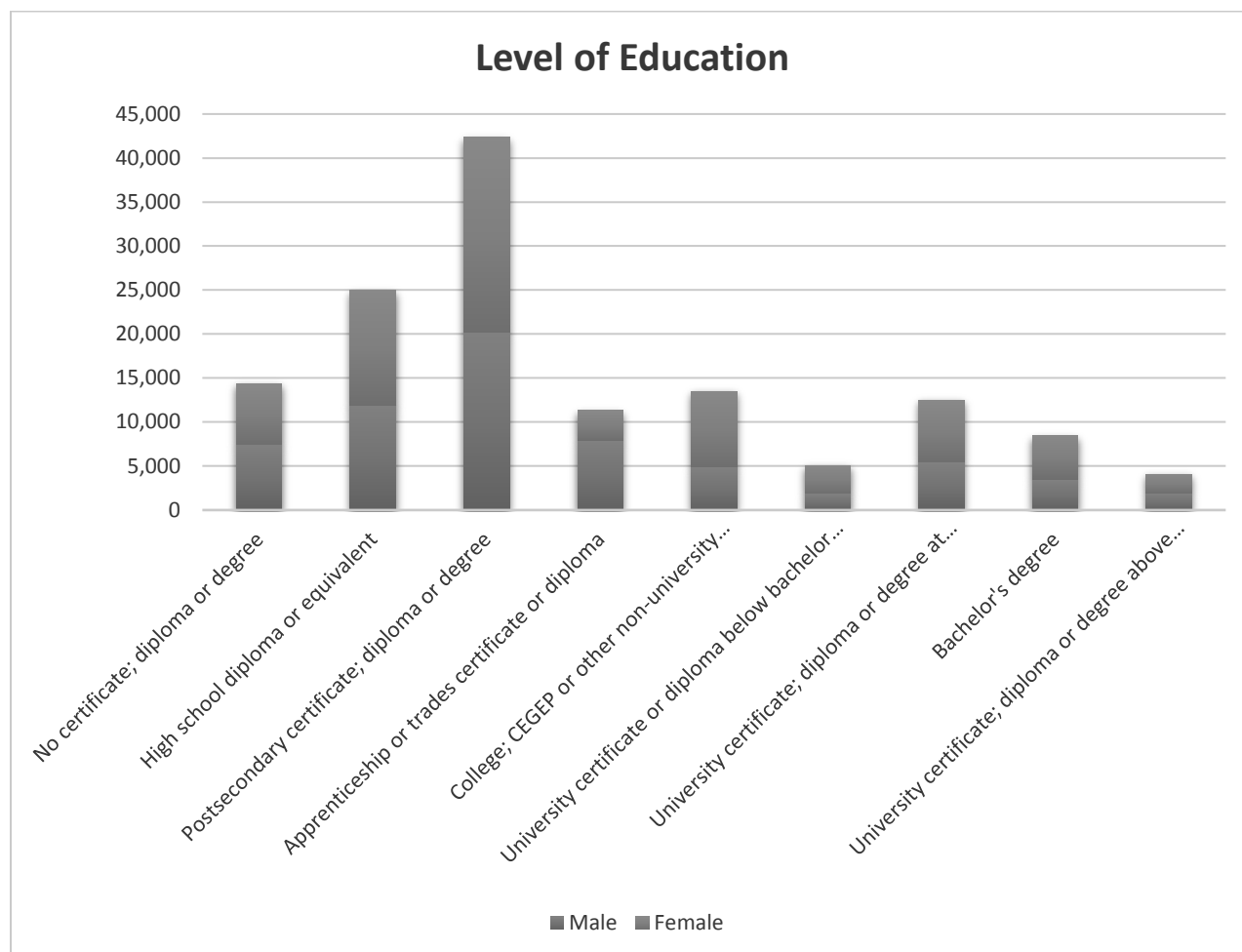
#### 3.1 Population Trends

The growth in the Kamloops Metropolitan area has been steady over the past decade at approximately 0.66% per year. From 2011 to 2016 the population grew 3.3% and it is estimated the population will increase to 107,237 by 2021. The growth trend in the total trade area is expected to remain steady over the next decade.

#### 3.2 Education

The level / amount of education is often an indicator of disposable income and therefore is relevant to the NW Car Wash as for many people, a car wash is a discretionary expense. Generally, as education increases, so does income, and more importantly disposable income.

The following data is from the 2011 census, and as such the authors of the Study have assumed the trends are similar as at the current date. As can be seen from the following chart, a significant number of residents have a high school diploma or more. The level of education in the population is a positive factor for the NW Car Wash.



### 3.3 Vehicle Ownership, Use and Drivers

Demand for car washing services positively correlates with the growth in the number of motor vehicles in the area, the number of drivers and how often those drivers are on the road, driving past the car wash. As the number of vehicles increases, so does the demand for after-market services, such as car washes. According to data from Desrosiers Automotive Consultants Inc. (“DACI”), 2015 was a record year for the automotive industry in Canada, reaching all new highs across multiple sectors.

#### Automotive Revenue - Canada - \$ Billions

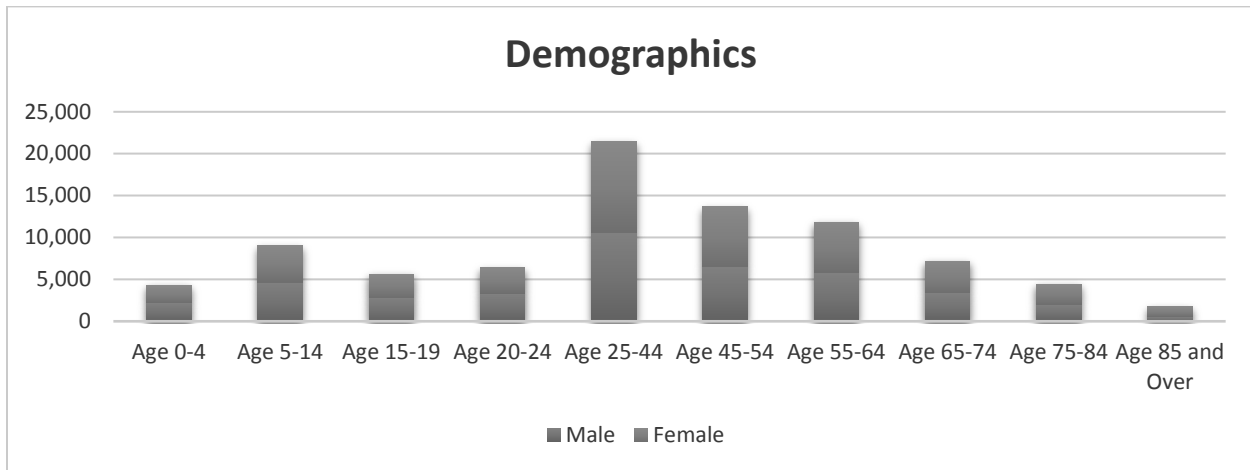
|          | Total<br>Revenue<br>New<br>Vehicle<br>Sales | Total<br>Revenue<br>Used<br>Vehicle<br>Sales | Total<br>Revenue<br>Parts and<br>Service<br>Sales | Total<br>Revenue<br>Automotive<br>Finance<br>Sales | Total<br>Automotive<br>Revenue<br>In Canada |
|----------|---|--|---|--|---|
| 2006     | \$52.3                                      | \$25.9                                       | \$16.7  | \$54.2   | \$149.2                                     |
| 2007     | \$52.5                                      | \$25.9                                       | \$17.6  | \$58.1   | \$154.2                                     |
| 2008     | \$50.4                                      | \$28.2                                       | \$18.3  | \$55.0   | \$151.8                                     |
| 2009     | \$46.2                                      | \$29.9                                       | \$18.7  | \$51.7   | \$146.5                                     |
| 2010     | \$51.4                                      | \$32.4                                       | \$19.2  | \$58.2   | \$161.2                                     |
| 2011     | \$53.0                                      | \$35.1                                       | \$19.6  | \$61.8   | \$169.5                                     |
| 2012     | \$55.6                                      | \$35.5                                       | \$19.3  | \$67.5   | \$177.9                                     |
| 2013     | \$59.8                                      | \$35.9                                       | \$20.1  | \$73.5   | \$189.3                                     |
| 2014     | \$64.7                                      | \$34.5                                       | \$20.2  | \$77.3   | \$196.7                                     |
| 2015     | \$67.8                                      | \$37.2                                       | \$20.9  | \$82.1   | \$208.0                                     |
| % Change | 4.7%  | 7.7%   | 3.6%  | 6.3%   | 5.7%  |

DACI also reports that Canadians’ ownership levels continue to grow. According to DACI’s data, Canadians are embracing personal use vehicles faster than any developed country in the world.

#### VEHICLE OWNERSHIP TRENDS - CANADA

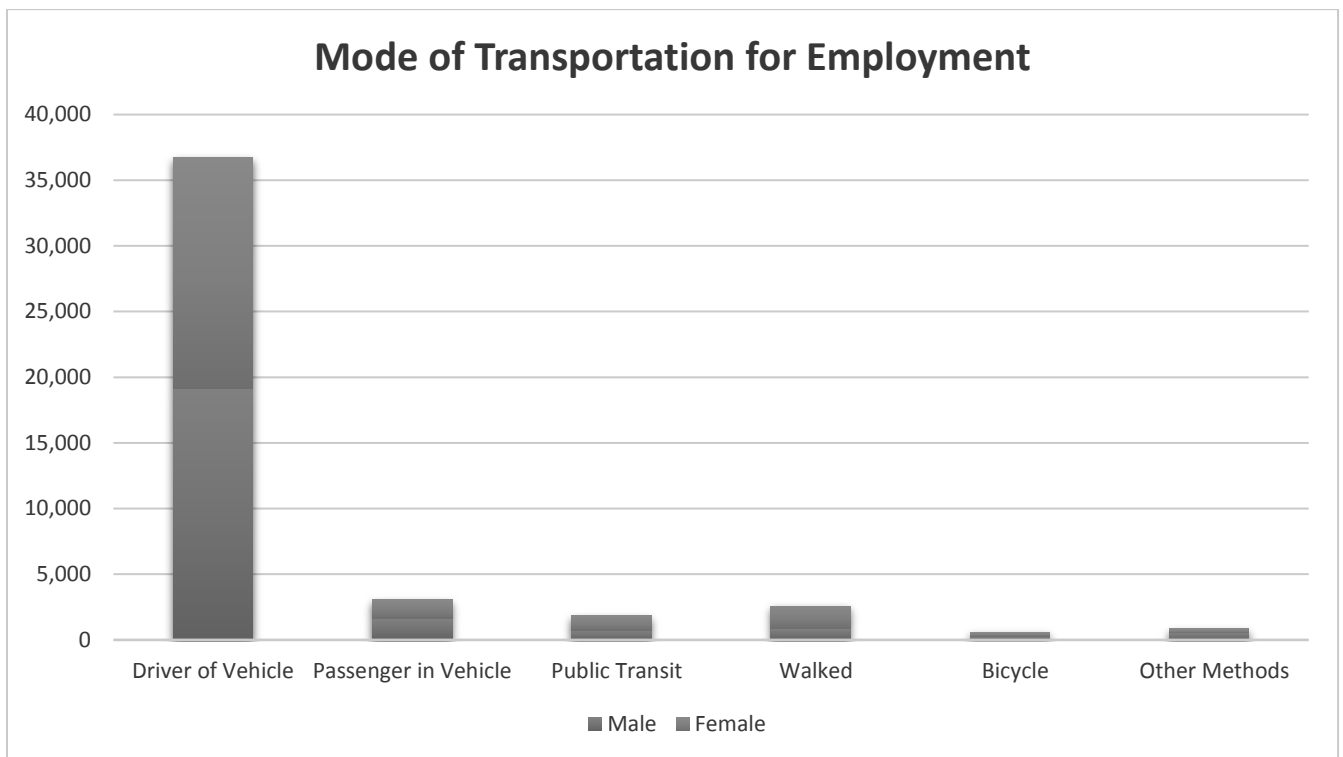
| CALENDAR<br>YEAR | TOTAL<br>VEHICLE<br>SALES<br>UNITS<br>Inc HD Truck | Percent<br>Truck | VEHICLE<br>USAGE<br>BILLIONS OF<br>KILOMETRES | Percent<br>Change | Expected<br>Useful Life<br>KILOMETRES | TOTAL<br>UNITS IN<br>OPERATION | TOTAL<br>UNITS IN<br>OPERATION<br>PERCENT<br>TRUCK | VEHICLES PER<br>DRIVING AGE<br>POPULATION |
|------------------|--|------------------|---|-------------------|---------------------------------------|--------------------------------|--|---|
| 1960             | 523,188  | 14.4%            | 118   |                   | 226,493                               | 5,937,660                      | 23.9%  | 50.4%                                     |
| 1970             | 774,372  | 17.3%            | 176   | 0.5%              | 227,620                               | 8,111,166                      | 24.4%  | 53.8%                                     |
| 1980             | 1,263,807  | 26.2%            | 231   | -3.0%             | 182,728                               | 11,742,670                     | 25.5%  | 63.5%                                     |
| 1990             | 1,314,118  | 32.6%            | 333   | -0.3%             | 253,406                               | 15,128,911                     | 26.6%  | 70.1%                                     |
| 2000             | 1,586,083  | 46.5%            | 395   | 2.2%              | 248,994                               | 17,100,899                     | 37.5%  | 70.1%                                     |
| 2010             | 1,583,388  | 56.1%            | 524   | 0.8%              | 331,161                               | 22,001,278                     | 45.2%  | 78.4%                                     |
| 2011             | 1,620,221  | 57.9%            | 529   | 0.9%              | 326,443                               | 22,184,955                     | 46.3%  | 78.1%                                     |
| 2012             | 1,716,178  | 56.4%            | 537   | 1.6%              | 313,077                               | 22,502,815                     | 47.0%  | 77.3%                                     |
| 2013             | 1,780,523  | 57.6%            | 562   | 4.6%              | 315,631                               | 23,521,261                     | 47.9%  | 79.8%                                     |
| 2014             | 1,889,437  | 60.0%            | 599   | 6.5%              | 316,805                               | 24,479,774                     | 48.7%  | 82.0%                                     |
| 2015             | 1,950,502  | 61.9%            | 635   | 6.1%              | 325,639                               | 25,532,938                     | 49.7%  | 84.6%                                     |

The authors of the Study also evaluated the number of potential drives in Kamloops. According to 2011 census data, in Kamloops, 84% of the population is over 15 and 55% of the population is aged between 25 and 64, the most likely age to own a car.



As can be seen from the following chart, over 80% of employed people over the age of 15 drive their own vehicle to work in Kamloops. The number of drivers, and the significant number that drive to work is positive for the NW Car Wash.

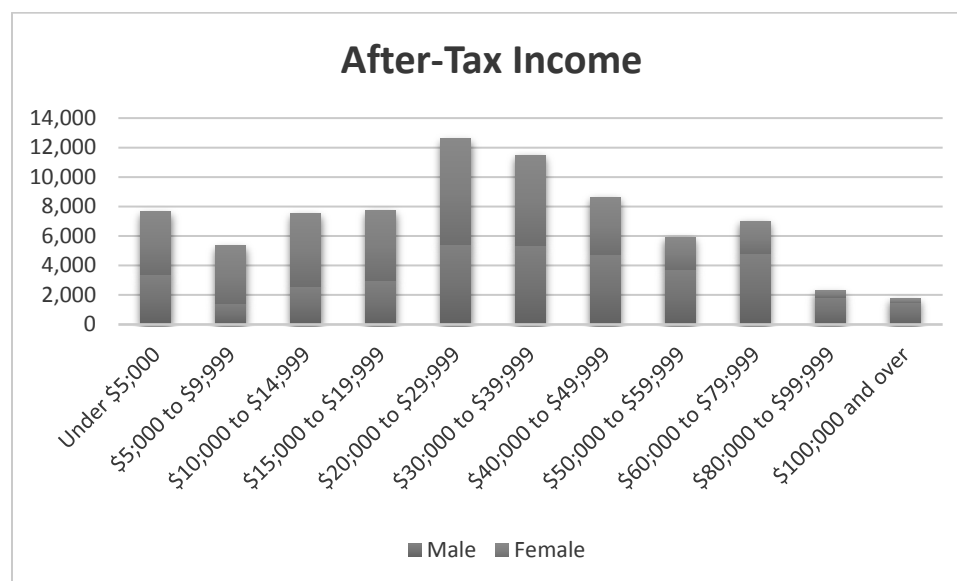
The more time spent on the road, particularly in a region subject to vast changes in weather and climate is positive for the NW Car Wash. Volatile weather and the number of drivers passing by the Site play a big role in the potential day-to-day car counts.



### 3.4 Income Levels

As car wash and detailing services are generally considered a form of discretionary spending, demand for industry services is heavily dependent on per capita disposable income levels. The median after-tax income in Kamloops in 2010 was \$28,000 and the average after-tax income in 2010 was \$33,849. As can be seen from the following graph, approximately 33% of the population has an after-tax income greater than \$40,000 per annum. Comparatively, the median after-tax income of Canadian economic families and persons not in an economic family was \$53,500 in 2013, virtually unchanged from 2012.

The relatively high, after-tax income is a positive indicator for the NW Car Wash.



## 4 Car Wash Market

### 4.1 Market Highlights

Rising Canadian per capita disposable income has fueled demand for discretionary consumer services like car washes. Further as the Canadian population becomes increasingly more affluent, more people shift to the do-it-for me model as opposed to home car washing.

Demand for car washes has also increased as consumers are more educated with regards to how driveway car washing is bad for the environment. The International Carwash Association reports that in 2015 28.4% of consumers washed their cars at home – down from 47.6% in 1996. The average household carwash uses 140 gallons of water, compared to 45 gallons or less used at professional carwashes. Further many newer car washes use water reclamation systems to minimize environmental impact.

According to data from market research firm, IBIS World, the Canadian car wash market is estimated at \$465 million, growing at a rate of 2% to 3% per annum. The Canadian market is dominated by independent retailers with no major national chains. Research has shown that there

is little seasonality in the car wash market, with average daily car volumes not changing significantly from month to month. The market is expected to see continued growth through 2020.

## Industry Data

|      | Revenue<br>(\$m) | Industry<br>Value Added<br>(\$m) | Establish-<br>ments | Enterprises | Employment |
|------|------------------|----------------------------------|---------------------|-------------|------------|
| 2008 | 391.1            | 185.5                            | 2,438               | 2,359       | 7,594      |
| 2009 | 396.4            | 186.3                            | 2,461               | 2,384       | 7,390      |
| 2010 | 399.8            | 187.2                            | 2,571               | 2,497       | 7,475      |
| 2011 | 402.2            | 190.6                            | 2,897               | 2,815       | 7,634      |
| 2012 | 410.3            | 191.5                            | 2,668               | 2,591       | 7,719      |
| 2013 | 416.5            | 189.5                            | 2,971               | 2,885       | 7,879      |
| 2014 | 429.2            | 193.6                            | 3,096               | 3,006       | 8,082      |
| 2015 | 445.4            | 199.1                            | 3,156               | 3,074       | 8,260      |
| 2016 | 457.7            | 204.4                            | 3,185               | 3,099       | 8,430      |
| 2017 | 465.0            | 208.2                            | 3,304               | 3,218       | 8,593      |
| 2018 | 472.6            | 211.2                            | 3,323               | 3,235       | 8,705      |
| 2019 | 480.1            | 215.2                            | 3,459               | 3,373       | 8,883      |
| 2020 | 487.4            | 218.6                            | 3,485               | 3,396       | 8,997      |
| 2021 | 492.8            | 221.9                            | 3,621               | 3,536       | 9,151      |
| 2022 | 499.6            | 224.9                            | 3,652               | 3,565       | 9,271      |

### 4.2 Car Wash Operators

The business model in the car wash market has changed in recent years, from labour intensive to capital intensive. As a result the minimal labor, high volume and quick return on investment business models have attracted increased investor interest.

Technology enables locations to wash more cars per hour with faster service times, better and safer cleaning, more complete drying, and an overall better customer experience.

In addition to increased automation, there has been development in the types of cleaning and detailing products used in this industry, which have increased industry revenue.

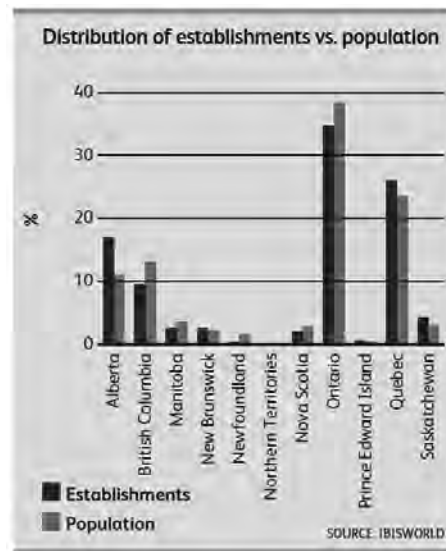
## 5 Competition

### 5.1 Overview

The distribution of car wash establishments is highly correlated to population density, income dispersion and weather patterns, as warmer regions in Canada have a greater concentration of car washing and auto detailing service centres.



Alberta (17.0%) and British Columbia (9.6%) account for the third- and fourth largest shares of establishments in 2017. Both regions have high business concentrations as well as per capita disposable income and population levels.



The car wash industry is considered to be highly competitive given the number of small business that operate on a local or regional basis. Competition is mainly driven by price, and as such promotions, coupons and discounts are often used to attract new customers. Offerings of loyalty wash cards, offering rewards and / or volume-based discounts, have increased over the past five years.

## 5.2 NW Car Wash Direct Competitors

A cursory review of competition for the NW Car Wash was undertaken as part of the Study. As can be seen from the following map, there are approximately seven car wash / automotive detailing locations within a 10-minute drive of the Site.



An overview of the nearest competition is provided below. Evans & Evans did not find any major chain operators in the vicinity of the Site.

**Tk'Emlups Car Wash**

- Opened July 2009
- Operated by the Tk'Emlups Indian Band Development Corporation
- Certified through Ecolab's Blue Coral program
- One touch-less automatic and six self-serve wash bays
- Four on-site vacuums and vehicle detailing is offered as a premium service

**Kamshine Automotive Detailing Ltd.**

- Operates two locations in Kamloops
- Three time winner of the Reader's Choice Award for Best Auto Detailing Shop in town
- Hand wash & vacuum
- Full and limited detailing
- Waxing and polishing

**Suds City Car Wash Ltd.**

- Limited service hours
- Automatic car wash with bays and access to exterior vacuums

**Logan's Truck Brite Ltd.**

- Services for semi-trucks

**First Place Detail Ltd.**

- Founded 1997
- All aspects of auto detailing and cleaning, including animal removal and biohazard cleanup
- Supplies courtesy rides to customers

### 5.3 Storguard Self-Store & Shine Auto Wash

With the planned Storage Facility sharing the Site, the Trust is following the success of the combined Storguard Self-Storage facilities in Vancouver and Burnaby which offer a state-of-the-art car wash facility, Shine Auto Wash.

At Shine Auto Wash the firm offers a perfect shine in under 4 minutes. We use precisely calibrated water pressure combined with lubricating shampoos and polishes to create a lubrication barrier between the car's finish and the Neoglides (Neoprene) cleaning material used. When this non-porous neoprene material massages the foamy lubricating layer of non-acidic environmentally friendly shampoos, the combination creates the gentlest and most effective residue and scratch free cleaning system known in the industry. This leaves you with a shiny clean car without the problems

of the old automated car washes. Customers who rent a storage unit receive a complimentary wash as a token of appreciation from Storguard.

Storguard began its operations with a self-storage facility in Yaletown in Vancouver, British Columbia. The company then expanded to a location on Terminal Avenue and added the Shine Auto Wash. The combination of car wash and storage facilities was a success and accordingly the company expanded to a second location in Burnaby that houses the two-story car wash in Canada.

A third storage / car wash development is underway in Coquitlam off Lougheed Highway.

## 6 Financial Overview

### 6.1 General Assumptions

The general assumptions underlying each of the financial models are outlined below:

- Total capital investment - \$3,480,000
- For debt scenarios the term was 20 years with an interest rate of 4.25%
- 24 / 7 Operation – 365 days per year
- Hourly employees paid above minimum wage
- Car wash packages range from \$7.95 to \$22.00
- Average ticket price is \$14.99
- Cost of materials increase over model lifespan
- Prices held constant for first 5 years
- 80% of discretionary cash is distributed annually
- Multiple of 8.0 x cash flow from operations on the terminal value

The Trust has established six potential operating scenarios based on the number of cars per day (250 / 300 / 350) and the amount of leverage utilized to build out the NW Car Wash (0, 25%, 50%). Each of the scenarios is summarized and discussed below.

### 6.2 Scenario 1 – 250 Cars per Day

A summary of the three scenarios is provided in the following table. Followed by a detailed income statement. The only difference in the income statement for the different leverage scenarios is the interest expense.

|                       | Zero Leverage | 25% Leverage | 50% Leverage |
|-----------------------|---------------|--------------|--------------|
| Break Even Cars / Day | 102           | 119          | 136          |

The break-even cars per day is well-below the low-case forecast of 250 cars per day, despite the amount of leverage.

|   |        |
|---|--------|
| 10 Year - Internal Rate of Return - Zero Leverage | 15.48% |
| 10 Year - Internal Rate of Return - 25% Leverage  | 18.42% |
| 10 Year - Internal Rate of Return - 50% Leverage  | 23.91% |

|                                       | Zero Leverage | 25% Leverage | 50% Leverage |
|---------------------------------------|---------------|--------------|--------------|
| Investment                            | \$3,480,000   | \$2,610,000  | \$1,740,000  |
| Terminal Value 10 Years (Net of Debt) | \$4,670,642   | \$3,924,879  | \$3,186,511  |

**Nationwide Car Wash Express****Cars / Day****250**

| C\$                            |   |         | Year 1             | Year 2             | Year 3             | Year 4             | Year 5             |
|--------------------------------|---|---------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Cars per Day                   |   |         | 250                | 269                | 282                | 289                | 296                |
| Growth Rate                    |   |         |                    | 7.5%               | 5.0%               | 2.5%               | 2.5%               |
| Annual Cars                    |   |         | 91,250             | 98,185             | 102,930            | 105,485            | 108,040            |
| <b>Revenue</b>                 |   |         |                    |                    |                    |                    |                    |
| Exterior Car Wash              |   | \$7.95  | \$145,088          | \$156,114          | \$163,659          | \$167,721          | \$171,784          |
| Menu Package #1                |   | \$12.00 | \$219,000          | \$235,644          | \$247,032          | \$253,164          | \$259,296          |
| Menu Package #2                |   | \$15.00 | \$273,750          | \$294,555          | \$308,790          | \$316,455          | \$324,120          |
| Menu Package #3                |   | \$18.00 | \$328,500          | \$353,466          | \$370,548          | \$379,746          | \$388,944          |
| Menu Package #4                |   | \$22.00 | \$401,500          | \$432,014          | \$452,892          | \$464,134          | \$475,376          |
|                                |   |         | \$1,367,838        | \$1,471,793        | \$1,542,921        | \$1,581,220        | \$1,619,520        |
| Bank & Credit Card Fees        |   | 1.80%   | \$24,621           | \$26,492           | \$27,773           | \$28,462           | \$29,151           |
| <b>Net Revenues</b>            |   |         | <b>\$1,343,216</b> | <b>\$1,445,301</b> | <b>\$1,515,148</b> | <b>\$1,552,758</b> | <b>\$1,590,368</b> |
| <b>Operational Expenses</b>    |   |         |                    |                    |                    |                    |                    |
| Line Labour & Assistants       | a | 3.00%   | \$179,400          | \$184,782          | \$190,325          | \$196,035          | \$201,916          |
| Chemicals & Supplies           |   |         | \$93,622           | \$101,731          | \$108,388          | \$112,406          | \$116,736          |
| Utilities                      |   |         | \$134,322          | \$141,771          | \$147,556          | \$150,384          | \$153,464          |
| Advertising & Promotion        | b | \$0.442 | \$40,296           | \$43,359           | \$45,454           | \$46,583           | \$47,711           |
| Customer Claims                | b | \$0.147 | \$13,432           | \$14,453           | \$15,151           | \$15,528           | \$15,904           |
| Legal & Professional Fees      | b | \$0.147 | \$13,432           | \$14,453           | \$15,151           | \$15,528           | \$15,904           |
| Licenses & Taxes               | b | \$0.147 | \$13,432           | \$14,453           | \$15,151           | \$15,528           | \$15,904           |
| Manager & Assistant Managers   | a | 3.00%   | \$181,272          | \$186,710          | \$192,311          | \$198,081          | \$204,023          |
| Northern Climate Overhead      | c | 4.91%   | \$67,161           | \$72,265           | \$75,757           | \$77,638           | \$79,518           |
| Refuse Collection              | b | \$0.147 | \$13,432           | \$14,453           | \$15,151           | \$15,528           | \$15,904           |
| Miscellaneous                  | b | \$0.221 | \$20,148           | \$21,680           | \$22,727           | \$23,291           | \$23,856           |
| Real Estate Tax                |   |         | \$24,000           | \$24,000           | \$24,000           | \$24,000           | \$24,000           |
| Insurance                      |   |         | \$6,000            | \$6,000            | \$6,000            | \$6,000            | \$6,000            |
| Repairs & Maintenance          | c | 0.98%   | \$13,432           | \$14,453           | \$15,151           | \$15,528           | \$15,904           |
|                                |   |         | \$813,383          | \$854,563          | \$888,278          | \$912,055          | \$936,743          |
| <b>EBITDA</b>                  |   |         | <b>\$529,834</b>   | <b>\$590,738</b>   | <b>\$626,870</b>   | <b>\$640,703</b>   | <b>\$653,626</b>   |
| Depreciation                   |   |         | \$173,500          | \$173,500          | \$173,500          | \$173,500          | \$173,500          |
| Interest Expense               |   |         |                    |                    |                    |                    |                    |
| <b>Net Income Before Taxes</b> |   |         | <b>\$356,334</b>   | <b>\$417,238</b>   | <b>\$453,370</b>   | <b>\$467,203</b>   | <b>\$480,126</b>   |
| Income Tax                     |   | 26.00%  | \$92,647           | \$108,482          | \$117,876          | \$121,473          | \$124,833          |
| <b>Net Income</b>              |   |         | <b>\$263,687</b>   | <b>\$308,756</b>   | <b>\$335,494</b>   | <b>\$345,730</b>   | <b>\$355,293</b>   |

**Notes**

- a Expense growth rate per annum  
b Per car expense  
c Percentage of revenues

|   |        |
|---|--------|
| 10 Year - Internal Rate of Return - Zero Leverage | 15.48% |
| 10 Year - Internal Rate of Return - 25% Leverage  | 18.42% |
| 10 Year - Internal Rate of Return - 50% Leverage  | 23.91% |

|                                       | Zero Leverage | 25% Leverage | 50% Leverage |
|---------------------------------------|---------------|--------------|--------------|
| Investment                            | \$3,480,000   | \$2,610,000  | \$1,740,000  |
| Terminal Value 10 Years (Net of Debt) | \$4,670,642   | \$3,924,879  | \$3,186,511  |

## 6.3 Scenario 2 – 300 Cars per Day

A summary of the three scenarios is provided in the following table. Followed by a detailed income statement.

|                       | Zero Leverage | 25% Leverage | 50% Leverage |
|-----------------------|---------------|--------------|--------------|
| Break Even Cars / Day | 102           | 119          | 136          |

The returns increase significantly as the amount of leverage increases.

|   |        |
|---|--------|
| 10 Year - Internal Rate of Return - Zero Leverage | 20.73% |
| 10 Year - Internal Rate of Return - 25%Leverage   | 24.97% |
| 10 Year - Internal Rate of Return - 50% Leverage  | 32.87% |

|                                       | Zero Leverage | 25% Leverage | 50% Leverage |
|---------------------------------------|---------------|--------------|--------------|
| Investment                            | \$3,480,000   | \$2,610,000  | \$1,740,000  |
| Terminal Value 10 Years (Net of Debt) | \$6,114,204   | \$5,368,441  | \$4,630,073  |

**Nationwide Car Wash Express**

|                   |            |
|-------------------|------------|
| <b>Cars / Day</b> | <b>300</b> |
|-------------------|------------|

| C\$                            |         |         | Year 1             | Year 2             | Year 3             | Year 4             | Year 5             |
|--------------------------------|---------|---------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Cars per Day                   |         |         | 300                | 323                | 339                | 347                | 356                |
| Growth Rate                    |         |         |                    | 7.5%               | 5.0%               | 2.5%               | 2.5%               |
| Annual Cars                    |         |         | 109,500            | 117,895            | 123,735            | 126,655            | 129,940            |
| <b>Revenue</b>                 |         |         |                    |                    |                    |                    |                    |
| Exterior Car Wash              | \$7.95  |         | \$174,105          | \$187,453          | \$196,739          | \$201,381          | \$206,605          |
| Menu Package #1                | \$12.00 |         | \$262,800          | \$282,948          | \$296,964          | \$303,972          | \$311,856          |
| Menu Package #2                | \$15.00 |         | \$328,500          | \$353,685          | \$371,205          | \$379,965          | \$389,820          |
| Menu Package #3                | \$18.00 |         | \$394,200          | \$424,422          | \$445,446          | \$455,958          | \$467,784          |
| Menu Package #4                | \$22.00 |         | \$481,800          | \$518,738          | \$544,434          | \$557,282          | \$571,736          |
|                                |         |         | \$1,641,405        | \$1,767,246        | \$1,854,788        | \$1,898,558        | \$1,947,801        |
| Bank & Credit Card Fees        | 1.80%   |         | \$29,545           | \$31,810           | \$33,386           | \$34,174           | \$35,060           |
| <b>Net Revenues</b>            |         |         | <b>\$1,611,860</b> | <b>\$1,735,436</b> | <b>\$1,821,401</b> | <b>\$1,864,384</b> | <b>\$1,912,740</b> |
| <b>Operational Expenses</b>    |         |         |                    |                    |                    |                    |                    |
| Line Labour & Assistants       | a       | 3.00%   | \$179,400          | \$184,782          | \$190,325          | \$196,035          | \$201,916          |
| Chemicals & Supplies           |         |         | \$112,347          | \$122,153          | \$130,296          | \$134,965          | \$140,398          |
| Utilities                      |         |         | \$161,186          | \$170,231          | \$177,381          | \$180,564          | \$184,571          |
| Advertising & Promotion        | b       | \$0.442 | \$48,356           | \$52,063           | \$54,642           | \$55,932           | \$57,382           |
| Customer Claims                | b       | \$0.147 | \$16,119           | \$17,354           | \$18,214           | \$18,644           | \$19,127           |
| Legal & Professional Fees      | b       | \$0.147 | \$16,119           | \$17,354           | \$18,214           | \$18,644           | \$19,127           |
| Licenses & Taxes               | b       | \$0.147 | \$16,119           | \$17,354           | \$18,214           | \$18,644           | \$19,127           |
| Manager & Assistant Managers   | a       | 3.00%   | \$181,272          | \$186,710          | \$192,311          | \$198,081          | \$204,023          |
| Northern Climate Overhead      | c       | 4.91%   | \$80,593           | \$86,772           | \$91,070           | \$93,219           | \$95,637           |
| Refuse Collection              | b       | \$0.147 | \$16,119           | \$17,354           | \$18,214           | \$18,644           | \$19,127           |
| Miscellaneous                  | b       | \$0.221 | \$24,178           | \$26,032           | \$27,321           | \$27,966           | \$28,691           |
| Real Estate Tax                |         |         | \$24,000           | \$24,000           | \$24,000           | \$24,000           | \$24,000           |
| Insurance                      |         |         | \$6,000            | \$6,000            | \$6,000            | \$6,000            | \$6,000            |
| Repairs & Maintenance          | c       | 0.98%   | \$16,119           | \$17,354           | \$18,214           | \$18,644           | \$19,127           |
|                                |         |         | \$897,925          | \$945,514          | \$984,418          | \$1,009,981        | \$1,038,257        |
| <b>EBITDA</b>                  |         |         | <b>\$713,935</b>   | <b>\$789,922</b>   | <b>\$836,984</b>   | <b>\$854,403</b>   | <b>\$874,484</b>   |
| Depreciation                   |         |         | \$173,500          | \$173,500          | \$173,500          | \$173,500          | \$173,500          |
| Interest Expense               |         |         |                    |                    |                    |                    |                    |
| <b>Net Income Before Taxes</b> |         |         | <b>\$540,435</b>   | <b>\$616,422</b>   | <b>\$663,484</b>   | <b>\$680,903</b>   | <b>\$700,984</b>   |
| Income Tax                     |         | 26.00%  | \$140,513          | \$160,270          | \$172,506          | \$177,035          | \$182,256          |
| <b>Net Income</b>              |         |         | <b>\$399,922</b>   | <b>\$456,152</b>   | <b>\$490,978</b>   | <b>\$503,869</b>   | <b>\$518,728</b>   |

**Notes**

- a Expense growth rate per annum  
b Per car expense  
c Percentage of revenues

|   |        |
|---|--------|
| 10 Year - Internal Rate of Return - Zero Leverage | 20.73% |
| 10 Year - Internal Rate of Return - 25%Leverage   | 24.97% |
| 10 Year - Internal Rate of Return - 50% Leverage  | 32.87% |

|                                       | Zero Leverage | 25% Leverage | 50% Leverage |
|---------------------------------------|---------------|--------------|--------------|
| Investment                            | \$3,480,000   | \$2,610,000  | \$1,740,000  |
| Terminal Value 10 Years (Net of Debt) | \$6,114,204   | \$5,368,441  | \$4,630,073  |

## 6.4 Scenario 3 – 350 Cars per Day

|                       | Zero Leverage | 25% Leverage | 50% Leverage |
|-----------------------|---------------|--------------|--------------|
| Break Even Cars / Day | 102           | 119          | 136          |

|   |        |
|---|--------|
| 10 Year - Internal Rate of Return - Zero Leverage | 25.42% |
| 10 Year - Internal Rate of Return - 25%Leverage   | 30.83% |
| 10 Year - Internal Rate of Return - 50% Leverage  | 41.04% |

|                                       | Zero Leverage | 25% Leverage | 50% Leverage |
|---------------------------------------|---------------|--------------|--------------|
| Investment                            | \$3,480,000   | \$2,610,000  | \$1,740,000  |
| Terminal Value 10 Years (Net of Debt) | \$7,533,706   | \$6,787,944  | \$6,049,575  |

**Nationwide Car Wash Express****Cars / Day** 350

| C\$                            |         |         | Year 1             | Year 2             | Year 3             | Year 4             | Year 5             |
|--------------------------------|---------|---------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Cars per Day                   |         |         | 350                | 376                | 395                | 405                | 415                |
| Growth Rate                    |         |         |                    | 7.5%               | 5.0%               | 2.5%               | 2.5%               |
| Annual Cars                    |         |         | 127,750            | 137,240            | 144,175            | 147,825            | 151,475            |
| <b>Revenue</b>                 |         |         |                    |                    |                    |                    |                    |
| Exterior Car Wash              | \$7.95  |         | \$203,123          | \$218,212          | \$229,238          | \$235,042          | \$240,845          |
| Menu Package #1                | \$12.00 |         | \$306,600          | \$329,376          | \$346,020          | \$354,780          | \$363,540          |
| Menu Package #2                | \$15.00 |         | \$383,250          | \$411,720          | \$432,525          | \$443,475          | \$454,425          |
| Menu Package #3                | \$18.00 |         | \$459,900          | \$494,064          | \$519,030          | \$532,170          | \$545,310          |
| Menu Package #4                | \$22.00 |         | \$562,100          | \$603,856          | \$634,370          | \$650,430          | \$666,490          |
|                                |         |         | \$1,914,973        | \$2,057,228        | \$2,161,183        | \$2,215,897        | \$2,270,610        |
| Bank & Credit Card Fees        | 1.80%   |         | \$34,470           | \$37,030           | \$38,901           | \$39,886           | \$40,871           |
| <b>Net Revenues</b>            |         |         | <b>\$1,880,503</b> | <b>\$2,020,197</b> | <b>\$2,122,282</b> | <b>\$2,176,011</b> | <b>\$2,229,739</b> |
| <b>Operational Expenses</b>    |         |         |                    |                    |                    |                    |                    |
| Line Labour & Assistants       | a       | 3.00%   | \$179,400          | \$184,782          | \$190,325          | \$196,035          | \$201,916          |
| Chemicals & Supplies           |         |         | \$131,071          | \$142,196          | \$151,820          | \$157,524          | \$163,667          |
| Utilities                      |         |         | \$188,050          | \$198,163          | \$206,683          | \$210,745          | \$215,160          |
| Advertising & Promotion        | b       | \$0.442 | \$56,415           | \$60,606           | \$63,668           | \$65,280           | \$66,892           |
| Customer Claims                | b       | \$0.147 | \$18,805           | \$20,202           | \$21,223           | \$21,760           | \$22,297           |
| Legal & Professional Fees      | b       | \$0.147 | \$18,805           | \$20,202           | \$21,223           | \$21,760           | \$22,297           |
| Licenses & Taxes               | b       | \$0.147 | \$18,805           | \$20,202           | \$21,223           | \$21,760           | \$22,297           |
| Manager & Assistant Managers   | a       | 3.00%   | \$181,272          | \$186,710          | \$192,311          | \$198,081          | \$204,023          |
| Northern Climate Overhead      | c       | 4.91%   | \$94,025           | \$101,010          | \$106,114          | \$108,801          | \$111,487          |
| Refuse Collection              | b       | \$0.147 | \$18,805           | \$20,202           | \$21,223           | \$21,760           | \$22,297           |
| Miscellaneous                  | b       | \$0.221 | \$28,208           | \$30,303           | \$31,834           | \$32,640           | \$33,446           |
| Real Estate Tax                |         |         | \$24,000           | \$24,000           | \$24,000           | \$24,000           | \$24,000           |
| Insurance                      |         |         | \$6,000            | \$6,000            | \$6,000            | \$6,000            | \$6,000            |
| Repairs & Maintenance          | c       | 0.98%   | \$18,805           | \$20,202           | \$21,223           | \$21,760           | \$22,297           |
|                                |         |         | \$982,467          | \$1,034,780        | \$1,078,871        | \$1,107,907        | \$1,138,079        |
| <b>EBITDA</b>                  |         |         | <b>\$898,036</b>   | <b>\$985,417</b>   | <b>\$1,043,411</b> | <b>\$1,068,104</b> | <b>\$1,091,660</b> |
| Depreciation                   |         |         | \$173,500          | \$173,500          | \$173,500          | \$173,500          | \$173,500          |
| Interest Expense               |         |         |                    |                    |                    |                    |                    |
| <b>Net Income Before Taxes</b> |         |         | <b>\$724,536</b>   | <b>\$811,917</b>   | <b>\$869,911</b>   | <b>\$894,604</b>   | <b>\$918,160</b>   |
| Income Tax                     | 26.00%  |         | \$188,379          | \$211,098          | \$226,177          | \$232,597          | \$238,722          |
| <b>Net Income</b>              |         |         | <b>\$536,157</b>   | <b>\$600,819</b>   | <b>\$643,734</b>   | <b>\$662,007</b>   | <b>\$679,439</b>   |

**Notes**

- a Expense growth rate per annum  
b Per car expense  
c Percentage of revenues

|   |        |
|---|--------|
| 10 Year - Internal Rate of Return - Zero Leverage | 25.42% |
| 10 Year - Internal Rate of Return - 25%Leverage   | 30.83% |
| 10 Year - Internal Rate of Return - 50% Leverage  | 41.04% |

|                                       | Zero Leverage | 25% Leverage | 50% Leverage |
|---------------------------------------|---------------|--------------|--------------|
| Investment                            | \$3,480,000   | \$2,610,000  | \$1,740,000  |
| Terminal Value 10 Years (Net of Debt) | \$7,533,706   | \$6,787,944  | \$6,049,575  |

## 7 Conclusions

In the five years to 2022, the car wash and auto detailing research supports that industry operators will benefit from rising per capita disposable income, fuelling an increase in demand for discretionary consumer services, such as car washes. Furthermore, the total number of vehicles in use in Canada is projected to rise steadily during the next five years, expanding the industry's potential customer base. As a result, industry revenue is expected to increase at an annualized rate of 1.4% to \$499.6 million in the five years to 2022, including growth of 1.6% in 2018.

The car wash and auto detailing industry has low market share concentration. The industry has only one major player, Petro-Canada, which operates more than 240 SuperWash and Glide auto wash establishments. Otherwise, the industry is characterized by a large number of small-scale operators, with the majority of companies operating on a local basis and owning just one establishment.

Kamloops represents an attractive market as the populations skews younger, the median disposable income is high, there are no established chains, and a high percentage of workforce is employed and drives to work. Further, Kamloops offers access to land at prices which enhance returns.

Evans & Evans found in its research that industry operators with the most up-to date technology will attract more customers and can charge higher prices. Such trends bode well for the NW Car Wash as it will be newly-built using state-of-the-art technology.

The Site itself is in a high-traffic area. Successful car wash companies are often located near other automotive care service providers. Industry operators are generally more successful when they are located in high-traffic count areas, particularly on a street corner, which has a high visibility to passing cars.

The Trust intends to develop both a Storage Facility and the NW Car Wash at the Site. Storguard Storage Services and Shine Auto Wash have developed a similar, reportedly successful model, in Vancouver, British Columbia. The combined operations benefit from operational and financial efficiencies such as: (1) shared management and administrative overhead; (2) shared property taxes; and, (3) shared operational staff.

Importantly, car washes generally begin generated revenues very early in their lifecycle as they are high volume businesses. Comparatively, storage facilities take time reach target occupancy levels. Accordingly, the NW Car Wash can potentially offset short-term losses from the Storage Facility.

## 8 Restrictions and Conditions

The following assumptions, limiting conditions and disclaimers apply to the Study:

- Evans & Evans has assumed that NationWide and its principals have no contingent liabilities, unusual contractual arrangements, or substantial commitments, other than in the ordinary course of business, nor litigation pending or threatened, nor judgments rendered against, other than those disclosed by management and included in the Study, that would affect the ability of

the Trust to develop the NW Car Wash.

- Evans & Evans makes no recommendations, either expressed or implied, as to the suitability of the Trust, the NW Car Wash, the Storage Facility or any related organizations, described herein or their securities, as investments.
- The information and assessment contained in the Study pertain only to the conditions prevailing at the time the Study was substantially completed in September 2017.
- This Study has been prepared for the internal use of the Trust and for submission to potential investors in the Trust and funding sources. Assessments and conclusions reached by the authors of the Study reflect their analysis and interpretation of the data collected from multiple sources and management within various companies.
- Evans & Evans and its directors and officers will not assume any legal and/or financial responsibility to the Trust, its trustees and unitholders, or any other parties as a result of the circulation, publication, reproduction or use of the Study, nor for its use contrary to the provisions of this section of the Study.
- Evans & Evans provides this Study based on Trust management signing a Representation Letter regarding their acknowledgement of full disclosure of information provided to Evans & Evans as well as their acknowledgement of responsibility for their business information and the information contained in the Study. The letter of representation obtained from the management of NationWide confirms all representation and warranties that it has made to Evans & Evans, including a general representation that the Trust has no information or knowledge of any facts or material public information not specifically noted in this Study, which, in its view, would reasonably be expected to affect the conclusions and assessments expressed herein.
- Evans & Evans has assumed that there are no contingencies, claims, possible claims, substantial commitments, or litigation pending or threatened regarding the Trust which have not been disclosed to Evans & Evans, Inc.
- The authors of the Study have also assumed that the Trust has satisfactory title to all its assets, and there are no liens or encumbrances on such assets nor have any assets been pledged which in any way may affect the future operations.
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