

**AN APPRAISAL OF  
AN OFFICE BUILDING, A FERRY TERMINAL,  
TWO ATTACHED WAREHOUSE/WORKSHOP  
BUILDINGS,  
AND EXCESS LAND  
ON SHORE ROAD AND MANSELL LANE  
In Southwest Harbor, Maine**

Prepared for:

The Town of Cranberry Isles  
Islesford, Maine 04646

An Appraisal in Summary Report Form of:

**Lots 100, 105 and 112, Tax Map 17, in Southwest Harbor, Maine, consisting of  
3.34 +/- acres of commercial/maritime activity land with improvements.**

**Hancock County**

*Prepared by*

**Webersinn Appraisal Company, Inc.**

**Theodore H. Webersinn, MAI, ASA, AICP**

**P. O. Box 227, Surry, ME 04684**

**207-664-0234, 207-667-6704 (FAX)**

**E-mail: [tedwebersinn@webersinnappraisal.com](mailto:tedwebersinn@webersinnappraisal.com)**

June 16, 2013

# WEBERSINN APPRAISAL COMPANY, INC.

**THEODORE H. WEBERSINN, MAI, ASA, AICP**

**REAL ESTATE & BUSINESS APPRAISERS AND CONSULTANTS**

**P. O. Box 227, Surry, Maine 04684**

**Phone: 207-664-0234, 800-418-1448, Fax: 207-667-6704**

**E-Mail: tedwebersinn@webersinnappraisal.com**

June 16, 2013

The Town of Cranberry Isles  
Islesford, Maine 04646

**Subject:** An Appraisal in Summary Report Form of Lots 100, 105 and 112, Tax Map 17, in Southwest Harbor, Maine, consisting of 3.34 +/- acres of commercial/maritime activity land with improvements.

Pursuant to your authorization, we have conducted the required investigation, gathered the necessary data, and made certain analyses that have enabled us to form an opinion of the *market value* of the leased fee estate interest in the land described herein as of the date of inspection.

The *subject property* consists of 3.34 +/- acres of waterfront land improved with an office building (converted house), that is 7,042 +/- square feet of gross building area (GBA) in size (including the integral garage), a self-storage warehouse containing 8,820 square feet of GBA, a warehouse/workshop (with a small apartment), containing 10,054 +/- square feet of GBA, and a large pier. Appurtenant to the pier are 3 ramps and 4 floats, which are considered part of the pier. The site is improved with a large parking lot for 126 cars that is part, along with the piers, ramps and floats, of the ferry terminal. The ferry terminal serves a seasonal ferry to, and from, the Cranberry Isles. There are two small parking lots adjacent to the office building with 17 parking spaces.

Because of its unique location and the extensive improvements that are used only for a ferry terminal, that part of the property (estimated to contain 1.59 acres), is considered to be a special purpose property as defined within this appraisal.

This is an Appraisal in Summary Report Form and represents a narrative summation of the appraisal analyses undertaken. The value indicated in this summary appraisal report is contingent upon the following:

**A. The EXTRAORDINARY ASSUMPTION that there exist no hazardous materials of any kind such as, but not limited to, asbestos, lead paint, polychlorinated biphenyls, petroleum (or petroleum by-products) leakage, or photographic or agricultural chemicals or pesticides on or in the subject property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. It is strongly recommended to the client that a thorough, in-depth testing of all existing environmental hazards be conducted on the *subject property*. The value put forward in this appraisal is expressly contingent upon the reduction of said valuation by any and all costs required to remove any and all environmental hazards, if any, and any and all costs required to have the property certified as "hazard-free" by a certified environmental testing organization; and**

**B. The EXTRAORDINARY ASSUMPTION that there exist no rock, soil, drainage, percolation, or soil compaction problems on the *subject property* that would cause a loss in value or excess costs to cure such problems. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them; and**

**C. The EXTRAORDINARY ASSUMPTION that there exist no deficiencies as defined by the**

**Americans with Disabilities Act. No responsibility is assumed for any such conditions, or for any expertise or architectural knowledge required to discover them. The value put forward in this appraisal is expressly contingent upon the reduction of said valuation by any and all costs required to remove any and all handicapped deficiencies, if present, and any and all costs required to have the property certified as "in compliance" with the Americans with Disabilities Act; and**

**D. The HYPOTHETICAL CONDITION that any deed covenants and restrictions on transfer of the *subject property* to others do not exist.**

This appraisal report and all of the appraiser's (or appraisers'), work in connection with this appraisal assignment are subject to the assumptions and limiting conditions and all other terms stated in the report. The receipt of, or use of, this appraisal by any party, regardless of whether such use is authorized or intended by the appraiser (or appraisers), constitutes acknowledgment and acceptance of all such assumptions (including extraordinary assumptions), and limiting conditions of this appraisal.

This appraisal has been prepared for the Town of Cranberry Isles, our client. The use of the appraisal is for planning purposes. The intended user, known herein as the "Client" is the Town of Cranberry Isles. This appraisal may not be used or relied upon by anyone other than the Client for any purpose whatsoever, without the written consent of the appraisers.

Therefore, based on an inspection of the real estate and the subsequent investigation and analyses undertaken, we have formed the opinion that, subject to this letter of transmittal and the assumptions and limiting conditions set forth in this appraisal report, the market value of the leased fee interest of the real estate, as of February 15, 2013, is:

**ONE MILLION FIVE HUNDRED THOUSAND DOLLARS  
\$1,500,000;**

of which \$743,000 is allocated to the ferry terminal (pier, floats, ramps and parking lot), \$425,000 to the office and \$332,000 to the warehouse/shop/self-storage buildings.

The summary appraisal report that follows sets forth the identification of the *subject property*, the assumptions and limiting conditions, pertinent facts about the area and the *subject property*, comparable data, the results of the investigation and analyses, and the reasoning leading to our conclusions.

Respectfully:



Theodore H. Webersinn, MAI, ASA, AICP  
President, Webersinn Appraisal Company, Inc.  
Maine Certified General Appraiser, CG160  
Member, Appraisal Institute



Richard W. Moore  
Real Estate Appraiser  
Maine Certified General Appraiser, CG2515  
Associate Member, Appraisal Institute

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## INTRODUCTION

There are three types of real estate appraisal reports permitted by the Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Standards Board of the Appraisal Foundation. They are the Self-Contained Appraisal Report, the Summary Appraisal Report and the Restricted Use Appraisal Report.

The Self-Contained Appraisal Report is a complete narrative report, fully describing and disclosing the steps and the information considered in the appraisal process. The intended users have a limited knowledge of the *subject real estate* and its environs. The report should contain all the information significant to the solution of the appraisal problem.

The Summary Appraisal Report is a report that is summarized in the disclosure of the steps and the information considered in the appraisal process. It is intended to be used by a limited number of users with a general knowledge of the *subject real estate* and its environs. The report should contain a summary of all the information significant to the solution of the appraisal problem.

The Restricted Use Appraisal Report is a report giving limited disclosure of the steps in and the information considered in the appraisal process. It is intended for a single user with more than a general knowledge of the subject property and its environs. The report should contain a brief statement of information significant to the solution of the appraisal problem.

This is a Summary Appraisal Report and is intended for the use of a limited number of users with a general knowledge of the subject business and the real estate and its environs. It is a summary of all the information significant to the solution of the appraisal problem. The appraisers have compiled the information that supports the conclusions and mirrors a Self-Contained Appraisal Report in their work file. The work file is available to the client for inspection at the appraisers' office upon written request.

## **EXECUTIVE SUMMARY**

### **Client:**

The Town of Cranberry Isles  
Islesford, Maine 04646

### **Appraisers:**

Theodore H. Webersinn, MAI, ASA, AICP  
Real Estate Appraiser and Consultant  
President, Webersinn Appraisal Company, Inc.  
Maine Certified General Appraiser - #CG160  
Member, Appraisal Institute

Richard W. Moore  
Real Estate Appraiser  
Maine Certified General Appraiser, #CG2515  
Associate Member, Appraisal Institute

### **Location:**

The *subject property* is located at 15 Mansell Lane and 102 Shore Road, Southwest Harbor, Maine.

### **Real Estate and Interest Appraised:**

The leased fee interest in the real estate.

### **Date of Report:**

June 19, 2013

### **Effective Date of the Real Estate Appraisal:**

February 15, 2013

### **Date of Inspection of the Real Estate:**

February 15, 2013

### **Description of the Real Estate:**

The *subject property* consists of 3.34 +/- acres of waterfront land improved with a wood frame office building that is 7,042 +/- square feet of gross building area (GBA) in size (including the integral garage), a storage warehouse containing 8,820 +/- square feet of GBA, a warehouse/workshop containing 10,054 +/- square feet of GBA. Also included is a large pier that juts into Southwest Harbor. Appurtenant to the pier are 3 ramps and 4 floats, which are considered part of the pier. The site is improved with a large parking lot for 126 cars that is part, along with the pier, ramps and floats, of the ferry terminal. The ferry terminal serves a seasonal ferry to, and from, the Cranberry Isles. There are two small parking lots adjacent to the office building with 17 parking spaces.

**Current Tax Assessment:**

<b>Tax Assessments</b>						
Tax Map	Lot	\$ Land	\$ Building	Total	Mill Rate	Taxes
17	100	\$1,102,300	\$386,000	\$1,488,300	\$ 13.40	\$19,943
17	105	\$172,900	\$0	\$172,900	\$ 13.40	\$2,317
17	112	<u>\$97,300</u>	<u>\$289,400</u>	<u>\$386,700</u>	\$ 13.40	<u>\$5,182</u>
	Totals	\$1,372,500	\$675,400	\$2,047,900		\$27,442

The assessments represent the full current value (FCV) of the real estate. Based on this appraisal, the *subject property* is over-assessed by the Town of Southwest Harbor.

**Zoning:**

The Town of Southwest Harbor has designated that part of the subject property that is within 200 feet of Shore Road as a MA (Maritime Activity) zone. The balance of the site is located in the “B” zoning district.

**Current Use of the Real Estate:**

Office building, warehouse/shop and a maritime activity use specifically as a ferry terminal for access to the Cranberry Islands.

**Highest and Best Use of the Real Estate:**

The highest and best use of the subject property is a service commercial/warehouse use. The *subject real estate* is presently improved with structures that are conducive to converting to such uses. However, part of the *subject property* has waterfront facilities, including a pier, floats, ramps and a large parking lot specifically used for a ferry with access to the Cranberry Isles. Therefore, the highest and best use of the entire property in its “as-is” condition is the nearly the same as its highest and best use as-if vacant.

**VALUATION BY:**

<b>Approach</b>				
<i>Cost Approach:</i>				
Ferry Terminal				\$743,000
Office				\$450,000
Warehouse/Shop/Self-Storage				<u>\$320,000</u>
Total				\$1,513,000

<b>Approach</b>			
<i>Income Approach</i>			
Ferry Terminal			\$743,000
Office			\$400,000
Warehouse/Shop/Self-Storage			\$356,000
Total			\$1,499,000

<b>Approach</b>			
<i>Sales Comparison Approach</i>			
Ferry Terminal			\$743,000
Office			\$430,000
Warehouse/Shop/Self-Storage			\$330,000
Total			\$1,503,000

### **Final Estimate of Value**

Therefore, based on an inspection of the real estate and the subsequent investigation and analyses undertaken, we have formed the opinion that, subject to this letter of transmittal and the assumptions and limiting conditions set forth in this appraisal report, the market value of the leased fee interest of the real estate, as of February 15, 2013, is:

**ONE MILLION FIVE HUNDRED THOUSAND DOLLARS**  
**\$1,500,000;**

of which \$743,000 is allocated to the ferry terminal (pier, floats, ramps and parking lot), \$425,000 to the office and \$332,000 to the warehouse/shop/self-storage buildings.

### **ESTIMATE OF EXPOSURE TIME AND REASONABLE MARKETING TIME:**

As defined in this report, the exposure time is estimated at 12 months.

### **INTENDED USE OF THE APPRAISAL**

The use of the appraisal is for property planning purposes.

### **INTENDED USER(S) OF THE REPORT**

The intended user is the Town of Cranberry Isles. This appraisal may not be used or relied upon by anyone other than the Client for any purpose whatsoever, without the written consent of the appraisers.

## DEFINITIONS<sup>1</sup>

**Aggregate of retail values (ARV)** is defined as the sum of the appraised values of the individual units in a subdivision, as if all of the units were completed and available for retail sale, as of the date of the appraisal. The sum of the retail sales includes an allowance for lot premiums, if applicable, but excludes all allowances for carrying costs. It is also, called gross retail value.

**Allocation** is defined as: 1. The general process of separating value between the component parts of a property; and 2. A method of estimating land value in which sales of improved properties are analyzed to establish a typical ratio of land value to total property value and this ratio is applied to the property being appraised or the comparable sale being analyzed.

**Common Area** is defined as the total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities.

**Common Area Maintenance (CAM)** is defined as the expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property.

**Commercial Condominium** is defined as the application of the condominium concept to commercial, industrial, or office space.

**Condominium** is defined as a multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

**Condominium Ownership** is defined as a form of fee ownership of separate units or portions of multiunit buildings that provides for formal filing and recording of a divided interest in real property.

**Cooperative Ownership** is defined as a form of ownership in which each owner of the stock in a cooperative apartment building or housing corporation receives a proprietary lease on a specific apartment and is obligated to pay a monthly maintenance charge that represents a proportionate share of operating expenses and debt service on the underlying mortgage, which is paid by the corporation. This proportionate share is based on the proportion of the total stock owned.

**Core Based Statistical Area (CBSA)** is defined as a functional region based around an urban center of at least 10,000 people, based on standards published by the Office of Management and Budget (OMB) in 2000. Areas defined on the basis of these standards applied with Census 2000 data were announced by OMB in June 2003.

**Date of Sale** is defined as the date when the comparables used have been recorded in the public records of their appropriate jurisdiction.

**EBITDA** or Earnings before interest, taxes, depreciation, and amortization is defined as a measure of performance of real estate investment trusts (REITs); also called net operating income (NOI).

**Excess Land** is defined as the land not needed to serve or support the existing improvements. Such land may be separated from the larger site and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvements.

**Exposure Time** is defined as, 1. The time a property remains on the market; and 2. The

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<sup>1</sup>Unless otherwise noted, all definitions are from *The Dictionary of Real Estate Appraisal*, 4<sup>th</sup> and 5<sup>th</sup> Edition, Appraisal Institute, Chicago, IL, 2002 and 2010.

estimated length of time, the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.<sup>2</sup> Market value estimates imply that an adequate marketing effort and reasonable time for exposure occurred prior to the effective date of the appraisal. In the case of disposition value, the time frame allowed for marketing the property rights is somewhat limited, but the marketing effort is orderly and adequate.

**Extraction** is defined as a method of estimating land value in which the depreciated cost of the improvements on the improved property is estimated and deducted from the total sale price to arrive at an estimated sale price for the land; most effective when the improvements contribute little to the total sale price of the property.

**Fee Simple Estate** is defined as the absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

**Flex Space** is defined as industrial space designed to allow flexible conversion of warehouse or manufacturing space to a higher percentage of office space. Alternatively known as a service center or tech space. See also research and development (R&D) space.

**Going Concern Value** is defined as the value created by a proven property operation; considered as a separate entity to be valued with a specific business establishment; also called going value. The value of a property which includes the value due to a successful operating enterprise which is expected to continue. Going concern value results from the process of assembling the land, building, labor, equipment and marketing operation, and includes consideration of the efficiency of plant, the know-how of management, and sufficiency of capital. The portion of going concern value that exceeds that of the real property and tangible personal property is an intangible value that is referred to as business value.

**Gross Building Area (GBA)** is defined as the total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls. Gross building area for office buildings is computed by measuring to the outside finished surface of permanent outer building walls without any deductions. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. Parking spaces and parking garages are excluded.

**Gross Leasable Area (GLA)** is defined as the total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines, and measured from the center of interior partitioning to outside wall surfaces; the standard measure for determining the size of shopping centers where rent is calculated based on the GLA occupied. The area for which tenants pay rent.

**Gross Lease** is defined as a lease in which the landlord receives stipulated rent and is obligated to pay all or most of the property's operating expenses and real estate taxes. See also lease.

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<sup>2</sup>Appraisal Standards Board of The Appraisal Foundation, Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions," Uniform Standards of Professional Appraisal Practice (USPAP), 2006.



**Hypothetical Condition** is defined as that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

**Industrial Gross/Net Lease** is defined generally, as a lease in which the tenant pays for utilities, janitorial services, and either property taxes or insurance, and the landlord pays for maintenance, repairs, and the property taxes or insurance not paid by the tenant. Sometimes used synonymously as a single net lease but better stated as a partial net lease to eliminate confusion. Also, called a single net lease or a modified gross lease.

**Intangible Property** is defined as nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

**Intended Use** is defined as the use or uses of an appraiser's reported appraisal, consulting, or review assignment, opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.

**Intended User** is defined as the client or any other party as defined, by name or type, as users of the appraisal, consulting, or review report, by the appraiser based on communication with the client at the time of the assignment.<sup>3</sup>

**Larger Parcel** is defined as that tract, or those tracts, of land which possesses a unity of ownership and has the same, or an integrated, highest and best use. Elements of consideration by the appraiser in making the determination in this regard are contiguity, or proximity, as it bears on the highest and best use of the property, unity of ownership, and unity of highest and best use.

**Lease** is defined as a written contract in which the rights to use and occupy land or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

**Leased Fee Interest** is defined as an ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessees are specified by contract terms contained within the lease.

**Leasehold Estate** is defined as the interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions.

**Limited Market Property** is defined as a property that has relatively few potential buyers at a particular time.

**Market Value** is defined as the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

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<sup>3</sup>Op. Cit., USPAP

■ The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

**Modified Gross Lease** is defined as a lease in which the landlord receives stipulated rent and is obligated to pay most, but not all, of the property's operating expenses and real estate taxes. See also *lease*.

**Percentage Rent (Overage Rent)** is defined as rental income received in accordance with the terms of a percentage lease, typically derived from retail store tenants on the basis of a certain percentage of their retail sales.

**Prospective Value Estimate** is defined as a forecast of the value expected at a specified future date. A prospective value estimate is most often sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long term occupancy at the time the appraisal report is written.

**Research and Development Building** is defined as a type of industrial building popular in high technology industries such as computers, electronics, and biotechnology; generally a hybrid of office, manufacturing, and warehouse space housed in appealing, higher quality buildings; often characterized by a location in a campus like industrial park with extensive landscaping, harmonious architecture, and ample open space.

**Research and Development Space** is defined as space that is designed and equipped to meet the specific research and development needs of a high technology industry. See also *flex space*.

**Retrospective Value Estimate** is defined as an estimate of value that is likely to apply as of a specified historic date. A retrospective value estimate is most frequently sought in connection with appraisals for estate tax, condemnation, inheritance tax, and similar purposes.

**Special Purpose Property** is defined as a limited market property with a unique physical design, special construction materials, or a layout that restricts its utility to the use for which it was built; also, called special design property.

**Stabilized Income** is defined as income at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist and the existing conditions are those expected to continue over the economic life of the property; projected income that is subject to change, but has been adjusted to reflect an equivalent, stable annual income. See also *stabilized occupancy*.

**Stabilized Occupancy** is defined as occupancy at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist and the existing conditions are those expected to continue over the economic life of the property; the optimum ranges of long-term occupancy that an income producing real estate project is expected to achieve under competent management after exposure for leasing in the open market for a reasonable period of time at terms and conditions comparable to competitive offerings. See also *stabilized income*.

**Surplus Land** is defined as additional land that allows for future expansion of the existing improvement(s); cannot be developed separately and does not have a separate highest and best use. Surplus land is associated with an improved site that has not been developed to its maximum productivity according to its highest and best use as though vacant.

**Tangible Assets** are defined as the sum of the net working capital and fixed assets. Working capital normally comprises cash, accounts receivable and inventory, less trade

accounts payable.<sup>4</sup>

**Tangible Property** is defined as property that can be perceived with the senses; includes land, fixed improvements, furnishings, merchandise, cash, and other items of working capital used in an enterprise.

**Tilt-up Construction** is a type of construction where concrete wall sections are cast horizontally and tilted or lifted into position.

**Triple Net (NNN) Lease** is defined as a net lease under which the lessee assumes all expenses of operating a property, including both fixed and variable expenses and any common area maintenance that might apply, but the landlord is responsible for structural repairs.

**Use Value** is defined for real estate appraisals as the value a specific property has for a specific use; may be the highest and best use of the property or some other use specified as a condition of the appraisal; may be used where legislation has been enacted to preserve farmland, timberland, or other open space land on urban fringes.

**Value in Use** is defined as the value a specific property has to a specific person or specific firm as opposed to the value to persons or the market in general. Special-purpose properties such as churches, schools, and public buildings, which are seldom bought and sold in the open market, can be valued on the basis of value in use. The value in use to a specific person may include a sentimental value component. The value in use to a specific firm may be the value of the plant as part of an integrated multi-plant operation. See also *use value*.

**Weighted Average** is defined as an average in which each component is adjusted by a factor that reflects its relative importance to the whole; obtained by multiplying each component by its assigned weight, adding the products, and dividing the sum of the products by the sum of the weights.

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<sup>4</sup> Desmond, Glenn, *Handbook of Small Business Valuation Formulas and Rules of Thumb*, 3rd Edition, Valuation Press, 1994.

## SCOPE

### **Inspection of the Site and the Improvements**

The real estate was viewed on the fifteenth of February, 2013, as well as other dates. We were accompanied by James Fortune, the representative of the Town of Cranberry Isles. Property data was compiled by field inspection of the site and review of exhibits produced by the Town and the Town's representative.

### **Inspection of the Neighborhood**

The neighborhood analysis was based on a physical inspection of the area.

### **Extent of Research and the Analysis of the Market**

The market and demographic data for the appraisal were collected from Webersinn Appraisal Company, Inc. files, Site to Do Business (STDB [www.stdbonline.com](http://www.stdbonline.com)), Statewide Multiple Listing Service (known as MREIS), the Town of Southwest Harbor, other local and regional offices of involved government or quasi-government jurisdictions, appraisers, Realtors, land developers, and/or persons knowledgeable of the subject marketplace.

All of the sale comparables used in this report have been researched by the appraisers and confirmed with knowledgeable parties. They have been inspected externally and photos taken for the most part. Some photos used may be taken from MREIS, of which the appraisers are members.

Specific sources used for the completion of this appraisal report included, among others:

1. *Marshall Valuation Service, 2013*, Marshall & Swift/Boekh, LLC, Los Angeles, CA.
2. Data references such as The Site To Do Business ([www.stdb.com](http://www.stdb.com)) and the Maine Real Estate Information System (MREIS).
3. *Price, Waterhouse, Coopers (PwC), (formerly Korpacz) Real Estate Investor Survey, 2013*.
4. Data references such as [www.realtyrates.com](http://www.realtyrates.com) were used for interest rates and market analyses.

### **Applicable Approaches to Value**

The Cost Approach, Income Capitalization Approach, and the Sales Comparison Approach were all considered for use in this appraisal.

### **Conditions of the Appraisal**

The *subject property* is subject to significant restrictions to its marketability, such as bond maturity requirements. These restrictions are described in the PROPERTY RIGHTS section. However, per the instructions of the representative of the Client, we have appraised the *subject property* under the HYPOTHETICAL CONDITION that these restrictions do not exist.

### **Conclusion**

After assembling and analyzing the data defined in this scope of appraisal, a final estimate of market value was made. The quantity and quality of available data is believed to be sufficient to support our conclusions. After the report is complete and delivered, the scope of this assignment is finished. The appraisers are available for additional consultation or evaluation work, including appraising the property under the existing restrictions, billed at an hourly rate.

## PROPERTY RIGHTS

The property rights of the *subject real estate* appraised are those inherent to a leased fee estate. We were not given a title report, nor are our readings of the recorded data to be construed as a title examination. We are not attorneys, nor are we experts in title searching. Therefore, we are assuming, for purposes of this appraisal, that the *subject property* is owned by the Inhabitants of Cranberry Isle. With the herein described exceptions, any easements or encumbrances, upon, over, or under the land, are utility, water view<sup>5</sup> and access easements normally necessary for the continued operation and use of the property. Any restrictions on the transfer of the *subject property* are, briefly, due to the fact that some of the bonds that the Town of Cranberry Isles used to purchase the property cannot be redeemed until they mature.

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<sup>5</sup> There are easements retained by the Grantor on the waterfront part of the property that is located between Shore Road and the water's edge. These include the right to enter the property by the Grantor, limited right to use one of the floats for a small boat tie-up, etc. Such easements for shore properties that have the potential to obstruct water views are not uncommon.

## REGIONAL AND TOWN DATA

We derived the data presented here from Market and Retail Profiles for the Town of Southwest Harbor and vicinity (where the *subject property* is located), Hancock County and the State of Maine. These reports are prepared by SiteToDo Business (STDB)<sup>6</sup> and are based on the latest U. S. Census data. A brief summation of the data is presented here. The Town of Southwest Harbor is situated in Hancock County. The County comprises 1,589 square miles and encompasses, among others, the Towns of Hancock, Bucksport, Deer Isle, Tremont, Bar Harbor, Stonington, Southwest Harbor and Mount Desert. The total 2012 census population for the County was 54,815 people and the 2017 projected population of the County is 55,302.<sup>7</sup>

Hancock County borders Waldo County to the southwest, Washington County to the northeast and Penobscot County to the north. It forms the southernmost part of the area considered as "Downeast" Maine.

### Population and Trends

The 2012 population of Maine was estimated by the latest census at 1,339,870. STDB expects the population to increase at a rate of 0.13% to 1,348,809 persons by the year 2017. The population of Hancock County is projected to also increase at an annual rate of 0.13%.

### Employment

In the decade from 1990 to 2000, the employed population in the State's labor force grew from 571,842 to 624,011 employees which represent an annual growth rate of 0.85% per year. The total of farm and nonfarm employees grew to 667,056 in 2010, a growth rate of 0.68%. It is projected to increase only by 0.34% annually to 689,578 employees by 2015.

The most recent *Maine Labor Market Digest*<sup>8</sup> indicated that the annual average hourly wage for workers in manufacturing industries in the State rose from \$18.74 per hour in 2007 to \$19.16 in 2009. Nonfarm employment in the manufacturing sector had remained stable until January 2008 when it began to drop significantly from an index of 98 to 85 where it has struggled to reach 90. The index is based on 100 which was reached in January of 2006.

Nonfarm employment in the non-manufacturing sector also dropped starting at the same time as the manufacturing sector, but the decline was much less significant and has hovered around the index of 98. The numbers of nonfarm wage and salary employees by major industry as of December 2012 in the State of Maine<sup>9</sup> are listed in Table 1.0.

Table 1.0 Nonfarm Employees in Major Industries in the State		
Major Industries in the State	Number of Employees	Percentage
Natural Resources	2,600	0.44%
Construction	23,800	4.02%
Manufacturing	49,000	8.28%
Wholesale Trade	17,900	3.03%

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<sup>6</sup>Site to Do Business (STDB), [www.stdb.com](http://www.stdb.com).

<sup>7</sup>Ibid.

<sup>8</sup>The *Maine Labor Digest* is no longer published. Its last date of publication was 11/10.

<sup>9</sup>Maine Department of Labor-Center for Workforce Research and Information

<b>Table 1.0 Nonfarm Employees in Major Industries in the State</b>		
<b>Major Industries in the State</b>	<b>Number of Employees</b>	<b>Percentage</b>
Retail Trade	80,900	13.68%
Transportation/Utilities	17,800	3.01%
Information	7,800	1.32%
Finance, Insurance, Real Estate	31,200	5.27%
Services	259,700	43.91%
Public Administration	100,800	17.04%
<b>TOTALS</b>	<b>591,500</b>	<b>100.00%</b>

Per capita personal income growth in the State rose 2.4% between 2000 and 2010 and it is projected to rise only 1.7% for the 2010 to 2015 years. The labor force growth is expected to slow to the lowest rate since the 1940s.<sup>10</sup>

### **Unemployment**

The unemployment rate (not seasonally adjusted), for the State of Maine reached 7.3 percent in December of 2012 while the unemployment rate dropped slightly to 7.8% nationally. The unemployment rate for Hancock County reached 10.1% in December of 2012 up from 9.5% in December of 2011.

### **Economic Base and Transportation**

The economic base for coastal New England is broadly diversified with all facets of industry and commerce represented. Industrial manufacturing and distribution, construction and retail sales are the foundation for the area's economy with the many service and recreation industries depending upon the viability of this foundation. This includes the tourism industry - an integral part of the coastal New England economy. The highway system in the region is one of the best in the nation. I-95 forms the backbone of the system linking all of the major urban areas of Bangor, Portland, Boston and New York. Rail and air service are also available as is shipping from Portland and Boston.

### **Housing**

One element of basic economic analysis which often gives a very clear picture of the conditions of the economic health of a market area or jurisdiction is the condition of the housing stock. In general, the median home value, rental rates attainable, structural condition of housing and the ratio of renters to homeowners give clear indications of the overall status of the labor force/consumers and the tax base of the jurisdiction. We have included a comparison in Table 2.0 of the housing data and most current demographics for the State of Maine and Hancock County, in which the subject is located.

<sup>10</sup>Op. Cit., *Maine Labor Market Digest*.

Table 2.0 Comparison of Income and Housing Data with the County and the State			
Statistics	State of Maine	Hancock County	% Difference
Per Capita Income	\$24,205	\$26,100	8%
Median Household Income	\$46,353	\$44,713	-4%
Percent Renters	22%	16%	-27%
Median Home Value	\$169,014	\$177,802	5%

The above housing and demographic statistics indicate that Hancock County exists with certain conditions that are close to or superior to those of the State. The minor disparity is in the difference between the median household income (-4%). However, the median home value is 5% above the state level.

### **Taxable Base**

Regarding a taxable base, Hancock County ranks number three out of 16 counties in the state with an assessable base of \$13.17 billion dollars just ahead of Kennebec County's \$10.1 billion, but well below York County's \$29.6 billion and Cumberland County's \$39.5 billion dollars in land and buildings.

### **Taxable Sales Data**

Taxable Sales Data, as compiled by the Maine Bureau of Taxation, represents another important indicator of activity in the economy. Taxable sales cover the following store-type groups: building supply, food stores, general merchandise stores, other retail, auto, and restaurant and lodgings. The following table provides taxable sales data (Total Retail Sales) for the Eastern Maine District (includes most of Hancock County) and the State of Maine.

Table 3.0 Eastern Maine District and Maine State Total Retail Sales - Percentage Change			
Unit	2011	2012	% Change 10-11
Eastern Maine District	\$950,750,000	\$962,082,000	1.19%
State of Maine	\$17,027,633,000	\$17,502,156,000	2.79%

Sales data in the above table indicate that the recent declines in sales tax receipts in the Eastern Maine District and the State have ceased. The revenues in the Eastern Maine District are starting to make up for the nearly -8% drop in retail sales from 2007 to 2009.

### **Town of Southwest Harbor**

Mount Desert Island is considered the most popular tourist attraction on the northeast Atlantic Coast. It boasts the four Towns of Bar Harbor, Southwest Harbor, Mount Desert and Tremont, along with the Acadia National Park which includes Mt. Cadillac (the highest point on the Atlantic Seaboard) and many other scenic attractions and natural beauty. Of the four safe harbors on Mt. Desert Island, Southwest Harbor is known world-wide for the location of Hinckley Boats, one of the premier boat builders in the world. It is also the third largest town on Mt. Desert Island.

### **Municipal Government**

Southwest Harbor has a Town Manager/Board of Selectmen form of government.



The Town has its own planning board, fire department, school department, community health services, public works department, conservation commission, housing authority, code enforcement officer, and building inspection department. Policing is by the Town police force as well as the Hancock County Sheriff's Department. The fire department is a volunteer/partly paid operation. The Town has a zoning ordinance and a comprehensive plan.

#### **Assessable Tax Base**

The 2012 assessable real estate tax base of Southwest Harbor was \$534,699,000, down -18.7% from a tax base of \$658,086,000 in 2011. The tax collection 2012 mill rate was \$13.40 per \$1,000 of assessment.

#### **Schools and Libraries**

Southwest Harbor educates its K-8 students locally with high school students bussed to the island-wide high school on the outskirts of Bar Harbor. Post-secondary education is found at the College of Atlantic in Bar Harbor, or 50 miles north in the Bangor area where there are several colleges and the University of Maine. The Town of Southwest Harbor has a public library.

#### **Public Works**

The Public Works Department is divided into the highway, solid waste, and sewer divisions. They are responsible for all of the town streets, solid waste collection and water and sewage treatment.

#### **Forces Influencing Value**

The four forces that affect the value of real property are social, economic, governmental and environmental. The forces are interactive – they shape or exert pressure on human interaction and are, in turn, pressured and shaped by the same human interaction. We have analyzed the foregoing data in the context of these four forces to determine the trends and influences on the real estate market of the appraised property's region and local jurisdiction.

#### **Social Forces**

The population characteristics of the region are the primary focus of the analysis of social forces. The age and gender composition, marriage and divorce rates, birth and death rates and the rate of population growth (or decline) are all basic to the understanding of this force and its influence on value. Social forces affect the rate of development and sale of new homes, resale value of existing homes, viability of neighborhoods, and the availability of a skilled workforce. In addition, signs of positive attitudes toward education, cultural pursuits and law and order, (evidenced by increased attention to funding new schools and police protection) further enhance the quality of life, stability and hence the tax bases of the region and its local jurisdictions. The past trends and forecasts indicate positive directions for the State of Maine, Hancock County and the Town of Southwest Harbor.

The foregoing analysis indicates that the Hancock County and the Town of Southwest Harbor have both experienced sustained population growth in the last quarter-century and are projected to remain relatively stable. The population is aging and the number of persons more than 65 years old is increasing. In Hancock County, the average household size has remained constant, but the number of households has increased.

### **Economic Forces**

Proper analysis of the basic relationship between current and anticipated supply and demand and the economic ability of a population to satisfy its wants and needs through its purchasing power is required to understand how economic forces affect real estate property values. In other words, can the levels of employment and the condition of the economic base of the region and the community generate the wages and the profits to provide adequate disposable (and investment) income whereby individuals or groups have the effective purchasing power to participate in a market? The foregoing analysis indicates that employment in the State of Maine, Hancock County and the Town of Southwest Harbor has grown in spurts over the last 25 years. The unemployment figures for Hancock County are very close to those of the State of Maine, particularly in the winter months when the tourist industry is stagnant.

The median price for homes in Hancock County is higher than the State of Maine as is the per capita income. One of the reasons for this lies in the fact that Hancock County is the center of the Down East tourist draw. The Down East tourist business, which draws 25% of the total annual tourist dollars spent in Maine, benefits both Hancock County and the Town of Southwest Harbor. Attendance at Acadia National Park has remained steady along with an expanded tourist season. These trends show positive growth of purchasing power to sustain real estate value increases for the region as well as Southwest Harbor, once the current severe recession has passed.

### **Governmental Forces**

The zoning codes vary from jurisdiction to jurisdiction, however, the resultant land use patterns are quite similar over the region. There has been an effort to coordinate the urban development patterns through state and other area-wide agencies. One such effort resulted in Shoreland Zoning to protect Maine's wetlands and waterways.

Although there are regional and state agencies that overlap jurisdictional boundaries, the regulations that affect the public services, land use codes, building codes and health codes are all regulated by the Town of Southwest Harbor. Southwest Harbor, along with the other towns in the Down East region, are very conscious of the damage that over development can do to their tourist income, so development is balanced with the growing pressure of development such as big box super stores.

### **Environmental Forces**

The most significant environmental features that affect the area are the Atlantic Ocean and the mountains of Acadia National Park. These are barriers to new construction and higher densities, however, they possess such scenic beauty and recreational potential that they are the tourist draw. In concert with the governmental forces, the environmental forces have provided the tourist attractions without damaging the environment with over development.

### **Conclusion**

The Coastal New England area, of which the Town of Southwest Harbor and Hancock County are important elements, has benefited from its economic diversification and good transportation systems that weathered the last lengthy recession, and is expected to weather the current recession.

The economic viability of Hancock County, and specifically, the Town of Southwest Harbor, is dependent upon its geographic location and nearby scenic attractions for tourism. It is

this tourism that is driving the local economy. The signs of growth are apparent and have been based on long term stable trends, however, they have been interrupted by the current downturn. Therefore, the Town of Southwest Harbor on the Island of Mount Desert is considered a viable economic entity and a candidate for future growth and stability.

## NEIGHBORHOOD

A neighborhood is defined in the Dictionary of Real Estate Appraisal, Fourth Edition, copyright 2002, by the Appraisal Institute, as follows:

A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.

### **General**

Neighborhoods may be devoted to such uses as residential, commercial, industrial, agricultural and civic activities, or a mixture of these uses. Analysis of the neighborhood in which a particular property is located is important due to the fact that the various economic, social, political and physical forces which affect that neighborhood also directly influence the individual properties within it. An analysis of these various factors as they affect the value of the subject property is presented in the following discussion.

### **Identification and Characteristics of the Neighborhood**

The neighborhood is defined by the appraisers for purposes of this appraisal as the Island of Mount Desert. It is a neighborhood designed and developed almost exclusively to meet the needs of the vacationing public visiting the Town of Bar Harbor and Acadia National Park. With the exception of a few year-round residences, the subject neighborhood consists of business operations, private cottages<sup>11</sup> and seasonal housing facilities that derive their income either completely or significantly from the vacationing public.

The neighborhood is served by US Route 3, a two lane asphalt highway and the main artery leading from the mainland to Mount Desert Island (MDI). The improvements range in age from mid-19th century converted farm houses to new or nearly new motels. Many guest cottages, motels and RV camp sites are located here. The neighborhood includes the four Towns of Bar Harbor, Southwest Harbor, Mount Desert and Tremont as well as village areas within them such as Seal Cove, Northeast Harbor and Somesville. All have shops and restaurants geared to tourism as well as marinas for the boating public. Tourism is the dominant influence on the subject neighborhood. Acadia National Park draws approximately 2.4 million visitors to Mount Desert Island yearly. All four towns, but especially Bar Harbor, provide a multitude of restaurants, shops, boat cruises, and a myriad of other entertainment opportunities for summer visitors. Although Bar Harbor has become a popular stop for large cruise ships, the ferry that provided regular and direct access to the province of Nova Scotia, has been discontinued.

### **Demographics**

We extracted data from the Demographic Detail Studies and Housing Reports<sup>12</sup> (based on the 2010 Census) for the neighborhood. Briefly, the profiles show the neighborhood in a significantly superior position to the State and County as a whole.

#### **Housing**

One element of basic economic analysis which often gives a very clear picture of the conditions of the economic health of a market area or jurisdiction is the condition of the housing

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<sup>11</sup>Some of these "cottages" are large palatial homes often closed for most of the winter.

<sup>12</sup>Site To Do Business (STDB), 2/2011, [www.stdb.com](http://www.stdb.com)

stock. In general, the median home value, rental rates attainable, structural condition of housing and the ratio of renters to homeowners give clear indications of the overall status of the labor force/consumers and the tax base of the jurisdiction. We have included a comparison in Table 4.0 of the housing data and most current demographics for the State of Maine, Hancock County, and Mount Desert Island, in which the subject is located.

<b>Table 4.0 Comparison of Income and Housing Data with the State, County and Neighborhood</b>					
Statistics	State of Maine	Hancock County	Neighborhood	% Difference	% Difference
Per Capita Income	\$24,205	\$26,100	\$31,965	32%	22%
Median Household Income	\$46,353	\$44,713	\$53,647	16%	20%
Percent Renters	22%	16%	20%	-11%	22%
Median Home Value	\$169,014	\$177,802	\$286,861	70%	61%

The above housing and demographic statistics indicate that Mount Desert Island exists with certain conditions that are significantly superior to those of the State and Hancock County.

#### **Taxable Sales Data**

Taxable Sales Data, as compiled by the Maine Bureau of Taxation, represents another important indicator of activity in the economy. Taxable sales cover the following store-type groups: building supply, food stores, general merchandise stores, other retail, auto, and restaurant and lodgings. The following table provides taxable sales data (Total Retail Sales) for the Eastern Maine District (includes most of Hancock County), the Bar Harbor Economic Summary Area (ESA)<sup>13</sup>, and the State of Maine.

<b>Table 5.0 Bar Harbor ESA, Eastern Maine District and Maine State Total Retail Sales - Percentage Change (thousands of dollars)</b>			
Unit	2011	2012	% Change 11-12
Bar Harbor ESA	\$243,869,000	\$256,633,000	5.23%
Eastern Maine District	\$950,750,000	\$962,082,000	1.19%
State of Maine	\$17,027,633,000	\$17,502,156,000	2.79%

Sales data in the above table indicate a 5.23% jump after recent decline in the growth in retail sales in the Bar Harbor ESA from 2010 to 2011. The Eastern Maine District and the State have increased from the slump that occurred in late 2007 through 2009.

#### **Conclusion:**

In conclusion, the neighborhood still appears to be an excellent location for the development of commercial and residential properties. Although tourism may decline for a period of time due to the recession, the natural attractions of the Acadia National Park and the Atlantic Ocean will not disappear. It is apparent that the same scenario is occurring after this recession that occurred after the last recession, which means, more likely than not, that tourism will increase to its past levels and beyond, due to a pent-up demand. The Town of Southwest Harbor, which is a

<sup>13</sup> This includes all of MDI.

major part of the Mount Desert Island neighborhood is still considered a viable economic entity and a candidate for future economic stability.

## DESCRIPTION OF THE REAL ESTATE

### Address:

15 Mansell Lane 102 Shore Road, Southwest Harbor, Maine.

### Ownership of record:

Inhabitants of Cranberry Isles.

### Sales History:

The *subject property* was subject to the following sales transactions:

Grantor	Grantee	Book	Page	Date	Consideration
The Singh Company	Inhabitants of Cranberry Isles	3467	232	12/1/2002	\$ 1,975,000
The Singh Company	Inhabitants of Cranberry Isles	3581	274	4/1/2003	\$ 722,500
Inhabitants of Cranberry Isles	Judith G. Hyers	4012	309	8/24/2004	\$ 301,250

### Legal Description:

The most recent deeds are as described in the previous paragraph.

### Assessed Value:

Tax Assessments						
Tax Map	Lot	\$ Land	\$ Building	Total	Mill Rate	Taxes
17	100	\$1,102,300	\$386,000	\$1,488,300	\$ 13.40	\$19,943
17	105	\$172,900	\$0	\$172,900	\$ 13.40	\$2,317
17	112	\$97,300	\$289,400	\$386,700	\$ 13.40	\$5,182
	Totals	\$1,372,500	\$675,400	\$2,047,900		\$27,442

The assessments represent the full current value (FCV) of the real estate. Based on this appraisal, the *subject property* is over-assessed by the Town of Southwest Harbor. It should be noted that the most recent tax assessments represent a 22.2% drop in the assessed value from the assessment for the previous tax year.

### Lot Size, Location and Description:

The *subject property* consists of 3.34 +/- acres of waterfront land that slopes gradually upward from the shoreline on Shore Road. The lot has 317 +/- linear feet of shoreline. Also included is a large pier that juts into Southwest Harbor. The site is improved with an office building, warehouse/shop buildings and a large parking lot for 126 cars and two small parking lots adjacent to the office building with 17 parking spaces. The large parking lot and the piers, ramps and floats are primarily used for a seasonal ferry service to the Cranberry Isles.

The *subject property* has 250 +/- feet of road frontage on Mansell Lane and 151 +/- feet of road frontage on the Shore Road.

### Soils:

As the *subject property* is fully developed the soil conditions are not as relevant as they would be for a vacant, undeveloped site. Therefore, a soils analysis was not undertaken.

The reader should note that the appraisers are not experts in geology or land

surveying and make no guarantee as to the accuracy of the above statement. The client is urged to engage specialists in the field of geology and surveying.

#### **Easements, Restrictions & Encroachments:**

Except for the restrictions described in the PROPERTY RIGHTS section of this appraisal, the appraiser is not aware of any easements, whether adverse or beneficial, other than those described herein or necessary for the provision of utilities and normal access to the *subject property*. However, the property was appraised under the hypothetical condition that the restrictions described in the PROPERTY RIGHTS section of this appraisal do not exist.

#### **Zoning:**

The Town of Southwest Harbor has designated that part of subject property that is within 200 feet of Shore Road as a Maritime Activity zone. The balance of the site is located in the “B” zoning district.

##### *Permitted Uses*

Almost all uses would be legally permissible on 2.74 +/- acres that are in the “B” zone, but the remaining 0.6 +/- acres that are in the “Maritime Activity” zone have significant restrictions. So almost any type of land use could be located on 79% of the site that is located in the “B” zone. The remaining 0.6 +/- acres consist of two narrow strips of land that have road frontages of 71 +/- feet and 77 +/- feet on Shore Road. The total waterfront length is 317 +/- feet along the high-water mark of Southwest Harbor.

#### **Flood Plain:**

According to the FEMA maps, it is apparent that portions of the *subject property* are located in the 100-year flood plain, mainly along the waterfront due to tidal action. However, the FEMA maps may not be detailed enough to indicate all areas of flooding. Because the appraisers are not surveyors, they make no guarantee, express or implied, regarding the determination of the flood plain. A copy of the appropriate flood map is included in the EXHIBITS & ADDENDA.

#### **Utilities:**

The improvements at the *subject property* are served by electricity and telephone service provided on Mansell Lane and Shore Road. The buildings are served by public water and sewer.

#### **Existing Buildings:**

The *subject property* is improved as follows:

##### *Office Building:*

Built:	1965 +/-, remodeled in 1981
Building:	Wood frame, originally built as a single family residence.
Foundation:	The building is set on concrete footers.
Basement:	Partial, unfinished, wet and with very limited head room.
Mechanical:	Hot water baseboard.
Electric	The electrical power appears to be adequate for the design purpose.
Water	Public
Sewer	Public
Sprinkler	No
Exterior:	Walls: Vinyl siding
Roof	Shingle



Framing Wood  
Windows Wood frames, some thermal glass on the first floor.  
Doors Wood/metal  
Interior: Walls: dry-wall, wood panels  
Floor: Carpet, vinyl tile.  
Ceiling: Typical for converted residence.

*Warehouse/Shop Buildings:*

Built: 1970 +/-  
Building: Wood frame  
Foundation: The building is set on concrete footers.  
Basement: None, slab.  
Mechanical: Hot water baseboard in office space.  
Electric The electrical power appears to be adequate for the design purpose.  
Water Public  
Sewer Public  
Sprinkler No  
Exterior: Wood siding  
Roof Shingle  
Framing Wood  
Windows Wood frames – non-thermal glass.  
Doors Wood/metal  
Interior: Walls: dry-wall in office/apartment, wood paneling, unfinished in shop.  
Floor: Concrete, vinyl tile, hardwood in apartment.  
Ceiling: The shop area has a 14' clear height. There is an unfinished attic usable only for cold storage.

*Self-Storage Building:*

Built: 1970 +/-  
Building: Wood frame  
Foundation: The building is set on concrete footers.  
Basement: None, slab.  
Mechanical: None.  
Electric The electrical power appears to be adequate for the design purpose.  
Water Public  
Sewer Public  
Sprinkler No  
Exterior: Wood siding  
Roof Shingle  
Framing Wood  
Windows Wood frames – non-thermal glass.  
Doors Wood/metal  
Interior: Unfinished  
Floor: Concrete.

Ceiling: The warehouse has a 10 foot ceiling clearance.

*Pier, Ramps and Floats:*

Built: 2000 +/-

Materials: Wood, steel, aluminum

**Actual Age, Effective Age & Remaining Economic Life:**

The buildings were built at different times since 1965. The data regarding age and depreciation for each building are as follows:

Structure	Actual Age	Life Expectancy	Effective Age	Remaining Life	% of Depreciation
Office	48	50	15	33	11%
Warehouse	43	35	20	23	39%
Warehouse/Shop	43	35	20	23	39%
Pier & Floats	13	20	10	10	50%
Parking Lot	9	11	5	6	45%

These estimates are derived from Marshall Valuation depreciation tables. The effective ages are based on the appraisers' observations and the Marshall Valuation text.

**American with Disabilities Act (ADA):**

The ADA is a civil rights act concerning people with disabilities. It requires places of public accommodation and employment to be accessible to all people. The act is already in effect and is enforceable and all public buildings and recreational sites were required to be in compliance as of January 1, 1995. The standards for older buildings are less than those for new construction, i.e., access to existing buildings must be "readily achievable."

What "readily achievable" comprises is open for interpretation by the Justice Department. Determination of what is "readily achievable" involves consideration of cost, the size of the company, office or building, the number of employees, and the financial ability of the owner. This would indicate that those with greater financial capabilities will be held to a higher standard of compliance than those with lesser capabilities. In foreclosure cases, the lender often has greater financial capabilities than the distressed owner and would most likely be liable for compliance.

Determination of the ADA compliance is, for the above reasons, ambiguous and directly linked to the individual situations and owners. The appraiser's role is to note obvious violations, such as barriers to access, lack of handicapped facilities, gross evidence of toxic contamination, etc. The appraisal is prepared with the assumption that the property is unaffected by environmental contamination or ADA non-conformance issues. However, we have attempted to prominently disclose any known or observed environmental contamination or non-conformance with the ADA. For that requirement, we noted the following:

Parking: Handicap parking spaces are clearly marked in the parking lot.  
Curbs & Ramps: Some floors were not accessible by wheelchair or other means.  
Some halls and doorways may not meet width standards for wheelchair accessibility.

Elevators: None

Bathrooms: There were no public bathrooms in the buildings. The bathrooms present in the buildings may, or may not, meet minimum accessibility standards.

The on-site inspection determined that ADA compliance was NOT complete. The client is advised to seek professional advice to ascertain exact ADA implications for all of the improvements. This could impact the final value conclusion.

**Environmental Hazards:**

We have prepared the appraisal with the assumption that the property is unaffected by environmental contamination.

## HIGHEST AND BEST USE

Highest and Best Use as defined by the Dictionary of Real Estate Appraisal, Fifth Edition, copyright 2010, by the Appraisal Institute, is:

*The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.*

The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

The definition immediately above applies specifically to the highest and best use of the land. It should be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until the land value, in its highest and best use, exceeds the total value of the property in its existing use.

Generally, the analysis of highest and best use relates to the land as if it were vacant and available for development. However, when a property is improved, its highest and best use as an integrated unit, land and building combined, should also be considered. The highest and best use under both considerations may differ. This may be true where the improvements are not an appropriate use if the site was vacant and yet they make a contribution to the total property value in excess of land value alone.

The use must be permitted and in conformity with the applicable zoning ordinances and deed restrictions. If the highest and best use requires a zoning change, there must be reasonable evidence that such a change is possible. The proposed highest and best use must be physically possible on this site. The use must be feasible both economically and financially in today's market conditions and in the future projected market. Among all feasible uses, the highest and best use is the one which is the most profitable among the alternatives.

### **Highest and Best Use Analysis**

To begin our analysis, we have searched for any existing land use and zoning codes that affect the *subject properties* in the Town of Southwest Harbor. The subject sites lie partly within the Town of Southwest Harbor's "B" Zone and partly in the Town of Southwest Harbor's "Maritime Activity" Zone. The "B" district allows most all uses, including residential, commercial and industrial uses. The "Maritime Activity" zone prohibits hotels, motels, boatels, inns or other similar transient accommodations. It further excludes commercial boat storage within structures, non-maritime industrial uses, marinas and *new* residential uses. **Excerpts of the zoning ordinance for Southwest Harbor are located in the EXHIBITS & ADDENDA.**

### **Analysis of legal permissible uses of the site**

Most uses would be legally permissible on 2.74 +/- acres (79% of the site), that are in the "B" zone, but the remaining 0.6 +/- acres that are in the "Maritime Activity" zone have significant restrictions. The 0.6 +/- acres zoned "Maritime Activity," consists of a narrow strip of land between the high water line of Southwest Harbor and Shore Road, and two lots that have road frontages of 77 +/- feet, and 71 +/- feet on the southwesterly side of Shore Road.

### **Analysis of physically possible uses**

The first constraint on the possible uses of the subject property, as if vacant, is dictated by the physical capabilities of the site. The size, topography and shape of the subject property are important determinants of value. Generally, the larger the property, the greater its potential to (1) attract a variety of users from large to many mid or small scale users; (2) achieve economies of scale and provide flexibility of development; and (3) to accommodate the many environmental conditions now placed on the remaining undeveloped properties.

#### **Site Physiography**

The topography of the *subject property* is slightly sloping to sloping. The property has direct access to two public roads.

### **Physically Possible Use Conclusions**

Provided the soil bearing capacity is adequate, almost any type of commercial, industrial and residential land use development could be placed on the property within the constraints of the site physiography and the zoning code.

### **Feasibility analysis of uses.**

We have been asked to value the *subject property* under certain conditions by the Client. These conditions are:<sup>14</sup>

1. *Value of the Mansell Lane/Marsh house and parking lot as a commercial office and as a commercial condominium.*
2. *Value of the warehouses as rental properties and as commercial condominiums.*
3. *Value of the apartment/workshop.*
4. *Value of house lot(s) on the north side of the “Brown” house on Shore Road.*

The first step in the valuation of the *subject property* under certain conditions is the highest and best use analysis, whereby the highest return of income to the land of the *subject property* is determined as if the land were vacant and unimproved. However, the condominium concept of any potential re-use of the property, requested by the Client needs to be addressed.

#### **Condominiums on Mount Desert Island**

Condominiums, particularly residential condominiums, have done very poorly on Mount Desert Island. This is evidenced by the recent foreclosure of the Villages at Ocean’s End condominium development within 2 miles of the subject, the foreclosures of individual units over the past 20 years at the nearby Western Way condominiums, the bargain sale of luxury condominiums in Hull’s Cove, the inability of the proposed condominiums to get off the ground at the old Summit House in Bar Harbor, and the poor sales record at the Compass Harbor on Main Street in Bar Harbor. Presently, there are 54 current listings of residential condominiums with an average listing price of \$214,781 and average days on market (DOM), of 527 days or 1.5 years, according to MREIS. In addition, there were 378 listings that recently expired. Based on the lengthy DOMs, and assuming that the existing 54 listings are not new listings, that means only 14% of the expired listings were renewed, or that some properties are listed repeatedly without ever selling.

Regarding commercial condominiums, three knowledgeable and experienced

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<sup>14</sup> Quoted directly from the request for bid from the Town of Cranberry Isles.

commercial brokers were interviewed. The consensus of their opinions regarding the feasibility, and marketability, of commercial condominiums was negative. Notwithstanding the poor economic conditions, any commercial condo developments could face the following problems:

1. The demand for commercial condos in the Downeast Maine region has been virtually non-existent, even during better economic times.

2. If, under better economic conditions, a demand for commercial condominiums developed, it would, more likely than not, be limited.

3. A limited demand may result in construction of condominium developments of no more than three to five units.

4. Small condominium developments are less likely to benefit from economies of scale when it comes to monthly fees for maintenance and common area utilities, making them less attractive than leased units.

5. Condominium units are not conducive to expansion in floor area and few offer outdoor storage that can vary in size. Most of the commercial users that have excess capital, prefer to be owner-occupants and find it more feasible, and flexible, to buy and build a facility.

6. Many small businesses with little capital reserves are reluctant to spend a large amount of capital to buy space for their operation when leased space can be obtained with less capital outlays.

7. A condominium development requires additional legal costs necessary to prepare documents for, as well as to maintain, a condominium regime, until most of the units are sold. Such initial costs, as well as the costs needed to “carry” the development until sell-out may produce a lower investment return when compared with a simple rental building.

Based on the above, it is our opinion that it is not feasible, nor marketable, to convert any of the improvements at the *subject property* to condominium status.

### **Feasibility Tests**

As a test, we did an analysis comparing the return to the land with physically possible uses allowed by zoning. These are a service commercial/warehouse use, self-storage uses and an office use. The tests do not cover the estimated 1.59 +/- acres that we have designated as the special use property known as the ferry terminal. The ferry terminal includes the large parking facilities and the piers and floats.

#### **Feasibility Test on the Subject Property**

1. Service Commercial/Warehouse Use - Typically a service commercial property is developed with a maximum FAR of 0.30, particularly when there is public water and sewer. These uses are housed in warehouse/flex-space buildings that a plumber, welder, electrician, etc. can operate from. However, larger spaces necessary for boat building or repair shops are also possible. The rental area is projected with a triple net rent of \$5.50 per SF. The vacancy rate is projected at 10% due to evidence of vacancies in the area and generally poor economic conditions. The total development costs are estimated at \$25.00 per SF using Marshall Valuation Services. The .12 building cap rate is based on a 10% return on the improvement investment with a 2% annual depreciation (recapture) factor.

2. Self-Storage Use – With the location close to a working harbor and easy access by a deep-water dock, self-storage facilities that serve maritime users may be feasible. Typically a self-storage property is developed with a maximum FAR of 0.30, particularly when there is public

water and sewer. The self-storage spaces range from 49 square feet up to 220 square feet and are housed in metal pre-fabricated structures. The most popular sizes are 8 x 10 feet and 10 x 20 feet. The gross income is estimated at \$750 per unit annually, with expenses estimated at 47% of the effective gross income (EGI). The vacancy rate is projected at 5% due to the lack of self-storage facilities near the harbor.<sup>15</sup> The total development costs are estimated at \$23.00 per SF using Marshall Valuation Services. The .12 building cap rate is based on a 10% return on the improvement investment with a 2% annual depreciation (recapture) factor.

2. Offices - Typically an office property with adequate surface parking is developed with a maximum FAR of 0.45 where public sewer is available. The rental area is projected with a triple net rent of \$9.20 per SF. The vacancy rate is projected at 10% based on conversations with commercial real estate brokers familiar with the Southwest Harbor Market. The development costs are estimated at \$95.00 per SF using Marshall Valuation Services and exclude elevators. The .12 building cap rate is based on a 10% return on the improvement investment with a 2% annual depreciation (recapture) factor.

Highest and Best Use Feasibility Tests					Service C./ Warehouse	Self- Storage	Office Building
Land Area (SF)		3.34 Acres =	145,490				
Floor Area Ratio (FAR)					0.30	0.30	0.45
Floor Area Potential (SF)					43,647	43,647	65,471
Rent	\$5.50 Per SF, NNN	10%	Vacancy Rate		\$216,053		
Rent	\$2.03 Per SF, Gross	5%	Vacancy Rate			\$44,612	
Rent	\$9.20 Per SF, NNN	10%	Vacancy Rate				\$542,097
Total Net Operating Income					\$216,053	\$44,612	\$542,097
Cost to build service building @		\$25 per SF =			\$1,091,178		\$1,636,767
Cost to build self-storage building @		\$23 per SF =				\$1,003,884	
Cost to build office building @		\$95 per SF =					\$6,219,715
Return on the investment at		12%			\$130,941	\$120,466	\$746,366
Return to the land (NOI less Return on Investment) =					\$85,112	-\$75,854	-\$204,269

### Feasibility Test Conclusions

The above analyses indicates that the service commercial/warehouse use represents the highest and best use of the subject “as-if vacant.”

### Maximally Productive:

Among the uses analyzed, which will produce the highest residual land value consistent with the rate of return warranted by the market for this particular use? What use will produce the largest return or produce the highest present worth? In light of the above analysis, the highest and best use of the subject property, as-if vacant, is service commercial/warehouse use.

### Highest and Best Use Conclusion "As-is"

The highest and best use of part of the subject property is a service commercial/warehouse

<sup>15</sup> The closest self-storage facility is located on the northwest side of Southwest Harbor on Seal Cove Road. It has no access to waterfront or a deep-water pier.

use. The *subject real estate* is presently improved with structures that are conducive to converting to such uses. However, part of the *subject property* has waterfront facilities, including piers, floats, ramps and a large parking lot specifically used for a seasonal ferry service with access to the Cranberry Isles. Therefore, the highest and best use of the entire property in its “as-is” condition is the nearly the same as its highest and best use as-if vacant.

Part of the subject property (as-is), is improved as a special purpose property, with improvements that are specific to the operation of a ferry terminal. Most of the improvements are located on the waterfront area, except for the large parking lot.

The special purpose improvements on the site contribute significantly to the overall value of the site. The improvements on the site are used by the owner as special purpose improvements, and the ferry facility is well-used during the summer season. Therefore the improvements contribute positively to the overall property.

Therefore, the highest and best use conclusion of the property in its “as is” state is a service commercial/warehouse and for the continued use of the remaining improvements on the site as special purpose buildings for the owner.



## **RATIONALE AND METHODOLOGY**

The normal procedure in the evaluation of any parcel of real estate involves the application of the three basic approaches to value: The Cost Approach, The Sales Comparison Approach and The Income Approach. From the indications provided by these three analyses and the weight accorded to each, an opinion of value is reached based upon expert judgment within the outline of the appraisal process.

The procedures and rationale behind the three approaches are described as follows:

### **Cost Approach**

The Cost Approach is devoted to an analysis of the physical value of the property; that is, the market value of the land, assuming it to be vacant, to which is added the depreciated value of the improvements present on the site. Accrued depreciation is considered in terms of physical deterioration, functional and economic obsolescence, if any.

### **Income Capitalization Approach**

The Income Capitalization Approach involves an analysis of the property in terms of its ability to provide a net income in dollars. The estimated net annual income is then capitalized at a rate commensurate with the relative certainty of its continuance and the risks involved in the ownership of the property. Another form of analysis is the discounted cash flow analysis. This approach, sometimes called yield capitalization, uses a discounting procedure to convert future benefits to present value on the premise of a required level of profit, or rate of return, on the invested capital.

### **Sales Comparison Approach**

The Sales Comparison Approach is based upon the principle of substitution; that is: "The value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time."<sup>16</sup> Since no properties are ever identical, the necessary adjustments for differences in quality, location, size, services and market appeal are a function of appraisal experience and judgment.

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<sup>16</sup>The Appraisal of Real Estate, 13<sup>th</sup> Edition, Appraisal Institute, Chicago, Il., p. 298.

## COST APPROACH

The Cost Approach to value is based on the comparison of the cost to develop a property with the value of the existing developed property. In other words, the appraisers attempt to estimate the difference in worth to a buyer between the "property being appraised and a newly constructed building with optimal utility."<sup>17</sup> To do this, the appraisers estimate the cost to construct a replacement or reproduction of an existing structure and then deduct the accrued depreciation in the particular property from the cost new of the replacement or reproduction of the building.

### General

The Cost Approach to Value is based on the following appraisal principles:

1. Substitution - "The principle of substitution is basic to the Cost Approach. This principle affirms that no prudent investor would pay more for a property than the cost to acquire the site and construct improvements of equal desirability and utility without undue delay."<sup>18</sup>
2. Supply and Demand - Shifts in supply and demand of certain properties create price changes. Consequently, a particular property may have several values over time. If the costs to build do not shift in proportion to these value changes, profitability will be affected in building construction and the values of the existing buildings will also fluctuate commensurately.
3. Balance - "The principle of balance holds that the agents of production and the various property components must be properly apportioned if optimum value is to be achieved or sustained. An improper economic balance may result in an under- or over- improvement."<sup>19</sup>
4. Externalities - "When supply and demand are in balance and credit is available, the cost of new improvements minus depreciation plus the value of the land and an appropriate entrepreneurial profit tends to equal market value."<sup>20</sup> External factors or events may affect the value of properties in a positive or negative fashion. These factors may affect new or old buildings and are usually incurable by the property owner.
5. Highest and best use - "The concept of highest and best use is fundamental to real property value. In one application of the concept, land is valued as though vacant and available for its highest and best use -- in the other application, the highest and best use of the property as improved is estimated."<sup>21</sup> Existing improvements either have a value that equates with the amount they contribute to the site or they penalize value by an amount of cost equal to removing them.

In order for the appraiser to estimate the cost to construct a replacement or reproduction of an existing structure, the appraiser must first estimate the cost of the building new and then deduct the accrued depreciation from the particular property being appraised. The first step in that process is the estimate of the site value as though vacant and available for its highest and best use. The second step is to value the improvements by either their replacement or reproduction cost less

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<sup>17</sup>*The Appraisal of Real Estate, 13<sup>th</sup> Edition*, Appraisal Institute, Chicago, IL, p. 378.

<sup>18</sup>*Op. Cit.*, *Appraisal of Real Estate*, p. 350.

<sup>19</sup>*Ibid.*

<sup>20</sup>*Ibid.*

<sup>21</sup>*Ibid.*, p. 381.

accrued depreciation of all types.

### **Site Value**

The first step in the Cost Approach is to estimate the value of the site as if vacant and ready for development at its highest and best use. Site value can be estimated by sales comparisons, allocation of land value and improvement value, extraction, allocation, subdivision analysis and land residual techniques. Because land sales are available or prices can be allocated from improved sales, the sales comparison approach is applicable. The definition of the sales comparison approach is:<sup>22</sup>

*A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales are available.*

As the value of the site is greatly affected by its highest and best use, sales comparisons should center on similar properties that mimic the highest and best use of the property, either by actual development subsequent to sale or by separate analysis by the appraiser.

The sales comparison approach may use vacant land sales or land that is considered as though vacant for appraisal purposes. The elements of comparison include, but are not limited to market conditions, condition of sale, financing characteristics, property rights, location and physical characteristics. The units of comparison may be acres, square feet, front foot or any other unit indigenous to the market.

Adjustments to the comparable sales for the units of comparison should be adjusted by *quantifiable* means to approximate the conditions represented by the property's units of comparison. Generally, separate adjustments for each unit of comparison are made for each comparable. The magnitude of the adjustment is indicated by the data available.

When the sales comparison analysis is completed, a single indication of value may be derived by reconciling the data. The adjusted sale price of the comparables, when the adjustments of the units of comparison are closest, in as many cases as possible to that of the subject, usually indicates the value for the subject.

### **Improvements Value**

#### **Reproduction and Replacement Cost Estimates**

When the *replacement cost estimate* is used, the appraisers estimate the cost to construct an equally desirable, substitute improvement which, may or may not, be constructed with the exact same materials, construction methods or specifications as the improvement being appraised. Any outdated use of materials or construction methods, as well as new code requirements will be substituted. This estimate eliminates items of functional obsolescence such as deficiency or superadequacy. However, all elements of physical deterioration, external obsolescence and certain forms of functional obsolescence must still be measured.

The *reproduction cost estimate* centers on the cost estimate of the exact replica of

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<sup>22</sup>Op. Cit., *Appraisal of Real Estate*

the improvements, using the same materials, specifications and building techniques employed. In such an appraisal, functional obsolescence such as superadequacy is included in the reproduction cost estimate.

### **Types of Cost**

Both direct, or hard costs, and soft, or indirect, costs must be considered for reliable cost estimates. The hard costs include the following:

1. Direct Construction Costs (as would be charged by a general contractor to a developer):

- a) Basic gross building costs
- b) Equipment costs (not including special purchase equipment)
- c) Site improvements
- d) Clearing and grading
- e) Landscaping, underground utilities (on and off-site)
- f) Area connection charges (if any)
- g) Parking lot paving, marking, curbing, sidewalks, lighting
- h) Public works agreement (if any)

The source of the direct costs may include cost consultants or engineers, cost estimating services or publications, or comparable cost data from similar recently built improvements. The soft costs include the following:

2) Indirect Costs

- a) Professional fees-accounting, appraisal, architectural, legal, engineering
- b) Interim financing (construction mortgage)
- c) Points for placing permanent financing
- d) Settlement fees, title insurance, stamps
- e) Promotion and merchandising
- f) Miscellaneous including signs, contingencies, out-of-pocket expenses, overhead.
- g) Entrepreneurial Profit or Developer's Fee<sup>23</sup>

The soft costs are usually available from market research, comparable data from recently built improvements, banks, and other financial institutions.

### **Cost Estimate Methods**

There are several methods used for cost estimating, however, the method used in our approach is the Calculator method. This method uses a dollar amount for units of area or volume. The source of the cost data is from the Marshall Valuation Service.

Accrued depreciation is estimated by the economic age-life method. This method applies the ratio of the effective age of the property to its total economic life to the reproduction or replacement cost of the subject's improvements.

### **Cost Approach Process**

The process of the Cost Approach is outlined by task as follows:

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<sup>23</sup>This represents the fee, derived from the market, that represents the amount that the developer of the property expects to receive in addition to the costs of the improvements.

TASK	DATA SOURCE	TYPE OF ANALYSIS	RESULTS
Land Value Estimate as though vacant and available to be developed in its highest and best use.	Land Sales, Residuals, Allocations from Improved Sales, Extractions and/or Subdivision Analysis Technique.	Adjust sales to subject by adjustment of common attributes and paired sales - locational attributes, size, conditions of sale, site characteristics, etc.	An adjusted land value as though vacant based on a common point of measurement such as square foot, front foot, per unit of development or acre.
Current Reproduction or Replacement Costs	Construction costs of recently built structures of similar type and quality, Cost Estimating Services, Construction Estimating Consultants	Apply costs by comparative-unit (calculator method), unit-in-place, or quantity survey. Add indirect (soft) costs and entrepreneurial profit (from market analysis)	The cost to replace or reproduce as new
Accrued Depreciation from areas such as Physical Deterioration, Functional Obsolescence, and External Obsolescence	Construction costs of recently built structures of similar type and quality, Cost Estimating Services, Construction Estimating Consultants	Apply depreciation by applicable method to consider all of the different types and effects.	The value of the fee simple interest in the property based on the cost new to replace or reproduce the property less all forms of depreciation.

### Accrued Depreciation

Accrued depreciation is defined as "The difference between an improvement's reproduction or replacement cost and its market value as of the date of the appraisal." <sup>24</sup> Depreciation is caused by deterioration or obsolescence in the property and is subdivided into the following three categories:

1) Physical deterioration is the normal wearing out (or deferred maintenance) and considers "the items in need of repair at the time of the appraisal." <sup>25</sup> This category is further subdivided into curable and incurable physical deterioration.

a) Curable Physical Deterioration is the observed deteriorated condition in improvements that curing would be offset by an increase in building value.

b) Incurable Physical Deterioration identifies "items of deterioration that cannot be economically or practically corrected at present." <sup>26</sup> This item of depreciation must only be based on replacement or reproduction costs of the entire structure that remain after the cost to cure the physically curable deterioration has been deducted.

2) Functional obsolescence - This refers to the diminished utility of a building due to design, layout, building format, construction materials, ceiling heights, etc. This element of depreciation is also subdivided into curable and incurable with similar criteria. In other words to be curable, the cost of curing the functional obsolescence must be less than or equal to the anticipated increase in value.

3) External obsolescence - This refers to the diminished utility of a structure due to negative influences from outside the site such as forces external to the subject property and incurable by the property owner. It may include neighborhood decline, market conditions, and poor location, among others.

### Land Value Estimate - Maritime Activity

The valuation of any parcel of real estate, or tract of land considered as vacant, is derived principally through the analysis of available market data. This procedure results in the most

<sup>24</sup>Op. Cit., *Dictionary of Real Estate Appraisal*.

<sup>25</sup>Op. Cit., *Appraisal of Real Estate*, p. 398.

<sup>26</sup>Ibid.

probable selling price of a tract of land, based on historical sale prices of comparable properties.

The highest and best use conclusion of the property in its “as is” state is a service commercial/warehouse and for the continued use of the remaining improvements on the site as special purpose buildings for the owner. We focused our search on properties that exhibited similar highest and best use, lot characteristics, location, utilities, zoning (or allowed uses), and size. Because of the lack of commercial land sales in Southwest Harbor, we had to extract or allocate land prices from improved property sales.

The land sales selected are considered the best available. They are described in detail as follows:

**Sale #1:**



Map, Lot:	Map 17, Lot 102
Address:	108 Shore Road, Southwest Harbor, Hancock County, Maine
Reference:	Hancock County Registry of Deeds
Book, Page:	Book 5968, Page 228
Grantor:	Robert M. Brown
Grantee:	Michael A. Bosco & Patricia A. Chen
Sales Date:	01/11/2013
Reported Price:	\$230,000 by MREIS, Public Records and a \$172,500 land sale price using the allocation method.
Days on Market:	210
Financing By:	Reported as a cash transaction
Conditions of Sale:	Arm's Length Transaction
Location:	Residential, water view
Zoning:	"B" district and Maritime Activity covering the portion of the lot within 200 feet of the waterfront.
Sales History:	No sales in the prior three year period
Data By:	Richard Moore

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**LAND**

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Total Area:	0.18± Acre
Depth:	Varies
Road Frontage:	45± F
Shape:	Irregular
Overall Topography:	Level
To Road:	On grade
Utilities:	Electricity; Telephone; Water; Sewer

**Miscellaneous:**

The lot has good view of the Southwest Harbor's waterfront area. It has 45 +/- linear feet of road frontage with a limited water view. The site was improved with a 1,098 ± SF two-story

wood framed residence, reportedly built in 1940, configured with two bedrooms and one bathroom. This is a seasonal use property and is of average construction. The building has no heat, and the interior is considered fairly basic. We utilized the allocation technique to determine a sale price for the land only. We used the Town of Southwest Harbor's assessment of the property, with the allocation calculation as follows:

Land Assessed value:	\$218,100
Building Assessed value:	<u>\$72,100</u>
Total:	\$290,200

Percent of land assessed value to total assessed value: 75%

Sold Price: \$230,000

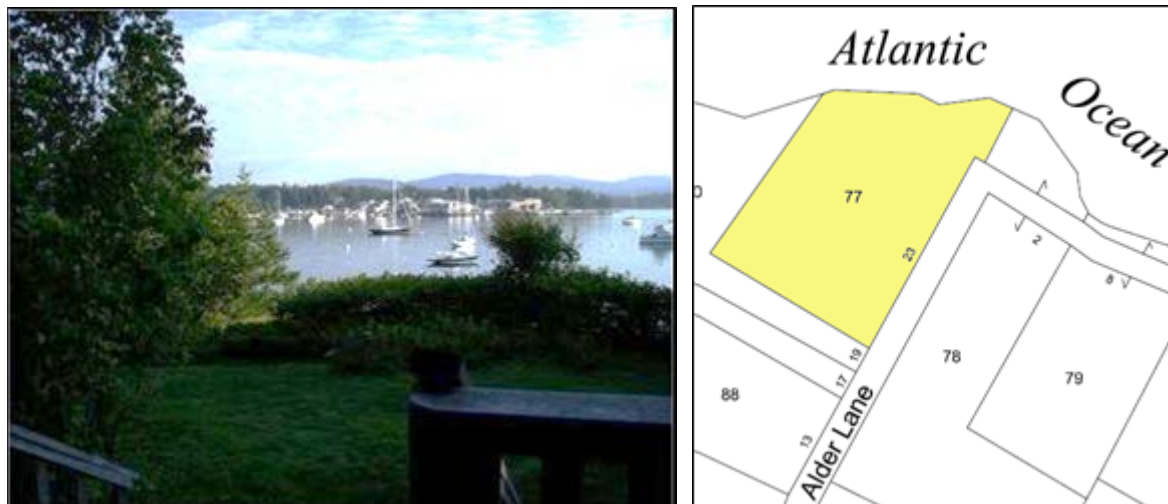
Allocated Land Price:  $\$230,000 \times .75 = \$172,500$

INDICATED PRICE

\$3,833 per water view foot ( $\$172,500/45$  LF), \$958,333 / Acre ( $\$172,500$  allocated land sale price /  $0.18\pm$  Acre)



**Sale #2:**



Map, Lot:	Map 1, Lot 77
Address:	23 Alder Lane, Southwest Harbor, Hancock County, Maine
Reference:	Hancock County Registry of Deeds
Book, Page:	Book 5893, Page 238
Grantor:	Kenneth R. Evans
Grantee:	Melissa Pearsall Hirsch and Scott Robinson Hirsch
Sales Date:	09/14/2012
Reported Price:	\$1,040,000 by MREIS, Public Records
Days on Market:	1,452
Financing By:	Reported as a cash transaction
Conditions of Sale:	Arm's Length Transaction
Location:	Waterfront, residential
Zoning:	"C" district with Harbor shoreland overlay district along water frontage.
Sales History:	No sales in the prior three-year period.
Data By:	Richard Moore

---

**LAND**

---

Total Area:	1.25± Acres
Depth:	Varies
Road Frontage:	180± F on Alder Lane (est.)
Shape:	Irregular
Overall Topography:	Level to sloping
To Road:	On grade
Utilities:	Electricity; Telephone; Drilled well and private septic system

**Miscellaneous:**

The site has an estimated 210+/- feet of frontage along Southwest Harbor. The site was improved with a 2,800 ± SF two-story wood framed seasonal residence, reportedly built in 1900,

configured with four bedrooms and two bathrooms. The home is built on posts with a crawlspace. The home is well built but is older, and is reportedly seldom used. We utilized the allocation technique to determine a sale price for the land only. We used the Town of Southwest Harbor's assessment of the property, with the allocation calculation as follows:

Land Assessed value:	\$893,600
Building Assessed value:	<u>\$93,600</u>
Total:	\$987,200

Percent of land assessed value to total assessed value: 91%

Sale Price: \$1,040,000

Allocated Land Price:  $\$1,040,000 \times .91 = \$946,400$

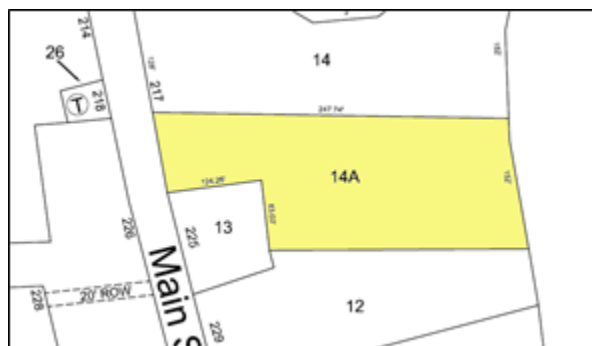
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INDICATED PRICE

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\$4,507 / Waterfront Foot ( $\$946,400$  allocated land sale price /  $210\pm$  Waterfront Feet)

**Sale #3:**



Map, Lot:	Map 7, Lot 14A
Address:	217A Main Street, Southwest Harbor, Hancock County, Maine
Reference:	Hancock County Registry of Deeds
Book, Page:	Book 5651, Page 312
Grantor:	Janet & Kenneth Chandler and Martha Miller
Grantee:	Vanessa Benson Carroll
Sales Date:	07/15/2011
Reported Price:	\$410,000 by MREIS, Public Records
Days on Market:	290
Financing By:	\$262,500 by The First, N.A.
Conditions of Sale:	Arm's Length Transaction
Location:	Waterfront, residential
Zoning:	"C" district with Harbor shoreland overlay district covering the entire lot.
Sales History:	No sales in the prior three-year period.
Data By:	Richard Moore

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LAND

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Total Area:	1.1± Acres
Depth:	Varies
Road Frontage:	53± F
Shape:	Irregular
Overall Topography:	Level to slight slope
To Road:	On grade
Utilities:	Electricity; Telephone
Miscellaneous:	This lot has 152 feet of water frontage along Norwood Cove.

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INDICATED PRICE

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\$2,697 / Waterfront Foot (\$410,000 / 152± Waterfront Feet)

**Sale #4:**



Map, Lot:	Map 1, Lot 90
Address:	19 Alder Lane, Southwest Harbor, Hancock County, Maine
Reference:	Hancock County Registry of Deeds
Book, Page:	Book 5432, Page 172
Grantor:	Jason R. & Ashley B. Bernhard
Grantee:	Katherine T. Hughes Trust and Steven H. Hughes Trust
Sales Date:	06/15/2010
Reported Price:	\$700,000 by MREIS, Public Records and a \$609,000 land sale price using the allocation method.
Days on Market:	653
Financing By:	Reported as a cash transaction
Conditions of Sale:	Arm's Length Transaction
Location:	Waterfront, residential
Zoning:	"C" district with Harbor shoreland overlay district along water frontage.
Sales History:	No sales in the prior three-year period.
Data By:	Richard Moore

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**LAND**

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Total Area:	0.75± Acre
Depth:	Varies
Road Frontage:	35± F on Alder Lane
Shape:	Irregular
Overall Topography:	Rolling
To Road:	On grade
Utilities:	Electricity; Telephone; Water; Private septic system in place

**Miscellaneous:**

The site has 167+/- feet of frontage along Southwest Harbor. The site was improved with

a 1,084 ± SF two-story wood framed residence, reportedly built in 1960, configured with four bedrooms and two bathrooms. This is a seasonal property of basic construction (no interior wall finishes). We have utilized the allocation technique to determine a sale price for the land only. We used the Town of Southwest Harbor's assessment of the property, with the allocation calculation as follows:

Land Assessed value:	\$642,700
Building Assessed value:	<u>\$95,400</u>
Total:	\$738,100

Percent of land assessed value to total assessed value: 87%

Sale Price: \$700,000

Allocated Land Price:  $\$700,000 \times .87 = \$609,000$

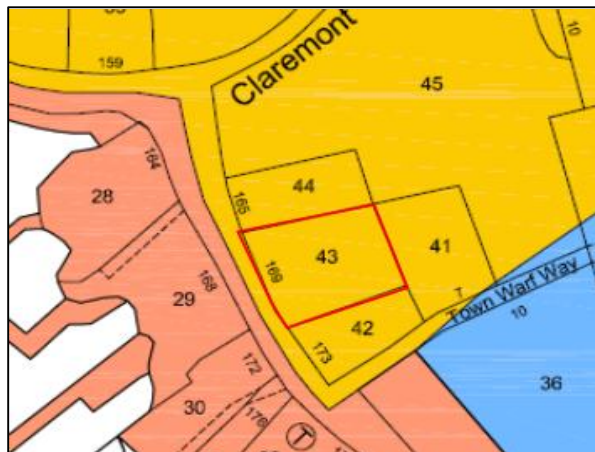
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INDICATED PRICE

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\$3,647 / Waterfront Foot ( $\$609,000$  allocated land price /  $167 \pm$  Waterfront Feet)

**Sale #5:**



Map, Lot:	Map 4, Lot 43
Address:	169 Clark Point Rd., Southwest Harbor, Hancock County, Maine
Reference:	Hancock County Registry of Deeds
Book, Page:	Book 5703, Page 77
Grantor:	Beal
Grantee:	Berzinis
Sales Date:	10/28/2011
Reported Price:	\$412,500 by Public Records, MREIS and a \$253,613 land sale price using the allocation method.
Days on Market:	236
Financing By:	Reported cash to seller.
Conditions of Sale:	Arm's Length Transaction
Location:	Residential
Zoning:	"B" district
Sales History:	No sales in the prior three-year period.
Data By:	Richard Moore

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**LAND**

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Total Area:	0.48± Acre
Depth:	158± F
Road Frontage:	132± F with water view
Shape:	Rectangular
Overall Topography:	Slight slope
To Road:	On grade
Utilities:	Electricity; Telephone
Miscellaneous:	

This is a maritime-oriented warehouse located adjacent to the Coast Guard facility and the public pier in Southwest Harbor's waterfront area on Clark Point Rd. The sale has a water view as well as access to the waterfront by way of a public pier. The site was improved with a 12,870 ± SF heated industrial building built in 1971 with a 20 foot +/- high ceiling clearance. We have utilized the allocation technique to determine a sale price for the land only. We used the Town of

Southwest Harbor's assessment of the property, with the allocation calculation as follows:

Land Assessed Value =	\$250,600	
Building Assessed Value =	<u>\$157,000</u>	
Total =	\$407,600	
Sale Price =		\$412,500
Percent of land to total assessed value =		61%
Allocated Land Price=		\$253,613

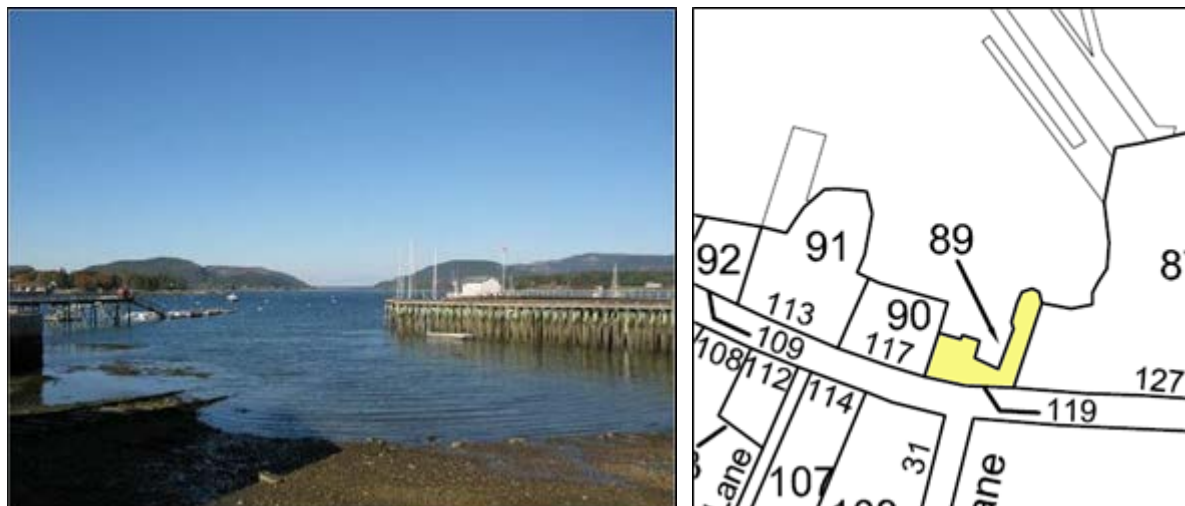
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INDICATED PRICE

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\$1,921/ Water View Front Foot (\$253,613 allocated land sale price / 132± Water View Feet),  
\$528,360 per acre.

**Sale #6:**



Map, Lot:	Map 17, Lot 89
Address:	119 Shore Road, Southwest Harbor, Hancock County, Maine
Reference:	Hancock County Registry of Deeds
Book, Page:	Book 5363, Page 295
Grantor:	Charles N. Berents Jr & Willa D. Berents
Grantee:	Leadbetter Real Property, Inc.
Sales Date:	1/29/2010
Reported Price:	\$250,000 by MREIS, Public Records and a \$187,500 land sale price using the allocation method.
Days on Market:	2
Financing By:	Reported cash to seller
Conditions of Sale:	Arm's Length Transaction
Location:	Waterfront, residential
Zoning:	"B" district with Harbor shoreland overlay district covering the majority of the lot.
Sales History:	No sales in the prior three-year period.
Data By:	Richard Moore

---

**LAND**

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Total Area:	0.03± Acre
Depth:	Varies
Frontage:	65± F
Shape:	Irregular
Overall Topography:	Level
To Road:	On grade
Utilities:	Electricity; Telephone; Water; Sewer

**Miscellaneous:**

The lot has 95+/- feet of frontage on Southwest Harbor. The site was improved with an



882 ± SF single-story wood framed residence, reportedly built in 1880, configured with two bedrooms and two bathrooms - the property uses electric heat. This is a year round property. The property did not sell for a long time. Eventually it sold at a reduced asking price to the abutter, however, we have no support for any premium paid by the abutter. We have utilized the allocation technique to determine a sale price for the land only - we used the Town of Southwest Harbor's assessment of the property, with the allocation calculation as follows:

Land Assessed value:	\$160,400
Building Assessed value:	<u>\$54,000</u>
Total:	\$214,400

Percent of land assessed value to total assessed value: 75%

Sale Price: \$250,000

Allocated Land Price:  $\$250,000 \times .75 = \$187,500$

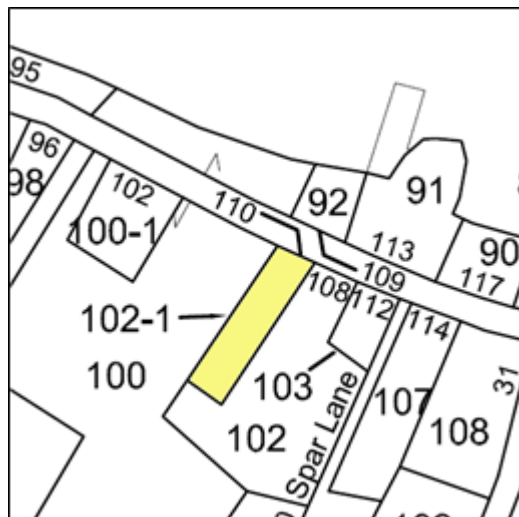
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INDICATED PRICE

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\$1,974/ Waterfront Foot (\$187,500 allocated land sale price / 95± Waterfront Feet)

**Sale #7:**



Map, Lot:	Map 17, Lot 102-1
Address:	110 Shore Road, Southwest Harbor, Hancock County, Maine
Reference:	Hancock County Registry of Deeds
Book, Page:	N/A
Grantor:	Robert M. Brown
Grantee:	N/A
Sales Date:	Pending Sale
Reported Price:	\$385,000 by MREIS and a \$311,850 land sale price using the allocation method.
Days on Market:	N/A
Financing By:	N/A
Conditions of Sale:	Proposed Arm's Length Transaction
Location:	Water view, residential
Zoning:	"B" district with Harbor shoreland overlay district covering the majority of the lot.
Sales History:	No sales in the prior three-year period.
Data By:	Richard Moore

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**LAND**

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Total Area:	0.16± Acre
Depth:	160± F est.
Frontage:	44± F
Shape:	Rectangular
Overall Topography:	Level
To Road:	On grade
Utilities:	Electricity; Telephone; Water; Sewer
Miscellaneous:	

The site is improved with a 1,140 ± SF two-story wood framed residence, reportedly built in 1940, configured with three bedrooms and two bathrooms. It has 44 +/- linear feet of road

frontage with a limited water view. This is a year round use property and is of average construction. There is an additional 748+/- of finished space in the basement. We have utilized the allocation technique to determine a sale price for the land only - we used the Town of Southwest Harbor's assessment of the property, with the allocation calculation as follows:

Land Assessed value:	\$293,400
Building Assessed value:	<u>\$70,100</u>
Total:	\$363,500

Percent of land assessed value to total assessed value: 81%

Pending List Price: \$385,000

Allocated Land Price:  $\$385,000 \times .81 = \$311,850$

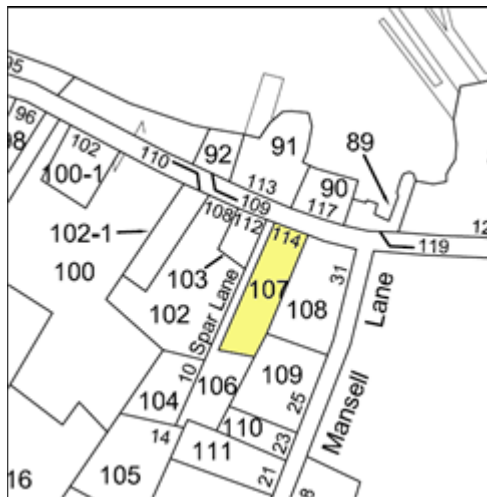
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INDICATED PRICE

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\$7,088 per water view foot ( $\$311,850/44$ ), \$1,949,062 / Acre ( $\$311,850$  allocated land list price / 0.16± Acre)

**Sale #8 (Listing):**



Map, Lot:	Map 17, Lot 107
Address:	114 Shore Road, Southwest Harbor, Hancock County, Maine
Reference:	Hancock County Registry of Deeds
Book, Page:	N/A
Grantor:	Robert Brown
Grantee:	N/A
Sales Date:	Current Listing
Reported Price:	\$195,000 Asking Price by MREIS
Days on Market:	398 as of 5/13/2013
Financing By:	N/A
Conditions of Sale:	Proposed Arm's Length Transaction
Location:	Working waterfront / mixed residential and commercial
Zoning:	B district, with a portion towards the waterfront zoned Commercial Fisheries / Maritime Activities
Sales History:	N/A
Data By:	Richard Moore
<hr/> LAND <hr/>	
Total Area:	0.26± Acre
Frontage:	55± F
Depth:	205± F
Shape:	Rectangular
Overall Topography:	Sloping
To Road:	On grade
Utilities:	Electricity; Telephone
<hr/> BUILDING(S) <hr/>	
Size and Type:	A 5,000± SF steel frame storage building, reportedly built in the 1950's. The building has an asphalt floor.
Exterior:	Wood siding / shingled roof

Foundation/Basement:	No basement
Sprinklers/Detectors:	None
Heat:	Gas fired hot air furnace
Air Conditioning:	None
Electric:	Single-phase, circuit breakers
Interior:	Minimal finish, typical for a storage building
Physical Condition:	Average for age
Other Buildings:	None
Improvements since sale:	N/A

Miscellaneous:

The lot has 55+/- feet of limited water view frontage on Southwest Harbor. The site was improved with a 5,000 ± SF single-story wood framed warehouse, reportedly built in 1940. The building is heated with a propane space heater. We have utilized the allocation technique to determine a sale price for the land only. We used the Town of Southwest Harbor's assessment of the property, with the allocation calculation as follows:

Land Assessed value:	\$57,400
Building Assessed value:	<u>\$65,800</u>
Total:	\$123,300

Percent of land assessed value to total assessed value: 46.5%

List Price: \$195,000

Allocated Land Price:  $\$195,000 \times .465 = \$90,675$

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INDICATED PRICE

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\$1,649 / Water View Foot ( $\$90,675/55$ ), \$348,750 per acre ( $\$90,675/.26$  +/- acres)

### Summary of Maritime Activity Land Sales:

Sale #	Sale Date	Land Sale Price	Area (Acres)	Water/View Feet	\$ per Acre	\$ per WFF
1	1/11/2013	\$172,500	0.18	45	\$958,333	\$3,833
2	9/14/2012	\$946,400	1.25	210	\$757,120	\$4,507
3	7/15/2011	\$410,000	1.1	152	\$372,727	\$2,697
4	6/15/2010	\$609,000	0.75	167	\$812,000	\$3,647
5	10/28/2011	\$253,613	0.48	132	\$528,360	\$1,921
6	1/29/2010	\$187,500	0.03	95	\$6,250,000	\$1,974
7	Pending	\$311,850	0.16	44	\$1,949,063	\$7,088
8	Listing	\$90,675	0.26	55	\$348,750	\$1,649
Medians=					\$784,560	\$3,172

### Analysis of Comparable Maritime Activity Land Sales

The unadjusted sales ranged from \$1,649 to \$7,088 per front foot of waterfront/water view. In analyzing the cited sales, we determined that the best unit of comparison is the price per foot of waterfront or water view. Purchasers of land for maritime development, more often than not, base their purchase decision on a waterfront/view foot price.

**The Maritime Activity Land Sales Comparison Chart and Valuation Analysis is provided on the following page.** It contains the adjustments, in order of application and importance, to each comparable for property rights, financing, conditions of sale, market conditions, location, physical characteristics, size and utilities on site. The adjustment percentages are rounded to the nearest whole number.

#### *Property Rights*

All of the property rights conveyed were fee simple, so no adjustments were needed based on property rights.

#### *Financing*

All of the sales were for cash or market equivalent, thus no adjustments are needed for financing.

#### *Conditions of Sale*

All of the sales were reported as arms-length, requiring no adjustments.

#### *Market Conditions*

The neighborhood is suffering from a stalled economy that has yet to recover to the high level of maritime activity attained prior to the recession. Based on our discussions with knowledgeable market participants, we made a 0% annual adjustment for the time frame of the land sales used in this analysis. Sales agents report that although there are signs of stabilization, no signs of improvement are evident, and no adjustments are warranted.

#### *Location*

All of the sales comparables were located close-by in Southwest Harbor with access to the waterfront that is similar to the **subject property**. However Sales #2 and #4 are more residential in character. We adjusted these sales based on a median price per WFF of the non-residential type properties.

Manset Property – Town of Cranberry Isles, Southwest Harbor, ME

MARITIME ACTIVITY LAND SALES COMPARISON CHART AND VALUATION ANALYSIS									
	SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4	SALE 5	SALE 6	SALE 7	SALE 8
Address	102 Shore Road P.O. Map 17, Lot 100	108 Shore Rd. Map 17, Lot 102	23 Alder Lane Map 1, Lot 77	217A Main St. Map 7, Lot 14A	19 Alder Lane Map 4, Lot 90	169 Clark Point Rd. Map 4, Lot 43	119 Shore Rd. Map 17, Lot 89	110 Shore Rd. Map 17, Lot 102-1	114 Shore Rd. Map 17, Lot 107
Tax Identification Number									
Sale Price (Land Only)		\$172,500	\$946,400	\$410,000	\$609,000	\$253,613	\$187,500	\$311,850	\$90,675
Price per Water Front Foot		\$3,833	\$4,507	\$2,697	\$3,647	\$1,921	\$1,974	\$7,088	\$1,649
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing		Conventional	Cash	Cash	Conventional	Cash	Cash	Cash	Cash
Conditions of Sale		Arm's-Length & Norm. Motivation	Arm's-Length & Norm. Motivation	Arm's-Length & Norm. Motivation	Arm's-Length & Norm. Motivation	Arm's-Length & Norm. Motivation	Arm's-Length & Norm. Motivation	Arm's-Length & Norm. Motivation	Arm's-Length & Norm. Motivation
Effective Date of Appraisal	3/21/13								
Date of Sale		1/11/13	9/14/12	7/15/11	6/15/10	10/28/11	1/29/10	Pending	Listing
Location	Southwest Harbor	Southwest Harbor	Southwest Harbor	Southwest Harbor	Southwest Harbor	Southwest Harbor	Southwest Harbor	Southwest Harbor	Southwest Harbor
Characteristics:									
Location	Waterfront/View Average	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable
Physical Characteristics		Comparable	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable	Comparable
Utilities On-Site	E, T, W, S	E, T, W, S	E, T	E, T	E, T	E, T, W, S	E, T, W, S	E, T, W, S	E, T, W, S
Size - Square Feet	26,136	33,977	54,450	24,394	33,977	20,909	1,307	6,970	11,326
Size - Acres	0.60	0.18	1.25	0.56	0.75	0.48	0.03	0.16	0.26
Highway Frontage (Feet)	317	45	210	152	167	132	95	44	55
ADJUSTMENTS									
Price per Water Front Foot		\$3,833	\$4,507	\$2,697	\$3,647	\$1,921	\$1,974	\$7,088	\$1,649
Property Rights Adjustment		0%	0%	0%	0%	0%	0%	0%	0%
Adjusted Price		\$3,833	\$4,507	\$2,697	\$3,647	\$1,921	\$1,974	\$7,088	\$1,649
Financing Adjustment		0%	0%	0%	0%	0%	0%	0%	0%
Adjusted Price		\$3,833	\$4,507	\$2,697	\$3,647	\$1,921	\$1,974	\$7,088	\$1,649
Conditions of Sale Adjustment		0%	0%	0%	0%	0%	0%	0%	0%
Adjusted Price		\$3,833	\$4,507	\$2,697	\$3,647	\$1,921	\$1,974	\$7,088	\$1,649
Market Conditions Adjustment		0%	0%	0%	0%	0%	0%	0%	0%
Adjusted Price		\$3,833	\$4,507	\$2,697	\$3,647	\$1,921	\$1,974	\$7,088	\$1,649
Locational and Physical Adjustments:									
Location		0%	-50%	0%	-40%	0%	0%	0%	0%
Adjustment		\$-	\$(2,253)	\$-	\$(1,459)	\$-	\$-	\$-	\$-
Adjusted Price per Water Front Foot		\$3,833	\$2,253	\$2,697	\$2,188	\$1,921	\$1,974	\$7,088	\$1,649
Physical Characteristics		0%	0%	0%	0%	0%	0%	0%	0%
Adjustment		\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Adjusted Price per Water Front Foot		\$3,833	\$2,253	\$2,697	\$2,188	\$1,921	\$1,974	\$7,088	\$1,649
Utilities on Site		0%	0%	0%	0%	0%	0%	0%	0%
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted Price per Water Front Foot		\$3,833	\$2,253	\$2,697	\$2,188	\$1,921	\$1,974	\$7,088	\$1,649
Size Adjustment		20%	0%	-15%	0%	20%	20%	20%	20%
Adjustment		\$767	\$-	-\$405	\$0	\$384	\$395	\$1,418	\$330
Adjusted Price per Water Front Foot		\$4,600	\$2,253	\$2,293	\$2,188	\$2,306	\$2,368	\$8,505	\$1,978
Adjusted Price per Water Front Foot		\$4,600	\$2,253	\$2,293	\$2,188	\$2,306	\$2,368	\$8,505	\$1,978
For Comparison Purposes:									
Total Gross Adjustment		20%	50%	15%	40%	20%	20%	20%	20%
Total Net Adjustment		20%	-50%	-15%	-40%	20%	20%	20%	20%

### *Physical Characteristics & Available Utilities*

The sales were all level ground with good waterfront/water view conditions. All but three of the sales had electric (E), telephone (T), public water (W) and sewer (S) service like the subject, so no adjustments were needed for available utilities or physical characteristics. The sales with private water and sewer systems were considered similar to the subject and not adjusted. The cost of amortizing a well and septic system is often the same amount as the yearly cost of public water and sewer bills.

### *Size*

All of the sales comparables had shorter waterfront than the subject. From our analysis, it was clear that properties with shorter lengths of waterfront/water view sold for less per front foot. Sales #2 and #4 were most similar to the ***subject property*** in length of waterfront/water view. Using the average price per WFF for these two sales, we adjusted the other sales accordingly.

### **Reconciliation of Maritime Activity Land Values**

The Maritime Activity Land Sales Comparison Chart and Valuation Analysis indicates an adjusted range of values from \$1,978 to \$8,505 per linear foot of water/water view frontage. Using the median price per foot from all eight sales/listings of \$2,299, we applied this price to the entire 317 linear feet of water frontage at the subject for a market value of the land at \$728,836, say \$729,000. This land value applies to all of the land utilized as the ferry service and the service commercial/warehouse and/or a self-storage facility use. Both of these uses are applicable to maritime activities and are enhanced by the directly accessible water frontage.

Based on the foregoing land sales analysis, the market value of the appraised maritime activity land (as-if vacant) as of the effective date of the valuation, February 15, 2013, is estimated to be: \$729,000.

### **Land Value Estimate – Commercial Office**

The valuation of any parcel of real estate, or tract of land considered as vacant, is derived principally through the analysis of available market data. This procedure results in the most probable selling price of a tract of land, based on historical sale prices of comparable properties.

Although the highest and best use of the subject property is a service commercial/warehouse and/or a self-storage facility use, part of the property is presently improved with a commercial office space in a different zone (Zone “B”), than the maritime activity zone.<sup>27</sup> As this office use appears to be a viable use, we focused our search on properties that exhibited similar highest and best use, lot characteristics, location, utilities, zoning (or allowed uses), and size. Because of the lack of commercial land sales in Southwest Harbor, we had to extract or allocate land prices from improved office property sales.

The land sales selected are considered the best available. They are described in detail as follows:

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<sup>27</sup> The land allocated to the office building is 0.5 +/- acres in the “B” zone.



**Office Commercial Sale #9:**



Map, Lot:	Map 7, Lot 34
Address:	246 Main Street, Southwest Harbor, Hancock County, Maine
Reference:	Hancock County Registry of Deeds
Book, Page:	Book 5668, Page 177
Grantor:	246 Main Street
Grantee:	C and B, LLC
Sales Date:	8/22/11
Reported Price:	\$300,000 by Public Records, MREIS
Days on Market:	491
Financing By:	The First, NA, holds a mortgage for \$301,000
Conditions of Sale:	Arm's Length Transaction
Location:	Commercial
Zoning:	"B" district
Sales History:	No sales in the prior three-year period.
Data By:	Ted Webersinn

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**LAND**

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Total Area:	0.92± Acre
Depth:	377± F
Road Frontage:	108± F
Shape:	Rectangular
Overall Topography:	Slight slope
To Road:	On grade
Utilities:	Electricity; Telephone; water and sewer
Miscellaneous:	

This is a small commercial office located on Main Street. The building has 2,072 +/- square feet of area above grade, and a full, unfinished, basement. It was built in 1850, but has undergone significant renovations. According to the listing broker, the property sold at a bargain. We adjusted the sales price by a 20% premium to get it up to close to the assessed value. According to the broker, Jane Pooler, the buyer's loan was based on additional considerations, and perhaps a higher appraisal, which created the 100% LTV. The LTV after adjustment for market was 84%. There is

also a first right of refusal option for listing and/or purchase held on the *adjacent* property by Gary Fountain and M. Rowley, real estate brokers. It appears to have little to no effect on the sales comparable. We have utilized the allocation technique to determine a sale price for the land only. We used the Town of Southwest Harbor's assessment of the property, with the allocation calculation as follows:

Land Assessed Value =	\$212,800	
Building Assessed Value =	<u>\$144,100</u>	
Total =	\$356,900	
Sale Price* =		\$360,000
Percent of land to total assessed value =		60%
Allocated land Price=		\$214,648

\*The price was adjusted upward by 20%.

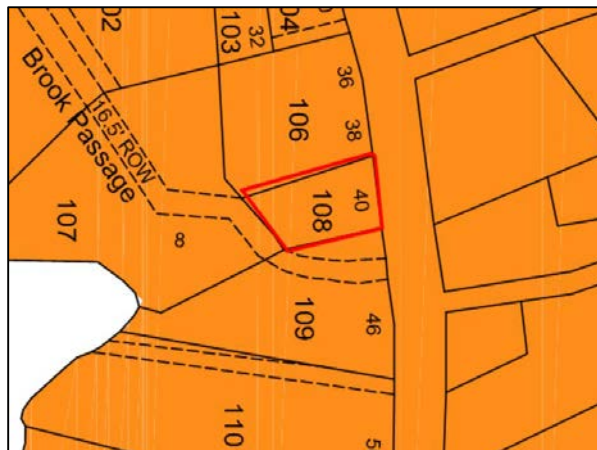
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INDICATED PRICE

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\$233,313 per acre (\$214,648 allocated land sale price / .92 ± acres).

**Office Commercial Sale #10:**



Map, Lot:	Map 3, Lot 108
Address:	40 Clark Point Rd., Southwest Harbor, Hancock County, Maine
Reference:	Hancock County Registry of Deeds
Book, Page:	Book 5781, Page 56
Grantor:	Auclair
Grantee:	Mink
Sales Date:	3/13/12
Reported Price:	\$207,500 by Public Records, MREIS
Days on Market:	144
Financing By:	Bar Harbor Bank & Trust holds a mortgage for \$281,500, which includes a renovation construction loan.
Conditions of Sale:	Arm's Length Transaction
Location:	Commercial
Zoning:	"A" district
Sales History:	No sales in the prior three-year period.
Data By:	Ted Webersinn

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**LAND**

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Total Area:	0.10± Acre
Depth:	86± F
Road Frontage:	50± F with very limited water view
Shape:	Rectangular
Overall Topography:	Slight slope to level
To Road:	On grade
Utilities:	Electricity; Telephone; water and sewer
Miscellaneous:	

This sale consisted of a small carpentry shop located on Clark Point Road. The building has 1,632 +/- square feet of area above grade, and a full, unfinished, basement. It was built in 1946, but has undergone significant renovations. According to the listing broker, the buyer purchased the property to convert it to a residence. We have utilized the allocation technique to determine a sale price for the land only. We used the Town of Southwest Harbor's assessment of the property,

with the allocation calculation as follows:

Land Assessed Value =	\$124,200	
Building Assessed Value =	<u>\$60,900</u>	
Total =	\$185,100	
Sale Price =		\$207,500
Percent of land to total assessed value =		67%
Allocated land Price=		\$139,230

---

INDICATED PRICE

\$1,392,300 per acre (\$139,230 allocated land sale price / 0.10 ± acres),

**Office Commercial Sale #11:**



Map, Lot:	Map 7, Lot 22
Address:	204 Main St., Southwest Harbor, Hancock County, Maine
Reference:	Hancock County Registry of Deeds
Book, Page:	Book 5502, Page 331
Grantor:	McFarland
Grantee:	Robinette
Sales Date:	10/18/10
Reported Price:	\$125,000 by Public Records, MREIS
Days on Market:	1,431
Financing By:	Seller took back a mortgage for \$75,000 – 60% loan to value (LTV)
Conditions of Sale:	Arm's Length Transaction
Location:	Commercial
Zoning:	"B" district
Sales History:	No sales in the prior three-year period.
Data By:	Ted Webersinn

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**LAND**

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Total Area:	0.25± Acre
Depth:	90± F
Road Frontage:	199± F (Total of Seal Cove Road and SR 102)
Shape:	Rectangular
Overall Topography:	Slight slope to level
To Road:	On grade
Utilities:	Electricity; Telephone; water and sewer
Miscellaneous:	

This sale consisted of a small office that housed the Southwest Harbor/Tremont Chamber of Commerce. The building has 1,008 +/- square feet of area above grade, and a full, unfinished, basement. It was built in 1930, but has undergone significant renovations. We have utilized the allocation technique to determine a sale price for the land only. We used the Town of Southwest Harbor's assessment of the property, with the allocation calculation as follows:

**Manset Property – Town of Cranberry Isles, Southwest Harbor, ME**

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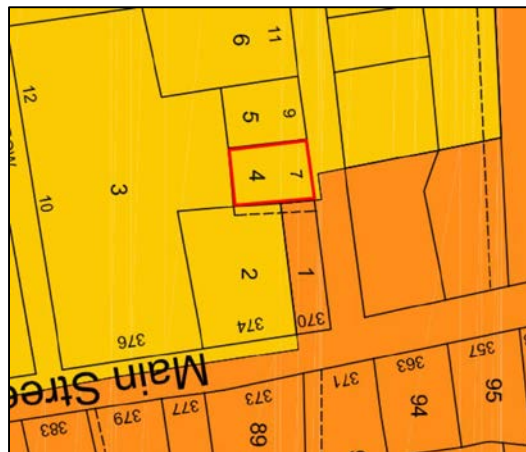
Land Assessed Value =		\$74,400	
Building Assessed Value =		<u>\$60,800</u>	
Total =		\$135,200	
Sale Price =			\$125,000
Percent of land to total assessed value =			55%
Allocated land Price=			\$68,787

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**INDICATED PRICE**

\$275,148 per acre (\$68,787 allocated land sale price / 0.25 +/- acres).

**Office Commercial Sale #12:**



Map, Lot:	Map 3, Lot 4
Address:	7 Wesley Avenue, Southwest Harbor, Hancock County, Maine
Reference:	Hancock County Registry of Deeds
Book, Page:	Book 5485, Page 209
Grantor:	Wilson
Grantee:	Wolak
Sales Date:	9/22/10
Reported Price:	\$80,000 by Public Records, MREIS
Days on Market:	155
Financing By:	Cash
Conditions of Sale:	Arm's Length Transaction
Location:	Commercial
Zoning:	"B" district
Sales History:	No sales in the prior three-year period.
Data By:	Ted Webersinn

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**LAND**

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Total Area:	0.17± Acre
Depth:	115± F
Road Frontage:	64± F
Shape:	Rectangular
Overall Topography:	Slight slope to level
To Road:	On grade
Utilities:	Electricity; Telephone; water and sewer
Miscellaneous:	

This sale consisted of a small rooming house with 1,893 +/- square feet above grade located on a commercially zoned lot. However, the lot has no visibility on Main Street as it is located on a side street of the central business district. It has a full, unfinished, basement. It was built in 1911, and needs work, according to the listing broker. We have utilized the allocation technique to determine a sale price for the land only. We used the Town of Southwest Harbor's assessment of the property, with the allocation calculation as follows:

**Manset Property – Town of Cranberry Isles, Southwest Harbor, ME**

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Land Assessed Value =		\$83,000	
Building Assessed Value =		<u>\$49,200</u>	
Total =		\$132,200	
Sale Price =			\$80,000
Percent of land to total assessed value =			63%
Allocated land Price=			\$50,227

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**INDICATED PRICE**

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\$295,453 per acre (\$50,227 allocated land sale price / 0.17± acres).



**Office Commercial Sale #13:**



Map, Lot:	Map 6, Lot 47
Address:	310 Main Street, Southwest Harbor, Hancock County, Maine
Reference:	Hancock County Registry of Deeds
Book, Page:	Book 5737, Page 344
Grantor:	Hatcher
Grantee:	Elvidge
Sales Date:	12/21/11
Reported Price:	\$290,000 by Public Records, MREIS
Days on Market:	181
Financing By:	Bar Harbor Bank & Trust holds a mortgage for \$270,000 (93% LTV)
Conditions of Sale:	Arm's Length Transaction
Location:	Commercial
Zoning:	"B" district
Sales History:	No sales in the prior three-year period.
Data By:	Ted Webersinn

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**LAND**

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Total Area:	0.33± Acre
Depth:	195± F
Road Frontage:	74± F
Shape:	Rectangular
Overall Topography:	Slight slope to level
To Road:	On grade
Utilities:	Electricity; Telephone; water and sewer
Miscellaneous:	

This sale consisted of a house converted to a commercial office use with 1,450 +/- square feet above grade. It has a full, finished, basement. It was built in 1940, but has been renovated. It was the office for Davis Real Estate, a long-established broker in the area. We have utilized the allocation technique to determine a sale price for the land only. We used the Town of Southwest Harbor's assessment of the property, with the allocation calculation as follows:

Land Assessed Value =	\$101,700	
Building Assessed Value =	\$94,000	
Total =	\$195,700	
Sale Price =		\$290,000
Percent of land to total assessed value =		52%
Allocated land Price=		\$150,705

---

INDICATED PRICE

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\$456,681 per acre (\$150,705 allocated land sale price / 0.33± acres).

### **Summary of Office Commercial Land Sales:**

Sale #	Sale Date	Land Sale Price	Area (Acres)	Road Frontage (Ft)	\$ per Acre	\$ per FF
9	8/22/2011	\$214,648	0.92	108	\$233,313	\$1,987
10	3/13/2012	\$139,230	0.1	50	\$1,392,300	\$2,785
11	10/18/2010	\$68,787	0.25	102	\$275,148	\$674
12	9/22/2010	\$50,227	0.17	64	\$295,453	\$785
13	12/21/2011	\$150,705	0.33	74	\$456,682	\$2,037
Medians=					\$295,453	\$1,987

### **Analysis of Office Commercial Land Sales**

The unadjusted sales ranged from \$233,313 to \$1,392,300 per acre. In analyzing the cited sales, we determined that the best unit of comparison is the price per acre. Purchasers of land for commercial office development, more often than not, base their purchase decision on an acreage basis as highway exposure is less critical for office space.

**The Office Commercial Land Sales Comparison Chart and Valuation Analysis is provided on the following page.** It contains the adjustments, in order of application and importance, to each comparable for property rights, financing, conditions of sale, market conditions, location, physical characteristics, size and utilities on site. The adjustment percentages are rounded to the nearest whole number.

#### *Property Rights*

All of the property rights conveyed were fee simple, so no adjustments were needed based on property rights.

#### *Financing*

All of the sales were for cash or market equivalent, thus no adjustments are needed for financing.

#### *Conditions of Sale*

All of the sales were reported as arms-length, requiring no adjustments. However, the listing agent insisted that Sale #9 was sold at below market price. We estimated that Sale #9 needed to be adjusted upward by 20% to a price closer to the assessed value. This adjustment was added prior to being included in the analysis chart.

#### *Market Conditions*

The neighborhood is suffering from a stalled economy that has yet to recover to the high level of commercial and maritime activity attained prior to the recession. Based on our discussions with knowledgeable market participants, we made a 0% annual adjustment for the time frame of the land sales used in this analysis. Sales agents report that although there are signs of stabilization, no signs of improvement are evident, and no adjustments are warranted.

#### *Location*

All of the sales comparables were located close-by in Southwest Harbor. Although Sale #10 purportedly had a water view from the rear of its lot, the view was very limited, blocked mostly by the neighboring property.

OFFICE COMMERCIAL LAND SALES COMPARISON CHART AND VALUATION ANALYSIS						
	SUBJECT	SALE 9	SALE 10	SALE 11	SALE 12	SALE 13
Address	15 Mansell Lane P.O. Map 17, Lot 112	246 Main St. Map 7, Lot 34	40 Clark Point Rd. Map 3, Lot 108	204 Main St. Map 7, Lot 22	7 Wesley Ave. Map 3, Lot 4	310 Main St. Map 6, Lot 47
Tax Identification Number						
Sale Price (Land Only)		\$214,648	\$139,230	\$68,787	\$50,227	\$150,705
Price per Acre		\$233,313	\$1,392,300	\$275,148	\$295,453	\$456,682
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing		Conventional	Conventional	Conventional	Cash	Conventional
Conditions of Sale		Arm's-Length & Norm. Motivation	Arm's-Length & Norm. Motivation	Arm's-Length & Norm. Motivation	Arm's-Length & Norm. Motivation	Arm's-Length & Norm. Motivation
Effective Date of Appraisal	3/21/13					
Date of Sale		8/22/11	3/13/12	10/18/10	9/22/10	12/21/11
Location	Southwest Harbor	Southwest Harbor	Southwest Harbor	Southwest Harbor	Southwest Harbor	Southwest Harbor
Characteristics:						
Location	Commercial Road Front	Comparable	Comparable	Comparable	Comparable	Comparable
Physical Characteristics	Average	Comparable	Comparable	Comparable	Comparable	Comparable
Utilities On-Site	E, T, W, S	E, T, W, S	E, T, W, S	E, T, W, S	E, T, W, S	E, T, W, S
Size - Square Feet	21,780	40,075	4,356	10,890	7,405	14,375
Size - Acres	0.50	0.92	0.10	0.25	0.17	0.33
ADJUSTMENTS		SALE 9	SALE 10	SALE 11	SALE 12	SALE 13
Price per Acre		\$233,313	\$1,392,300	\$275,148	\$295,453	\$456,682
Property Rights Adjustment		0%	0%	0%	0%	0%
Adjusted Price		\$233,313	\$1,392,300	\$275,148	\$295,453	\$456,682
Financing Adjustment		0%	0%	0%	0%	0%
Adjusted Price		\$233,313	\$1,392,300	\$275,148	\$295,453	\$456,682
Conditions of Sale Adjustment		0%	0%	0%	0%	0%
Adjusted Price		\$233,313	\$1,392,300	\$275,148	\$295,453	\$456,682
Market Conditions Adjustment		0%	0%	0%	0%	0%
Adjusted Price		\$233,313	\$1,392,300	\$275,148	\$295,453	\$456,682
Locational and Physical Adjustments:						
Location		0%	0%	0%	0%	0%
Adjustment		\$-	\$-	\$-	\$-	\$-
Adjusted Price per Acre		\$233,313	\$1,392,300	\$275,148	\$295,453	\$456,682
Physical Characteristics		0%	0%	0%	0%	0%
Adjustment		\$-	\$-	\$-	\$-	\$-
Adjusted Price per Acre		\$233,313	\$1,392,300	\$275,148	\$295,453	\$456,682
Utilities on Site		0%	0%	0%	0%	0%
Adjustment		\$0	\$0	\$0	\$0	\$0
Adjusted Price per Acre		\$233,313	\$1,392,300	\$275,148	\$295,453	\$456,682
Size Adjustment		7.5%	-80%	-7.5%	-15%	-45%
Adjustment		\$17,498	\$(1,113,840)	-\$20,636	-\$44,318	\$(205,507)
Adjusted Price per Acre		\$250,812	\$278,460	\$254,512	\$251,135	\$251,175
Adjusted Price per Acre		\$250,812	\$278,460	\$254,512	\$251,135	\$251,175
For Comparison Purposes:						
Total Gross Adjustment		8%	80%	8%	15%	45%
Total Net Adjustment		8%	-80%	-8%	-15%	-45%

### *Physical Characteristics & Available Utilities*

The sales were all level to slightly sloping ground with adequate road frontage. All of the sales had electric (E), telephone (T), public water (W) and sewer (S) service like the subject, so no adjustments were needed for available utilities or physical characteristics.

### *Size*

Except for Sale #9, all of the sales comparables were smaller than the **subject property**. Typically, smaller sized properties sell for a higher price per unit than larger properties. Taking the average price per acre (\$254,000 per acre), of Sale #9 (.92 Acres), and Sale #11 (.25 Acres), we adjusted the larger Sale #1 upward to that average price and all of the smaller sales downward to that price.

### **Reconciliation of Office Commercial Land Values**

The Office Commercial Land Sales Comparison Chart and Valuation Analysis indicates an adjusted range of values from \$250,812 to \$278,460 per acre of land. Using the median price per acre from all of the sales of \$251,175, we applied this price to the 0.504 acres at the subject for a market value of the land at \$126,625.

Based on the foregoing land sales analysis, the market value of the appraised Office Commercial land (as-if vacant) as of the effective date of the valuation, February 15, 2013, is estimated to be: \$126,625.

### **Total Land Value**

Based on the above analyses, the total value of the 3.34 acres is \$855,625. The breakdown is as follows:

Property	Size (Acres)	Price per Acre	Price of Property
Office	0.504	\$251,175	\$126,625
Warehouse/Shop	1.245	\$257,064	\$319,926
Ferry Terminal	<u>1.591</u>	\$257,064	<u>\$409,074</u>
	3.340	\$256,175	\$855,625

### **Cost Estimate of the Improvements**

**The Cost Estimate Using Marshall Valuation (All Improvements) - Shore Road and Mansell Lane, Southwest Harbor, ME; the Cost Estimate Using Marshall Valuation (Ferry Landing) - Shore Road, Southwest Harbor, ME; and the Cost Estimate Using Marshall Valuation (Office) - Mansell Lane, Southwest Harbor, ME; are provided on subsequent pages.**

### **Improvements**

The improvements are described in the DESCRIPTION OF THE REAL ESTATE.

### **Unit Construction Costs**

We used the calculator method to estimate the value. The main source of our data was Marshall Valuation Service, Section 12, "Office Buildings" and Section 14, "Warehouses." We used the Average Class "D" and "S" Building category of Marshall Valuation Service adjusted for the effective date of the appraisal. This calculator method is used to derive a cost estimate in terms of dollars per unit of area. The unit price was adjusted to the current date of the estimate, as well as for building height, building perimeter, and locational adjustment for Bangor, Maine.

### **Soft Costs**

The soft costs include architectural fees (including site, structural and mechanical engineering), legal and accounting, construction loan interest and financing fees or “loan points.” These costs are reflected in the Marshall Valuation unit costs.

### **Land Value**

The land value for each unit of use is based on the preceding section (*Total Land Value*), of this Cost Approach.

### **Entrepreneurial Profit**

This represents the fee, derived from the market, which represents the amount that the developer of the property expects to receive in addition to the costs of the improvements. Interviews with our sources indicated a rate from 3% to 15% based on the hard costs only, hard costs plus soft costs or the total cost of the project including land. Our sources for entrepreneurial profit included the following individuals:

1. Richard Cattelle (207-942-3081) is a developer of office buildings in the Bangor area.
2. Glenn Thompson, President, Educational Development, Inc., (301-593-7480), is a developer of private educational facilities throughout the Mid-Atlantic and Southeast.
3. John Colannino and Mo Fer, (ERA Dawson Real Estate, 207-947-6788) are commercial real estate brokers in Bangor, Maine.
4. Robert DeSimone, (President and Broker, Island Realty, 207-288-0111).

Glenn Thompson, for example, takes a 10% bonus equity share of each project he develops on behalf of his partnerships rather than a cash fee. Richard Cattelle insists on an entrepreneurial profit that at least mimics the market cap rate. Robert DeSimone states that his clients look for rates from 10% to 20% of the total costs before “they touch the deal.” Mo Fer, a broker with ERA Dawson, also agrees with the cap rate entrepreneurial profit.

Entrepreneurial profit is often “hidden” in a project, as most lenders do not like to include it in their loan amount. However, banks will often accept a lower 3-5% developer’s fee. In other cases, what starts out as an expectation of a high entrepreneurial profit may start to dwindle if over-runs, or a turn in the economy, are encountered. In some cases of owner-occupant properties, the profit may be low or non-existent. The entrepreneurial profit then comes by way of a secure, customized place to conduct one’s business on one’s own terms rather than dealing with a landlord. The eventual equity buildup in the property with the return after a future sale is often enough to encourage the risk of development. Because of the “ethereal” nature of these profits, they are not listed as benchmarks like bond yield rates and they range widely.

Considering that there are alternative investments with less risk than real estate, we analyzed “riskless” rates and compared them with internal rates of return (IRRs) for institutional and non-institutional-grade properties. In February of 2013, the “riskless” rate for 10-year U. S. Treasury Bills was 2.02%<sup>28</sup>. The institutional grade IRRs for commercial strip shopping center properties ranged from 6.5% to 12.5%, and the non-institutional grade IRRs ranged from 9.5% to 15.5% for the same categories of property, with an average rate of 11.42%.<sup>29</sup> The Korpacz Yield Indicator, a composite IRR average of the real estate markets surveyed,<sup>30</sup> gradually increased from

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<sup>28</sup>www.forecasts.org

<sup>29</sup> PWC, Korpacz Real Estate Investor Survey, First Quarter, 2013.

<sup>30</sup>Ibid.

8.47% in 2008 to its present rate of 8.56%. Based on our anecdotal evidence, the range of expected entrepreneurial profits appears to mimic the yield rate expectations of similar type properties according to Korpacz's Investor Survey. In our opinion, it would be reasonable to assign a rate of entrepreneurial profit for the subject properties that at least approaches the non-institutional rate of 10.8%, which supports the often quoted "10 percent of the total cost."

### **External Obsolescence**

"Depreciation is the difference between the market value of an improvement and its cost at the time of the appraisal."<sup>31</sup> In the Cost Approach, the depreciation attributable to all causes is calculated and deducted from the total cost to arrive at depreciated cost. Then an estimate of the value of the land is added to the depreciated cost to provide an indication of the **market value** of the property."<sup>32</sup> It should be noted that the external obsolescence does not apply to the ferry terminal. The ferry terminal is considered a special purpose property, and as such, is rarely leased to others in the market.

Outside of the normal deterioration of the subject which was estimated using Marshall Valuation Tables, the buildings (associated with the office and warehouse uses), are suffering from external obsolescence. External obsolescence is defined as "a temporary or permanent impairment of the utility or marketability of an improvement or property due to negative influences outside of the property. External obsolescence may result from adverse market conditions. Because of its fixed location, real estate is subject to external influences that usually cannot be controlled by the property owner, landlord, or tenant."<sup>33</sup>

In the INCOME CAPITALIZATION APPROACH, the comparable rental rates for warehouse/shop/self-storage buildings ranged from \$4.32 per square foot to \$7.50 per square foot, with a median rate of \$5.97, after adjustments. The comparable rental rates for office space ranged from \$8.00 to \$14.02 with a median rate of \$10.80, after adjustments. The market values by the income capitalization approach for the office building and the warehouse/shop/self-storage facility were \$400,000 and \$356,000 respectively. However, the cost to buy the land and build the same commercial office and a warehouse/shop/self-storage facility (after deduction for physical deterioration) could reach \$606,773 and \$630,254, respectively. In the marketplace, suburban office and service commercial or industrial properties sell at capitalization rates that range from 9.75% to 10.25%.<sup>34</sup> If the net operating incomes from the subject property, capitalized at market rates, are not high enough to produce the same value as the depreciated cost of the improvements, then the rents attainable at each property are too low to be considered as structural rents. Structural rents are defined as market rental rates that will make new construction feasible.

### *External Obsolescence – Office Building*

The cost of buying the land and building the same type of office building and parking facilities in 2013, would cost approximately \$606,773.<sup>35</sup> The net operating income required to produce a 10.25% yield on the cost to buy the land and build the improvements on the **subject property** is \$62,194 while the NOI attainable under the market rents is only \$42,801. Based on the income capitalization approach, we have capitalized the differences in net operating income (net operating income (NOI)) at 10.25% producing an amount of \$189,206 in external obsolescence. The calculations are as follows:

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<sup>31</sup>Op. Cit., *Appraisal of Real Estate*, p. 391.

<sup>32</sup> Ibid., P. 393.

<sup>33</sup> Ibid., p. 443.

<sup>34</sup> PWC, Korpacz Real Estate Investor Survey, First Quarter, 2013, adjusted to a non-institutional investment.

<sup>35</sup> Physical and functional depreciation were deducted from the cost of the buildings as if new, however, we did not add in any entrepreneurial profit.

<b>External Obsolescence - Office Building</b>			
Value by the Income Approach =			\$417,567
Less NOI Deficit =			<u>-\$21,138</u>
Total Value by the Income Approach =			\$396,429
Existing NOI =			\$42,801
NOI needed to support a	\$606,773	Cost at a 10.25% yield =	<u>\$62,194</u>
Difference =			\$19,394
Value of difference capped at 10.25% =			\$189,206
Total External Obsolescence =			\$189,206

Deducting this amount from the cost estimate reduces the value by the cost approach to \$450,000 (rounded).

*External Obsolescence – Warehouse/Shop, Self- Storage Buildings*

The cost of buying the land and building the same type of building and parking facilities in 2013, would cost approximately \$630,254. The net operating income required to produce a 9.75% yield on the cost to build the subject is \$61,450, while the NOI attainable under the market rents is only \$31,233. Based on the income capitalization approach, we have capitalized the differences in net operating income (net operating income (NOI)) at 9.75% producing an amount of \$309,914 in external obsolescence. The calculations are as follows:

<b>External Obsolescence - Warehouse/Shop/Self-Storage Buildings</b>			
Value by the Income Approach =			\$320,340
Less NOI Deficit =			<u>-\$13,462</u>
Total Value by the Income Approach =			\$306,878
Existing NOI =			\$31,233
NOI needed to support a	\$630,254	Cost at a 9.75% yield =	<u>\$61,450</u>
Difference =			\$30,217
Value of difference capped at 9.75% =			\$309,914
Total External Obsolescence =			\$309,914

Deducting this amount from the cost estimate reduces the value by the cost approach to \$320,000 (rounded). The reader should note that the depreciation nearly exceeds the cost of the buildings new. Therefore, the value exhibited by the Cost Approach for the Warehouse/Shop, Self-Storage portion of the property is mainly in the land.

**Excess Land Calculations**

The floor area ratio (FAR) of the existing warehouse/shop and self-storage part of the property is .213. Typically, where there is public water and sewer, properties such as these can reach a FAR of .30. Since the subject FAR is below .30, and there appears to be a potential vacant lot along the north boundary of the property, there appears to be excess land on the subject property. We have calculated the following:



Excess Land Calculations - Warehouse/Shop/Self-Storage				
Existing Land Area (Acres):				1.2445
Existing Land Area (SF):				54,212
Land Value Per Acre				\$257,064
Land Value:				\$319,926
Existing Building (SF):	11,539	SF GBA		
Land Area (SF):			54,212	
Existing Floor Area Ratio (FAR):		0.213		
Typical FAR with Public Sewer & Water:		0.300		
Existing Building (SF):		11,539		
Land Area Needed (SF):			38,463	
Difference:			15,749	
Net Excess Land (Acres):			0.362	
Value of Excess Land:			\$92,939	

Excess land at an improved site is the land not needed to serve or support the existing improvement. Such land may be separated from the larger site and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement.

The excess land for the warehouse/shop/self-storage is already included in the cost approach, however, it will be applied to the market value by the Income Capitalization and the Sales Comparison Approaches.

#### **Replacement Cost Estimate of Buildings:**

The Cost Estimates Using Marshall Valuation Service is provided on subsequent pages. The unit costs were obtained from Marshall Valuation Service, using costs that were current as of the effective date of this report. Specific section and page notations are included for reference. The total depreciated estimate of cost of all of the improvements and the land is as follows:

Property	Cost Estimate
Entire 3.34 Acres	\$1,490,000
Ferry Terminal (1.59 Acres)	\$743,000
Office (0.504 Acres)	\$450,000
Warehouse/Shop (1.24 Acres)	\$320,000

#### **Cost Approach Conclusion:**

Based on the foregoing Cost Approach, the “as-is” *Market Value* of the subject property as of February 15, 2013 was: \$1,490,000.

Cost Estimate Using Marshall Valuation (All Improvements) - Shore Road and Mansell Lane, Southwest Harbor, ME									
As of 3/13	Item	Quantity	Unit	Cost/Unit	Cost	Multiplier	Source		
<b>Site Costs:</b>									
	Site Work - General	145,490	SF	\$ 1.50 =	\$ 236,022	1.082	Marshall Valuation, Section 66		
	Parking Lots	143	Spaces	\$ 1,600 =	\$ 247,447	1.082	Marshall Valuation, Section 66		
	Pier	972	SF	\$ 55 =	\$ 57,817	1.082			
	Ramps and Floats	2,618	SF	\$ 30 =	\$ 84,941	1.082			
	<b>Total Site Costs:</b>				\$ 626,227				
<b>Building Costs:</b>									
	Warehouse/Shop	5,959	SF	\$24.10 =	\$150,967	1.051	Marshall Valuation, Section 14		
	Self-Storage	5,040	SF	\$20.54 =	\$101,464	0.980	Marshall Valuation, Section 14		
	Apartment	540	SF	\$45.00 =	\$26,280	1.082	Marshall Valuation, Section 14		
	Unfinished Attic	6,615	SF	\$12.00 =	\$85,849	1.082	Marshall Valuation, Section 14		
	Office Building	5,386	SF	\$77.39 =	\$428,254	1.027	Marshall Valuation, Section 12		
	Unfinished Partial Basement	1,176	SF	\$ 12.00 =	\$15,262	1.082	Marshall Valuation, Section 12		
	Garage	480	SF	\$ 25.00 =	\$12,978	1.082	Marshall Valuation, Section 12		
	<b>Subtotal Cost of Buildings:</b>				\$ 821,055				
	<b>Total Building Costs:</b>				\$ 1,447,282				
	<b>Total Replacement New:</b>					Cost before depreciation from all sources.			
<b>Physical Deterioration:</b>									
	Warehouse/Shop	39%							
	Warehouse	39%							
	Apartment	39%							
	Unfinished Attic	39%							
	Office Building	11%							
	Unfinished Partial Basement	11%							
	Garage	11%							
	Parking Lots	45%							
	Pier	50%							
	Ramps and Floats	50%							
	<b>Total Physical Deterioration:</b>								
<b>External Obsolescence:</b>									
	External Obsolescence Due to Market Rent Limitations at Subject								
	<b>Total Depreciation from All Sources:</b>								
	<b>Value Estimate of Improvements by the Cost Approach:</b>								
	Add Land Value:	3.34	Acres @	\$ 256,175 =	\$855,625				
	Entrepreneurial Profit:	10%	of depreciated improvements	10.00% =	\$57,304				
	<b>Total Land and Entrepreneurial Profit:</b>								
	Total Value by the Cost Approach as of 3/2013 =				\$ 912,929				
					\$ 1,485,968	say	\$ 1,490,000		

Cost Estimate Using Marshall Valuation (Ferry Landing and Pier) - Shore Road, Southwest Harbor, ME									
As of 3/13									
Item	Quantity	Unit	Cost/Unit	Cost	Multiplier	Source			
<b>Site Costs:</b>									
Site Work - General	69,318	SF	\$ 1.50 =	\$ 112,452					
Parking Lots	126	Spaces	\$ 1,600 =	\$ 218,030	1.082	Marshall Valuation, Section 66			
Pier	972	SF	\$ 55 =	\$ 57,817	1.082	Marshall Valuation, Section 66			
Ramps and Floats	2,618	SF	\$ 30 =	\$ 84,941	1.082				
<b>Total Site Costs:</b>				\$ 473,240					
<b>Building Costs:</b>									
<b>Total Building Costs:</b>					Multiplier				
<b>Total Replacement Cost New:</b>				\$0					
<b>Physical Deterioration:</b>				\$ 473,240	Cost before depreciation from all sources.				
Parking Lots	45%			-\$ 98,114					
Pier	50%			-\$ 28,908					
Ramps and Floats	50%			-\$ 42,471					
<b>Total Physical Deterioration:</b>			=	-\$ 169,493					
<b>Total Depreciation from All Sources:</b>				-\$ 169,493					
<b>Value Estimate of Improvements by the Cost Approach:</b>				\$ 303,747					
Add Land Value:	1.59 Acres	@	\$257,064 =	\$409,074					
Entrepreneurial Profit:	10% of depreciated improvements		10.00% =	\$30,375					
<b>Total Land and Entrepreneurial Profit:</b>				\$439,449					
Total Value by the Cost Approach as of 3/2013 =				\$743,197	say	\$ 743,000			
<div> <div>Adjustment Factors - Site Work, etc.</div> <div> <div>1.05 12/11 to 3/13 multiplier</div> <div>N. A. Height Adjustment</div> <div>N. A. Perimeter adjustment</div> <div>1.03 Local Cost Multiplier</div> </div> </div>									



Cost Estimate Using Marshall Valuation (Warehouse/Shop/Self-Storage) - Mansell Lane, Southwest Harbor, ME						
As of 3/13						
Item	Quantity	Unit	Cost/Unit	Cost	Multiplier	Source
<b>Site Costs:</b>						
Site Work - General	54,212	SF	\$ 1.50 =	\$ 87,945	1.082	Marshall Valuation, Section 66
<b>Total Site Costs:</b>				\$ 87,945		
<b>Building Costs:</b>						
Warehouse/Shop	5,959	SF	\$24.10 =	\$150,967		
Self-Storage Warehouse (no heat)	5,040	SF	\$20.54 =	\$101,464		
Apartment	540	SF	\$45.00 =	\$26,280		
Unfinished Attic	6,615	SF	\$12.00 =	\$85,849		
<b>Subtotal Cost of Buildings:</b>				\$ 364,561		
<b>Total Building Costs:</b>				\$ 364,561		
<b>Total Reproduction Cost New:</b>				\$ 452,507		Cost before depreciation from all sources.
<b>Physical Deterioration:</b>						
Warehouse/Shop	39%			-\$ 58,877		
Warehouse	39%			-\$ 39,571		
Apartment	39%			-\$ 10,249		
Unfinished Attic	39%			-\$ 33,481		
<b>Total Physical Deterioration:</b>			=	-\$ 142,179		
<b>External Obsolescence:</b>						
External Obsolescence Due to Market Rent Limitations at Subject:			=	-\$ 309,914		
<b>Total Depreciation from All Sources:</b>				-\$ 452,093		
<b>Value Estimate of Improvements by the Cost Approach:</b>				\$ 414		
Add Land Value:	1.24 Acres	@	\$257,064 =	\$319,926		
Entrepreneurial Profit:	10% of depreciated improvements		10.00% =	\$41		
<b>Total Land and Entrepreneurial Profit:</b>				\$319,967		
Total Value by the Cost Approach as of 3/2013 =				\$320,381		
				say	\$320,000	
<b>Adjustment Factors - Warehouse/Shop</b>						
					1.05 2/12 to 3/13 multiplier	
					1.0000 Height Adjustment	
					0.972 Perimeter adjustment	
					1.03 Local Cost Multiplier	
<b>Adjustment Factors - Warehouse</b>						
					1.05 5/12 to 3/13 multiplier	
					0.9210 Height Adjustment	
					0.984 Perimeter adjustment	
					1.03 Local Cost Multiplier	

## INCOME CAPITALIZATION APPROACH

In this approach to value, the estimated net income that is generated from the building as rent, is capitalized at an appropriate rate to determine the value. These capitalization rates are derived from market indicators. The rent for the building under appraisal is usually derived by a history of operating statements, then compared with market rents for similar uses. The survey of the market for comparable rental buildings either indicates an approximate market rent which the property would most probably command on the open market, or reinforces the subject's present rental rates. This market rent is then multiplied by the net rental area to obtain a gross income for the property. From this income is deducted all expenses to obtain the Net Operating Income (NOI). This NOI is then capitalized at an appropriate rate to determine the market value of the income producing property.

### General

The Income Approach to Value is based on the following appraisal principles:

1. **Anticipation and Change** - "Anticipation is fundamental to the Income Capitalization Approach. All income capitalization methods, techniques, and procedures attempt to forecast benefits and estimate their present value."<sup>36</sup>

2. **Supply and Demand** - "The principle of supply and demand and the related concept of competition are particularly relevant in forecasting future benefits and estimating rates of return in the income capitalization approach. Both income streams and rates of return are determined in the market. Therefore, to estimate rates of return and forecast future benefits, appraisers consider the demand (both present and anticipated) for the particular type of property and how this relates to supply."<sup>37</sup>

### Methodology

There are two methods available for analyzing the projected income for income-producing properties: *direct capitalization* with an overall rate (OAR) and the *discounted cash flow analysis* (DCF). Direct capitalization involves estimating the potential gross income (PGI) of the subject property for a typical or "stabilized" year. The PGI is reduced by a stabilized vacancy and rent loss rate to arrive at effective gross income (EGI). Stabilized expenses incurred in operating the property are subtracted from EGI to arrive at net operating income (NOI). The NOI is then divided by an appropriate overall rate derived from sales of similar properties and/or estimated from other market data to arrive at an estimate of value.

The DCF method involves projecting estimates of actual cash flows (income, expenses, and resale proceeds) over the time period a typical investor would own a property similar to the one being appraised. These cash flow estimates are discounted to present value using a discount rate which is derived from similar investments or using other market data.

Both methods are widely used. The direct capitalization method has the advantage of simplicity, and is most often used in cases where the income and expenses are likely to be constant or change at a constant rate over the projected holding period. In contrast, the DCF method is usually more time consuming and complicated. However, it has the advantage of being more sensitive to changes in numerous variables (such as vacancy, rent levels, rental concessions, etc.).

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<sup>36</sup>Op. Cit., *Appraisal of Real Estate*, 13th Edition, p. 446.

<sup>37</sup>Ibid., p. 446.

It can be used to estimate the impact on value of a variety of possible situations. Further, since actual cash flows are estimated, the effect of leases or encumbrances can be incorporated into the analysis. The method which is applied in a particular instance should be based on the method the typical purchaser/investor would use to evaluate the property.

### **Subject Property and the Appropriate Method**

The appraised property consists of a mixed-use property with both office use and maritime activity uses. This is in addition to the main existing use of the property which is a terminal for ferry service to and from the Cranberry Isles. Purchasers of these types of properties generally do not use complicated or exhaustive cash flow analyses to value them. Since an investor in properties similar to the subject would likely use direct capitalization, it will be applied in this report. Outlined below are the major steps involved in applying direct capitalization:

1. Estimate the potential gross income based on contract rent, market rent and other income, if any.
2. Estimate effective gross income by estimating and deducting vacancy likely to be experienced over the typical holding period.
3. Estimate and deduct expenses of operation to arrive at the net operating income.
4. Estimate and apply the appropriate overall rate to the net operating income to arrive at the estimate of value.

### **Existing Leases**

The subject property is presently leased to 7 tenants. All leases are considered to be at arms-length. **The Rent Roll – Shore Road and Mansell Lane, Southwest Harbor, ME, is provided on a subsequent page.** We have prepared the following lease abstracts for each tenant:

#### **Tenant Number 1:**

<b>Landlord:</b>	The Inhabitants of Cranberry Isles
<b>Tenant:</b>	Marsh & McLennan Real Estate Services, Inc.
<b>Premises:</b>	4,996 sq. ft. of leasable office space, renovated to tenant's specifications.
<b>Term:</b>	The lease began on 9/1/2005 and terminated on 8/31/2009. It has been renewed four times and will be renewed again on 9/1/2013.
<b>Rent:</b>	Rent of \$28,000 per year (\$5.60 per square foot of space, Net). After 9/1/2013, the rent increases to \$29,000 +/- (depending upon the CPI), or \$5.82 per square foot of space, Net.
<b>Percentage Rent:</b>	None.
<b>Taxes:</b>	100% of the Real Estate Tax charges, paid by tenant.
<b>Improvements:</b>	Office space.
<b>Uses:</b>	Insurance office.
<b>Maintenance and Repairs:</b>	Lessee shall maintain the interior of the leased space. Lessor is responsible for maintaining the electric, plumbing, heating, landscaping and all parts of the building except the interior.
<b>Utilities:</b>	Responsibility of lessee.
<b>Garbage Collection:</b>	Lessor
<b>Snow Plowing:</b>	Lessor

**Fire Insurance:** Lessor maintains "All-risk" insurance.  
**Liability Insurance:** Paid by lessee  
**Assignment:** Written permission needed, but not unreasonably withheld with notice to lessor.  
**Remarks:** The lease calls for the lessee to pay for garbage collection, casualty insurance, landscaping maintenance and snow plowing, but this has never been enforced according to the Assistant to the Selectmen.

**Tenant Number 2:**

**Landlord:** The Inhabitants of Cranberry Isles  
**Tenant:** Downeast Cruises, Steve Pagels  
**Premises:** 6,499 sq. ft. of leasable warehouse shop space.  
**Term:** The lease began on 5/1/2005 and terminated on 5/1/2009. It has now a month-to-month lease.  
**Rent:** Rent of \$15,000 per year (\$2.31 per square foot of space, Net).  
**Percentage Rent:** None.  
**Taxes:** Paid by lessor.  
**Improvements:** Unfinished warehouse/shop space.  
**Uses:** Boat shop.  
**Maintenance and Repairs:** Lessee shall maintain the interior of the leased space. Lessor is responsible for maintaining the structure and the exterior walls. The tenant is responsible for maintaining the electric, plumbing and heating elements of the building.  
**Utilities:** Responsibility of lessee  
**Garbage Collection:** Lessee  
**Snow Plowing:** Lessee  
**Fire Insurance:** Lessor maintains "All-risk" insurance.  
**Liability Insurance:** Paid by lessee  
**Assignment:** Written permission needed, but not unreasonably withheld with notice to lessor.  
**Remarks:** The lease calls for the lessee to pay for many expenses that are now expensed by the Town of Cranberry Isles.

**Self-Storage Facilities**

The self-storage facilities occupy 4,712 square feet of the warehouse buildings, of which 4,332 square feet are presently leased. The units are large, averaging 673 square feet in size, and unheated. The annual rent is presently \$8,760. The leases are apparently month-to-month.



<b>Rent Roll - Shore Road and Mansell Lane, Southwest Harbor, ME</b>												
<i>Lessor - The Inhabitants of Cranberry Isles</i>												
#	Tenant Name	Area SF	Rent	Rent/SF	TERM Start	TERM End	Step Rental Increase %	Date of Step Rent Increase	Remarks:			
1	Marsh & McLennan	4,996	\$ 29,904	\$ 5.99	1-Sep-13	30-Aug-14	N. A.	N. A.	Lease calls for additional reimbursements to lessor			
2	Downeast Cruises	6,499	\$ 15,000	\$ 2.31	M-T-M		N. A.	N. A.	Lease expired on May 1, 2009			
3	Storage Space Units	4,332	\$ 8,760	\$ 2.02	M-T-M		N. A.	N. A.	No formal leases exist			
	Building GLA Rented	15,827	\$53,664	\$ 3.39								
	<b>Total Rental Income =</b>		<b>\$ 53,664</b>									
	Average Building Rental Rate=											
	Total GLA =	16,207										
	Building GLA Rented =	15,827										
	Vacant Leasable Area (SF) =	380										
	Percent Vacant =	2.3%										

**Market Rental Rate-Office Space**

We compared the rents for similar properties to determine the market rental rates applicable to the office space rented by Marsh-McLellan. We searched for comparable rentals of commercial service type buildings similar to the subject in size, use and location. Please note that, for comparison purposes, we adjusted the comparable leases to the terms of the existing leases at the subject, even though the terms are not necessarily strictly followed.

In Hancock County, and particularly on Mount Desert Island, most of the office buildings are owner-occupied, so rental rates are not readily available. They are presented as follows:

**Rental #1:**



<b>Location:</b>	270 High Street, Ellsworth
<b>Landlord:</b>	Bernard & Catherine Hope
<b>Tenant:</b>	Dr. Margaret Blom, MD (Ophthalmologist)
<b>Premises:</b>	1,050 square feet of medical office space, a portion of a multi-tenant commercial building with over 15,000 square feet. It is located at the junction of US Rt. 1 and SR 3 in Ellsworth. The building was built in 1975, and has had updates performed in the last decade.
<b>Term:</b>	Not revealed, but the tenant has been in the building for several years. There are reportedly no rent escalators in place.
<b>Rent:</b>	Rent of \$8,400, modified gross per year (\$8.00 per square foot of space). Tenant is responsible for all utilities and pro-rated property taxes.
<b>Uses:</b>	Medical Offices
<b>Remarks:</b>	The tenant stated that the lease rate is very favorable in her opinion.
<b>Source:</b>	Dr. Blom, visual inspection by appraisers.

**Rental #2:**



<b>Location:</b>	9 Carriage Lane, Ellsworth
<b>Landlord:</b>	Steve Joy
<b>Tenant:</b>	Maine Organic Therapy (medical marijuana dispensary)
<b>Premises:</b>	2,000 square feet of medical office space in a single-tenant 1.5 story commercial building; located approximately 2.5+/- miles to the west of Main Street in Ellsworth. The building was built in 2011.
<b>Term:</b>	Original five-year lease commenced July 2011, with an option to renew for an additional five-year period. There is an escalator built into the lease based on a 2% increase every two years.
<b>Rent:</b>	Rent of \$28,032, triple net, per year (currently \$14.02 per square foot of space). Tenant is responsible for all expenses associated with the property, including utilities, maintenance, landscaping, insurance, and property taxes.
<b>Uses:</b>	Medical Offices / built to suit with rental rate driven by development costs plus estimated lot value.
<b>Source:</b>	Steve Joy (owner / developer), visual inspection by appraiser.

**Rental #3:**



<b>Location:</b>	23 Carriage Road, Ellsworth
<b>Landlord:</b>	Steve Joy
<b>Tenant:</b>	Not revealed
<b>Premises:</b>	3,215 square feet of medical/professional office space in a single-tenant one-story commercial building; located approximately 2.5+/- miles to the west of Main Street in Ellsworth. The space is configured with 12 individual offices, 3 half bathrooms, a conference room, and a small kitchen. The building was built in 2007.
<b>Rent:</b>	Rental rate of \$39,600, with net terms, per year (\$12.32 per square foot of space). Tenant is responsible for all utility expenses, while the landlord pays for owner's insurance and taxes, as well as exterior maintenance. The property is leased for a two-year term, with a little over one-year remaining on the lease – no other lease details were available. The landlord stated that the prior lease rate was \$13.81 per square foot with similar lease terms.
<b>Uses:</b>	Professional offices.
<b>Source:</b>	Steve Joy, visual inspection by appraiser.

**Rental #4 (Offering):**



**Location:** 5 Long Lane, Ellsworth  
**Landlord:** Betty & George Ray  
**Tenant:** None (offering)  
**Premises:** 3,000 square feet of medical office space, in a single-tenant commercial building; located off High Street in Ellsworth. The building was originally built in 1960 and has been updated in the last few years.  
**Rent:** Rental rate of \$27,600, triple-net terms offered, per year (\$9.20 per square foot of space). Tenant is responsible for all expenses associated with the property, including utilities, real estate taxes, insurance, and maintenance.  
**Uses:** Medical Offices (prior tenant was a medical clinic) / professional offices.  
**Source:** Betty Ray, visual inspection by appraiser.



**Rental #5**



**Location:** 130 Oak (ME Rt. 3/US Rt. 1)

**Tenants:** The current occupants include Hairbenders, Hewins Travel, Downeast Osteopathic, NOAA, and Giunta & Chaisson, LLC.

Space #1: Hewins Travel – This tenant leases 2,000 SF at a rate of \$14.00 per square foot plus a common area maintenance (CAM) fee of \$2.80 per SF. This is a recent NNN lease with a 5 year term. The space is on the second floor and is accessible by elevator. The tenant pays for gas heat and electricity.

Space #2: This is second floor space with 2,000 SF at a rate of \$14.00 per square foot plus a common area maintenance (CAM) fee of \$2.80 per SF. This is a recent NNN lease with a 5 year term. The space is on the second floor and is accessible by elevator. The tenant pays for gas heat and electricity.

Space #3: NOAA Office of Law Enforcement – This tenant recently leased a 900 SF office for \$15.00 per SF and a CAM of \$2.80 per square foot. The tenant pays for gas heat and electricity.

**Remarks:** This a recently constructed quality office building. It is well-constructed and the office spaces have high ceilings. All floors are served by elevator.

**Source:** Steve Shelton (Broker), Fellow Appraiser, and visual inspection by appraiser.

### **Market Rental Rate Analysis-Office Space**

The unadjusted office rental rates, range from \$8.00 per square foot, net, to \$14.02 per square foot, NNN, of gross leasable area (GLA). Two of the rental comparables were on a Net basis and three were on a triple net (NNN) basis. We adjusted the triple net leases in the market to net leases by adding the structural maintenance (Structural Reserves for Replacement), to be paid by the Lessor.

**The calculations for these expenses are found in the Conversion Calculations for a Net Lease provided in the EXHIBITS & ADDENDA. The Rental Comparable Analysis-Office Space is presented on the following page.** It represents the adjustment grid for the comparable rents. The adjustments are as follows:

#### *Location*

The rentals are all located in Ellsworth. Although Southwest Harbor may be considered a superior location as it is situated on Mount Desert Island, the demand for office rental space is greater on the mainland due to the demand generated by a larger year-round population. For that reason, we made no adjustment for location.

#### *Age and Condition*

Three of the rentals (Rentals #2, #3 and #5), were superior in age and condition, because they were newer rental buildings than the subject. They were each adjusted downward by -10%. The other rental spaces were similar, so no adjustments were needed. These adjustments were based on the observed degree of depreciation at each property. The depreciation percentages were based on Marshall Valuation Service Tables and our observations.

#### *Size*

Typically, the market rental rate for office rentals in larger spaces is lower per square foot than smaller spaces. Using the average rate of Rentals #3 and #4 in a paired rental analysis, we adjusted all of the rentals to the rate at these rentals (\$10.76 per SF), prior to adjusting for terms. Rentals #1, #2 and #5 were adjusted downward by -33%, respectively for being significantly smaller than the rental space at the Mansell Lane Building.

#### *Terms*

Two of the leases were net leases, where the landlord maintains the structural elements (reserves for replacement of the structural elements of the building). Considering that the rental market for older buildings favor net leases, we decided to convert Rentals #2, #4 and #5 to a net lease. The NNN rental rate was converted to a Net lease by adding all costs, with the exception of structural reserves for replacement, which are normally paid by the lessee in a net lease. The estimated addition is \$2.35 (see EXHIBITS & ADDENDA). These adjustments resulted in a median net lease rate of \$10.80 per square foot, net, before the application of a vacancy rate.

### **Market Rental Rate Conclusion-Office Space**

Our analysis indicates a market rental rate at the subject of \$10.80 per square foot, Net, for the rent to be charged the office space rented at the *subject real estate*. Due to the poor economy, we have not increased this lease rate by any annual escalators which would normally be applied to the stabilized income.



## Rental Comparable Analysis-Office Space

Rental Comparable Analysis-Office Space								
		Gross	Rental					
	Name/ Address	Leasable Area (S.F.)	Rate (S.F. )	Location Adjustment	Age/ Condition	Size	Exist. Terms	S.F. Adjusted Rent*
#								
<u>Office Leases</u>								
	Subject	4,996	N. A.				N	
1.	270 High Street, Ellsworth	1,050	\$ 8.00	1.00	1.00	0.67	N	\$ 5.36
2.	9 Carriage Lane, Ellsworth	2,000	\$ 14.02	1.00	0.90	0.67	NNN	\$ 10.81
3.	23 Carriage Road, Ellsworth	3,215	\$ 12.32	1.00	0.90	1.00	N	\$ 11.09
4.	5 Long Lane, Ellsworth (Listing)	3,000	\$ 9.20	1.00	1.00	1.00	NNN	\$ 11.55
5.	130 Oak Street, Ellsworth	2,000	\$ 14.00	1.00	0.90	0.67	NNN	\$ 10.80
					</			

**Market Rental Rate – Warehouse/Shop**

The subject property is valued as a leased fee estate, subject to the existing leases. However, the rental rates must be compared with the market, not only to validate the existing leases but to provide a gauge for future potential income. Please note that, for comparison purposes, we adjusted the comparable leases to the terms of the existing leases at the subject, even though the terms are not necessarily strictly followed.

We compared the rents for similar properties in the vicinity. Very few were found due to the fact that most commercial properties are owner-occupied. The rentals listed are considered the best available.

**Warehouse/Shop Rental #1**



**Location:** 12 Industrial Way, Trenton  
**Tenant:** Talaria Co. LLC  
**Premises:** 5,000 sq. ft. of storage and manufacturing space.  
**Term:** Year to year  
**Rent:** Rent of \$5.75 per square foot, NNN  
**Remarks:** This is a steel industrial building built in 2005. The building is divided in half, with separate electrical entrances. The ceilings are 33' at the peak, and there are 16' and 20' overhead doors at the front and rear of the building. The building has radiant heat in the slab, and has a small office space and a restroom. The owner has recently changed the lease terms with the tenant, which allows for the tenant to pay for the space used for storage based on the size of the boats stored, which is typical in the boat storage industry. This arrangement is beneficial for the landlord as it generates more revenue from the space but revenues are variable.  
**Uses:** Light industrial.  
**Source:** Ron Murphy (Landlord) and visual inspection by appraiser.

**Warehouse/Shop Rental #2**



**Location:** 352 Bucksport Road, Ellsworth  
**Tenant:** WaterJet Cutting of Maine  
**Unit:** Part of one steel building and outdoor storage area  
**Premises:** 3,600 sq. ft. of “warm shell” warehouse/office space with minimum ceiling clearances of 14 feet and maximum ceiling clearances of 20 feet.  
**Term:** Current.  
**Rent:** Rent of \$27,000 per year (\$7.50 per square foot of space, N). The rent does not increase over the lease term.  
**Remarks:** The space is in good condition. The landlord pays for the radiant floor heat, taxes and insurance.  
**Uses:** Light industrial.  
**Source:** Glenn Crawford (owner), and visual inspection by appraiser.

**Warehouse/Shop Rental #3**



**Location:** 150 Bar Harbor Road, Trenton  
**Tenant:** Westco Electric  
**Size:** 7,200 square feet of rental space  
**Rent:** \$7.17 per square foot, NNN.  
**Term of lease:** 5 Years with 5 year renewals – December 2011 through 2016  
**Remarks:** This is a relatively new warehouse/showroom building located on the Bar Harbor Road in Trenton. The building was pre-leased before construction.  
**Uses:** Electric supply company.  
**Source:** Fred Noyes (Owner), and visual inspection by appraiser.

**Warehouse/Shop Rental #4**



**Location:** 90 Heritage Park Road, Bucksport  
**Tenant:** Lane Construction  
**Size:** 10,060 +/- square feet of rental space  
**Rent:** \$4.32 per square foot, Net. Tenant pays real estate taxes.  
**Term of lease:** Three years from 6/08  
**Remarks:** This is a 21 year old construction equipment repair building located on State Route 46 in Bucksport. Although this is an older rental comp, rates have stagnated since 2008.  
**Uses:** Heavy construction equipment repair  
**Source:** John Wardwell (Owner), completion of a recent appraisal by this appraiser.

### **Market Rental Rate Analysis-Warehouse/Shop**

The unadjusted industrial/commercial service rental rates, range from \$4.32 per square foot to \$7.17 per square foot of gross leasable area (GLA). Two of the rental comparables were on a Net basis and two were on a triple net basis. The triple net leases were more common in newly constructed buildings while net leases were more common in older buildings like the subject. After estimating the expenses at the subject building, we adjusted the triple net leases in the market to net leases by adding the structural maintenance (Structural Reserves for Replacement), to be paid by the Lessor. The calculations for these expenses are found in the EXHIBITS & ADDENDA. **The Rental Comparable Analysis-Warehouse/Shop is presented on the following page.** It represents the adjustment grid for the comparable rents. The adjustments are as follows:

#### *Location*

The rentals are located in Ellsworth, Bucksport, and Trenton. Although Southwest Harbor may be considered a superior location as it is situated on Mount Desert Island, the demand for rental space is greater on the mainland due to the demand generated by a larger year-round population. For that reason, we made no adjustment for location, except for the Bucksport rental. Bucksport has a lower year-round population than Ellsworth and Trenton and its economic conditions are considered inferior. The median home values for Bucksport are 35% lower than the Ellsworth/Trenton communities.

#### *Age and Condition*

Three of the rentals (Rentals #1, #2 and #3), were superior in age and condition, because they were newer than the subject. They were each adjusted by -20% for the superior conditions. These adjustments were based on the observed degree of depreciation at each property. The depreciation percentages were based on Marshall Valuation Service Tables and our observation.

#### *Size*

A negative adjustment for size was made to the rentals that were smaller than the subject and a positive adjustment to rentals larger than the subject building. Typically, the market rental rate for industrial and/or commercial rentals in larger spaces is lower per square foot than smaller spaces. Rental #3 is considered similar in size to the subject, requiring no size adjustment. Based on our comparison with Rental #3, Rental #1 was adjusted negatively by -12%, Rental #2 by -30% for being somewhat smaller to significantly smaller in size than the subject. Rental #4 was adjusted upward by 17% for being larger in size.

#### *Terms*

Two of the leases were net leases, where the landlord maintains the structural elements (reserves for replacement of the structural elements of the building). Considering that the rental market for older buildings favor net leases, we decided to convert Rentals #1 and #3 to a net lease. The NNN rental rate was converted to a Net lease by adding all costs, with the exception of structural reserves for replacement, which are normally paid by the lessee in a net lease. The estimated addition is \$1.26 (see EXHIBITS & ADDENDA). These adjustments resulted in a median net lease rate of \$6.00 per square foot, net, before the application of a vacancy rate.

### **Market Rental Rate Conclusion-Warehouse Shop**

Our analysis indicates a market rental rate at the subject of \$6.00 per square foot, net, before the application of a vacancy rate. Due to the poor economy, we have not increased this lease rate by any annual escalators which would normally be applied to the stabilized income.





### **Market Rental Rate Analysis - Self-Storage Units:**

We compared the rents for similar properties to determine the probable rents for the subject rental space suited to self-storage, if it were to be rented in the market place. Monthly lease rates for self-storage space located in a self-storage facility known as Storage Unlimited on Seal Cove Road in Southwest Harbor and E-Z Self Storage in Ellsworth are as follows:

#### **Market Rental Rates**

Unit Size	Monthly Rent	Annual Rent
10 x 10	\$65	\$780
10 x 15	\$87	\$1,044
10 x 20	\$120	\$1,440
10 x 30	\$150	\$1,800

#### **Market Rental Rate Conclusions – Self Storage:**

Based on the above and considering that there are four very large bays with a 10 foot ceiling clearance, the units should rent at a rate of \$200 per month or \$2,400 per year.

### **Market Rental Analysis-Overall**

**The chart titled Projected Rent Roll - Shore Road and Mansell Lane, Southwest Harbor, ME, is provided on a subsequent page.** Based on our analysis compared to the existing rent roll, it appears that the subject properties are all currently rented at below-market rates. Although the overall vacancy rate is very low, it is caused, more likely than not by the below-market rental rates charged by the Lessor.

### **Vacancy Rate-Overall**

Local real estate agents report that the commercial rental market is fairly stable, and there is not a significant amount of rental activity. When rentals become vacant, they often sit vacant for six months, or possibly longer depending on the rental size and configuration. Given this information, we have calculated a vacancy rate of 10% for the each of the improvements at the subject property, which represents a typical period of vacancy of six months based on a lease term of five years. However, due to the fact that we consider these properties to be rented at below-market rates, it may take some time to renegotiate the leases, or obtain new tenants, at the market rental rates. For that reason we have applied a six-month lease up period for the office, warehouse/shop, and self-storage space to attain occupancy at market rents with an expected 10% vacancy rate. The lease up period is titled the “pre-stabilized” year, with the first full year of income and expenses titled the “stabilized year.”

### **Estimate of Income and Expenses for the Office Space**

The Pre-Stabilized Income Statement Projected for 2013-14 (Office) and the Stabilized Income Statement Projected for 2014-15 (Office), are provided on subsequent pages. The figures are based on the using market rental income and expenditures for the office building, projected forward for the next 2 years. Note that the vacancy rate for the coming year is estimated at 50% to accommodate the 6-month lease up period. The net operating income (NOI) from the pre-stabilized year is deducted from the stabilized year and called the NOI deficit. This

<b>Projected Rent Roll - Shore Road and Mansell Lane, Southwest Harbor, ME</b>										
<i>Lessor - The Inhabitants of Cranberry Isles</i>										
#	Tenant Name	Area SF	Rent	Rent/SF	Step Rental Increase %	Date of Step Rent Increase	Remarks:			
1	Marsh & McLennan	4,996	\$ 53,957	\$ 10.80	N. A.	N. A.				
2	Newman Boat Building	6,499	\$ 38,994	\$ 6.00	N. A.	N. A.				
3	Storage Space Units	4,712	\$ 9,600	\$ 2.04	N. A.	N. A.				
	Building GLA Rented	16,207	\$102,551	\$ 6.33						
	<b>Total Rental Income =</b>		<b>\$ 102,551</b>							
	Average Building Rental Rate=									
	Total GLA =	16,207								
	Building GLA Rented =	14,586								
	Vacant Leasable Area (SF) =	1,621								
	Percent Vacant =	10.0%								

NOI deficit is then deducted from the market value indicated by capitalizing the NOI for the stabilized year.

### Pre-Stabilized Income Statement Projected for 2013-14 (Office)

*The Office Building at 15 Mansell Lane, Southwest Harbor, ME*

4,996 SF of GLA			%	\$ PER
\$10.80 Market Rental Rate		<b>2013-2014</b>	<b>Total</b>	<b>GLA</b>
<b>GROSS RENTAL INCOME:</b>				
Rental Income-Base		\$ 53,957	183.8%	\$ 10.80
Rental Income-Overages		\$ 0	0.0%	\$ 0.00
Total Tax Reimbursements		\$ 4,760	16.2%	\$ 0.95
Miscellaneous Income		\$ 0	0.0%	\$ 0.00
Vacancy/Collection Loss:		-\$ 29,358	50.0%	-\$ 5.88
<b>EFFECTIVE GROSS INCOME:</b>		<b>\$ 29,358</b>	<b>100.0%</b>	<b>\$ 5.88</b>
<b>OPERATING EXPENSES:</b>				
<b>Maintenance:</b>				
Grounds		\$0	0.00%	\$ 0.00
Utilities		\$0	0.00%	\$ 0.00
Security		\$0	0.00%	\$ 0.00
Snow Plowing & Maint.		\$0	0.00%	\$ 0.00
Reserves for Replacement		\$1,468	5.00%	\$ 0.29
<b>Total Maintenance:</b>		<b>\$1,468</b>	<b>5.00%</b>	<b>\$ 0.29</b>
<b>Total Advertising &amp; Prom.</b>		<b>\$0</b>	<b>0.00%</b>	<b>\$ 0.00</b>
<b>Total Real Estate Taxes</b>		<b>\$4,760</b>	<b>16.21%</b>	<b>\$ 0.95</b>
<b>Total Insurance</b>		<b>\$0</b>	<b>0.00%</b>	<b>\$ 0.00</b>
<b>General &amp; Administrative</b>				
Management Fees		\$1,468	5.00%	\$ 0.29
Leasing Agent Fees		\$0	0.00%	\$ 0.00
On-site Payroll & Taxes		\$0	0.00%	\$ 0.00
Professional Services		\$0	0.00%	\$ 0.00
Administrative Expenses		\$0	0.00%	\$ 0.00
Other		\$0	0.00%	\$ 0.00
<b>Total G &amp; A</b>		<b>\$ 1,468</b>	<b>5.00%</b>	<b>\$ 0.29</b>
<b>TOTAL OPERATING EXPENSES:</b>		<b>\$ 7,696</b>	<b>26.2%</b>	<b>\$1.54</b>
<b>NET OPERATING INCOME (NOI):</b>		<b>\$ 21,663</b>	<b>73.8%</b>	<b>\$4.34</b>
<b>STABILIZED NOI:</b>		<b>\$ 42,801</b>		
<b>NOI DEFICIT:</b>		<b>-\$ 21,138</b>		

**Stabilized Income Statement Projected for 2014-15 (Office)***The Office Building at 15 Mansell Lane, Southwest Harbor, ME*

4,996	SF of GLA			%	\$ PER
\$10.80	Market Rental Rate		<b>2013-2014</b>	<b>Total</b>	<b>GLA</b>
<b>GROSS RENTAL INCOME:</b>					
Rental Income-Base		\$ 53,957	102.1%	\$ 10.80	
Rental Income-Overages		\$ 0	0.0%	\$ 0.00	
Total Tax Reimbursements		\$ 4,760	9.0%	\$ 0.95	
Miscellaneous Income		\$ 0	0.0%	\$ 0.00	
Vacancy/Collection Loss:		<u>-\$ 5,872</u>	<u>10.0%</u>	<u>-\$ 1.18</u>	
<b>EFFECTIVE GROSS INCOME:</b>		\$ 52,845	100.0%	\$ 10.58	
<b>OPERATING EXPENSES:</b>					
<b>Maintenance:</b>					
Grounds		\$0	0.00%	\$ 0.00	
Utilities		\$0	0.00%	\$ 0.00	
Security		\$0	0.00%	\$ 0.00	
Snow Plowing & Maint.		\$0	0.00%	\$ 0.00	
Reserves for Replacement		<u>\$2,642</u>	<u>5.00%</u>	<u>\$ 0.53</u>	
<b>Total Maintenance:</b>		\$2,642	5.00%	\$ 0.53	
<b>Total Advertising &amp; Prom.</b>		\$0	0.00%	\$ 0.00	
<b>Total Real Estate Taxes</b>		\$4,760	9.01%	\$ 0.95	
<b>Total Insurance</b>		\$0	0.00%	\$ 0.00	
<b>General &amp; Administrative</b>					
Management Fees		\$2,642	5.00%	\$ 0.53	
Leasing Agent Fees		\$0	0.00%	\$ 0.00	
On-site Payroll & Taxes		\$0	0.00%	\$ 0.00	
Professional Services		\$0	0.00%	\$ 0.00	
Administrative Expenses		\$0	0.00%	\$ 0.00	
Other		<u>\$0</u>	<u>0.00%</u>	<u>\$ 0.00</u>	
<b>Total G &amp; A</b>		\$ 2,642	5.00%	\$ 0.53	
<b>TOTAL OPERATING EXPENSES:</b>		<u>\$ 10,045</u>	<u>19.0%</u>	<u>\$2.01</u>	
<b>NET OPERATING INCOME (NOI):</b>		<b>\$ 42,801</b>	<b>81.0%</b>	<b>\$8.57</b>	

**Income and Expense Statements-Office****Gross Rental Income (GRI)**

The gross rental income is based on renting the office building at market levels.

**Effective Gross Income (EGI)**

Normally, the EGI is the anticipated income after an allowance for vacancy and collection. We applied a vacancy rate of 50% based on the projected lease-up period of six months.

### **Operating Expenses**

In order to develop an estimate of annual net operating income, expenses representing those normally borne by the owner of the real estate, and which are directly related to the operation of the real estate, must be subtracted from the effective gross income. We are basing the office lease on a net basis, where the Lessor pays for all structural maintenance and replacement reserves. The expenses are based on data supplied by the property owner and analyzed with industry standards.

#### *Real Estate Taxes*

The tenant reimburses the landlord for the annual real estate taxes. The taxes are based on the current assessment and mill rate.

#### *Reserves for Replacement*

As the landlord is responsible for exterior maintenance of the roof and the structural elements of the building, a reserve for replacement should be set aside for any future repairs or replacements. In addition, most published or extracted capitalization rates in the market are applied to the net operating income after the application of a replacement reserve. We have applied a reserve for replacement based on 5% of the EGI or \$0.29 per square foot of GLA for the pre-stabilized year and \$0.53 per square foot of GLA for the stabilized year.

#### *Management*

Typically, management fees range from 2.5% to 10% for similar properties, depending upon the management intensity required. The actual rate for management of this office building is approximately 5% of the effective gross income (EGI).

### **Net Operating Income and the Stabilized Income Statement**

The Net Operating Income (NOI) for the projected stabilized year is \$42,801. This is the number to which we will apply a capitalization rate to indicate a market value.

### **Selection of the Overall Rate**

The capitalization process is the conversion of annual net income into a present value estimate. The capitalization rate represents the relationship of net operating income to purchase price. The selection of an appropriate overall rate can be derived by several methods. The methods considered in this report are: 1) data regarding overall rates from sales of similar properties, 2) data from publications tracking trends in the real estate market and investor expectations.

#### **Market Derived Overall Rates**

When the market is active and sufficient market data can be obtained, the overall capitalization rate can be derived from market sales by dividing the net operating income of a particular property by its sale price. The overall rate (OAR) reflects both return on and recapture of the investment. Reliable market capitalization rates were obtainable in the market for other small shopping centers, however, two of which sold recently.

#### **Published Statistical Data-Office**

We examined the most comprehensive published sources in order to estimate an overall capitalization rate for the appraised property. The PriceWaterhouseCooper's, Korpacz First Quarter 2013, *Real Estate Investor Survey*<sup>38</sup> documents surveys concerning investment properties

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<sup>38</sup>Korpacz Real Estate Investor Survey, Price, Waterhouse, Coopers, First Quarter, 2013.

and their “national” market. The overall cap rate for *institutional grade* suburban office properties ranged from 5% to 10.5%, with an average of 7.5%. This rate is nearly unchanged from the First Quarter of 2012. In fact, the cap rate five years ago was 5% to 10.5% with an average of 7.13%.

The PWC - Korpacz survey suggests that an appropriate adjustment for this type of non-institutional property to be 50 to 400 +/- basis points, with an average of 213 basis points. We conclude that any adjustment for this non-institutional property should be on the mid to upper side of the range, such as 275 basis points. Therefore, an overall capitalization rate (OAR), of 10.25 for the real estate is supportable and would closely mimic the criteria of market participants.

### **Application of the Capitalization Rate to the Office Building**

Based upon the estimated income and expense projections described in this section and the capitalization rate selected, an indication of Market Value “at-stabilization,” has been developed as follows:

<b>Direct Capitalization of the Net Operating Income</b>		
<i>NOI</i>	<i>Cap Rate</i>	<i>Indicated Market Value</i>
<b>\$ 42,801</b>	<b>0.1025</b>	<b>\$ 417,571</b>

### **Debt Coverage Ratio –Office Building**

As a test of reasonableness, we conducted a debt coverage ratio (DCR) analysis for the real estate value using a 1.40 DCR, a 20-year loan, a 5% interest rate and an 80% loan-to-value ratio. A debt coverage ratio is a test to insure that there will be a "cushion" between the NOI and the debt service. A 1.40 DCR will ensure adequate coverage for the debt service and meets the criteria of local lenders.

This analysis in the table that follows indicates that there is a surplus in the NOI to support a 1.40 Debt Coverage Ratio. This analysis reinforces the reasonableness of the value indicated by the Income Capitalization Approach.

<b>Debt Coverage Ratio Analysis</b>			
15 Mansell Lane			
NOI Indicated by the Income Approach:			\$42,801
NOI available on a monthly basis:			\$3,567
Market Value:	\$417,571		
Loan to Value:	80%		
Loan Amount:	\$334,057		
Amortization Period:	20 Years		
Interest Rate:	5.0%		
Monthly Payment:			-\$2,205
Difference:			\$1,362
Debt Coverage Ratio of Monthly NOI (NOI available monthly / monthly payment)			1.62
Debt Coverage Ratio (DCR) Required:			1.4
NOI Needed at the Required DCR: (Monthly payment x DCR)			\$3,086
Excess / Deficit NOI:			\$480
% of Monthly NOI:			13.47%

### **NOI Deficit – Office Building**

The loss of income in the pre-stabilized year is represented by the NOI deficit which is calculated by deducting the pre-stabilized year NOI from the stabilized year NOI. In this case the NOI deficit is -\$21,138. Subtracting this deficit from the indicated market value of \$417,571 indicates a present value of \$396,433, say \$400,000.

### **Deferred Maintenance**

There were no apparent items of deferred maintenance at the subject office building. According to the Town of Cranberry Isles, significant work was done on the office building in the amount of \$7,774 in 2010 and \$8,124 in 2011. These costs were reflected in the depreciation percentage used in the COST APPROACH.

### **Income Capitalization Approach Conclusion – Office Building**

Based on the foregoing analysis, the leased fee interest market value of the office building allocated to 0.504 acres of the *subject property* by the Income Capitalization Approach as of February 15, 2013, is \$400,000.

### **Estimate of Income and Expenses for the Warehouse/Shop and Self-storage**

The Pre-Stabilized Income Statement Projected for 2013-14 (Warehouse/Shop) and the Stabilized Income Statement Projected for 2014-15 (Warehouse/Shop), are provided on subsequent pages. The figures are based on the using market rental income and expenditures for the warehouse/shop/self-storage buildings, projected forward for the next 2 years. Note that the vacancy rate for the coming year is estimated at 50% to accommodate the 6-month lease up period. The net operating income (NOI) from the pre-stabilized year is deducted from the stabilized year and called the NOI deficit. This NOI deficit is then deducted from the market value indicated by capitalizing the NOI for the stabilized year.

### **Income and Expense Statements-Warehouse/Shop**

#### **Gross Rental Income (GRI)**

The gross rental income is based on renting the buildings at market levels.

#### **Effective Gross Income (EGI)**

Normally, the EGI is the anticipated income after an allowance for vacancy and collection. We applied a vacancy rate of 50% based on the projected lease-up period of six months.

#### **Operating Expenses**

In order to develop an estimate of annual net operating income, expenses representing those normally borne by the owner of the real estate, and which are directly related to the operation of the real estate, must be subtracted from the effective gross income. We are basing the warehouse lease on a net basis, where the Lessor pays for all structural maintenance and replacement reserves. The expenses are based on data supplied by the property owner and analyzed with industry standards.

#### ***Real Estate Taxes***

The tenant reimburses the landlord for the annual real estate taxes. The taxes are based on the current assessment and mill rate.

<b>Pre-Stabilized Income Statement Projected for 2013-14</b>			
<b>(Warehouse/Shop/Self Storage)</b>			
<i>102 Shore Road, Southwest Harbor, ME</i>			
6,499	SF, GLA of warehouse/shop space		
4,712	SF, GLA of Self Storage		
11,211			
		<b>%</b>	<b>\$ PER</b>
		<b>Total</b>	<b>GLA</b>
<b>GROSS RENTAL INCOME:</b>			
Rental Income-Warehouse/Shop	\$ 38,994	117.3%	\$ 6.00
Rental Income-Self-Storage	\$ 9,600	28.9%	\$ 2.04
Total Tax Reimbursements	\$ 8,960	26.9%	\$ 0.80
Miscellaneous Income	\$ 0	0.0%	\$ 0.00
Vacancy/Collection Loss:	-\$ 24,297	50.0%	-\$ 2.17
<b>EFFECTIVE GROSS INCOME:</b>	<b>\$ 33,257</b>	<b>100.0%</b>	<b>\$ 2.97</b>
<b>OPERATING EXPENSES:</b>			
<b>Maintenance:*</b>			
Grounds	\$500	1.50%	\$ 0.11
Utilities	\$1,200	3.61%	\$ 0.25
Security	\$0	0.00%	\$ 0.00
Snow Plowing & Maint.	\$1,500	4.51%	\$ 0.32
Reserves for Replacement**	\$1,663	5.00%	\$ 0.15
<b>Total Maintenance:</b>	<b>\$4,863</b>	<b>14.62%</b>	<b>\$ 1.03</b>
<b>Total Advertising &amp; Prom.</b>	<b>\$0</b>	<b>0.00%</b>	<b>\$ 0.00</b>
<b>Total Real Estate Taxes</b>	<b>\$8,960</b>	<b>26.94%</b>	<b>\$ 0.80</b>
<b>Total Insurance</b>	<b>\$0</b>	<b>0.00%</b>	<b>\$ 0.00</b>
<b>General &amp; Administrative</b>			
Management Fees	\$1,663	5.00%	\$ 0.15
Leasing Agent Fees	\$0	0.00%	\$ 0.00
On-site Payroll & Taxes	\$0	0.00%	\$ 0.00
Professional Services	\$0	0.00%	\$ 0.00
Administrative Expenses	\$0	0.00%	\$ 0.00
Other	\$0	0.00%	\$ 0.00
<b>Total G &amp; A</b>	<b>\$ 1,663</b>	<b>5.00%</b>	<b>\$ 0.15</b>
<b>TOTAL OPERATING EXPENSES:</b>	<b>\$ 15,486</b>	<b>46.6%</b>	<b>\$ 1.38</b>
<b>NET OPERATING INCOME (NOI):</b>	<b>\$ 17,771</b>	<b>53.4%</b>	<b>\$ 1.59</b>
<b>STABILIZED NOI:</b>	<b>\$ 31,233</b>		
<b>NOI DEFICIT:</b>	<b>-\$ 13,462</b>		
* Expenses applied to Self-Storage Tenants only. The source is the Town of Cranberry Isles.			
** This expense is applied to all tenants.			



## Stabilized Income Statement Projected for 2014-2015 (Warehouse/Shop/Self Storage)

102 Shore Road, Southwest Harbor, ME			
6,499	SF, GLA of warehouse/shop space		
4,712	SF, GLA of Self Storage		
11,211	SF, GLA Total		
		<b>2014-2015</b>	<b>% Total \$ PER GLA</b>
<b>GROSS RENTAL INCOME:</b>			
Rental Income-Warehouse/Shop		\$ 38,994	80.9% \$ 6.00
Rental Income-Self-Storage		\$ 9,600	19.9% \$ 2.04
Total Tax Reimbursements		\$ 4,480	9.3% \$ 0.69
Miscellaneous Income		\$ 0	0.0% \$ 0.00
Vacancy/Collection Loss:		-\$ 4,859	10.0% -\$ 0.43
<b>EFFECTIVE GROSS INCOME:</b>		<b>\$ 48,215</b>	<b>100.0% \$ 4.30</b>
<b>OPERATING EXPENSES:</b>			
<b>Maintenance:*</b>			
Grounds		\$500	1.04% \$ 0.11
Utilities		\$1,200	2.49% \$ 0.25
Security		\$0	0.00% \$ 0.00
Snow Plowing & Maint.		\$1,500	3.11% \$ 0.32
Reserves for Replacement**		\$2,411	5.00% \$ 0.22
<b>Total Maintenance:</b>		<b>\$5,611</b>	<b>11.64% \$ 1.19</b>
<b>Total Advertising &amp; Prom.</b>		<b>\$0</b>	<b>0.00% \$ 0.00</b>
<b>Total Real Estate Taxes</b>		<b>\$8,960</b>	<b>18.58% \$ 0.80</b>
<b>Total Insurance</b>		<b>\$0</b>	<b>0.00% \$ 0.00</b>
<b>General &amp; Administrative</b>			
Management Fees		\$2,411	5.00% \$ 0.22
Leasing Agent Fees		\$0	0.00% \$ 0.00
On-site Payroll & Taxes		\$0	0.00% \$ 0.00
Professional Services		\$0	0.00% \$ 0.00
Administrative Expenses		\$0	0.00% \$ 0.00
Other		\$0	0.00% \$ 0.00
<b>Total G &amp; A</b>		<b>\$ 2,411</b>	<b>5.00% \$ 0.22</b>
<b>TOTAL OPERATING EXPENSES:</b>		<b>\$ 16,981</b>	<b>35.2% \$ 1.51</b>
<b>NET OPERATING INCOME (NOI):</b>		<b>\$ 31,233</b>	<b>64.8% \$ 2.79</b>
* Charged to Self-Storage Tenants only. The source is the Town of Cranberry Isles.			
** This expense is applied to all tenants.			

### *Reserves for Replacement*

As the landlord is responsible for exterior maintenance of the roof and the structural elements of the building, a reserve for replacement should be set aside for any future repairs or replacements. In addition, most published or extracted capitalization rates in the market are applied to the net operating income after the application of a replacement reserve. We have applied a reserve for replacement based on 5% of the EGI or \$0.15 per square foot of GLA for the pre-stabilized year and \$0.22 per square foot of GLA for the stabilized year.

### *Management*

Typically, management fees range from 2.5% to 10% for similar properties, depending upon the management intensity required. The actual rate for management of this office building strip center is approximately 5% of the effective gross income (EGI).

### **Net Operating Income and the Stabilized Income Statement**

The Net Operating Income (NOI) for the projected stabilized year is \$31,233. This is the number to which we will apply a capitalization rate to indicate a market value.

### **Selection of the Overall Rate**

The capitalization process is the conversion of annual net income into a present value estimate. The capitalization rate represents the relationship of net operating income to purchase price. The selection of an appropriate overall rate can be derived by several methods. The methods considered in this report are: 1) data regarding overall rates from sales of similar properties, 2) data from publications tracking trends in the real estate market and investor expectations.

#### **Market Derived Overall Rates**

When the market is active and sufficient market data can be obtained, the overall capitalization rate can be derived from market sales by dividing the net operating income of a particular property by its sale price. The overall rate (OAR) reflects both return on and recapture of the investment. Reliable market capitalization rates were not obtainable in the market.

#### **Published Statistical Data-Warehouse**

We examined the most comprehensive published sources in order to estimate an overall capitalization rate for the appraised property. The PriceWaterhouseCooper's, Korpacz First Quarter 2013, *Real Estate Investor Survey*<sup>39</sup> documents surveys concerning investment properties and their "national" market. The overall cap rate for *institutional grade* warehouse properties ranged from 5% to 10.5%, with an average of 6.63%. This rate has dropped considerably from the average rate of 7.41% in the First Quarter of 2012. In fact, the cap rate five years ago was 5% to 8% with an average of 6.47%.

The PWC-Korpacz survey suggests that an appropriate adjustment for this type of non-institutional property to be 50 to 400 +/- basis points, with an average of 213 basis points. We conclude that any adjustment for this non-institutional property should be on the mid to upper side of the range, such as 310 basis points. Therefore, an overall capitalization rate (OAR), of 9.75% for the real estate is supportable and would closely mimic the criteria of market participants.

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<sup>39</sup>PWC-Korpacz Real Estate Investor Survey, Price, Waterhouse, Coopers, First Quarter, 2013.

### **Application of the Capitalization Rate to the Warehouse/Shop/Self-Storage Buildings**

Based upon the estimated income and expense projections described in this section and the capitalization rate selected, an indication of Market Value “at-stabilization,” has been developed as follows:

<b>Direct Capitalization of the Net Operating Income</b>		
<i>NOI</i>	<i>Cap Rate</i>	<i>Indicated Market Value</i>
<b>\$ 31,233</b>	<b>0.0975</b>	<b>\$ 320,340</b>

### **Debt Coverage Ratio**

As a test of reasonableness, we conducted a debt coverage ratio (DCR) analysis for the real estate value using a 1.40 DCR, a 20-year loan, 4.5% interest rate and an 80% loan-to-value ratio. A debt coverage ratio is a test to insure that there will be a "cushion" between the NOI and the debt service. A 1.40 DCR will ensure adequate coverage for the debt service and meets the criteria of local lenders.

This analysis in the table that follows indicates that there is a surplus in the NOI to support a 1.40 Debt Coverage Ratio. This analysis reinforces the reasonableness of the value indicated by the Income Capitalization Approach.

<b>Debt Coverage Ratio Analysis</b>			
Shore Road			
NOI Indicated by the Income Approach:			\$31,233
NOI available on a monthly basis:			\$2,603
Market Value:	\$320,340		
Loan to Value:	80%		
Loan Amount:	\$256,272		
Amortization Period:	20 Years		
Interest Rate:	4.5%		
Monthly Payment:			-\$1,621
Difference:			\$981
Debt Coverage Ratio of Monthly NOI			1.61
(NOI available monthly / monthly payment)			
Debt Coverage Ratio (DCR) Required:			1.4
NOI Needed at the Required DCR:			\$2,270
(Monthly payment x DCR)			
Excess / Deficit NOI:			\$333
% of Monthly NOI:			12.79%

### **NOI Deficit**

The loss of income in the pre-stabilized year is represented by the NOI deficit which is calculated by deducting the pre-stabilized year NOI from the stabilized year NOI. In this case the NOI deficit is -\$13,462. Subtracting this deficit from the indicated market value of \$320,340 indicates a present value of \$306,878, say \$307,000.

### **Excess Land**

As indicated in the COST APPROACH, the amount of excess land in that portion of the overall 3.34 acres represented by the warehouse/shop/self-storage section of the *subject property* is 0.362 acres with a value of \$92,939, say \$93,000. Added to the \$307,000, the total value is

\$400,000.

**Deferred Maintenance**

We observed items of deferred maintenance at the warehouse/shop/self-storage buildings. The estimate to cure is as follows:

Item	Units (SF)	Cost/Unit	Cost
Replace Roof on Self-Storage Bldg.	5,800	\$4.00	\$23,200
Paint and General Repair of Exterior	7,155	\$2.50	\$17,888
Contingency @ 15% =			<u>\$2,683</u>
Total Cost of Curing Deferred Maintenance =			\$43,771

Deducting \$43,771 from the \$400,000 results in a value of \$356,229, say \$356,000.

**Income Capitalization Approach Conclusion – Warehouse/Shop/Self-Storage Buildings**

Based on the foregoing analysis, the leased fee interest market value of the warehouse/shop/self-storage buildings allocated to 1.24 +/- acres of the *subject property* by the Income Capitalization Approach as of February 15, 2013, is \$356,000.

## **SALES COMPARISON APPROACH**

In this approach to value, market value is estimated by comparing the property with other like properties that have recently sold or for which there are offers to purchase. One of the principles of the sales comparison approach is that the "market value of a property is directly related to the prices of comparable, competitive properties."<sup>40</sup> The analysis centers on deriving units of comparison and adjusting the differences to best approach the qualities of the subject property. These units of comparison are usually derived from the differences and similarities in property rights conveyed, legal considerations, physical, locational and economic characteristics, as well as market considerations, financing characteristics and the motives of parties to the transaction.

### **General**

The Sales Comparison Approach to Value is based on the following appraisal principles:

1. Substitution - "The value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability."<sup>41</sup> However, the reliability of this approach depends upon substitute properties being available in the market.

2. Supply and Demand - The market itself determines the prices which are the results of negotiated sales between buyer and seller. The supply consists of properties available for sale and the buyers make up the demand for the properties available. High demand usually dictates a higher price and low demand creates lower prices. The tendency for the supply, especially in improved properties, is to lag behind the demand shifts due to long lead time for construction. Because of this, the analysis of the market must consider the existing supply of properties available for sale as well as those properties under or committed for construction.

3. Balance - Although never attained, the forces of supply and demand tend toward balance or equilibrium in the market. Demand is constantly in a state of flux due to financing availability, tax changes, population shifts, buyer preferences, etc. Cases of imbalance also occur in the market due to over-improvement for the area, excess land conveyances, among others. These imbalances have a tendency to create price anomalies.

4. Externalities - "Positive and negative forces affect all types of property."<sup>42</sup> These forces may be pollution, high crime rate, unattractive conditions (negative) or a new mass transit station, seaport, or highway in the vicinity (positive).

### **Reliability and Application**

To apply the Sales Comparison Approach, there must be sufficient comparable sales that are recent and reliable enough to establish the patterns of value in the market. Insufficient market sales may occur because of a drop in real estate activity due to economic problems such as scarcity of financing, recessionary times, or a decline in population. Insufficient market sales may also occur due to the uniqueness of the properties such as special purpose properties which rarely sell.

The Sales Comparison Approach often begins to lose its reliability when the following occur:

1. Rapid changes in the economy due to high inflation or deflation which often create abrupt price changes in a short period of time,

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<sup>40</sup>Op. Cit., Appraisal of Real Estate, p. 418.

<sup>41</sup>Ibid., p. 418.

<sup>42</sup>Op. Cit., Appraisal of Real Estate, p. 419.

2. Changes in laws and regulations that affect the development or desirability of certain properties.

The collection of sales comparison data requires the researching of all applicable transactions, listings, and sale or purchase offers that may be comparable with the property being appraised. The limits on the locational characteristics depend on the nature of the property. Similar properties that are commonly bought and sold in the same neighborhood as the subject should not be compared with those in the next state. Conversely, unique properties that are oriented to the region, such as a large shopping mall, could be compared with other regional shopping centers in other locales.

In order for the appraiser to estimate the value of a property by the sales comparison approach, the following must be undertaken:

A. Research the Market - Collect, and verify, sufficient sales data on comparable properties in the appropriate geographic areas.

B. Verify - Confirm the factual accuracy of the data collected and determine that the condition of sale was, or proposed sale will be, an arm's-length transaction.

C. Select Relevant Units of Comparison - Select relevant units based on the subject for comparison with other relevant units at the comparables.

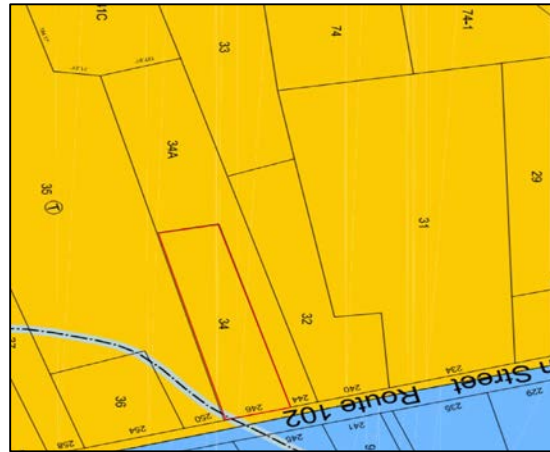
D. Compare and Adjust - Use the developed items of comparison to adjust them to approach the characteristics of the property or reject the comparable if adjustments are too gross.

E. Reconcile - Reconcile the adjusted value indications into a single unit of value or, in the case of an imprecise market, develop a range of values.

### **Comparable Sales Data – Office Buildings**

We searched for recent comparable sales of office buildings in the Southwest Harbor area. These sales were considered the best available. Their descriptions follow:

**Office Commercial Sale #1:**



Map, Lot:	Map 7, Lot 34
Address:	246 Main Street, Southwest Harbor, Hancock County, Maine
Reference:	Hancock County Registry of Deeds
Book, Page:	Book 5668, Page 177
Grantor:	246 Main Street
Grantee:	C and B, LLC
Sales Date:	8/22/11
Reported Price:	\$300,000 by Public Records, MREIS
Days on Market:	491
Financing By:	The First, NA, holds a mortgage for \$301,000
Conditions of Sale:	Arm's Length Transaction
Location:	Commercial
Zoning:	"B" district
Sales History:	No sales in the prior three-year period.
Data By:	Ted Webersinn

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**LAND**

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Total Area:	0.92± Acre
Depth:	377± F
Road Frontage:	108± F
Shape:	Rectangular
Overall Topography:	Slight slope
To Road:	On grade
Utilities:	Electricity; Telephone; water and sewer

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**BUILDING(S)**

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Size and Type:	This is a small commercial office located on Main Street. The building has 2,934 +/- square feet of gross leasable area (GLA), and an unfinished $\frac{3}{4}$ basement. It was built in 1850, but has undergone significant renovations.
Exterior:	Painted wood siding / shingle roof
Foundation/Basement:	Partial basement which is unfinished.

Sprinklers/Detectors: Smoke alarms  
Heat: Oil-fired forced air  
Air Conditioning: None  
Interior: Office finish  
Physical Condition: Average  
Other Buildings: Barn with seasonal upstairs apartment  
Improvements Since Sale: None known  
Miscellaneous: According to the listing broker, the property sold at a bargain. We adjusted the sales price by a 20% premium to get it up to close to the assessed value. According to the broker, Jane Pooler, the buyer's loan was based on additional considerations, and perhaps a higher appraisal, which created the 100% LTV. The LTV after adjustment for market was 84%. There is also a first right of refusal option for listing and/or purchase held on the *adjacent* property by Gary Fountain and M. Rowley, real estate brokers. It appears to have little to no effect on this sale.

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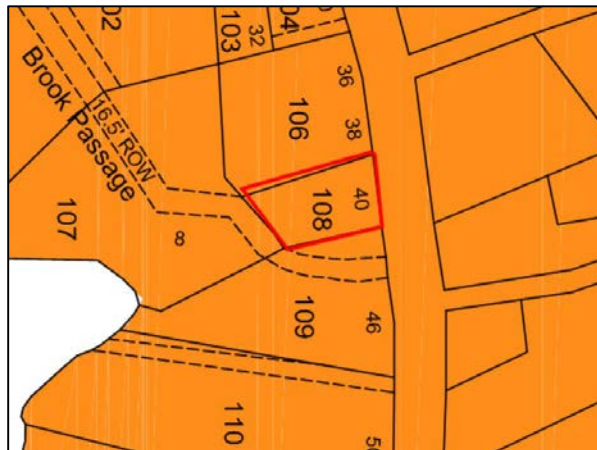
INDICATED PRICE

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\$102.25 / SF of GLA (\$300,000 / 2,934 +/- SF)



**Office Commercial Sale #2:**



Map, Lot:	Map 3, Lot 108
Address:	40 Clark Point Rd., Southwest Harbor, Hancock County, Maine
Reference:	Hancock County Registry of Deeds
Book, Page:	Book 5781, Page 56
Grantor:	Auclair
Grantee:	Mink
Sales Date:	3/13/12
Reported Price:	\$207,500 by Public Records, MREIS
Days on Market:	144
Financing By:	Bar Harbor Bank & Trust holds a mortgage for \$281,500, which includes a renovation construction loan.
Conditions of Sale:	Arm's Length Transaction
Location:	Commercial
Zoning:	"A" district
Sales History:	No sales in the prior three-year period.
Data By:	Ted Webersinn

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LAND

Total Area:	0.10± Acre
Depth:	86± F
Road Frontage:	50± F with very limited water view
Shape:	Rectangular
Overall Topography:	Slight slope to level
To Road:	On grade
Utilities:	Electricity; Telephone; water and sewer

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BUILDING(S)

Size and Type:	This sale consisted of a small carpentry shop located on Clark Point Road. The building has 1,632 +/- square feet of GLA. It was built in 1946, but has undergone significant renovations.
Exterior:	Painted wood siding / shingle roof
Foundation/Basement:	Full basement which is unfinished.

Sprinklers/Detectors:	Smoke alarms
Heat:	Oil-fired HWBB
Air Conditioning:	None
Interior:	Retail finish
Physical Condition:	Average
Other Buildings:	None
Improvements Since Sale:	None known
Miscellaneous:	According to the listing broker, the buyer purchased the property to convert it to a residence.

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INDICATED PRICE

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\$127.14 / SF of GLA (\$207,500 / 1,632 +/- SF)

**Office Commercial Sale #3:**



Map, Lot:	Map 7, Lot 22
Address:	204 Main St., Southwest Harbor, Hancock County, Maine
Reference:	Hancock County Registry of Deeds
Book, Page:	Book 5502, Page 331
Grantor:	McFarland
Grantee:	Robinette
Sales Date:	10/18/10
Reported Price:	\$125,000 by Public Records, MREIS
Days on Market:	1,431
Financing By:	Seller took back a mortgage for \$75,000 – 60% loan to value (LTV)
Conditions of Sale:	Arm's Length Transaction
Location:	Commercial
Zoning:	"B" district
Sales History:	No sales in the prior three-year period.
Data By:	Ted Webersinn

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**LAND**

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Total Area:	0.25± Acre
Depth:	90± F
Road Frontage:	199± F (Total of Seal Cove Road and SR 102)
Shape:	Rectangular
Overall Topography:	Slight slope to level
To Road:	On grade
Utilities:	Electricity; Telephone; water and sewer

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**BUILDING(S)**

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Size and Type:	This sale consisted of a small office that housed the Southwest Harbor/Tremont Chamber of Commerce. The building has 1,008 +/- square feet of GLA. It was built in 1930, but has undergone significant renovations.
Exterior:	Painted wood siding / shingle roof
Foundation/Basement:	Full basement which is unfinished.

Sprinklers/Detectors:	Smoke alarms
Heat:	Oil-fired forced air
Air Conditioning:	None
Interior:	Office finish
Physical Condition:	Average
Other Buildings:	None
Improvements Since Sale:	None known
Miscellaneous:	The site has limited parking for the building, but the highway exposure is good.

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INDICATED PRICE

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\$124.01 / SF of GLA (\$125,000 / 1,008 +/- SF)

**Office Commercial Sale #4:**



Map, Lot:	Map 6, Lot 47
Address:	310 Main Street, Southwest Harbor, Hancock County, Maine
Reference:	Hancock County Registry of Deeds
Book, Page:	Book 5737, Page 344
Grantor:	Hatcher
Grantee:	Elvidge
Sales Date:	12/21/11
Reported Price:	\$290,000 by Public Records, MREIS
Days on Market:	181
Financing By:	Bar Harbor Bank & Trust holds a mortgage for \$270,000 (93% LTV)
Conditions of Sale:	Arm's Length Transaction
Location:	Commercial
Zoning:	"B" district
Sales History:	No sales in the prior three-year period.
Data By:	Ted Webersinn

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**LAND**

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Total Area:	0.33± Acre
Depth:	195± F
Road Frontage:	74± F
Shape:	Rectangular
Overall Topography:	Slight slope to level
To Road:	On grade
Utilities:	Electricity; Telephone; water and sewer

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**BUILDING(S)**

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Size and Type:	This sale consisted of a house converted to a commercial office use with 1,990 +/- square feet of GLA.
Exterior:	Painted wood siding / shingle roof
Foundation/Basement:	Full basement which is finished. May be damp, according to the assessor.

Sprinklers/Detectors:	Smoke alarms
Heat:	Oil-fired forced air
Air Conditioning:	Window units
Interior:	Office finish
Physical Condition:	Average
Other Buildings:	None
Improvements Since Sale:	None known
Miscellaneous:	The building was built in 1940, but has been renovated. It was the office for Davis Real Estate, a long-established broker in the area.

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INDICATED PRICE

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\$145.73 / SF of GLA (\$290,000 / 1,990 +/- SF)

### Compilation of Comparable Office Building Sales

Sale #	Date of Sale	Price	GLA	\$ per GLA	Year Built
1	8/22/2011	\$300,000	2,934	\$102.25	1850
2	3/13/2012	\$207,500	1,632	\$127.14	1946
3	10/18/2010	\$125,000	1,008	\$124.01	1930
4	12/21/2011	\$290,000	1,990	\$145.73	1940

### Analysis of Comparable Sales – Office Buildings

The unadjusted price ranged from \$102.25 to \$145.73 per square foot of gross leasable area (GLA).

**The Sales Comparison Chart and Valuation Analysis is presented on the following page.** The elements of the analysis are described in the order of application and displayed in the comparison chart.

#### *Property Rights*

The property rights conveyed in the comparables were all fee simple. This is common in the local market as most property owners are owner-occupants. Therefore, no adjustments were needed.

#### *Financing*

All of the sales were at market or represented cash transactions, hence no adjustments for financing were needed.

#### *Condition of Sale*

The broker involved with Sale #1 indicated that the property sold at a below-market price. Based on our discussions with the broker and looking at the assessed value at sale, we adjusted this sale upward by 20%. All of the sales were arm's length transactions, hence no additional adjustments were needed.

#### *Market Conditions*

The neighborhood is suffering from a stalled economy that has yet to recover to the high level of commercial and maritime activity attained prior to the recession. Based on our discussions with knowledgeable market participants, we made a 0% annual adjustment for the time frame of the sales used in this analysis. Sales agents report that although there are signs of stabilization, no signs of improvement are evident, and no adjustments are warranted.

#### *Location*

All of the sale comparables were located close-by in Southwest Harbor, therefore, we made no adjustment for location.

#### *Age/Condition*

There are significant differences between the subject and the sale comparables regarding accrued depreciation. **The accrued depreciation for each sale is detailed by the table titled Depreciation Adjustments – 15 Mansell Lane, Southwest Harbor, Maine, provided in the EXHIBITS AND ADDENDA.**

#### *Physiography and Utilities*

All of the sales had electric, telephone, and public water and sewer service like the subject, so no adjustments were needed for available utilities. All of the properties had little to no

Sales Comparison Chart and Valuation Analysis – 15 Mansell Lane, Southwest Harbor, ME					
SUBJECT		SALE 1	SALE 2	SALE 3	SALE 4
Address	15 Mansell Lane	246 Main St.	40 Clark Point Rd.	204 Main St.	310 Main St.
Tax Identification Number	Map 17, Lot 112	Map 7, Lot 34	Map 3, Lot 106	Map 7, Lot 22	Map 6, Lot 47
Sale Price*		\$300,000	\$207,500	\$125,000	\$290,000
Price per square foot (GLA)		\$102.25	\$127.14	\$124.01	\$145.73
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing		Market	Market	Market	Market
Conditions of Sale		Arm's-Length &	Arm's-Length &	Arm's-Length &	Arm's-Length &
Effective Date of Appraisal	3/21/13	Norm. Motivation	Norm. Motivation	Norm. Motivation	Norm. Motivation
Date of Sale		8/22/11	3/13/12	10/18/10	12/21/11
Location	Southwest Harbor	Southwest Harbor	Southwest Harbor	Southwest Harbor	Southwest Harbor
Characteristics:					
Location	Off Highway	Comparable	Comparable	Comparable	Comparable
Age/Condition	Average	Superior	Superior	Superior	Superior
Building size (SF of GLA)	4,996	2,934	1,632	1,008	1,990
Land Area (Acres)	0.504	0.92	0.10	0.25	0.33
Physiography and Utilities	Good, All	Comparable	Comparable	Comparable	Comparable
Additional Buildings	None	Superior	Comparable	Comparable	Comparable
Size	Average	Smaller	Smaller	Smaller	Smaller
ADJUSTMENTS		SALE 1	SALE 2	SALE 3	SALE 4
Price per square foot of GLA		\$102.25	\$127.14	\$124.01	\$145.73
Property Rights Adjustment	0%		0%	0%	0%
Adjusted Price		\$102.25	\$127.14	\$124.01	\$145.73
Financing Adjustment	0%		0%	0%	0%
Adjusted Price		\$102.25	\$127.14	\$124.01	\$145.73
Conditions of Sale Adjustment	20%		0%	0%	0%
Adjusted Price		\$122.70	\$127.14	\$124.01	\$145.73
Market Conditions Adjustment	0.00%		0.00%	0.00%	0.00%
Adjusted Price		\$122.70	\$127.14	\$124.01	\$145.73
Locational and Physical Adjustments:					
Location	0%		0%	0%	0%
Adjustment	\$-		\$-	\$-	\$-
Adjusted Price per SF		\$122.70	\$127.14	\$124.01	\$145.73
Age/Condition	-6%		-17%	-33%	-11%
Adjustment	\$(7.59)		\$(21.54)	\$(41.00)	\$(15.88)
Adjusted Price per SF		\$115.11	\$105.61	\$83.01	\$129.85
Physiography and Utilities	0%		0%	0%	0%
Adjustment	\$-		\$-	\$-	\$-
Adjusted Price per SF		\$115.11	\$105.61	\$83.01	\$129.85
Extra Building Adjustment	-10%		0%	0%	0%
Adjustment	\$(11.51)		\$-	\$-	\$-
Adjusted Price per SF		\$103.60	\$105.61	\$83.01	\$129.85
Size	-10%		-20%	-25%	-20%
Adjustment	\$(12.27)		\$(25.43)	\$(31.00)	\$(29.15)
Adjusted Price per SF		\$91.33	\$80.18	\$52.01	\$100.70
Adjusted Price per Sq. Ft. - GLA		\$91.33	\$80.18	\$52.01	\$100.70
For Comparison Purposes:					
Total Gross Adjustment	46%		37%	58%	31%
Total Net Adjustment	-11%		-37%	-58%	-31%
Median Sales Price per GLA =		\$85.76			



detrimental site characteristics. Therefore, no adjustment were need for this category.

*Extra Building Adjustment*

Sale #1 was the only comparable with an additional building. It has a barn with an upstairs apartment unit. We adjusted this amenity by -10% for superiority.

*Size*

We also considered the size of the comparables. Typically, the smaller buildings sell for a premium per square foot than larger buildings. These size adjustments range from +/- 5% to +/- 25% depending upon the size of the difference. Sales #1 was adjusted by -10%, and Sales #2 and #4 were adjusted by -20% as they were closer in size to the subject than Sale #3 which was adjusted by -25% due to the significant size differences in GLA.

**Reconciliation of the Sales Comparison Approach – Office Building**

The adjusted indicated building square footage values by the Sales Comparison Approach range from \$52.01 to \$100.70 per square foot of GBA with significant adjustments. The median price per square foot of GLA was \$85.76. This was very close to Sale #2 which had the lowest percent of gross and net adjustments and was located on a side street like the subject. Applied, the 4,996 square feet of gross building area at the subject times \$86 per square foot is \$430,000 (rounded).

**Deferred Maintenance**

There were no apparent items of deferred maintenance at the subject office building. According to the Town of Cranberry Isles, significant work was done on the office building in the amount of \$7,774 in 2010 and \$8,124 in 2011. These costs were reflected in the depreciation percentage used in the COST APPROACH.

**Value Conclusions of the Office Building by the Sales Comparison Approach**

Based on the foregoing, the *leased fee interest market value* of the subject office property by the Sales Comparison Approach, as of February 15, 2013, was.....\$430,000.

**Comparable Sales Data-Warehouse/Shop/Self-Storage Buildings**

We focused our analysis on buildings with similar uses and locations to the subject property. Few recent sales were found due to the slow real estate market. All sales used were considered the best available.

The sales comparable sales used are listed as follows:

**Comparable Sale #5**



**Location:** 169 Clark Point Road, Southwest Harbor

**Condition of Sale:** Arms-length.

**Legal Description:** Tax Map 4, Lot 43

**Deed/Record Date:** 9/28/11

**Legal Reference:** Book 5703 Page 77

**Grantor:** Beal

**Grantee:** Berzinis

<b>Land Area (Acres):</b>	0.30	<b>Square Feet (SF):</b>	13,068
<b>Building Area (SF of GLA):</b>	12,870	<b>Ceiling Height:</b>	20 +/-
<b>Consideration:</b>	\$412,500	<b>FAR:</b>	0.98
<b>Price per SF of GLA:</b>	\$32.05	<b>Year Built:</b>	1971

**Zoning:** "B" Zone (Commercial)

**Financing:** Reported cash to seller.

**Remarks:** This is a maritime-oriented warehouse located adjacent to the Coast Guard facility and the public pier in Southwest Harbor's waterfront area on Clark Point Rd. The sale has a water view as well as access to the waterfront by way of a public pier. It is served by public water and sewer.

**Source:** Glenn Squires (Agent), Assessor, public records and visual inspection by the appraiser.

**Comparable Sale #6**



**Location:** 11 Gunlow Pond Road, Tremont

**Condition of Sale:** Arms-length

**Legal Description:** Tax Map 5, Lot 33B

**Legal Reference:** Book 5743 Page 166

**Recording Date:** 12/29/11

**Grantor:** Ouzel, Inc.

**Grantee:** J. Wharton LLC

**Zoning:** Commercial

<b>Land Area (Acres):</b>	2.30	<b>Square Feet (SF):</b>	100,188
<b>Building Area (SF of GLA):</b>	11,364	<b>Ceiling Height:</b>	20 +/-
<b>Consideration:</b>	\$400,000	<b>FAR:</b>	0.11
<b>Price per SF of GLA:</b>	\$35.20	<b>Year Built:</b>	1990

**Financing:** Market.

**Remarks:** This property is improved with three steel pre-engineered buildings built from 1990 through 2001. The buildings have clear ceiling heights of 20 feet and are used for boat storage, similar to the subject with no apparent office space within the building. The property has frontage on Gunlow Pond Road, a side street off of SR 102. The property does not have public water and sewer, nor does it have any waterfront or direct access to the waterfront.

**Source:** City of Tremont assessor, public records and visual inspection by the appraiser.

**Comparable Sale #7**



**Location:** 614 Tremont Road, Tremont

**Condition of Sale:** Arms-length

**Legal Description:** Tax Map 5, Lot 87B

**Legal Reference:** Book 5715, Page 116

**Recording Date:** 11/15/11

**Grantor:** J. Wharton LLC

**Grantee:** UP Harbor Marine, Inc.

**Zoning:** Commercial

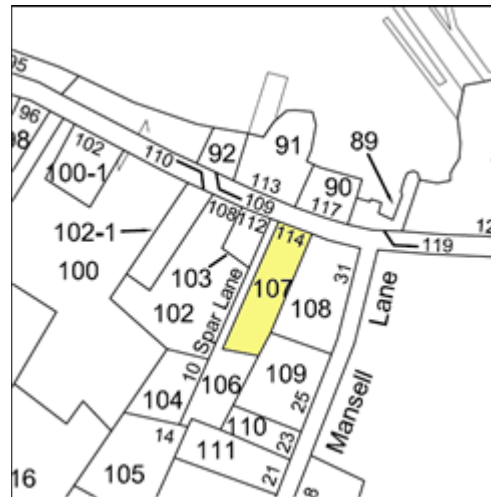
<b>Land Area (Acres):</b>	2.05	<b>Square Feet (SF):</b>	89,298
<b>Building Area (SF of GLA):</b>	10,532	<b>Ceiling Height:</b>	20 +/-
<b>Consideration:</b>	\$377,500	<b>FAR:</b>	0.12
<b>Price per SF of GLA:</b>	\$35.84	<b>Year Built:</b>	1988

**Financing:** Market.

**Remarks:** This is a boat repair and storage facility on SR 102. The buildings were built from 1988 through 2004. Approximately 8,532 SF of the total 10,532 SF of building area have ceiling clearances of 20 +/- feet. The property does not have public water and sewer, nor does it have any waterfront or direct access to the waterfront.

**Source:** City of Tremont assessor, public records and visual inspection by the appraiser.

**Sale #8 (Listing):**



**Location:** 114 Shore Road, Southwest Harbor

**Condition of Sale:** Listing

**Legal Description:** Tax Map 17, Lot 107

**Zoning:** Maritime Activity

**Days on Market:** 398 as of 5/13/2013

<b>Land Area (Acres):</b>	0.26	<b>Square Feet (SF):</b>	11,326
<b>Building Area (SF of GLA):</b>	5,000	<b>Ceiling Height:</b>	15 +/-
<b>Asking Price:</b>	\$195,000	<b>FAR:</b>	0.44
<b>Price per SF of GLA:</b>	\$39.00	<b>Year Built:</b>	1940

**Remarks:** This listing is very close to the subject. The building is a 5,000 ± SF single-story wood framed warehouse, reportedly built in 1940. The building is heated with a propane space heater.

**Source:** Assessor, MREIS, public records and visual inspection by the appraiser.



### Compilation of Warehouse/Shop/Self-Storage Building Sales

Sale #	Date of Sale	Price	GLA	\$ per GLA	Year Built
5	9/28/2011	\$412,500	12,870	\$32.05	1971
6	12/29/2011	\$400,000	11,364	\$35.20	1990
7	11/15/2011	\$377,500	10,532	\$35.84	1988
8	Listing	\$195,000	5,000	\$39.00	1940

### Analysis of Comparable Warehouse/Shop/Self-Storage Building Sales

The unadjusted prices ranged from \$32.05 to \$39.00 per square foot of gross leasable area (GLA). The comparables vary in locations, age/condition, and building size.

**The Sales Comparison Chart and Valuation Analysis – 102 Shore Road, Southwest Harbor, ME is provided on a subsequent page.** The elements of the analysis are described in the order of application and displayed in the comparison chart.

#### *Property Rights*

The property rights conveyed in the comparables were all fee simple. This is common in the local market as most property owners are owner-occupants. Therefore, no adjustments were needed.

#### *Financing*

All of the sales were at market or represented cash transactions, hence no adjustments for financing were needed.

#### *Condition of Sale*

All of the sales were arm's length transactions, hence no adjustments were needed.

#### *Market Conditions*

The neighborhood is suffering from a stalled economy that has yet to recover to the high level of maritime activity attained prior to the recession. Based on our discussions with knowledgeable market participants, we made a 0% annual adjustment for the time frame of the land sales used in this analysis. Sales agents report that although there are signs of stabilization, no signs of improvement are evident, and no adjustments are warranted.

#### *Location*

Listing #8 has the same location as the subject and its price per square foot of GLA is higher than all the other sales. However, since it is a listing, we could not rely on it to set a price for location. The next closest in location was Sale #5 which also had direct access to a deep water harbor. Sales #6 and #7, which were located in nearby Tremont, had no access to water, but their prices clustered in the middle of the range of the square foot prices from Sale #5 and #8. Therefore, we made no adjustments for location.

#### *Age/Condition*

There are significant differences between the subject and the sales comparable regarding accrued depreciation. **The accrued depreciation for each sale is derived by the table titled Depreciation Adjustments – 102 Shore Road, Southwest Harbor, ME provided in the EXHIBITS & ADDENDA.**

Sales Comparison Chart and Valuation Analysis – Shore Road, Southwest Harbor, ME					
SUBJECT	SALE 5	SALE 6	SALE 7	LISTING 8	
Address	102 Shore Rd.	169 Clark Point Rd.	11 Gunlow Rd.	614 Tremont Rd.	114 Shore Rd.
Tax Identification Number	Map 17, Lot 100	Map 4, Lot 43	Map 5, Lot 33B	Map 5, Lot 87B	Map 17, Lot 107
Sale Price*		\$412,500	\$400,000	\$377,500	\$195,000
Price per square foot (GLA)		\$32.05	\$35.20	\$35.84	\$39.00
Property Rights	Leased Fee	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing		Market	Market	Market	Market
Conditions of Sale		Arm's-Length &	Arm's-Length &	Arm's-Length &	Arm's-Length &
Effective Date of Appraisal	3/21/13	Norm. Motivation	Norm. Motivation	Norm. Motivation	Norm. Motivation
Date of Sale		9/28/11	12/29/11	11/15/11	Listing
Location	Southwest Harbor	Southwest Harbor	Tremont	Tremont	Southwest Harbor
Characteristics:					
Location	Shore Front	Comparable	Inferior	Inferior	Comparable
Age/Condition	Fair to Average	Superior	Superior	Superior	Comparable
Building size (SF of GLA)	11,211	12,870	11,364	10,532	5,000
Land Area (Acres)	1.245	0.30	2.30	2.05	0.26
Utilities	All	Comparable	Inferior	Inferior	Comparable
Additional Buildings	None	Comparable	Comparable	Comparable	Comparable
Size	Average	Comparable	Comparable	Comparable	Smaller
ADJUSTMENTS		SALE 5	SALE 6	SALE 7	LISTING 8
Price per square foot of GLA		\$32.05	\$35.20	\$35.84	\$39.00
Property Rights Adjustment		0%	0%	0%	0%
Adjusted Price		\$32.05	\$35.20	\$35.84	\$39.00
Financing Adjustment		0%	0%	0%	0%
Adjusted Price		\$32.05	\$35.20	\$35.84	\$39.00
Conditions of Sale Adjustment		0%	0%	0%	0%
Adjusted Price		\$32.05	\$35.20	\$35.84	\$39.00
Market Conditions Adjustment		0.00%	0.00%	0.00%	0.00%
Adjusted Price		\$32.05	\$35.20	\$35.84	\$39.00
Locational and Physical Adjustments:					
Location		0%	0%	0%	0%
Adjustment		\$-	\$-	\$-	\$-
Adjusted Price per SF		\$32.05	\$35.20	\$35.84	\$39.00
Age/Condition		-19%	-28%	-30%	-45%
Adjustment		\$(6.04)	\$(9.75)	\$(10.74)	\$(17.67)
Adjusted Price per SF		\$26.01	\$25.44	\$25.10	\$21.33
Utilities		0%	0%	0%	0%
Adjustment		\$-	\$-	\$-	\$-
Adjusted Price per SF		\$26.01	\$25.44	\$25.10	\$21.33
Size		0%	0%	0%	10%
Adjustment		\$-	\$-	\$-	\$2.13
Adjusted Price per SF		\$26.01	\$25.44	\$25.10	\$23.46
Adjusted Price per Sq. Ft. - GLA		\$26.01	\$25.44	\$25.10	\$23.46
For Comparison Purposes:					
Total Gross Adjustment		19%	28%	30%	55%
Total Net Adjustment		-19%	-28%	-30%	-40%
Median Sales Price per GLA =		\$25.27			

### *Physiography and Utilities*

Sales #6 and #7 were on private water and sewer systems. All of the sales had electric and telephone service like the subject. All of the sales had little to no detrimental site characteristics. The sales with private water and sewer systems were considered similar to the subject and not adjusted. The cost of amortizing a well and septic system is often the same amount as the yearly cost of public water and sewer bills.

### *Size*

We also considered the size of the comparables. Typically, the smaller buildings sell for a premium per square foot than larger buildings. However, in this case, the opposite was true. Using paired sales analysis, we adjusted Sale #8 by plus 10% for size differential.

### **Reconciliation of the Sales Comparison Approach –Warehouse/Shop/Self-Storage**

The adjusted building square footage values by the Sales Comparison Approach range from \$23.46 to \$26.01 per square foot of GLA with significant, but reasonable, adjustments. We used the median sale price of \$25.00 (rounded), as our indicator of value. Applied, the 11,211 square feet of gross leasable area at the subject times \$25.00 per square foot equals \$280,275.

### **Excess Land**

As indicated in the COST APPROACH, the amount of excess land in that portion of the overall 3.34 acres represented by the warehouse/shop/self-storage section of the ***subject property*** is 0.362 acres with a value of \$92,939, say \$93,000. Added to the \$280,275, the total value is \$373,275.

### **Deferred Maintenance**

We observed items of deferred maintenance at the warehouse/shop/self-storage buildings. The estimate to cure is as follows:

Item	Units (SF)	Cost/Unit	Cost
Replace Roof on Self-Storage Bldg.	5,800	\$4.00	\$23,200
Paint and General Repair of Exterior	7,155	\$2.50	\$17,888
Contingency @ 15% =			<u>\$2,683</u>
Total Cost of Curing Deferred Maintenance =			\$43,771

Deducting \$43,771 from the \$373,275 results in a value of \$329,504, say \$330,000.

### **Value Conclusions by the Sales Comparison Approach**

Based on the foregoing, the prospective ***fee simple interest market value*** of the subject property by the Sales Comparison Approach, as of February 15, 2013, was .....\$330,000.



## CORRELATION AND FINAL VALUE ESTIMATE

The results of the three approaches are as follows:

<b>Approach</b>			
<i>Cost Approach:</i>			
Ferry Terminal			\$743,000
Office			\$450,000
Warehouse/Shop/Self-Storage			\$320,000
Total			\$1,513,000
<i>Income Approach</i>			
Ferry Terminal			\$743,000
Office			\$400,000
Warehouse/Shop/Self-Storage			\$356,000
Total			\$1,499,000
<i>Sales Comparison Approach</i>			
Ferry Terminal			\$743,000
Office			\$430,000
Warehouse/Shop/Self-Storage			\$330,000
Total			\$1,503,000

### **Cost Approach**

Economic conditions have deteriorated in the last few years, and commercial real estate has generally declined in value, while building costs have either maintained or increased. However, due to the age of the improvements, coupled with the need to apply external obsolescence, the Cost Approach has its limitations regarding reliability. Even with the application of market rental rates, the rates were too low to support building the property new, or even to its depreciated value before the application of external obsolescence. Therefore, we determined that the Cost Approach was applicable for the market value of the ferry terminal (pier, floats and parking lot), considered as a special purpose property, and as a support for the Sales Comparison Approach.

### **Income Capitalization Approach**

The Income Capitalization Approach is an estimate of the future productivity of the subject property as measured by the quality, quantity, and durability of the income stream. The subject property is leased at a market rental rate and has a track record of income. However, the buildings are apparently leased at below-market rents in exchange for a low vacancy rate. For this reason, the Income Capitalization Approach was mainly used as a support for the Sales Comparison Approach.

### **Sales Comparison Approach**

The Sales Comparison Approach utilizes actual transactions of similar properties sold nearby, and illustrates what buyers are paying for these type properties. Few sales were available,

but many were recent and all located in Southwest Harbor or nearby Tremont, Maine. Although adjustments were significant, they reflected the differences in each comparable property reasonably. Therefore, the Sales Comparison Approach was considered the most reliable method used. The only exception was the ferry terminal (pier, floats and parking lot), which was judged to be a special purpose property and could only be reasonably valued by the Cost Approach.

### **Final Value Conclusion**

Therefore, based on an inspection of the real estate and the subsequent investigation and analyses undertaken, we have formed the opinion that, subject to this letter of transmittal and the assumptions and limiting conditions set forth in this appraisal report, the market value of the leased fee interest of the real estate, as of February 15, 2013, is:

**ONE MILLION FIVE HUNDRED THOUSAND DOLLARS  
\$1,500,000;**

of which \$743,000 is allocated to the ferry terminal (pier, floats, ramps and parking lot), \$425,000 to the office and \$332,000 to the warehouse/shop/self-storage buildings.

The summary appraisal report that preceded set forth the identification of the *subject property*, the assumptions and limiting conditions, pertinent facts about the area and the *subject property*, comparable data, the results of the investigation and analyses, and the reasoning leading to our conclusions.

<p><b>This appraisal report and all of the appraiser's (or appraisers'), work in connection with this appraisal assignment are subject to the limiting conditions and all other terms stated in the report. The receipt of, or use of, this appraisal by any party, regardless of whether such use is authorized or intended by the appraiser (or appraisers), constitutes acknowledgment and acceptance of all such assumptions (including extraordinary assumptions), and limiting conditions of this appraisal. This is a <i>Summary Appraisal Report</i> and is intended for the use of a limited number of users with a general knowledge of the subject property. It is a summary of all the information significant to the appraisal problem.</b></p>
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## CERTIFICATION

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in the report are true and correct;
- The reported analyses, opinions and conclusions are limited only by the reported assumptions, limiting conditions and legal instructions, and are the personal, unbiased professional analyses, opinions and conclusions of the appraisers;
- The appraisers have no present or prospective interest in the property that is the subject of this report, and no personal interest or bias to the parties involved;
- The compensation received by the appraisers for the appraisal is not contingent on the analyses, opinions, or conclusions reached or reported;
- The appraisal is not based on a stipulated minimum valuation, a specific valuation or the approval of a loan;
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics* and the *Standards of Professional Appraisal Practice* of the Appraisal Institute and the *Code of Ethics* of the American Society of Appraisers. The appraisal report is in conformance with the Appraisal Foundation's *Uniform Standards of Professional Appraisal Practice (USPAP)*;
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- We both made a personal inspection of the property appraised;
- No one provided significant professional real estate appraisal assistance to the person signing this report;
- We have performed no services, as appraisers or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment;
- As of the date of this report, Theodore H. Webersinn, MAI, ASA, AICP, has completed the requirements of the continuing education program of the Appraisal Institute and the American Society of Appraisers;
- Theodore H. Webersinn, MAI, ASA, AICP, and Richard Moore, each holds a Certified General Real Estate Appraiser License in the State of Maine, which is the appropriate state certification allowing for the performance of real estate appraisals in connection with federally-related transactions in Maine;
- Therefore, based on an inspection of the real estate and the subsequent investigation and analyses undertaken, we have formed the opinion that, subject to this letter of transmittal and the assumptions and limiting conditions set forth in this appraisal report, the market value of the leased fee interest of the real estate, as of February 15, 2013, is:

**ONE MILLION FIVE HUNDRED THOUSAND DOLLARS**  
**\$1,500,000;**

of which \$743,000 is allocated to the ferry terminal (pier, floats, ramps and parking lot), \$425,000 to the office and \$332,000 to the warehouse/shop/self-storage buildings.

## CERTIFICATION (CONT.)

Respectfully:



Theodore H. Webersinn, MAI, ASA, AICP  
President, Webersinn Appraisal Company, Inc.  
Maine Certified General Appraiser, CG160  
Member, Appraisal Institute



Richard W. Moore  
Real Estate Appraiser  
Maine Certified General Appraiser, CG2515  
Associate Member, Appraisal Institute

## ASSUMPTIONS AND LIMITING CONDITIONS

### **This appraisal report has been made with the following general assumptions:**

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The subject property is appraised free and clear of any and all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent management are assumed.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that may render the property more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
6. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
7. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined, and considered in the appraisal report.
8. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity, or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
9. It is assumed that the utilization of the land and improvements are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
10. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
11. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.
12. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

### **This appraisal report has been made with the following general limiting conditions:**

1. Possession of this report, or a copy thereof, does not carry with it the right of publication.
2. The appraisers herein, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
3. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be

disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraisers.

4. There is no accountability or liability to any third party by Webersinn Appraisal Company, Inc., its associate appraisers, and/or its employees, and liability to the client is limited to the amount of the appraisal fee for this assignment.

5. The value indicated in this summary appraisal report is contingent upon the following:

A. The **EXTRAORDINARY ASSUMPTION** that there exist no hazardous materials of any kind such as, but not limited to, asbestos, lead paint, polychlorinated biphenyls, petroleum (or petroleum by-products) leakage, or photographic or agricultural chemicals or pesticides on or in the subject property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. It is strongly recommended to the client that a thorough, in-depth testing of all existing environmental hazards be conducted on the *subject property*. The value put forward in this appraisal is expressly contingent upon the reduction of said valuation by any and all costs required to remove any and all environmental hazards, if any, and any and all costs required to have the property certified as "hazard-free" by a certified environmental testing organization; and

B. The **EXTRAORDINARY ASSUMPTION** that there exist no rock, soil, drainage, percolation, or soil compaction problems on the *subject property* that would cause a loss in value or excess costs to cure such problems. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them; and

C. The **EXTRAORDINARY ASSUMPTION** that there exist no deficiencies as defined by the Americans with Disabilities Act. No responsibility is assumed for any such conditions, or for any expertise or architectural knowledge required to discover them. The value put forward in this appraisal is expressly contingent upon the reduction of said valuation by any and all costs required to remove any and all handicapped deficiencies, if present, and any and all costs required to have the property certified as "in compliance" with the Americans with Disabilities Act; and

D. The **HYPOTHETICAL CONDITION** that any deed covenants and restrictions on transfer of the *subject property* to others do not exist.

<p>This appraisal report and all of the appraiser's (or appraisers'), work in connection with this appraisal assignment are subject to the limiting conditions and all other terms stated in the report. The receipt of, or use of, this appraisal by any party, regardless of whether such use is authorized or intended by the appraiser (or appraisers), constitutes acknowledgment and acceptance of all such assumptions (including extraordinary assumptions), and limiting conditions of this appraisal. This is a <i>Summary Appraisal Report</i> and is intended for the use of a limited number of users with a general knowledge of the subject property. It is a summary of all the information significant to the appraisal problem.</p>
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## **EXHIBITS AND ADDENDA**

## **QUALIFICATIONS OF THE APPRAISERS**



**QUALIFICATIONS OF THEODORE H. WEBERSINN, MAI, ASA, AICP  
CERTIFIED GENERAL APPRAISER**

Senior Member - American Society of Appraisers

Member, Appraisal Institute

Certified Planner - American Institute of Certified Planners

The professional qualifications of the appraiser include extensive experience in the fields of land use planning, site development engineering and real estate consulting since 1968. Mr. Webersinn has a Master's Degree in Urban Planning and is a certified planner. He was employed as both a Community Land Use Planner and a Senior Park Planner for the Maryland National Capital Park and Planning Commission. In addition, Mr. Webersinn owned and managed an architecture/engineering firm in Silver Spring, Maryland from 1971 to 1982. From 1982 on, he has owned and operated his own commercial/industrial real estate brokerage for purposes of consulting, real estate developing and appraising. In 1987, Mr. Webersinn focused his entire efforts toward commercial, industrial, and residential real estate appraising. The residential real estate appraising focused on high-end residential estate filings, gifting appraisals and partial interest discounting. As a fully licensed Certified General Appraiser in two states, Mr. Webersinn is eligible for reciprocal licensing and/or temporary licensing in all other states. He became a full-time resident of the State of Maine in October of 1999.

As an appraisal consultant, Mr. Webersinn's clients have included, among others; State Highway Administration of Maryland, Maritime and Northeast Pipelines, Machias Savings and Loan, the Bank of Baltimore, The First Bancorp, Merrill Merchants Bank, Camden National Bank, Pioneer Capital Corporation, Ocean National Bank, United Bank, Pulte Homes, Inc., American National Insurance Co., Union Trust Company, Branch Banking & Trust Company of South Carolina, Maine Savings Bank (FDIC), Presidential Federal Savings Bank, Eaton & Peabody, Rudman & Winchell, Chrysler Corporation Real Estate, City of Bangor, Town of Lincoln, Damariscotta Bank & Trust, Manufacturers' Life Insurance Company (USA), General Services Administration (GSA), Department of Homeland Security, Maine Inland Fisheries and Wildlife, and Bar Harbor Bank & Trust Company.

**EDUCATION**

- University of Georgia, Bachelors of Landscape Architecture, 1966.
- Florida State University, Master of Science in Urban Planning, 1968
- Northwest Center for Professional Education, "Developing Small Office Buildings", "Developing Small Shopping Centers", "Tax Structuring for Real Estate", "Financing Commercial Real Estate" 1985-1986, and "Valuing Income Properties," 1987.
- Successfully completed courses provided by the Appraisal Institute - "Standards of Professional Practice," 1988, 1994, 1997, 1999, 2001, 2004, 2006, 2007, 2008, 2009, 2010, 2011, 2012; "Real Estate Appraisal Principals," 1989; "Basic Evaluation Procedures," 1989; "Advanced Income Capitalization Course A & B, 1990 and 510, 2003; "Case Studies," 1990; "Report Writing and Evaluation Analysis," 1992; Demo Report Writing, 1994; "Business Valuation for Real Estate Appraisers," 1995.
- "Application of Science and Risk-Management to Environmental Remediation," Groundwater Technologies Seminar, September, 1994.
- "Forensic Real Estate Appraising," American Society of Appraisers Seminar, April, 1996.
- "Appraisal of Nursing Homes," Appraisal Institute Seminar, August, 1996.
- "Litigation Skills for the Appraiser," Appraisal Institute Seminar, September, 1996.
- "Comparative Companies Methods; Underlying Assets, Excess Earnings and Other Methods; Family Limited Partnerships," Practitioners Publishing Co., September, 1997.
- "Valuation of Detrimental Conditions in Real Estate" Appraisal Institute Seminar, March, 1998.
- "Eminent Domain and Condemnation Appraising" Appraisal Institute Seminar, April, 1998.
- "Historic Properties" ASA Seminar, April, 1998.
- "Supporting Sales Comparison Grid Adjustments for Residential Properties" Appraisal Institute Seminar, September, 2000.
- "Defending Appraisals in Litigation" Appraisal Institute Seminar, June, 2001.
- "Comprehensive Exam Seminar" Appraisal Institute Seminar, January, 2002.
- Business Valuation 201, American Society of Appraisers Course, March 2004.
- "Valuation of Convenience Stores," Appraisal Institute Course, March 2005.
- "Business Practices and Ethics," Appraisal Institute Course, June, 2005.

- “Valuing Professional Practices,” Business Valuation Resources Conference, December, 2005.
- “Analyzing Operating Expenses,” Appraisal Institute Course, March, 2006.
- “Highest and Best Use,” University of Southern Maine Center for Real Estate Education, March, 2007.
- “Issues Pertaining to Shoreland Properties,” University of Southern Maine Center for Real Estate March, 2007.
- “Forecasting Rents,” Appraisal Institute Course, May, 2008.
- “Subdivision Analysis,” Appraisal Institute Course, May, 2008.
- “Business Ethics,” Appraisal Institute Course, February, 2009.
- “Feasibility, Market Value and Investment Timing,” Appraisal Institute Course, February, 2009.
- “Cool Tools,” Appraisal Institute Course, September, 2009.
- “Data Verification Methods” Appraisal Institute Course, October 2009.
- “Rates and Ratios-Making Sense of GIMs, OARs and DCF” Appraisal Institute Course, April 2011.
- “Fundamentals of Separating Real Property, Personal Property and Intangible Assets,” Appraisal Institute Course, April 2012.

#### **LICENSES AND PROFESSIONAL MEMBERSHIPS**

- Appraisal Institute - Member
- American Planning Association - Certified Planner
- American Society of Appraisers (ASA) - Senior Designated Member, Real Estate - Urban,
- American Society of Appraisers (ASA) - Real Estate - Urban, Certified Instructor.
- State Certified General Appraiser - State of Maine, # 160 and Maryland #10006.
- Past Member, Maine State Board of Real Estate Appraisers, appointed by Governor King, November, 2002.
- Vice Chairman, Maine State Board of Real Estate Appraisers, appointed by Governor Baldacci, December, 2007.
- Past Member, Maine State Board of Property Tax Review, appointed by Governor Baldacci, September, 2007.

#### **PROFESSIONAL ASSOCIATIONS**

- Association of Appraisal Regulatory Organization (AARO), Past Director, Region I.
- Maine Chapter of the Appraisal Institute.
- Appraisal Institute -SBA Going Concern Registry.

#### **EXPERT WITNESS**

- Federal District Court, District of Maryland and Maine - United States Bankruptcy Court
- Tax Court - State of Maryland
- Circuit Court - Prince George's, Montgomery and Fairfax County
- Board of Appeals - Maryland State Department of Assessments - Prince George's, Anne Arundel and Montgomery County
- Board of Equalization - Prince William County, VA
- Board of Appeals - Prince George's and Montgomery County
- Planning Boards and Zoning Hearing Examiner- Prince George's and Montgomery County
- County Councils - Prince George's, Charles, Howard and Montgomery County
- Property Adjustment Board - State of Maryland
- Circuit Court - Prince George's County, Court Appointed Appraisal Expert for Domestic Relations Causes.
- Superior Court and District Court - Hancock County, Maine
- Board of Appeals for Property Tax Adjustment - City of Ellsworth, Maine
- Property Tax Adjustment Hearing - Hancock County Commissioners, Maine

#### **APPRAISAL EXPERIENCE**

Some examples of Mr. Webersinn's completed appraisals include the following:

#### **RACQUETBALL & HEALTH CLUBS AND GOLF COURSES**

- McLean Racquet & Health Club, Chain Bridge Rd., McLean, VA. A 58,450 sf. indoor facility with pool, weight rooms, racquet ball and indoor tennis courts, and a \$3,500,000 annual revenue. Completed for Crestar Bank 3/92 and United Bank 11/97.
- Regency Sport & Health Club, McLean, VA. A 143,500 sf. indoor/outdoor racquet facility with pool, weight rooms, racquet ball and indoor tennis courts, and a \$4,000,000 annual revenue. Completed for RTC, 9/93.

- Va-Jo-Wa 18 hole Golf Course, Island Falls, ME, 3/00.
- Ellsworth Tennis Center, Ellsworth, ME, A 36,960 sf. indoor tennis facility with weight rooms, racquet ball and 4 indoor tennis courts, 3/02.
- Palmyra Golf Club and RV Campground, Palmyra, ME, 8/01
- Fairlawn Golf Club, Poland, ME, 7/06

#### **OFFICE BUILDINGS**

- Volkswagen of North America Office R & D Complex, Lanham, MD, 11/96 - 321,000 sf.
- Mount Desert Island Hospital Office Building, Bar Harbor, ME, 10/04 - 15,000 sf.
- Ames Office Building, Bangor, ME 2/92 - 14,000 sf.
- Nuclear Regulatory Commission, Bethesda, MD, leasing analysis for 450,000 sf. of existing occupied space 4/92.
- 105 Main Street, Bangor, ME 9/99 - 23,200 sf.
- Hancock Place, Bangor, ME 5/01 - 55,200 sf.
- Belfast Opera House Office Building, Belfast, ME 6/05 - 28,000 sf.
- Margaret Chase Smith Federal Building, Bangor, ME 4/06 - 127,569 sf.
- One Cumberland Place Office Building, Bangor, ME 11/11 – 45,900 sf.

#### **RESIDENTIAL SUBDIVISIONS**

- Maryvale, Upper Marlboro, MD, 5/99- 45 Single Family Lots
- Merry Mount, Clinton, MD, 6/15/98 - 550 Lots
- Long Point, Deer Isle., 6/00 - 6 waterfront lots.
- Esterra, LLC, Waterfront Subdivision, Brooklin, ME, 3/05
- Townes of Vanderbilt, Leesburg, Loudoun County, VA 2/95 and 5/97 -54 Townhouse Lots
- Oxon Run Hills, Hillcrest Heights, MD, 6/95 - 26 Lots (MNCP&PC)
- Marlboro Meadows, Upper Marlboro, MD, 7/95 - 26 Lots (MNCP&PC)
- Carozza Towers, Hillcrest Heights, MD, 7/95 - 305 Lots (Carozza Estates)
- Hunter's Brooke, Charles County, MD, 10/02 and 2/04 - 315 Lots.
- Stover Road Subdivision, Blue Hill, ME 6/06 - 10 houses and lots.
- Bar Harbor Housing Authority, Northeast Creek Subdivision, Bar Harbor, ME 8/06 - 31 houses and lots.
- Heartwood Builders, Juniper Ledge Subdivision, Bar Harbor, ME 7/06 and 6/09 - 20 houses and lots.

#### **HOTELS AND MOTELS**

- Marriot Fairfield Inn, Bangor, ME, 12/91 - 150 rooms
- Park Entrance Motel, Bar Harbor, ME, 7/93 - 58 rooms
- International Lodge, Lubec, ME, 10/92 - 22 rooms
- Harraseeket Inn, Freeport, Maine, 5/94 - 54 rooms - a luxury hotel with full service restaurant/banquet facilities across the street from L.L. Bean's. Valuation included business value, "going-concern" and Furniture, Fixtures and Equipment (F, F & E).
- Tyson's Corner Ritz-Carlton, McLean, VA., - 399 rooms - this limited appraisal focused on the ground lease and underlying land value. Analysis included building and land residual valuation, and impact of shared parking and air-rights with the Tyson's II "Galleria". 9/97.
- Comfort Inn, Carmel Church, VA, 4/94 -142 rooms.
- Days Inn, Augusta, ME, 10/95 -186 rooms (FDIC).
- Adobe Motel and Lounge, Millinocket, ME, 4/00
- White Birches, Ellsworth, ME, 7/04
- Cadillac Motor Inn, Bar Harbor, ME, 11/04
- Comfort Inn, Bangor, ME 6/07
- Econolodge, Bangor ME, 3/08
- Days Inn, Bangor, ME, 3/08
- Holiday Inn, Ellsworth, ME, 2/08 & 5/10
- Atlantic Eyrie Motel, Bar Harbor, ME, 4/07

#### **MARINAS AND BOAT YARDS**

- Port Annapolis Marina, Annapolis, MD, 8/91 - 240 slips, boat repair facilities, offices, pool, and restaurant.
- Great Harbor Marina, Southwest Harbor, ME, 11/92 - 120 slips, restaurant, retail arcade.

- Sherman's Marina, Deale, MD, 9/94 - 32 slips, fueling station.
- H. R. Hinckley Boat Yard, Southwest Harbor, ME, 12/92 - 125,000 sf. facility on 15 acres of waterfront.
- Lubec Shipyard, Lubec, ME, 7/01 - 8,500 sf.
- Manset Yacht Service, Southwest Harbor, ME, 10/01 - 6,500 sf.

#### **RETAIL SHOPPING CENTERS**

- Maine Coast Mall, Ellsworth, ME, 10/02 and 9/05 - 177,266 sf.
- Montpelier Plaza Shopping Center, Laurel, MD, 7/96 - 100,340 sf.
- Westgate Mall, Bangor, ME, 9/96 - 108,000 sf.
- Landover Crossing, Landover, MD, 6/91 - 172,645 sf.
- Rhode Island Avenue Shopping Center, Hollywood, MD, 11/93 - 14,750 sf.
- Annapolis Retail Center, 2091 West St., Annapolis, MD, 7/94 - 7,925 sf.
- 31 North Street, Calais, ME, 2/00, 21,875 sf.
- Takoma Metro Shopping Center, Montgomery Co. MD, 1/96, 31,692 sf.
- Penn Forest Shopping Center, Prince George's Co. MD, 10/99, 43,333 sf.
- Ellsworth Shopping Center, Ellsworth, ME, 12/05 and 2/09, 98,000 sf.

#### **INDUSTRIAL AND MINI-WAREHOUSES**

- Norair Building, Landover, MD, 10/98 & 3/04 - 52,000 sf.
- Blair Road Self-Storage, Washington, DC, 11/98 - 660 units
- 201 Ritchie Road, Capital Heights, MD, 11/96 - 70,120 sf.
- Chemlawn Building, 3839 Ironwood Pl., Landover, MD, 9/94 - 16,863 sf.
- 1805-19 George St., Annapolis, MD, 6/94 - 21,600 sf.
- Otis Street, Mt. Rainier, MD, 6/94 - 54,443 sf.
- 5225 Kilmer St, Hyattsville, MD, 11/95 - 61,400 sf.
- We-Store, Orland, ME, 10/98 - 118 units.
- 700 Prince George's Boulevard, Bowie, MD, 4/96 - 34,500 sf.
- 403 Brightseat Road (Corporate Press), Landover, MD, 3/97 - 50,608 sf.
- 4800 Addison Road, Beaver Heights, MD, 4/97 - 346,500 sf.
- 4501 Auth Place, Mallow Heights, 1/97, 113,512 sf.
- The Granite Shop, Trenton, ME, 7/05 - 8,000 sf.
- Trans-Tech Building, Brewer, ME 1/99 and 3/00, 43,500 sf.
- Superior Dock Building, Ellsworth, ME 8/05 15,000 sf.

#### **AUTO DEALERSHIPS**

- Pohanka Olds-Saturn, Marlowe Heights, MD, 9/94 - 48,000 sf.
- Darling Pontiac-Olds, Ellsworth, ME, 10/94 - 30,000 sf.
- Roger's Chevrolet, Bowie, MD, 10/03 - 42,000 sf.

#### **APARTMENTS, CONDOMINIUMS AND MANUFACTURED HOME PARKS**

- Valleyview Apartments, City of Bangor, ME, 10/92 - 32 units
- Laurel Pines Country Club Apartments, Laurel, MD, 1/90 - 236 units
- Forest Avenue Mobile Home Park, Orono, ME, 4/00, 33 units
- Presidential Park Condominium Apartments, Adelphi, MD, 8/94 - 52 units (RTC)
- Popplestone Apartments, Northeast Harbor, ME, 11/99 - 4 Units
- Stillwater Avenue Mobile Home Park, Orono, ME, 6/01, 28 units
- Riverside Mobile Home Park, Old Town, ME, 6/01, 39 units
- Whispering Pines Mobile Home Park, Montville, ME, 3/02, 20 units
- Birch Hill Estates Manufactured Home Park, Bangor, ME, 11/04, 303 units
- Tinker Hill Condominium Development, Ellsworth, ME, 4/06, 83 units
- Mill Cove Landing Condominium Development, South Portland, ME, 3/07, 2/09 and 4/12, 31 units

#### **FACTORIES, SPECIAL PURPOSE PROPERTIES**

- Hancock Foods Processing Plant, Hancock, ME, 7/92 - 53,698 sf.
- Penobscot Frozen Foods, Inc., Belfast, ME, 3/93 - 116,152 sf.

- Sprague Oil Depot, Searsport International Port, ME, 3/93 - 23.6 Acres
- Mill Run High Rise PUD, Alexandria, VA., 11/92, 3.9 Acres, 600 units (FDIC)
- Magnetic Resonance Imaging (MRI) Facility, Greater Laurel Hospital, Laurel, MD, 3/93
- Saco Defense Machine Gun Factory, Saco-Biddeford, ME, 3/99, 390,000 sf.
- Bangor Publishing Company, Bangor, ME, 45,322 sf., 2/94.
- Oxford Plains Speedway, Oxford, ME, 3/8ths mile short oval auto racetrack, 4/96.
- CCS Distributors Freezer/Distribution Building, Landover, MD, 11/96 - 50,295 sf.
- Rio Grande Restaurant, Bethesda, MD, 4/96 - 8,200 sf. (FDIC)
- Maine Pearl Essence Factory, Eastport, ME, 10/99 - 5,500 sf.

#### **ASSISTED LIVING AND HEALTH CARE FACILITIES**

- Woodward Estates Assisted Living Center - 80 beds (leasehold estate), Bowie, MD, 4/97.
- Sudley Manor House Assisted Living Center - 72 beds, Manassas, VA, 2/98
- Bar Harbor Assisted Living Center - 160 beds, Bar Harbor, ME, 4/00
- Country Villa Retirement Home, 32 beds, Bangor, ME, 6/06
- Ellen M. Leach Memorial Home- Market Analysis, Brewer, ME, 8/01
- The Highlands Estates Retirement Community, Topsham, ME, 10/09 & 12/11

#### **LAND AND DEVELOPMENT PROPERTIES**

- Metroplace at Dunn Loring, Fairfax, VA, 3.7 acres of PUD for 251 high-rise residential units, 9/94, (RTC)
- Mercure Business Park, Loudoun County, VA, 4 finished industrial lots, 4/94
- 330 Hungerford Drive, Rockville, MD, - High rise Residential development land, 1/95.
- Danielson Property, Surry, ME, 31 Acres of waterfront vacant land, 6/04
- Turkey Farm Road, Blue Hill, ME, 10 lot subdivision, 5/04
- Lewis Property, Bowie, MD, 9.4 Acres of vacant land, 4/95
- Shelton Property Townhouse Condominium Project, Bar Harbor, ME, 3/05, 52 units
- Wendy's Restaurant (underlying land), Ellsworth, ME, 9/05
- Brunswick Naval Air Station, Brunswick, ME (702 residential units), 9/10
- Moosehead Mountain Ski Resort and 4,350 +/- acres of lake front land, Greenville, ME, 9/11

#### **RESIDENTIAL APPRAISALS**

- Residential Appraisals for estate planning and/or filings
- Investment Properties (2-4 Unit Rentals)
- Condominiums, Residential Appraisal Reviews

#### **EASEMENTS, RIGHT OF WAYS AND CONDEMNATIONS**

- Gas Pipeline Right of Ways, Eastern Maine, Maritimes & Northeast Pipelines (client), various takings along the Bradley-Bucksport Route and Veazie, ME, 11/98-6/00.
- Hildrup Moving and Storage, Lexington Park MD, - Hildrup (client) vs. Maryland State Highway Administration - 9/99.
- Citicorp, Landover, MD, - 39 acres of industrial land, Citicorp (client) vs. Maryland State Highway Administration - 9/99.
- Frank's Nursery, Lanham, MD, - 16 acres of plant nursery, Frank's (client) vs. Maryland State Highway Administration - 6/99.
- Gas Pipeline Right of Way, Eastern Maine, Maritimes & Northeast Pipelines (client) vs. Bangor Hydro 6/00.
- Gerald Property, Silver Spring, MD, - 1.74 acres of commercial land, Gerald vs. Maryland State Highway Administration (client) - 9/01.
- Frederick Brick Works, Frederick, MD, - 80.3 acres of mixed-use development land, East Street Extended, Maryland State Highway Administration (client) - 3/02.
- Washington, DC, METRO Rail System Expansion - Litigation Consulting on four large parcels of industrial/commercial land under condemnation for a Metro Rail Station, Knollwood Development, Cordish Company and Norair Corporation (client), Wilkes Artis (law firm) - 3/04 - 5/05.
- Maine-Canadian Border - Land appraisals for the location of two Border Patrol Headquarters on six parcels of agricultural and industrial/commercial land for the Department of the Army Corp of Engineers operating under the U. S. Department of Homeland Security - 6/03 - 10/03.

**TAX APPEAL REAL ESTATE CONSULTING ASSIGNMENTS**

- Ellsworth Tennis Center, Ellsworth, ME, 2/04 (real estate and business)
- Scherble Property, Hancock, ME, 10/07, (charitable donation value and tax appeal)
- Robinson Property, Brooksville, ME, 10/07, (waterfront property tax appeal)
- Gann Property, Tremont, ME, 11/11, (waterfront property tax appeal)
- Merck Property, Northeast Harbor, ME, 4/10, (waterfront property tax appeal)

**PARTIAL INTERESTS, PERSONAL PROPERTY AND BUSINESS APPRAISALS**

- Riverview Restaurant and Lounge, Bucksport, ME, 10/00 (going concern appraisal)
- Partial Interest of the Estate of Norman Smith (Real Estate Partnership).
- Partial Interest of the Estelle Kemler Trust Assignment and Gift (Real Estate Trust).
- Log Cabin Restaurant, Bar Harbor, ME, 6/03 (going concern appraisal)
- Jasper's Largo Restaurant, Largo, MD, 5/01 (going concern appraisal)
- Lucas Construction Company, Searsmont, ME, 10/01 (business appraisal for estate filing)
- Crazy Gil's Restaurant, Ellsworth, ME, 7/04 (going concern appraisal)
- Chocolate Grill Restaurant, Searsport, ME, 6/02 (going concern appraisal)
- Marine Subcontractors, Inc., Southwest Harbor, ME, 2/04 (business appraisal)
- Burkettville General Store, Appleton, ME, 4/04 (going concern appraisal)
- Big Dave's Convenience Store, Damariscotta, ME, 1/05 (going concern appraisal)
- Ellsworth-Bucksport Dental Associates, PA, Ellsworth, ME, 2/06 (business appraisal)
- Lippman Property, Hancock, ME, 9/06, (gifting and partial interest discount appraisal)
- Brace Property (Historic House), Cherryfield, ME, 8/06 (gift appraisal)
- Mainely Vinyl, Inc., Ellsworth, ME, 6/08 (business appraisal)
- Linnehan Investments (Used Car Dealership), Ellsworth, ME, 9/08 (business appraisal)
- Blue Hill Market, Inc., Blue Hill, ME, 1/09 (business appraisal)
- Corinth Market, Inc., Corinth, ME, 1/09 (business appraisal)
- Osborne Property, Gouldsboro, ME, 7/08 (gifting and partial interest discount appraisal)
- Smith-Newlin Property, Little Cranberry Isle, ME, 1/09 (gifting and partial interest discount appraisal)
- Wellington Estate, Southwest Harbor, ME, 4/08 (partial interest discount appraisal)
- Eaton Properties, Brooksville, ME, 1/08 (gifting and partial interest discount appraisal)
- EMR, Inc., Southwest Harbor, ME, 10/09 (business appraisal)
- Jasper's Restaurant Chain, Largo, MD, 10/09 (business appraisal)
- Ashmore Brothers Auto Body Shop, Ellsworth, Largo, ME, 11/10 (business, real estate and partial interest discount appraisal)
- Weymouth Garage, Inc., Milford, ME, 6/11 (business appraisal)
- Graves Funeral Homes, Inc., Presque Isle, ME, 3/12 (business appraisal)

## **RICHARD MOORE**

Licensed by the State of Maine as a Certified General Appraiser #CG2515, October 2006

### **Appraisal Institute Courses**

- “Valuation of Detrimental Conditions in Real Estate,” January 2008
- Course 420, “Business Practices and Ethics,” November 2007
- “National USPAP Course,” December 2010
- Course 510, “Advanced Income Capitalization,” July 2005
- Course 420, “Business Practices & Ethics,” October 2004
- Course 410, “National USPAP Course,” October 2004
- Course 330, “Appraising Apartments,” February 2006
- Course 320, “General Applications,” June 2004
- “Supporting Capitalization Rates,” May 2004
- “Appraising High-Value and Historic Homes,” September 2003

### **Other Courses**

- “Principles Of Real Estate Appraisal”
- “Practice Of Real Estate Appraisal”
- “Appraisal Of Residential Property”
- “Narrative Report Writing”
- Standards of Professional Practice (USPAP)

### **Seminars**

- “Valuation of Wetlands,” April 2006
- “Valuation of Affordable Housing,” April 2006
- “Subdivision Valuation,” December 2005
- “Deeds & Mapping,” October 2003

### **Professional Organizations**

- Appraisal Institute, Associate Member

### **Work Experience**

- Independent Fee Appraiser for local, regional, and national lenders, property owners, attorneys, and estates.
- Co-owner of Hooper Appraisal Services, Bangor, Maine (June 2003 – August 2009).
- Approved USDA Appraiser

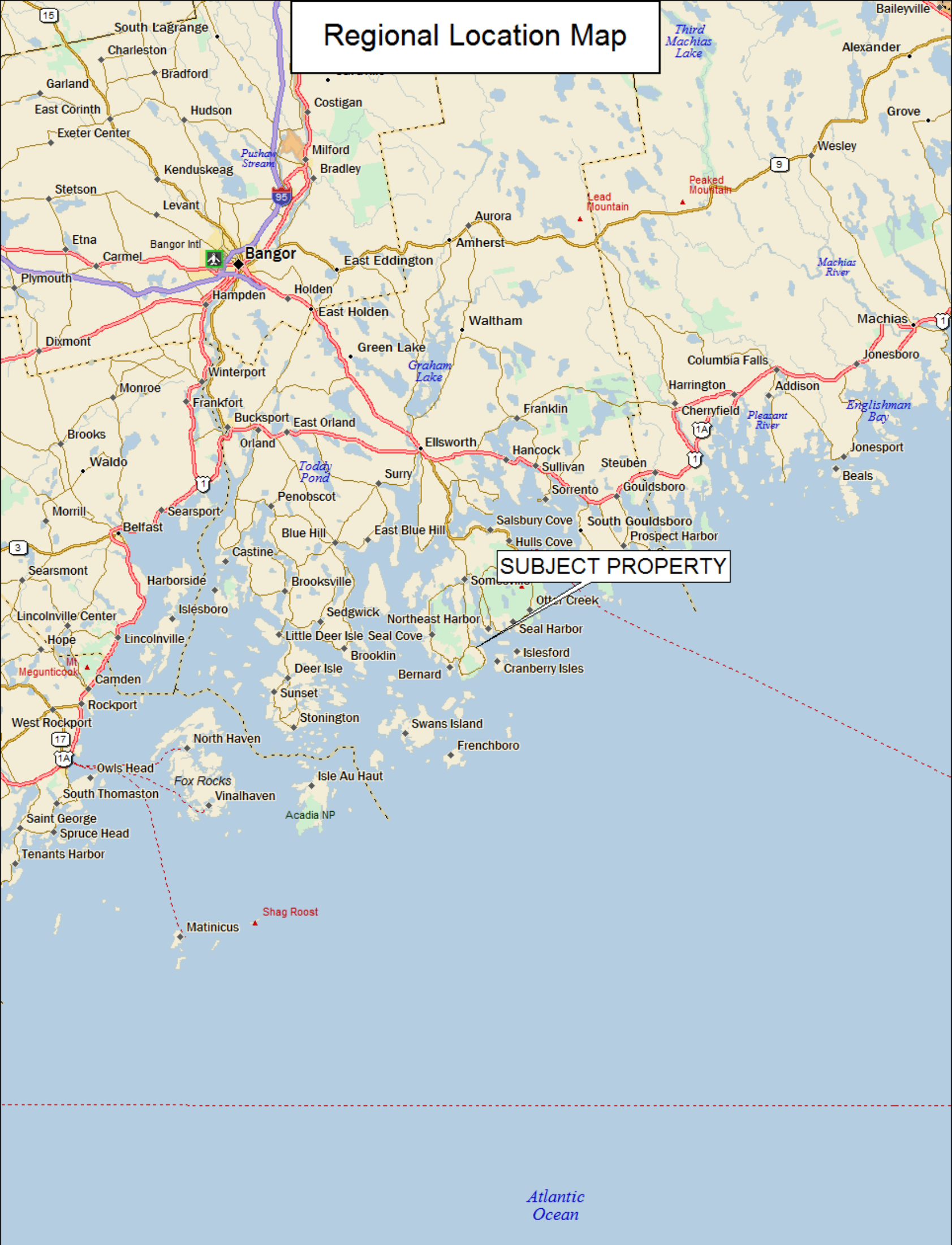
### **Appraisal Assignments**

Appraisal assignments have included both existing and proposed improvements, including multi-family residential, vacant land, subdivisions, offices, retail, industrial, and special interest properties in central, eastern, and northern Maine.

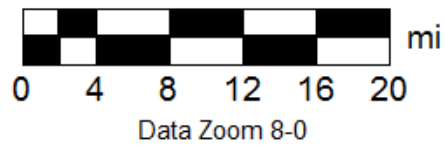
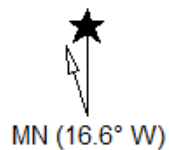
## LOCATION MAPS



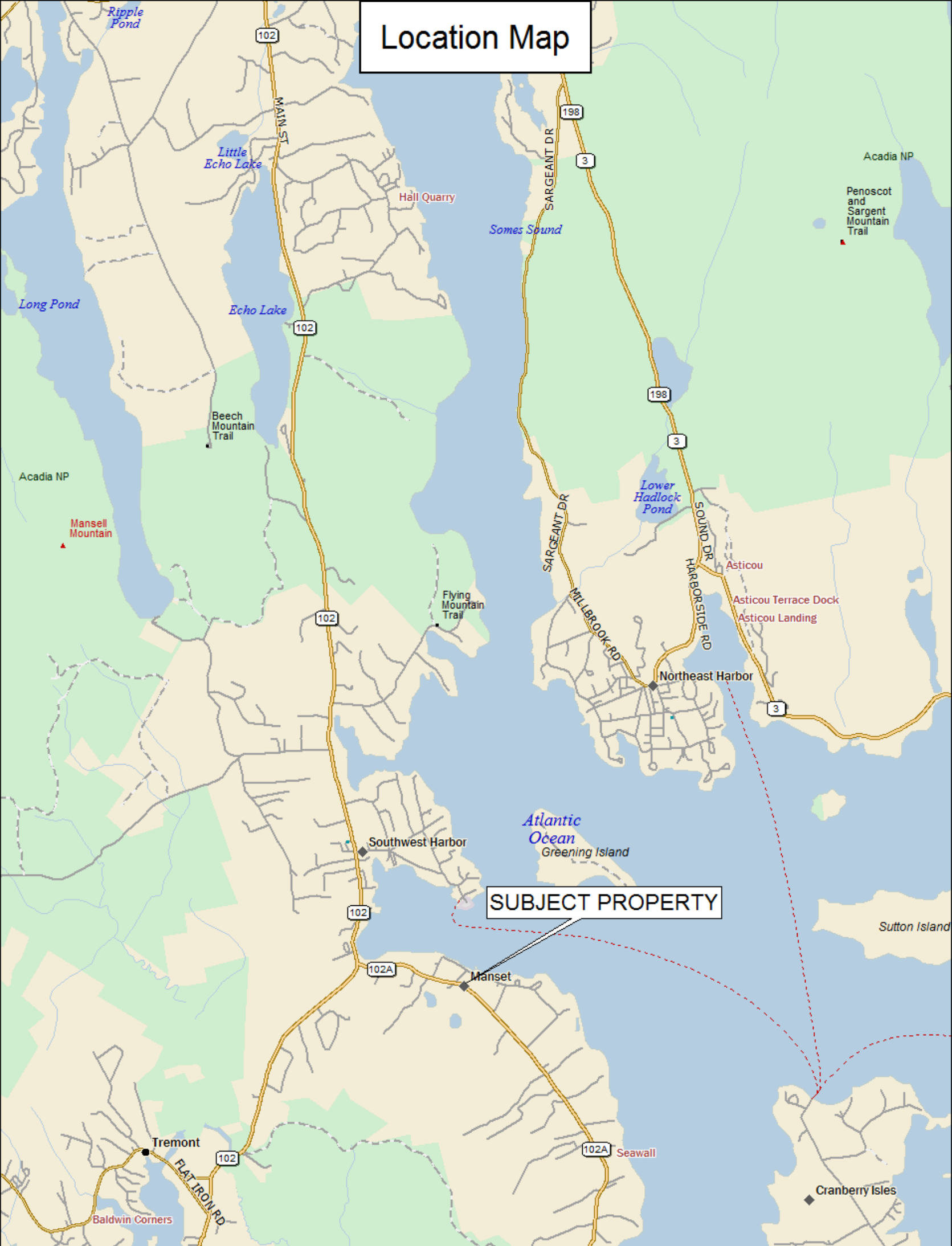
# Regional Location Map



**SUBJECT PROPERTY**



# Location Map



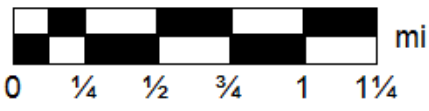
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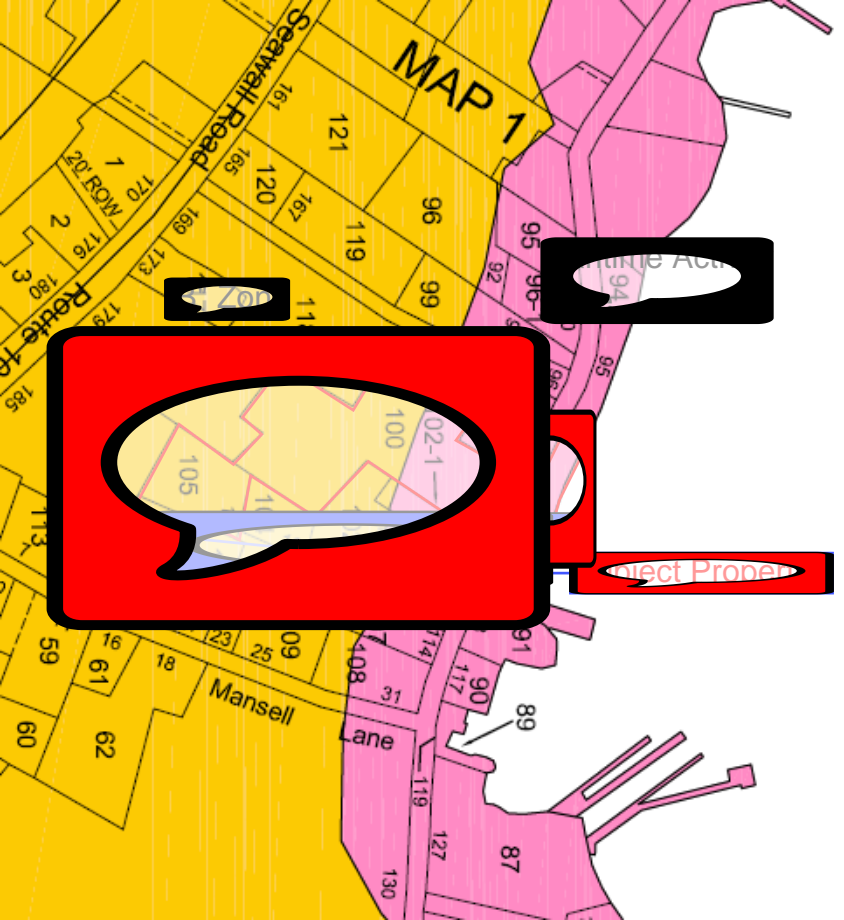


MN (16.6° W)



Data Zoom 12-0

## **TAX MAPS, AERIAL AND FLOOD PLAIN MAP**









Pier/Floats/Ramps/ For Ferry Terminal

Warehouse/Shop Building

Self-Storage Building

Parking Lot for Ferry Terminal

Office Building

Shore Rd

Seawall Rd

102A

© 2013 Europa Technologies

© 2013 Google

Image © 2013 DigitalGlobe

Google earth

44°16'04.92" N 68°18'38.41" W elev 411 ft eye alt 1539 ft





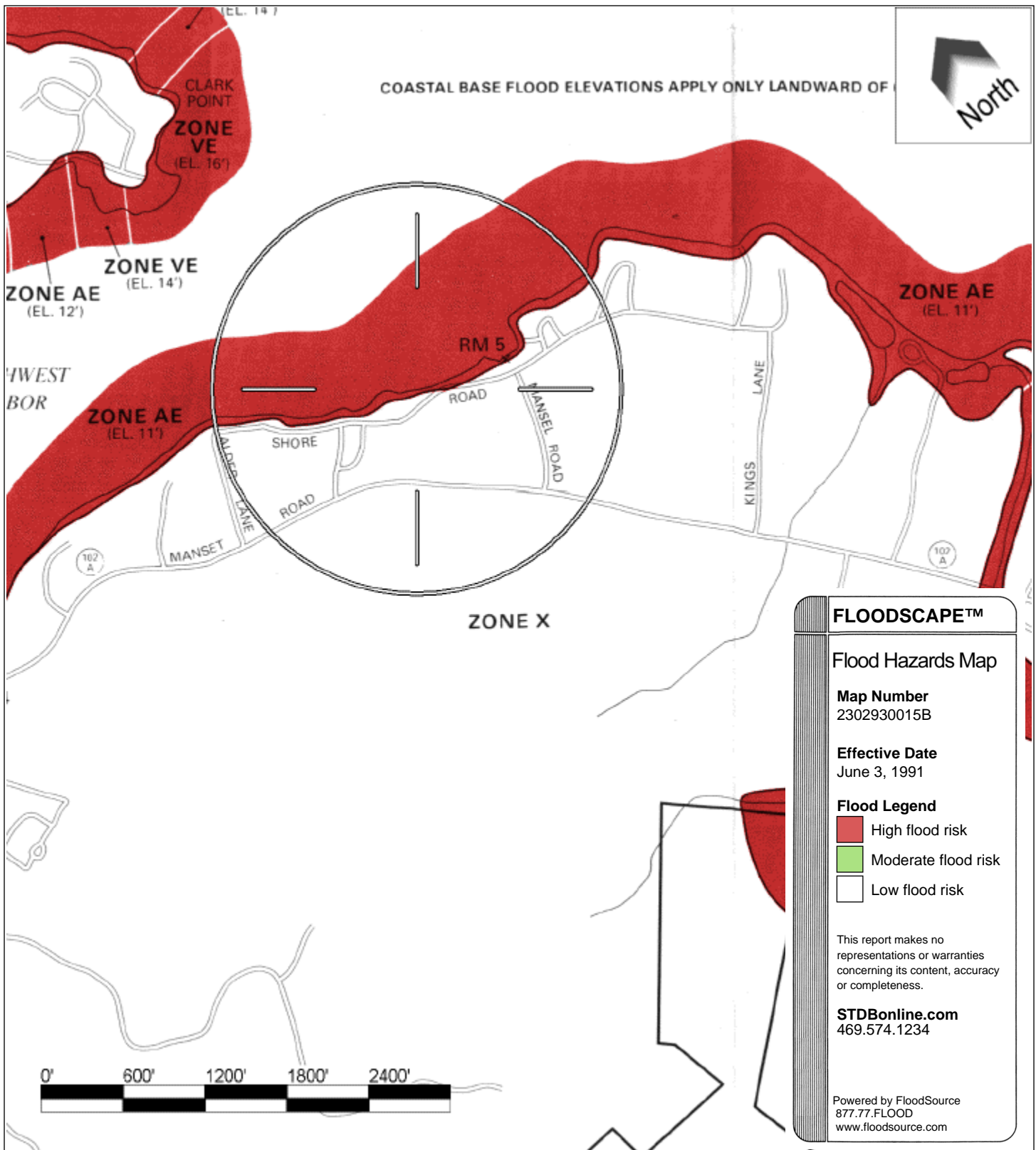
**STDBONLINE.com**

**FLOODSOURCE  
FLOODSCAPE™**



**PROPERTY ADDRESS:**

102+Shore+Rd%2C+Southwest+Harbor%2C+ME%2C+04679



## **PHOTOGRAPHS**



## PHOTOGRAPHS



Photo #1 - View of the office building of the *subject real estate* located on 15 Mansell Lane.



Photo #2 – A view of the warehouse/shop/self-storage building located on the *subject real estate* from the northwest boundary of the site. The excess land described in the appraisal report is located in the foreground.



Photo #3 – A view of the parking lot used by the ferry terminal. The building in the distance is the office building on the subject.



Photo #4 – A view of the waterfront at the ***subject property***. The pier for the ferry terminal is to the left of the photo. The road in the picture is Shore Road.



Photo #5 – A view from the end of the pier looking west toward the subject's waterfront. The house in the center of the photo is owned by others. The excess land is in the center of the photo, between the two houses.



Photo #6 – This is a view of the warehouse/shop building. The Town of Cranberry Isles, shares the small office space (behind the pedestrian door), with the tenant.





Photo #7 – A view of the front of the self-storage building.



Photo #8 – This is an interior view of the warehouse/shop building.



Photo #9 – This is a view of the interior of the office building at 15 Mansell Lane.



Photo #10 – This is a picture of the small apartment in the top floor of the warehouse/shop building.





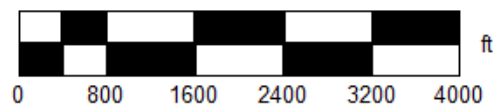
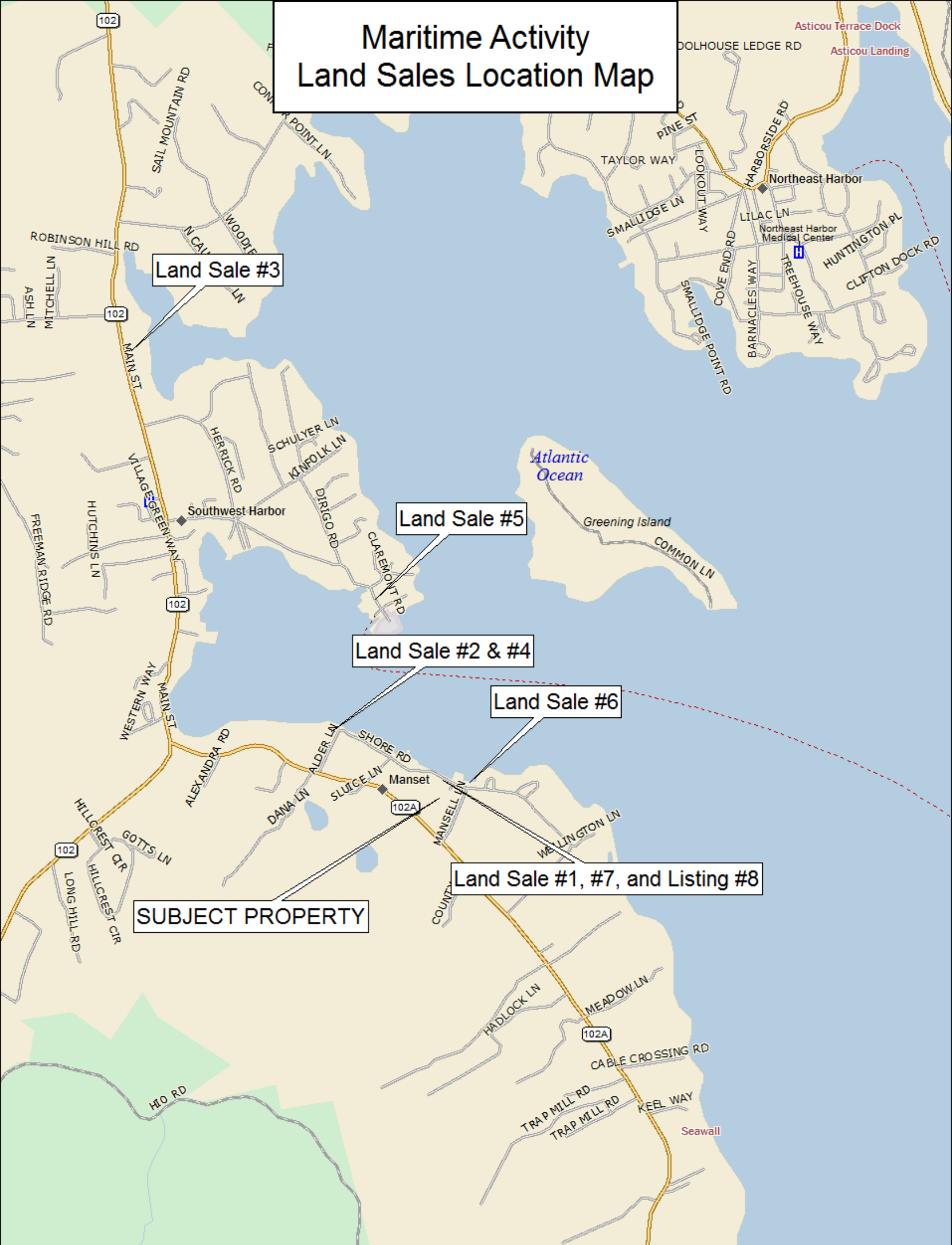
Photo #11 – A view looking southwest from in front of the office building.



Photo #12 – A view of the unfinished attic space in the warehouse building. This space is not considered as separate leasable area. It could be used by tenants for storage. The rent for this attic space would be included as part of their lease of the ground floors of each building

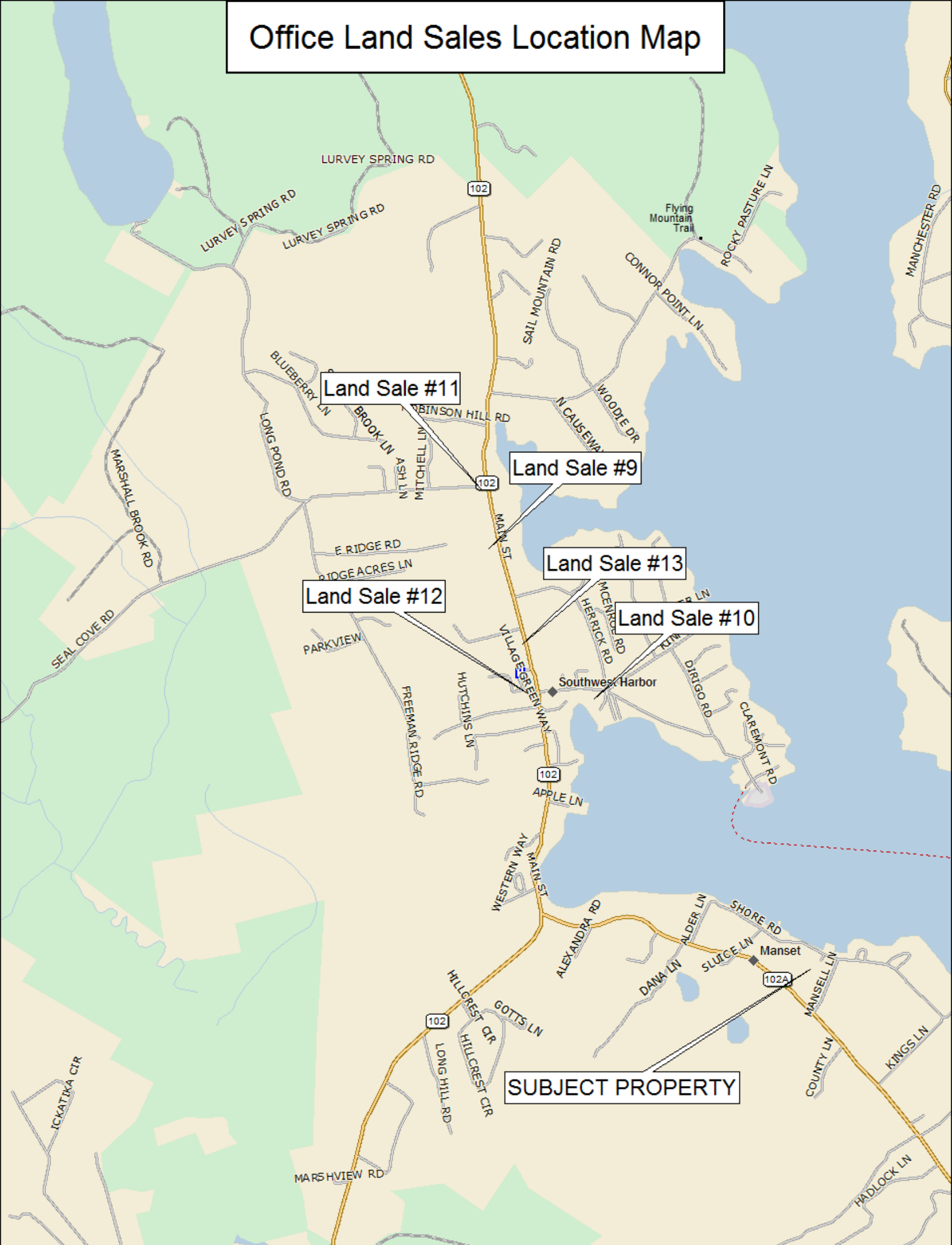
## LAND SALES LOCATION MAPS

## Maritime Activity Land Sales Location Map





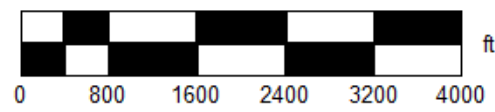
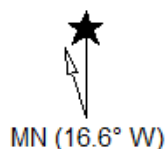
# Office Land Sales Location Map



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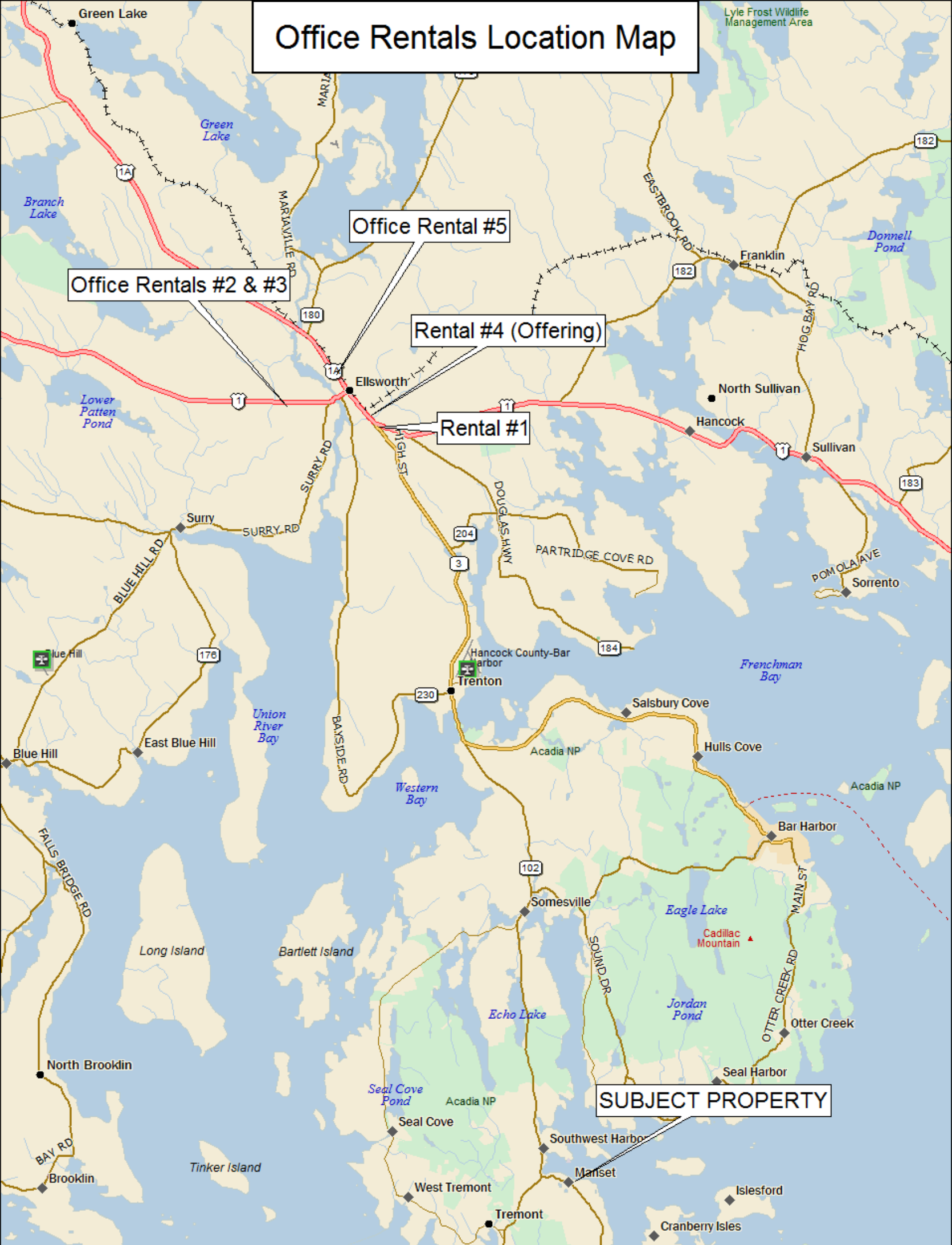
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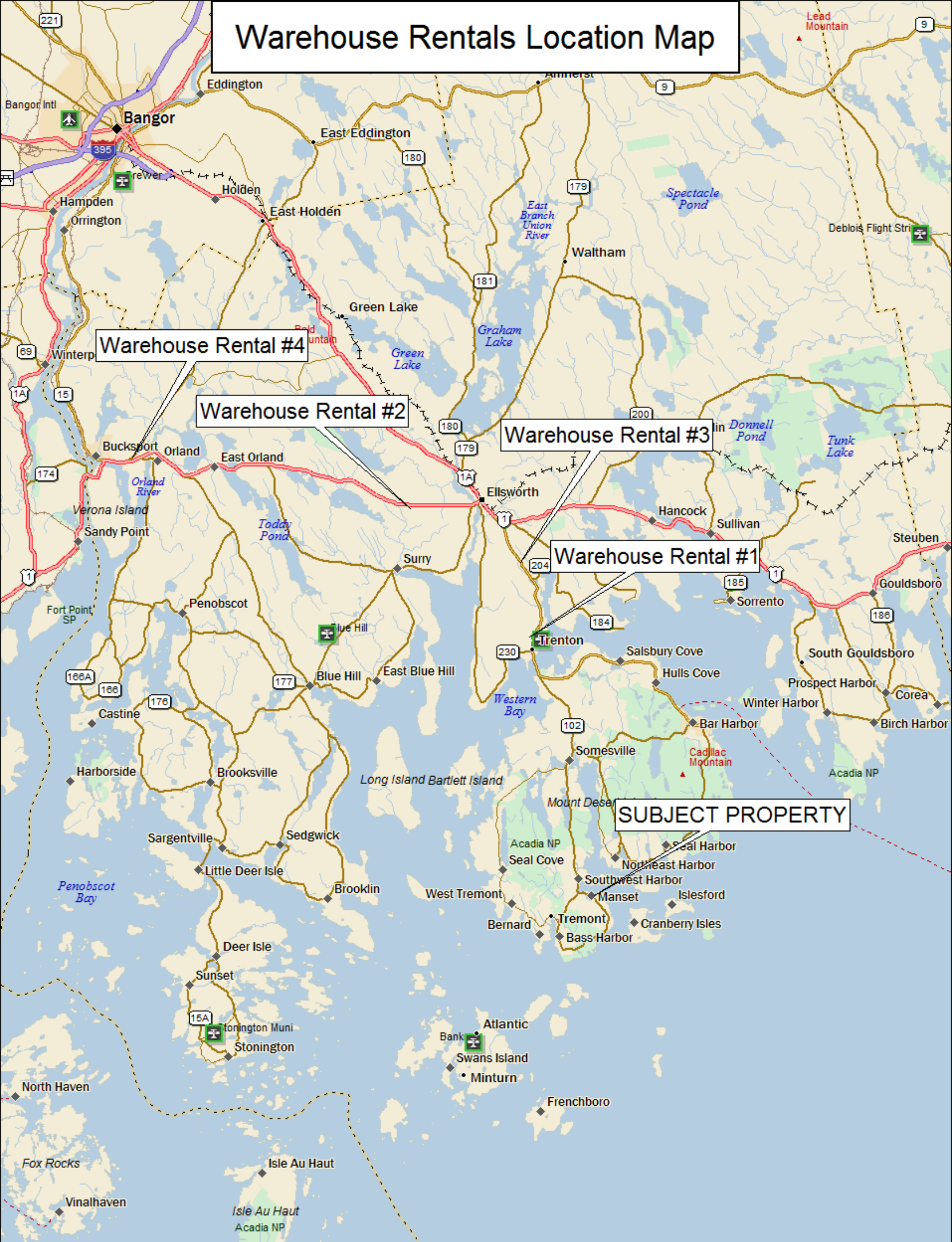
Data Zoom 13-0

## **RENTALS LOCATION MAPS**

# Office Rentals Location Map



# Warehouse Rentals Location Map



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MN (16.6° W)



Data Zoom 9-0

## **IMPROVED SALES LOCATION MAPS**



# Improved Office Sales Location Map



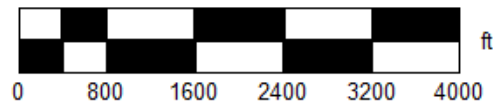
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MN (16.6° W)



Data Zoom 13-0

# Improved Warehouse Sales Location Map



## **LEASE CONVERSION TABLES**



### Conversion Calculations for a NNN Lease to a Net Lease

<i>Shore Road, Southwest Harbor, ME</i>			
Building Size (GLA)	6,499		
<b>OPERATING EXPENSES often Paid by Landlord):</b>		<b>Cost per SF</b>	
Real Estate Taxes	\$ 4,480	\$ 0.69	
Utilities	\$ 1,200	\$ 0.18	
Snow Plowing, Maintenance	\$ 1,500	\$ 0.23	
Casualty Insurance	\$ 1,000	\$ 0.15	
Structural Reserves for Replacement:	<u>\$ 2,041</u>	<u>\$ 0.31</u>	
<b>TOTAL EXPENSES:</b>	\$ 10,221	\$1.57	

### Conversion Calculations for a Net Lease

<i>Mansell Lane Office Building, Southwest Harbor, ME</i>			
Building Size (GLA)	4,996		
<b>OPERATING EXPENSES often Paid by Landlord):</b>		<b>Cost per SF</b>	
Real Estate Taxes	\$ 4,760	\$ 0.95	
Utilities	\$ 4,996	\$ 1.00	
Snow Plowing, Maintenance	\$ 1,000	\$ 0.20	
Casualty Insurance	\$ 1,000	\$ 0.20	
Structural Reserves for Replacement:	<u>\$ 2,283</u>	<u>\$ 0.46</u>	
<b>TOTAL EXPENSES:</b>	\$ 14,039	\$ 2.81	

## **EXCERPTS OF THE ZONING ORDINANCE**

## COMMERCIAL FISHERY/MARITIME ACTIVITY ZONE

(See applicable General Regulations and Standards)

### A. LAND USE STANDARDS

The following uses are not permitted:

- 1) hotels, motels, boatels, inns or similar transient accommodation
- 2) commercial boat storage within structures (structures existing on the lot at the time of the adoption of this Ordinance may be used but not expanded)
- 3) non-maritime industrial use
- 4) marinas
- 5) new residential use

#### EXCEPTION:

- a. Commercial Fishery/Maritime Activity Uses: No more than two (2) residential units per lot are permitted as accessory uses provided that the following criteria are met:
  - The existing use has been established for at least 2 years;
  - The residential units must not be on the 1st (ground) floor; and
  - The total area of the building(s) devoted to all accessory uses is less than 40% of the total area of the building(s).
- b. Other Commercial Uses: No more than one (1) residential unit per lot is permitted as an accessory use provided that this unit meets the same criteria established above in #a.

### B. LOT STANDARDS

- Minimum lot size:
- a. none for a Commercial Fisheries/Maritime Activity Use
  - b. 6,500 sq. ft. for other uses

### C. STRUCTURE STANDARDS

#### 1. Set-backs (minimum):

- a) 15' from lot lines – all structures except antennae, boundary walls, driveways, parking lots, roads, sidewalks, and signs
- b) 20' from the edge of the right-of-way of any Town or Private Road but not to be less than 35' from the centerline of the roadway – all structures except antennae, boundary walls, driveways, parking lots, roads, sidewalks, and signs.

EXCEPTION: A 6' minimum setback from the edge of a road which provides access to a single family residential unit on a second lot

- c) No setback from the normal high-water line of a water body, a tributary stream, perennial stream, or the upland edge of a wetland, Except
  - Residential structure – 75', unless the structure contains a residential accessory use to the commercial use in which case the residential use shall be setback at least 25 feet.
  - Non Commercial-Fisheries/Maritime Activity structure–25'(if sustained slopes exceed 20%, a 100' setback of undisturbed vegetation shall be maintained).

#### 2. Height: 25' maximum

EXCEPTION: 35' on land only, if more than 50% of the floor area is occupied by a Commercial Fishery Activity.

#### 3. Lot coverage: 70% maximum (coverage in this context includes all non-vegetated surfaces).

## COMMERCIAL FISHERY/MARITIME ACTIVITY ZONE

(See applicable General Regulations and Standards)

### A. LAND USE STANDARDS

The following uses are not permitted:

- 1) hotels, motels, boatels, inns or similar transient accommodation
- 2) commercial boat storage within structures (structures existing on the lot at the time of the adoption of this Ordinance may be used but not expanded)
- 3) non-maritime industrial use
- 4) marinas
- 5) new residential use

#### EXCEPTION:

- a. Commercial Fishery/Maritime Activity Uses: No more than two (2) residential units per lot are permitted as accessory uses provided that the following criteria are met:
  - The existing use has been established for at least 2 years;
  - The residential units must not be on the 1st (ground) floor; and
  - The total area of the building(s) devoted to all accessory uses is less than 40% of the total area of the building(s).
- b. Other Commercial Uses: No more than one (1) residential unit per lot is permitted as an accessory use provided that this unit meets the same criteria established above in #a.

### B. LOT STANDARDS

- Minimum lot size:
- a. none for a Commercial Fisheries/Maritime Activity Use
  - b. 6,500 sq. ft. for other uses

### C. STRUCTURE STANDARDS

#### 1. Set-backs (minimum):

- a) 15' from lot lines – all structures except antennae, boundary walls, driveways, parking lots, roads, sidewalks, and signs
- b) 20' from the edge of the right-of-way of any Town or Private Road but not to be less than 35' from the centerline of the roadway – all structures except antennae, boundary walls, driveways, parking lots, roads, sidewalks, and signs.

EXCEPTION: A 6' minimum setback from the edge of a road which provides access to a single family residential unit on a second lot

- c) No setback from the normal high-water line of a water body, a tributary stream, perennial stream, or the upland edge of a wetland, Except
  - Residential structure – 75', unless the structure contains a residential accessory use to the commercial use in which case the residential use shall be setback at least 25 feet.
  - Non Commercial-Fisheries/Maritime Activity structure–25'(if sustained slopes exceed 20%, a 100' setback of undisturbed vegetation shall be maintained).

#### 2. Height: 25' maximum

EXCEPTION: 35' on land only, if more than 50% of the floor area is occupied by a Commercial Fishery Activity.

#### 3. Lot coverage: 70% maximum (coverage in this context includes all non-vegetated surfaces).

## MARITIME ACTIVITY ZONE

(See applicable General Regulations and Standards)

### A. LAND USE STANDARDS

The following uses are not permitted:

- 1) hotels, motels, boatels, inns or similar transient accommodation
- 2) commercial boat storage within structures (structures existing on the lot at the time of the adoption of this Ordinance may be used but not expanded)
- 3) non-maritime industrial use
- 4) new residential use

#### EXCEPTION:

Commercial Uses: No more than one (1) residential unit per lot is permitted as an accessory use provided that the following criteria are met:

- Existing use has been established for at least 2 years;
- That the residential units must not be on the 1<sup>st</sup> (ground) floor;
- The total area of the building(s) devoted to all accessory uses is less than 40% of the total area of the buildings(s).

### B. LOT STANDARDS

- Minimum lot size:
1. none for a Maritime Activity Use
  2. 6,500 sq. ft. for other uses

### C. STRUCTURE STANDARDS

#### 1. Set-backs (minimum):

- a) 15' from lot lines – all structures except antennae, boundary walls, driveways, parking lots, roads, sidewalks, and signs
- b) 20' from the edge of the right-of-way of any Town or Private Road but not to be less than 35' from the centerline of the roadway – all structures except antennae, boundary walls, driveways, parking lots, roads, sidewalks, and signs.

EXCEPTION: A 6' minimum setback from the edge of a road which provides access to a single family residential unit on a second lot.

- c) None from the normal high-water line of a water body, a tributary stream, perennial stream, or the upland edge of a wetland.

EXCEPTION: Residential structure – 75', unless the structure contains a residential accessory use to the commercial use in which case the residential use shall be setback at least 25 feet.

Non Maritime Activity structure – 25' (if sustained slopes exceed 20%, a 100' setback of undisturbed vegetation shall be maintained).

#### 2. Height: 25' maximum

EXCEPTION: 35' on land only, if more than 50% of the floor area is occupied by a Maritime Activity

#### 3. Lot coverage: 70% maximum (coverage in this context includes all non-vegetated surfaces).

**ZONE B** (See applicable General Regulations and Standards)

**A. LAND USE STANDARDS**

All uses are permitted.

**B. MINIMUM LOT AREA**

1. Minimum lot size:

- a. 40,000 sq. ft. (if structures are service by Private Well and Private Septic System)
- b. 30,000 sq. ft. (If structures are serviced by non-seasonal Public Water and Private Septic System)
- c. 20,000 sq.ft. (if structures are serviced by Private Water and Public Sewerage)
- d. 15,000 sq. ft. (if structures are serviced by non-seasonal Public Water and Public Sewerage)

Exception: Minimum lot area within 250' of the highwater line will be 40,000 square feet.

**C. STRUCTURE STANDARDS**

1. Minimum set-backs for all structures except antennae, boundary walls, driveways, parking lots, roads, sidewalks and signs:

- a) lot lines – 15'
- b) State road – 55' from the centerline  
Town road – 20' from the edge of the right-of-way but not less than 35' from the centerline  
Private road – same as Town road

EXCEPTION: A 6' minimum setback from the edge of a vehicular way on a driveway.

- (I) For traffic safety reasons, the area between the edge of the right-of-way and the structure setback line must include a vegetated strip with a minimum depth of 6 feet along the nearest edge of the right-of-way. Access driveways shall be permitted to cross the vegetative strip.
- (II) If parking lots for multi-family residential or for any non-residential uses are placed within the setback area, the vegetative strip shall be densely planted with shrubs or bushes, or a berm constructed, so that the height of the buffer shall be of at least three feet but shall not obstruct the vision of vehicles at any access driveway.
- (III) Any requirement for landscaped buffering required in SECTION VI. A. is a separate requirement and is in addition to the vegetative strip noted above.

2. Other Minimum set-backs for all structures:

- a) Upland edge of a wetland – 75'
- b) Intermittent stream (NHL) – 25'
- c) Perennial stream (NHL) – 75' (if sustained slopes exceed 20%, a 100' setback of undisturbed vegetation shall be maintained).
- d) Tributary Stream (NHL) – 75'

3. Height:

- a) 30' maximum within 250' of the normal high-water line
- b) 40' maximum within the rest of the zone

4. Individual Lot coverage\*: Includes structures only

- a) 10% if structures are serviced by private well and private septic system
- b) 12% if structures are serviced by public water and private septic system
- c) 15% if structures are serviced by private water and public sewerage
- d) 3,000 sq ft or 20% whichever is greater, if structures are serviced by public water and public sewerage

EXCEPTION:

- a) 20% within 250' of the normal high-water line of a water body (includes structures and non-vegetated surfaces)

5. Minimum Shore Frontage

- A) Residential Use – 150'
- B) Non-Residential Use – 200'

**Zone C** Delete Zone C from the Land Use Ordinance: Replaced by above ordinance

## **DEPRECIATION ANALYSES**



Depreciation Adjustments – 15 Mansell Lane, Southwest Harbor, ME													
Effective Date of Appraisal:		3/21/2013											
Property	Actual Age	Building Life (Yrs)	Effective Age	Depreciation %	SF	Cost per SF	Total Cost New	Total \$ of Depreciation	SF Area Of Sale	\$ of Depr. Per SF	Total Adj. To Sale	Total Adj. To Sale per SF	
Subject	48	50	15	11%	4,996	\$89.08	\$445,063	\$48,957	4,996	\$9.80			
Sale #1	163	50	15	11%	2,934	\$90.00	\$264,060	\$29,047	2,934	\$9.90	-\$19,910	-\$6.79	
Sale #2	67	50	15	11%	1,632	\$90.00	\$146,880	\$16,157	1,632	\$9.90	-\$32,800	-\$20.10	
Sale #3	83	50	15	11%	1,008	\$90.00	\$90,720	\$9,979	1,008	\$9.90	-\$38,978	-\$38.67	
Sale #4	73	50	15	11%	1,990	\$90.00	\$179,100	\$19,701	1,990	\$9.90	-\$29,256	-\$14.70	
Adjustments for age and condition are based on the difference in the dollar value of depreciation per square foot between the subject and the comparables.													
All depreciation percentages are from the Marshall Valuation Service, Section 97, Page 16 - Depreciation-Commercial Properties.													
All Cost-New of the improvements are derived from the Marshall Valuation Service for the various types and quality of the properties.													

Depreciation Adjustments – 102 Shore Road, Southwest Harbor, ME													
Effective Date of Appraisal:		3/21/2013											
Property	Actual Age	Building Life (Yrs)	Effective Age	Depreciation %	SF	Cost per SF	Total Cost New	Total \$ of Depreciation	SF Area Of Sale	\$ of Depr. Per SF	Total Adj. To Sale	Total Adj. To Sale per SF	
Subject	43	35	20	39%	11,211	\$32.50	\$364,358	\$142,099	11,211	\$12.67			
Sale #5	42	40	15	20%	12,870	\$25.00	\$321,750	\$64,350	12,870	\$5.00	-\$77,749	-\$6.04	
Sale #6	23	40	10	11%	11,364	\$25.00	\$284,100	\$31,251	11,364	\$2.75	-\$110,848	-\$9.75	
Sale #7	25	40	10	11%	10,532	\$25.00	\$263,300	\$28,963	10,532	\$2.75	-\$113,136	-\$10.74	
Listing #8	73	40	25	43%	5,000	\$25.00	\$125,000	\$53,750	5,000	\$10.75	-\$88,349	-\$17.67	
Adjustments for age and condition are based on the difference in the dollar value of depreciation per square foot between the subject and the comparables.													
All depreciation percentages are from the Marshall Valuation Service, Section 97, Page 16 - Depreciation-Commercial Properties.													
All Cost-New of the improvements are derived from the Marshall Valuation Service for the various types and quality of the properties.													

## **ENGAGEMENT LETTER**

# WEBERSINN APPRAISAL COMPANY, INC.

**THEODORE H. WEBERSINN, MAI, ASA, AICP**

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**REAL ESTATE & BUSINESS APPRAISERS AND CONSULTANTS**

**P. O. Box 227, Surry, Maine 04684**

**Phone: 207-664-0234, 800-418-1448, Fax: 207-667-6704**

**E-Mail: [tedwebersinn@webersinnappraisal.com](mailto:tedwebersinn@webersinnappraisal.com)**

November 30, 2012

Town of Cranberry Isles  
Islesford, ME 04646

By Email: [denise@cranberryisles-me.gov](mailto:denise@cranberryisles-me.gov), [ronaldaxelrod@aol.com](mailto:ronaldaxelrod@aol.com)

**Subject:** An Appraisal in Summary Report Form of the improved real estate on Map 17, Lots 100, 112, and 105, Manset, Southwest Harbor Maine.

I herewith submit my proposal for the preparation of an appraisal in summary report form on the property referenced above. The Town of Cranberry Isles, is hereinafter referred to as the Client. The appraisal may not be used or relied upon by anyone other than the Client for any purpose whatsoever, without the written consent of the appraisers. Upon the execution and delivery of this letter of engagement by the Client, Theodore H. Webersinn, MAI, ASA, AICP, and Richard Moore, both Maine Certified General Appraisers of Webersinn Appraisal Company, Inc., hereinafter referred to as the "Appraisers," will perform the services described herein, upon the following terms and conditions:

## INTENDED USE AND DESCRIPTION OF SERVICES

The use of the appraisal is for determining the value for potential disposition of the real estate referenced above. An overall "highest and best" use analysis of the entire property be conducted as if the land was completely vacant. This analysis involves the "testing" of various uses that are legally permissible and uses that the property is physically capable of sustaining. These tests involve feasibility studies of each legally permissible and physically possible uses using a residual analysis (an analysis that indicates whether or not the development of a particular use returns income to the land). These same tests can be applied to the property "as-improved" specifically focusing on the Mansell House, the Brown Lot and the warehouse lot. Uses tested would include storage or commercial condos, apartments, etc.

By process of eliminating those uses that produce a negative income (loss), to the land, or the potential disposition of the improvements that produce a negative income, the uses that survive the tests are, more likely than not, the highest and best use that the property can attain. Based on that highest and best use, a market value of the whole, or part, as in the case of the improved parts of the site, can be determined. My proposal does include the value of the docks and floats.

The appraisal report shall indicate the market values of the above as of the date of inspection. The Summary Appraisal Report will be prepared according to the *Uniform Standards of Professional Appraisal Practice (USPAP)*. Pertinent sections of the 2012-2013 USPAP are attached.

### MARKET VALUE

Market Value to be used in this report is defined as:

*The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and the seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as*

*of a specified date and the passing of title to a buyer under conditions whereby:*

- 1. buyer and seller are typically motivated;*
- 2. both parties are well informed or well advised, and each acting in what they consider their own best interest;*
- 3. a reasonable time is allowed for exposure in the open market;*
- 4. payment is made in terms of cash in US. dollars or in terms of financing arrangements comparable thereto; and,*
- 5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

### PROFESSIONAL RESPONSIBILITY

Nothing in this engagement letter will be construed to interfere with or otherwise affect the rendering of services by the Appraisers in accordance with his independent and professional judgment.

### COMPENSATION

The total agreed upon fee for the appraisal report is \$8,000. **The fee will be payable in the form of a retainer of \$4,000, and payment in full upon delivery of two copies of the finished appraisal report to the Client.** Any work performed outside of this proposal, including the preparation of a partial interest discount appraisal, will be based on the hourly rate of \$180.00 per hour. The fee breakdown for each property is included on an attachment.

### DELIVERY OF THE APPRAISALS

The Appraisers will deliver two (2) copies of the appraisal report within 85 business days or sooner, commencing when this proposal is promptly executed by both parties. The Appraisers can only complete the appraisal within the aforementioned time period if they receive all relevant information needed for the preparation of the reports from the Client, in a timely manner. This information consists of the following:

- 1) All surveys, plat maps, plans, deeds and legal descriptions of the real estate. The plans, if available, must be at full scale.
- 2) Copies of any previous appraisals completed in the past 5 years.
- 3) Most recent real estate tax bill.
- 4) Description and cost details for any capital improvements, additions to, or replacement of property in the past 12 months.
- 5) Copies of all leases, if any.
- 6) Breakdown of annual expenses such as utilities, maintenance and repair, snowplowing, etc., for the subject property.
- 7) Notice of any building code, zoning, or environmental violations in the past year, whether corrected or not.

COLLECTION

If legal proceedings are instituted for the collection of any amount unpaid for this agreement, you agree to pay in connection thereto, all court costs and attorneys' fees in connection with such proceedings. Any unpaid balances are subject to a 1.5% monthly finance charge.

MODIFICATION, CANCELLATION OR SUSPENSION

Should any material change(s) be made to the scope of the appraisal assignment or the properties appraised, necessitating a revision of any work in progress or completed, the fee will be adjusted on the basis of the time and expense involved. Should work on the appraisals be suspended or canceled, you agree to pay for the proportionate work and expenses involved.

This writing contains the entire agreement of the parties. No agent, employee or other representative of either party is empowered to alter any terms of this agreement, unless done in writing and signed by an executive officer of the parties.

DISSEMINATION

Information obtained by the Appraisers in preparation of these reports will be handled in a confidential manner, but permission is given to use this information in the preparation of other reports, including reports on properties unrelated to the Representative of the Client.

CONTROLLING LAW

The validity, interpretation, and performance of this agreement will be controlled by the laws of the State of Maine.

Please sign below and return a signed copy to Webersinn Appraisal Company, Inc. This will then constitute our agreement for services.

Respectfully:

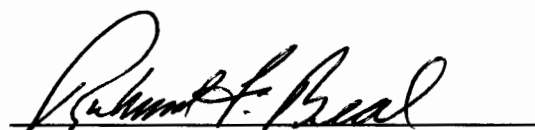
WEBERSINN APPRAISAL COMPANY, INC.



\_\_\_\_\_  
Theodore H. Webersinn, MAI, ASA, AICP  
Certified General Appraiser, Maine #CG 160  
President, Webersinn Appraisal Company, Inc.

November 30, 2012

Date:

  
\_\_\_\_\_  
For the Client *CHAIR, BOS*

11 DEC 2012  
Date:

Attachments: Qualifications of the Appraisers, 2012-2013 USPAP