

MS VALUATION GROUP, INC.

Commercial and Industrial Appraisals



APPRAISAL REPORT OF AS IS LEASED FEE ESTATE

1 Skyspot Lane
Presque Isle, ME 04769

Client:

University of Maine System
(acting through the University of Maine at Presque Isle (UMPI))
5765 Service Building
Orono, ME 04469

Inspection Date
August 11, 2023

Effective Date of Value
August 11, 2023

Effective Date of Report
November 18, 2023

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MS VALUATION GROUP, INC.

Commercial and Industrial Appraisals

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Certified General Appraiser

PRESIDENT

November 18, 2023

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UMPI

SUBJECT PROPERTY: 1 Skyspot Lane, Presque Isle, ME 04769

Dear Client:

In accordance with your request, I have personally analyzed the above referenced property for the purpose of formulating the market value in the real estate as of the date of inspection, under the Hypothetical Condition that it could be converted to its Highest & Best Use as a 15 unit apartment complex, with each unit having two bedrooms.

The University of Maine System and UMPI are the intended users of the appraisal. This letter is accompanied by a complete appraisal report, found on the following pages.

Based on the assumptions and analyses that follow, I conclude the following:

ADDRESS	VALUE	INTEREST	EFFECTIVE DATE OF VALUE	AS IS MARKET VALUE
Skyspot Lane	As Is	Leased Fee	8-11-2023	\$1,100,000*

*The subject property was acquired by the University of Maine System (UMS) from the United States of America (acting through the Secretary of Education) via a Quit Claim Deed on 9-9-1999, that is subject to several conditions subsequent. The main conditions subsequent are: 1) that the Property will be used solely and continuously for educational purposes for 30 years from the date of the deed; 2) During the 30 year period, UMS will not sell, resell, lease, rent, mortgage, encumber, or otherwise transfer any interest in any part of the Property except as the United States of America may authorize in advance in writing. P. 10 of the Quitclaim Deed indicates that in the event any of the conditions subsequent are breached, the property may revert back to the United States of America.

Page 15 of the Quitclaim Deed (see copy in Addendum) indicates that UMS may seek abrogation of the conditions subsequent by: 1) obtaining advanced written consent from the United States of America; 2) Paying to the United States of America an amount in accordance with the following formula:

Fair Market Value (as of effective date of abrogation) * 100 / 360 * number of months of the remaining period of the restrictions to be abrogated.

The above concluded As Is Market value (as defined below) of \$1,100,000 is as of 8/11/2023, under the Hypothetical Condition that the Alternative Education building could be converted into 7 additional two bedroom apartment units. The effective date of abrogation was not known on the date of inspection. This Market Value estimate does NOT take into account any amount that might be calculated by the preceding

formula (the abrogated amount). Therefore, assuming UMS sells the property at the concluded As Is market value estimate of \$1,100,000, the net amount that UMS would realize would be the As Is Market Value less the abrogated amount.

I personally inspected the property and comparable sales and performed the required investigations and analysis. The concluded market value estimates of the real estate were developed for the purpose of assisting the client in analyzing the property for possible sale purposes.

Importantly, the concluded value estimates exclude any value for any equipment, furniture or personal property other than the apartment appliances. I urge the Client to carefully consider all of the assumptions, Hypothetical Conditions and/or Extraordinary Assumptions that were made to arrive at my value conclusions, as they are an essential part of this appraisal and their use might have significantly affected the assignment results. The Extraordinary Assumptions and/or Hypothetical Conditions are explained below.

My concluded value opinions are based on current market conditions and the well-informed actions of property owners and market participants who are not under any duress. It is based on the information that was gathered as defined in the scope of work below, including information provided by the property owner. Any financial data that was provided by the owner was not audited and was assumed to be accurate and complete. Management skill, changes in supply and demand, property maintenance, and depreciation can significantly impact the property in the future, and this appraisal cannot predict future performance caused by abnormal management practices, changing neighborhood and economic conditions, or rapidly changing market dynamics.

The appraisal is intended to conform with FIRREA Title XI, USPAP, the Interagency Appraisal and Evaluation Guidelines, and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, effective January 1, 2023.

This appraisal fulfills the scope of work and client requirements agreed upon by UMS & UMPI and MS Valuation Group, Inc. At the client's request, this report was developed in an Appraisal Report format as described in the Uniform Standards of Professional Appraisal Practice (USPAP) Standards Rule 2-2(a). This format provides a description of the subject property, scope of work, valuation process, market data, and valuation methods in a summary, versus detailed fashion.

I hereby grant the Client permission to copy the appraisal and to distribute it to its employees, any participating lenders, the borrower, or other parties involved in the transaction for which the appraisal was prepared.

I would like to express my appreciation for allowing us to be of service to you. Please call me anytime if you have any comments or questions about the appraisal.

Sincerely,

A handwritten signature in dark ink that reads "Michael J. Soucy". The signature is written in a cursive, flowing style.

Michael J. Soucy, CFA, CPA, MBA
Certified General Appraiser-CG379 (Maine)

Enclosures

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SUMMARY OF IMPORTANT FACTS & CONCLUSIONS

CLIENTS

University of Maine System & UMPI.

INTENDED USER(S)

University of Maine System & UMPI.

INTENDED USE

To assist the client in analyzing the property for possible sale purposes.

PROPERTY IDENTIFICATION

Type

Two masonry buildings on 6.44 acres of land. One of the buildings houses 8 two bedroom apartments, whereas the other is currently being utilized as an Alternative Education Center, with an attached 3 car garage.

Owner

University of Maine System, via a Quit Claim Deed with several conditions subsequent.

Street Address City, State, Zip Code County

1 Skyspot Lane
Presque Isle, ME 04769
Aroostook

Map/Lot

Map 53, Lot 177-1

Deed Reference

Book 3318, Page 1

Total Real Estate Taxes

Property is Tax Exempt. The City of Presque Isle has no assessed values for the property.

SITE

Number of parcels

1

Total Acreage

6.44 acres, per deed and property tax map.

Usable

6.44 acres

Unusable

0.00

Excess

0.00

Surplus

0.00

Configuration

Irregular

Topography

Level

Access

Skyway Street; Northern Road.

Visibility/Exposure

Good from both directions

Site Improvements

Paved parking (+45,611 sf), extensive lawn areas, fenced in tennis courts with lights.

Zoning District (s)

“Residential Office” zoning district.

Flood Zone Map & Date

Map 2300320007B / 10-15-1980

Flood Zone Description

Zone X – No portion of the property’s building improvements are located in a mapped flood or velocity hazard district.

BUILDING IMPROVEMENTS

Gross Building Area (GBA)	+13,953 sf (from sketches provided by owner-see below)
Basement	No basement; concrete slab only.
Outbuildings/Decks/Porches (GBA)	Three car garage-13,953 sf; O.covered porch-644 sf.
Number of Stories	One story.
Building Class/Type of Framing	Class C - Masonry.
Sprinkler System	Full wet sprinkler system.
Year Built	+1988, per owner.
Year Remodeled	Remodeled over time.
Overall Quality	Above Average
Overall Condition	Above Average

HIGHEST & BEST USE

As Vacant	Multi-family residential.
As Improved	Conversion of the Alternative Education building to Multi-family residential units (7 two bedroom units), to create a total of 15 two bedroom units in the complex.

EXPOSURE & MARKETING TIME

Exposure Time	3-6 months
Marketing Period	3-6 months

VALUATION CONCLUSIONS

Value Requested	As-Is Market Value
Interest Appraised	Leased Fee
Effective Date of Value	As Is – August 11, 2023

AS IS VALUE ESTIMATES

<i>INCOME APPROACH</i>	\$1,100,000
Capitalization Rate	7.75%
<i>SALES COMPARISON APPROACH</i>	\$1,100,000

RECONCILED AS IS MARKET VALUE CONCLUSION
\$1,100,000

DEFINITIONS

MARKET VALUE¹

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 is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;*
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;*
- (3) A reasonable time is allowed for exposure in the open market;*
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial 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.*

EXPOSURE TIME²

The 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 opinion based upon an analysis of past events assuming a competitive and open market.

Note that the overall concept of reasonable exposure encompasses not only adequate, sufficient, and reasonable time but also adequate, sufficient and reasonable effort.

Exposure time is always presumed to occur prior to the effective date of the appraisal, and is substantiated by supply/demand conditions as of the effective date of the appraisal; the use of current cost information; the analysis of historical sales information (sold after exposure and after completion of negotiations between the seller and buyer); and the analysis of future income expectancy projected from the effective date of the appraisal.

EXTRAORDINARY ASSUMPTION²

An assignment specific assumption as of the effective date regarding uncertain information used in an analysis, which, if found to be false, could alter the appraiser's opinions or conclusions.

Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis.

HYPOTHETICAL CONDITION²

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Hypothetical conditions are 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.

¹ Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C-Appraisals, 34.42(g); Office of Thrift Supervision (OTS), 12 CFR 564.2(g).

² 2023 USPAP.

PURPOSE, INTENDED USE, SCOPE, OWNERSHIP HISTORY, EXTRAORDINARY ASSUMPTIONS

PURPOSE

The purpose of this assignment is to arrive at a supportable opinion of the Market Value As-Is of the Leased Fee interest of the subject property as of the inspection date.

CLIENT

The clients for this assignment are the University of Maine System and UMPI.

INTENDED USER(S)

The Intended Users are the University of Maine System and UMPI. I expressly prohibit the use of this report by Third parties or any other unintended user. Final values and conclusions are based on all of the analyses within the appraisal report. Reliance on portions of the report independent of other sections may result in the reader being misled with respect to intermediate or final value conclusions. Values and conclusions for various components of the property are not to be used independently for any purpose and are invalid if so used.

INTENDED USE

The Intended Use is to assist the clients, the University of Maine System and UMPI, in analyzing the property for possible sale purposes.

SCOPE

The following describes the scope of work for this assignment:

- I requested from the owner copies of any building plans, floor layouts, and survey. Some building plans and floor layouts were provided.
- I, Michael J. Soucy, personally observed all exterior walls of the subject property as well as what could be seen of the roof cover from the ground. I was not afforded access to the roof and therefore did not have the opportunity to observe the condition of most of the roof cover up close. I appraised a sampling of the apartment units in the dorm building, and also inspected all of the rooms in the Alternative Education building.
- I toured the boundaries of the subject site, noting the topography, drainage, access, visibility, curb cuts, site distances, landscaping, and number of on-site parking spaces.
- I toured the subject's neighborhood, noting the predominant uses, quality and condition of the properties, type and ease of access to the subject property, and whether there are any existing or potential nuisances or adverse influences that have/will have a material effect on the value of the subject property.
- I personally took all of the building, site, neighborhood, and comparable building photos that are included in this report.
- I gathered the subject property's current rentals for the 8 existing two bedroom apartments. This information, in addition to local operating expense data on apartment buildings that I have recently appraised and current information from the leading investor and commercial real estate industry surveys, were utilized to project the future performance of the subject property.
- I gathered and analyzed the regional and local economic and demographic data including population, retail sales, employment, household income, and real estate trends.
- I gathered, confirmed and analyzed the economic, legal, and physical features of the subject property, and considered how they impact their functionality and competitiveness. The data gathering process included obtaining any city tax assessor and code enforcement records to obtain the available public assessment and

code enforcement records on the properties and to discuss current and planned economic activity in the market area.

- I performed a Supply/Demand analysis for the sub-market of the subject property. Given the physical and location characteristics of the subject property and the current economic conditions, I present conclusions with respect to the competitiveness of the subject property.
- Based on the property type, intended use and intended user(s), subject characteristics, neighborhood, and the conditions for the assignment, I selected and developed the appropriate and applicable approaches to produce credible and well supported value estimates for the subject property. For this assignment, the Sales Comparison and Income Approaches were utilized and reconciled to arrive at final conclusions of value. The Cost Approach was inappropriate due to the actual and effective ages of the property and the fact that investors rarely use this approach in this market to formulate an offer price for properties of this type and age.
- I personally gathered the Sales Comparables data that is used below in the Sales Comparison Approach and personally visited and photographed each of the comparable sales. A comprehensive search was undertaken throughout Aroostook County to discover sales of comparable apartment buildings, with as similar quality and condition and acreage as the subject property. Sales with 5 units or more (which are considered to be commercial properties) were used to value the property. In addition, knowledgeable local commercial brokers were interviewed in the identification of suitable sales, to discuss local and industry market trends, and to discuss local vacancy and appreciation or depreciation rates. Several commercial real estate databases and the Maine Multiple Listing Service, as well as public records were reviewed for the past four years to isolate those sales that are the most predictive of the market value of the subject property. Those property sales that are most similar to the subject property that have conveyed recently are analyzed below in the Sales Comparison Approach. All of the sales were confirmed with the listing or selling realtors that were involved in the transactions, and with property tax records and the Registry of Deeds.
- I personally gathered the two bedroom apartment comparables rental data and income and expense data from similar apartment properties for use in the Income Approach. Under the Highest & Best Conclusion that the Alternative Education building should be converted to residential apartment housing, a value estimate was determined assuming the property has 15 two bedroom units. The property is ideally located for an apartment complex use, and the conversion of the Alternative Education building to seven two bedroom apartments could be done quickly and relatively inexpensively.
- As agreed to with the client and as described in USPAP Standard 2, an Appraisal Report format was utilized to convey the results of this assignment.

INFORMATION SOURCES

<i>Legal Description</i>	Most recent property deed provided by UMPI (see Addendum).
<i>Parcel Size</i>	Deed & property tax map.
<i>Building Size</i>	Floor plans provided by UMPI.
<i>Zoning</i>	Interview of Code Enforcement Office, Zoning Map & Land Use Ordinance.
<i>Taxes</i>	Tax Assessor.
<i>Flood Status</i>	FEMA Flood Maps.
<i>Wetlands</i>	U.S. Fish & Wildlife Service Wetlands Maps.
<i>Soils</i>	USDA Web Soils Survey.
<i>Industry Data</i>	Review of published commercial real estate surveys and trends, including the Realty Rates Investor Survey, the NAR Commercial Real Estate Market Trends & Outlook, and CBRE commercial market data.
<i>Comparables</i>	My firm's appraisal files, and commercial databases of comparable sales. Local commercial appraisers, commercial brokers & tax assessors.

HISTORY OF PROPERTY

CURRENT HISTORY

The subject property is not currently under contract for sale, or being marketed for sale.

PRIOR SALE

The subject property conveyed to the current owner by Quit Claim deed on 9-9-1999. The conveyance is subject to several conditions subsequent, which expire after 30 years from the deed date (see copy of deed in Addendum).

KNOWN EASEMENTS, RESTRICTIONS, ENCUMBRANCES, COVENANTS, ETC.

The current deed mentions several beneficial access and utility easements.

A title search was not performed for this assignment nor made available for review. The client is advised to seek legal assistance if any questions arise with respect to easements, encroachments, restrictions, covenants, or other encumbrances.

Please see a copy of the subject deed in the Addendum.

CODE VIOLATIONS/PERMITTING

A check with the Presque Isle Code Enforcement Office revealed that there are no outstanding code violations at the property.

EXTRAORDINARY ASSUMPTIONS OR HYPOTHETICAL CONDITIONS

As noted, the Quit Claim title to the property is subject to the completion of several conditions subsequent.

An **Extraordinary Assumption** was made that there are no other easements, restrictions, encumbrances, covenants, etc. that have a material effect on the subject property's value.

It was not possible to inspect all of the units. An **Extraordinary Assumption** was made that the apartment units that were not inspected are similar in quality and condition as the units that were inspected.

An **Extraordinary Assumption** was made that the roof, mechanical, electrical, plumbing, heating, or other systems and appliances are working properly at the subject buildings. I observed some minor interior and exterior deferred maintenance at the property (see photos below).

The client is encouraged to hire a qualified building inspector if a more detailed analysis is required of the condition of the buildings.

No survey was made available for the subject property. The property's acreage and boundaries were determined from the deed description and the information in the public records. An **Extraordinary Assumption** was made that the acreage indicated in the deed and public tax maps is reliable.

At the request of the client, a **Hypothetical Condition** was made in this assignment that the use of the property is not restricted to educational purposes, as indicated by one of the conditions subsequent listed in the deed. For the purpose of analysis, the property was valued to its Highest & Best Use as a multi-family development.

A USPAP requirement with respect to the use of **Extraordinary Assumptions** and **Hypothetical Conditions** is to state that their use might have affected the assignment results.

EXPOSURE TIME/MARKETING TIME

The Marketing and Exposure times for the subject property are estimated to be 3-6 months, assuming diligent, professional marketing efforts and a market price.

PERSONAL PROPERTY INCLUDED IN VALUE ESTIMATES

As noted, no personal property of any kind except for the apartment and coin-op appliances are included in the concluded market value estimates. Each of the eight existing apartment units are equipped with an electric stove/oven, refrigerator and exhaust fan. There are three existing commercial washers and dryers on-site (although the tenants are currently not charged anything to use the machines). The average age of the existing appliances is about 15 years. I estimate the depreciated value of the existing appliances and laundry equipment to be about \$7,000. The value of the same type of appliances for the prospective 7 new apartment units that were assumed in the Income Approach under the property's Highest & Best Use was estimated at \$14,000.

Note that I am not a qualified personal property appraiser, and the client is encouraged to engage the services of someone that is qualified if a more accurate value of the personal property would be material to the decision-making process.

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is for no purpose other than property valuation and the appraiser is neither qualified nor attempting to go beyond that narrow scope. The reader should be aware that there are also inherent limitations to the accuracy of the information and analysis contained in this appraisal. Before making any decision based on the information and analysis contained in the report, it is critically important to read this entire section to understand these limitations.

FINANCIAL INFORMATION

The historical or projected income and expense data that was provided to me by the owner (if any) is the representation of the owner and has not been audited or independently verified. While I may have requested copies of relevant tax schedules to corroborate the information given, I do not attest to the accuracy or comprehensiveness of the numbers provided. While I frequently make an attempt to assess the reasonableness of the data by comparing it to benchmark estimates for similar properties I may have recently appraised, it is critical for the reader to understand that I made no attempt to detect possible omissions or deliberate fraud in reviewing and relying upon the income and expense data presented to me.

APPRAISAL IS NOT A SURVEY

It is assumed that the utilization of the land and improvements is within the boundaries of the property lines of the property described and that there is no encroachment or trespass unless noted within the report.

No survey of the property has been made by the appraiser and no responsibility is assumed in connection with such matters. Any maps, plats, or drawings reproduced and included in this report are intended only for the purpose of showing spatial relationships. The reliability of the information contained on any such map or drawing is assumed by the appraiser and cannot be guaranteed to be correct. A surveyor should be consulted if there is any concern on boundaries, setbacks, encroachments, or other survey matters.

APPRAISAL IS NOT A LEGAL OPINION

No responsibility is assumed for matters of a legal nature that affect title to the property nor is an opinion of title rendered. I am not an attorney and have no skill or knowledge in performing title searches. The title is assumed to be good and marketable. The value estimate is given without regard to any questions of title, boundaries, encumbrances, or encroachments. The easements that we describe in the report (if any) are based upon an interview with the current owner and what has been recorded in the subject deed. I did not search in the registry for easements on the subject property that are not recorded in the subject deed, and as an appraiser, I am not expected to perform work that is normally performed by skilled attorneys. I am not usually provided an abstract of the property being appraised and, in any event, I neither made a detailed examination of it nor do I give any legal opinion concerning it.

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. A comprehensive examination of laws and regulations affecting the subject property was not performed for this appraisal.

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. Information and analysis shown in this report concerning these items is based only on a rudimentary investigation. Any significant questions should be addressed to local zoning or land use officials and/or an attorney.

It is assumed that all required licenses, 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. Appropriate government officials and/or an attorney

should be consulted if an interested party has any questions or concerns on these items since I have not made a comprehensive examination of laws and regulations affecting the subject property.

APPRAISAL IS NOT AN ENGINEERING OR PROPERTY INSPECTION REPORT

This appraisal should not be considered a report on any physical items that are a part of this property. Although the appraisal may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report. The appraiser is not a construction, engineering, environmental, or legal expert, and any statement given on these matters in this report should be considered preliminary in nature.

If any building improvements exist on the property, the observed condition of the foundation, roof, exterior walls, interior walls, floors, heating system, plumbing, insulation, electrical service, and all mechanical and construction, is based on a casual inspection only and no detailed inspection was made. For instance, I am not an expert on heating systems and no attempt was made to inspect the interior of the furnace. The structures were not checked for building code violations and it is assumed that all buildings meet applicable building codes unless so stated in the report.

Some items such as conditions behind walls, above ceilings, behind locked doors or under the ground are not exposed to casual view and, therefore, were not inspected. The existence of insulation, if any is mentioned, was found by conversation with others and/or circumstantial evidence, unless otherwise indicated. Since it is not exposed to view, the accuracy of any statements about insulation cannot be guaranteed.

It is assumed that there are no hidden or concealed conditions of the property, sub-soil, or structures that would render it more or less valuable. No responsibility is assumed for such conditions, or for the engineering that may be required to discover such factors. Since no engineering or percolation tests were made, no liability is assumed for soil conditions. Sub-surface rights (mineral and oil) were not considered in making this appraisal.

Wells and septic systems, if any, are assumed to be in good working condition and of sufficient size and capacity for the stated highest and best use.

I am not an environmental expert and do not have the expertise necessary to determine the existence of environmental hazards such as the presence of urea-formaldehyde foam insulation, toxic waste, asbestos or hazardous building materials, or any other environmental hazards on the subject or surrounding properties. If I know of any problems of this nature that I believe would create a significant problem, they are disclosed in this report. Nondisclosure should not be taken as an indication that such a problem does not exist, however. An expert in the field should be consulted if any interested party has questions on environmental factors.

No chemical or scientific tests were performed by the appraiser on the subject property and it is assumed that the air, water, ground, and general environment associated with the property present no physical or health hazard of any kind unless otherwise noted in the report. It is further assumed that the lot does not contain any type of dumpsite and that there are no underground tanks (or any underground source) leaking toxic or hazardous chemicals into the groundwater or the environment unless otherwise noted in the report.

The age of any improvements to the subject property mentioned in this report should be considered a rough estimate. I am not sufficiently skilled in the construction trades to be able to reliably estimate the age of improvements by observation. I, therefore, rely on circumstantial evidence which may come into my possession (such as dates on architectural plans) or conversations with those who might be somewhat familiar with the history of the property such as property owners, on-site personnel, or others. Parties interested in knowing the exact age of improvements on the land should contact me to ascertain the source of our data and then make a decision as to whether they wish to pursue additional investigation.

Because no detailed inspection was made and because such knowledge goes beyond the scope of this appraisal, any observed condition or other comments given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is made as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating system, air conditioning system, plumbing, electrical service, insulation, or any other detailed construction matters. If any interested party is concerned about the existence, condition, or adequacy of any particular item, we would strongly suggest that a construction expert be hired for a detailed investigation.

I have not performed a detailed analysis of whether the property is compliant with the Americans with Disabilities Act (ADA), which became effective in 1992. An in-depth compliance analysis is beyond the scope of this appraisal. It is possible that a detailed study by an ADA expert would conclude that the property is deficient with respect to certain provisions of the Act, which could have an adverse effect on the property's value. Unless specific items of noncompliance were evident during the inspection, I did not consider any possible compliance deficiencies when determining the market value estimates concluded.

APPRAISAL IS MADE UNDER CONDITIONS OF UNCERTAINTY WITH LIMITED DATA

As can be seen from limitations presented above, this appraisal has been performed with a limited amount of data. Data limitations result from a lack of certain areas of expertise by the appraiser (that go beyond the scope of the ordinary knowledge of an appraiser), the inability of the appraiser to view certain portions of the property, the inherent limitations of relying upon information provided by others, etc.

There is also an economic constraint, however. The appraisal budget (and the fee for this appraisal) did not contain unlimited funds for investigation. I have spent my time and effort in the investigative stage of this appraisal in those areas where I think it will do the most good but, inevitably, there is a significant possibility that I do not possess all information relevant to the subject property.

Before relying on any statement made in this appraisal report, interested parties should contact me for the exact extent of our data collection on any point that they believe to be important to their decision making. This will enable such interested parties to determine whether they think the extent of my data gathering process was adequate for their needs or whether they would like to pursue additional data gathering for a higher level of certainty.

Information (including projections of income and expenses) provided by local sources, such as government agencies, financial institutions, accountants, attorneys, and others is assumed to be true, correct, and reliable. No responsibility for the accuracy of such information is assumed by the appraiser.

The comparable sales data relied upon in the appraisal are believed to be from reliable sources. Though all the comparables were examined, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.

Engineering analysis of the subject property was neither provided for use nor made as a part of this appraisal contract. Any representation as to the suitability of the property for uses suggested in this analysis is, therefore, based only on a rudimentary investigation by the appraiser and the value conclusions are subject to said limitations.

All values shown in the appraisal report are projections based on our analysis as of the date of the appraisal. These values may not be valid in other time periods or as conditions change. I take no responsibility for events, conditions, or circumstances affecting the property's market value that take place subsequent to either the date of value contained in this report or the date of our field inspection, whichever occurs first.

Since projected mathematical models and other projections are based on estimates and assumptions that are inherently subject to uncertainty and variation depending upon evolving events, I do not represent them as results that will actually be achieved. I make no assertion as to the eventual profits or net cash flows (if applicable) that

the property will produce, or whether the property will be able to produce enough revenue to enable the owner to service the debt, if any, assumed to finance the property. The profitability of most income producing real estate in large part depends on the skill, quality and attention of the property's owners and/or manager(s) and the strategies they elect to employ, and the value estimates assume experienced, attentive, aggressive management of the property.

This appraisal is an estimate of value based on an analysis of information known to me at the time the appraisal was made. I do not assume any responsibility for incorrect analysis because of incorrect or incomplete information. If new information of significance comes to light, the value given in this report is subject to change without notice.

Opinions and estimates expressed herein represent my best judgment but should not be construed as advice or recommendation to act. Any actions taken by you, the client, or any others should be based on your own judgment and the decision process should consider many factors other than just the value estimate and information given in this report.

APPRAISAL REPORT LIMITATIONS

Appraisal reports are technical documents addressed to the specific technical needs of clients. Casual readers should understand that this report does not contain all of the information we have concerning the subject property or the real estate market. While no factors I believe to be significant but unknown to the client have been knowingly withheld, it is always possible that I have information of significance which may be important to others but which, with my limited acquaintance of the property and my limited expertise, does not seem to be important to me.

Appraisal reports made for lenders are technical documents specifically made to lender requirements. Casual readers are cautioned about their limitations and cautioned against possible misinterpretation of the information contained in these reports.

The appraiser should be contacted with any questions before this report is relied on for decision making.

This appraisal was prepared at the request of and for the exclusive use of the client to whom the appraisal is addressed. No third party shall have any right to use or rely upon this appraisal for any purpose.

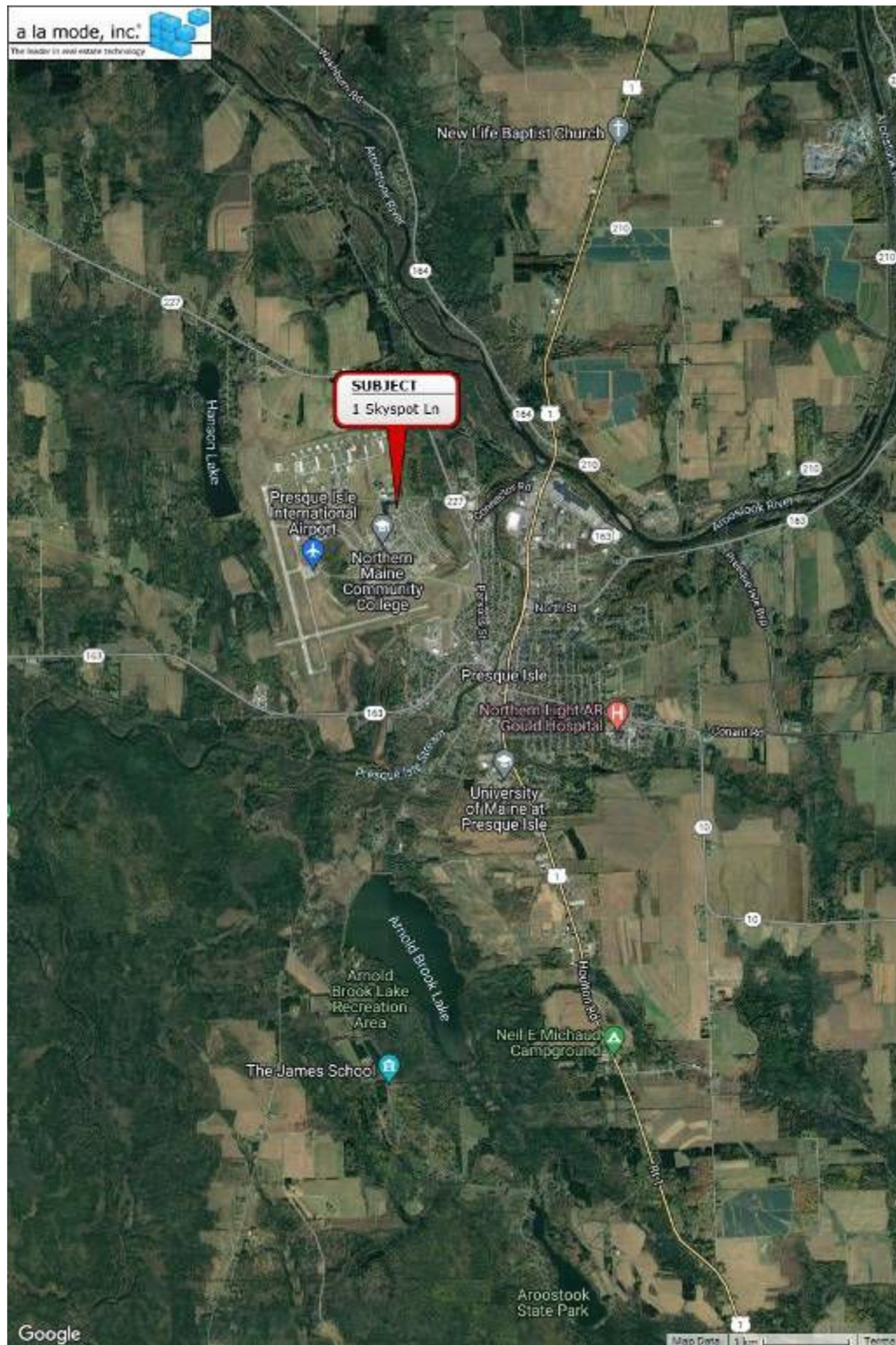
There are no requirements, by reason of this appraisal, to give testimony or appear in court or any pretrial conference or appearance required by subpoena with reference to the property in question, unless sufficient notice is given to allow adequate preparation and additional fees are paid by the client at my regular rates for such appearance and the preparation necessitated thereby.

This report is made for the information and/or guidance of the client and possession of this report, or a copy thereof, does not carry with it a right of publication. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the appraiser. Nor shall the appraiser, firm, or professional organization of which the appraiser is a member be identified without written consent of the appraiser.

It is suggested that those who possess this appraisal report should not give copies to others. Certainly legal advice should be obtained on potential liability issues before this is done. Anyone who gives out an incomplete or altered copy of the appraisal report (including all attachments) does so at their own risk and assumes complete liability for any harm caused by giving out an incomplete or altered copy. Neither the appraiser nor this company assumes any liability for harm caused by reliance upon an incomplete or altered copy of the appraisal report given out by others. Anyone with a question on whether their copy of an appraisal report is incomplete or altered should contact my office.

Values and conclusions for various components of the subject parcel as contained within this report are valid only when making a summation; they are not to be used independently for any purpose and must be considered invalid if so used. The allocation of the total value in this report between land and improvements (if applicable) applies only under the reported highest and best use of the property. The separate valuations for land and building (if applicable) must not be used in conjunction with any other appraisal and are invalid if so used.

LOCATION MAPS





PROPERTY TAX MAP



SUBJECT PHOTOS – Building #1 - Faculty Apartments – 8 two bedroom units

West and North walls



North wall



East wall



INTERIOR PHOTOS

Central hallway connecting the units



Opposite View of Hallway



Entrance to **Unit #1** (Good quality solid core wood door, keypad lock, steel casings)



Typical bedroom



Typical Kitchen



Opposite View



Typical Refrigerator



Bedroom #2



Opposite View



Typical window



Typical full bathroom – tiled floor and walls





Unit #6

Bedroom #1



Opposite View



Kitchen



Fridge



Laundry room. Three commercial washers & dryers. Coin slots have been removed (tenants can use the appliances free of charge).







Common bathroom, handicap accessible



Lounge



Boiler Room

Hot water heater (67 gallon) heated by boiler



Buderus boiler and Riello burner



Sprinkler system



North wall of covered open porch connector between the apartment building and the Alternative Education Building



Close-up of North Wall of connector



Interior of Connector, facing West to faculty apartment building. Finished and lighted ceiling, concrete slab.



Alternative Education Center building

Main entrance



East and South walls



East wall



South wall



North wall



North and East walls



Exterior Deferred Maintenance Photos

Minor damage to fascia/soffit; pressure washing of brick veneer required.



Photos of remaining asphalt shingles on apartment building that require replacement





More brick veneer that requires pressure washing





Foyer of Alternative Education Building





Teaching Kitchen (4 stoves with exhaust hoods)







Air Exchanger room



Circuit panels



Men's bathroom





Mop sink



Women's bathroom



Former Multi-purpose room, now used as a classroom





Adjacent serving line and Kitchen





Attached 3-Car Garage

East wall



North and East walls



Garage Interior, facing North



Overhead doors



Overhead door lift



Ceiling suspended heater



Small bathroom





Deferred maintenance to the ceiling



Boiler room



VIEWS OF SITE & SITE IMPROVEMENTS

Fenced and lighted tennis courts. Fence height = 10'6". Facing North.



Facing Southeast



Southeast section of parcel (large lawn area), facing East.



Northeast portion of parcel - large lawn area



Large lawn area on the Western section of the parcel



Entrance to subject property off Skyway Street onto Skyspot Lane, facing North to Skyway St.



Driveway in (Skyspot Lane) facing South from Skyway Street



Signage at entrance



Typical good quality Landscaping



Signage in front of the Alternative Education Building



Parking adjacent to South wall of Alternative Education building



Parking near the South wall of faculty apartment building



STREET SCENES

Facing East on Skyway Street



Facing West on Skyway Street



Entrance from Northern Road to Skyspot lane, facing South



NEIGHBORHOOD VIEWS

Presque Isle Middle School - Track and soccer field directly across Skyway St. from subject property



View of Good Track and soccer field



Presque Isle Middle school – northwest of the subject property



Southwest of property – multi-family residential development



Apartment complex/mobile home park to the East





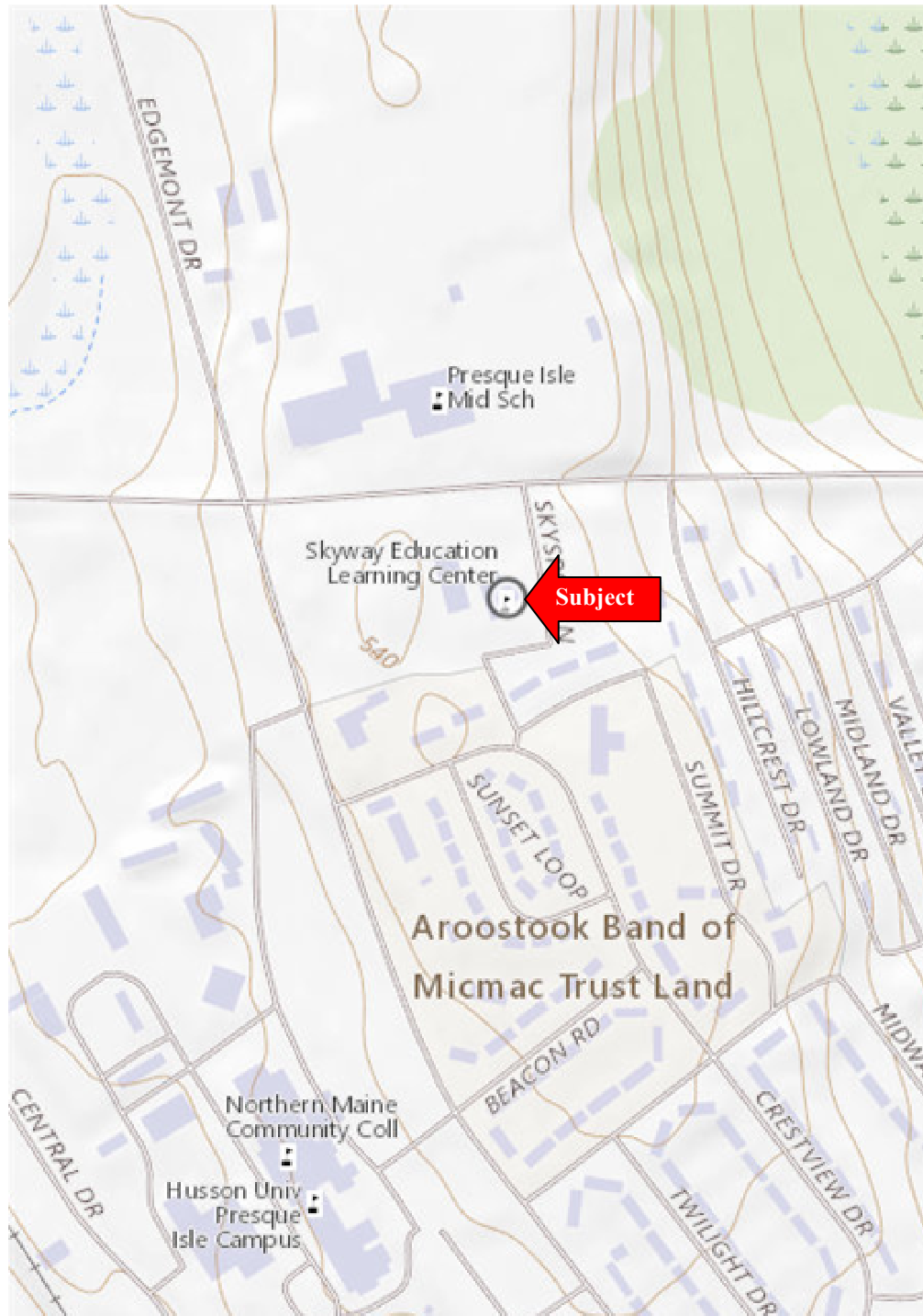
SITE DATA & ANALYSIS

PROPERTY TAX MAP (repeated)



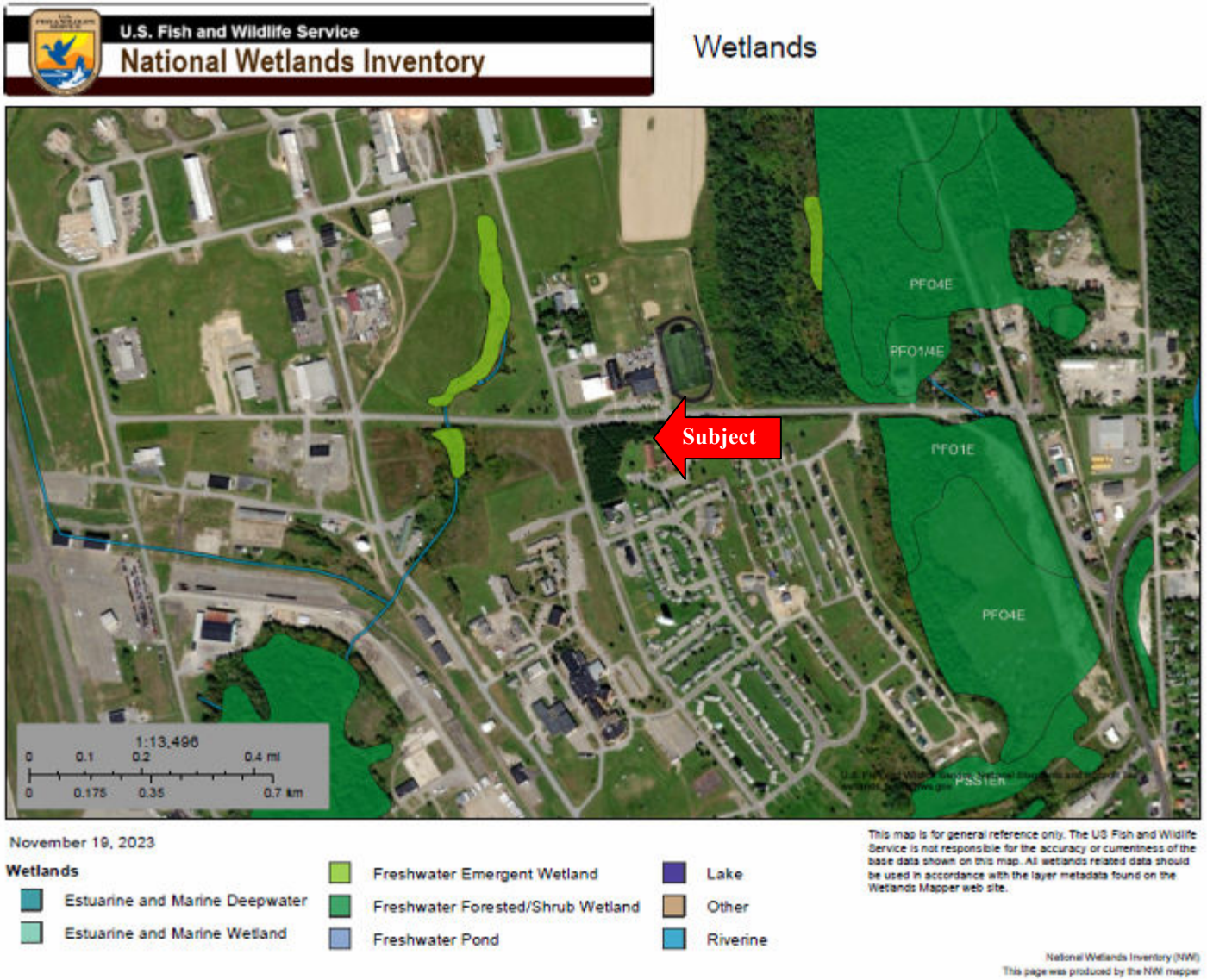
Topographical Map

Level Terrain



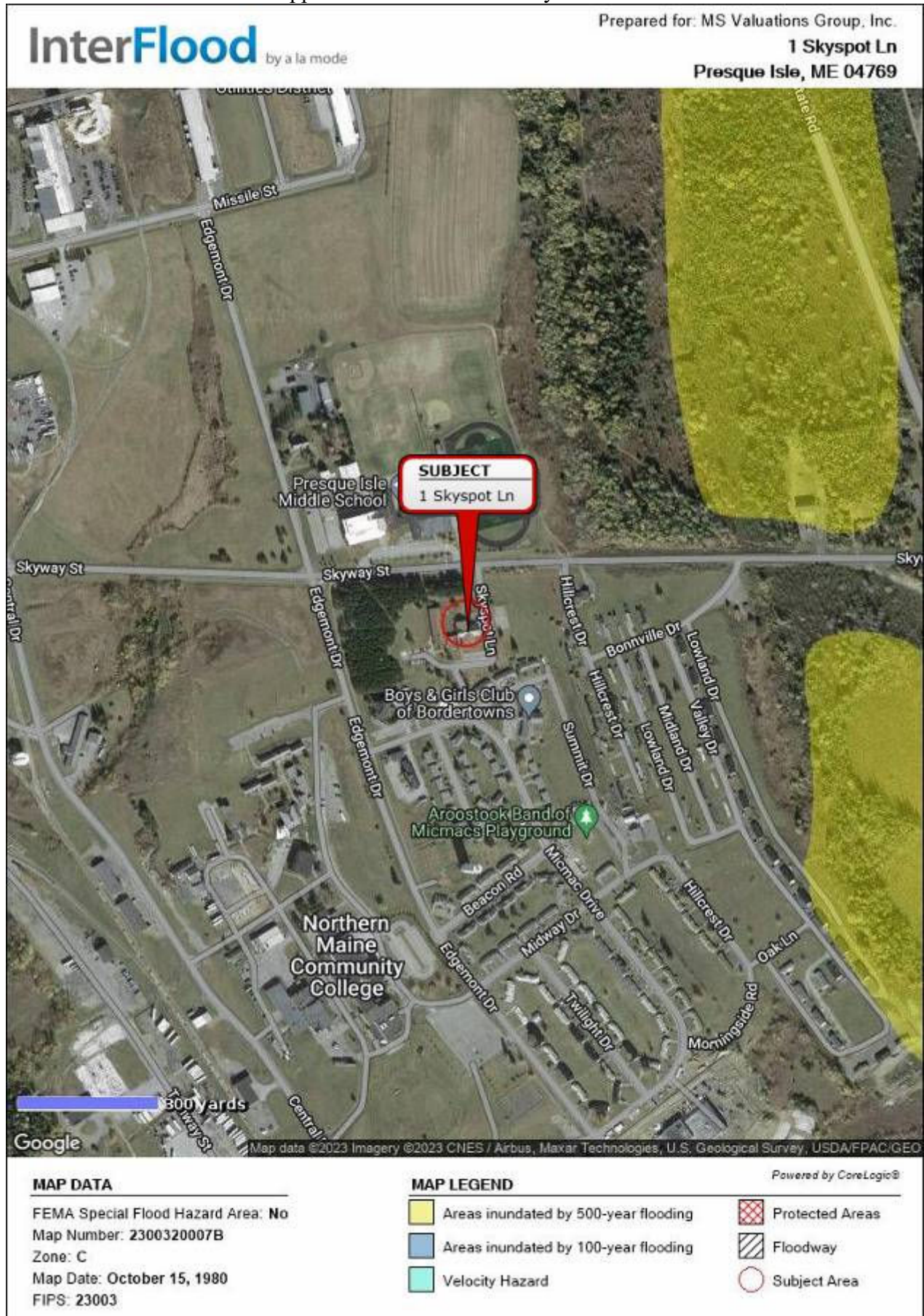
Wetlands Map

No mapped wetlands



FLOOD MAP

No mapped flood zones or velocity hazard districts



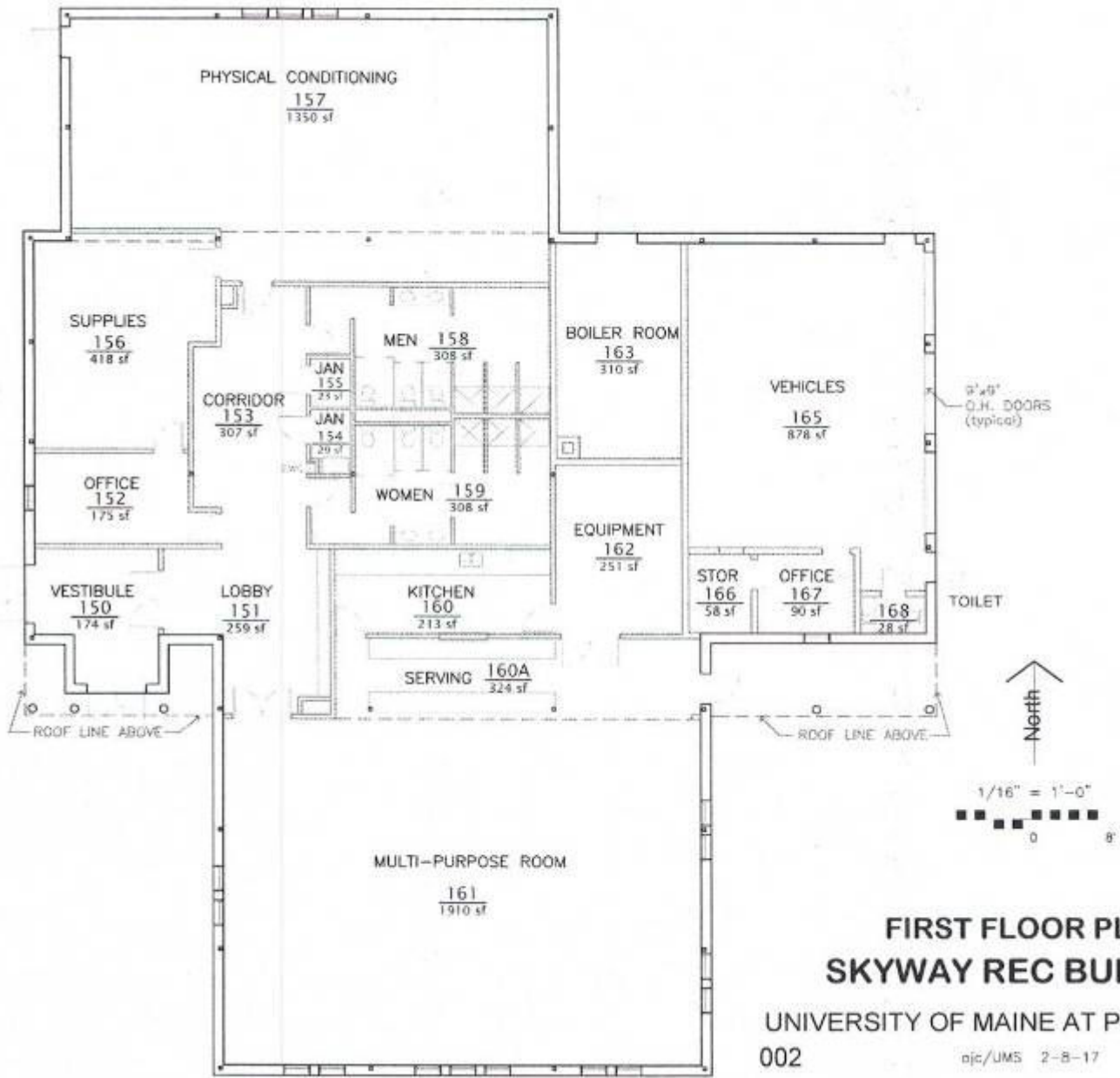
Site Characteristics

Total Acreage:	6.44 acres (from deed).
Parcel Shape & Dimensions:	Irregular
Location Description:	Multi-family & educational uses.
Corner Lot?	No
Primary Access:	Skyway Street
# of Curb Cuts:	1
Paved Road:	Paved
Publicly Maintained:	Publicly maintained
Secondary Access:	Northern Road
Road Frontage-Primary Access:	+/- 678' on Skyway Street.
# of Lanes:	2 lanes on each street.
Directional Flows:	East to west on both streets.
Site Distance-Primary Access:	East & West – Over 1000' in both directions.
Overall Visibility:	Good from Skyway St.
Speed Limit- Primary Access:	30-35 mph
Distance/Time to nearest Arterial:	Within one mile from Route 1.
Water Frontage (feet):	None
Topography:	Level
Vegetative Cover:	Large lawn areas. Some softwood in the northwest section of the parcel.
Wetlands or Water Courses:	None mapped. See above Wetlands Map.
Drainage:	Adequate
Flood Zone Status:	Not located in a flood zone. See above Flood Map.
Views	View of school to the north and of multi-family residential properties.
Electricity:	Overhead electric at the street; underground to buildings.
Natural Gas / Propane	Propane is available.
Sewage Disposal:	Public
Water Source:	Public
Adequacy of Utilities:	Adequate
Paved Areas:	Paved parking areas and access road. Paved area totals +-45,611 sf. Average condition overall.
Landscaping:	Professional landscaped. Large lawn areas totaling over 118,000 sf.
Signage:	Two free-standing signs (see above photos).

Other Site Improvements:	60 X 120' fenced-in paved tennis courts, with lighting. Chain-link fence is 10.5' high. +-30' tall light posts, each with two high pressure 500 watts sodium lights.
Approx. Surplus Land Acreage:	4.22 acres. Excellent potential for additional apartment units.
Significant Natural Resources:	None
Nuisances, Environmental issues:	None
Conformity of Site:	Conforms well with similar sites in the market area.
Overall Site Utility and Adequacy:	Good for current use and density. Ample excess acreage, close proximity to a middle school and Northern Maine Community College and UMPI, and the multi-residential nature of the immediate neighborhood and low vacancy rates argues strongly for a multi-residential use.

BUILDING IMPROVEMENTS

Building Sketches/Floor Layouts (provided by client)





FIRST FLOOR PLAN SKYWAY DORM

UNIVERSITY OF MAINE AT PRESQUE ISLE

001

ajc/UMS 2-8-17

Building Exterior (both buildings)

Design Type:	Gable roofs. Two buildings connected by a covered porch.
Number of Stories:	1 story.
Eave Heights:	Apartment building eave height is 8'9". Alternative Education Building eave height is 9'4".
Wall Framing:	Masonry.
Roof Framing:	Steel trusses.
Wall Covering:	Good quality, attractive brick veneer, which is in good condition.
Wall Insulation:	Client indicated R19 rolled fiberglass insulation.
Roof Covering	Combination of metal roof cover and architectural shingles. The Alternative Education building roof covering was replaced in the 2004 with good quality metal standing seam roof covering. 90% of the apartment building roof covering was replaced with corrugated metal roof covering in 2022, at a cost of about \$66,000. There are currently no plans to replace the remaining amount of asphalt roof covering.
Ceiling Insulation:	Blown in double ceiling – minimum R40. No opportunity to inspect.
Exterior Passage Doors:	Steel frame entrance doors with plate glass in steel casings – good quality.
Overhead Doors:	Three powered overhead doors for the garage.
Windows:	Vinyl casement windows.
Porches:	Covered open porch with a slab and lights in a finished ceiling between the Alternative Education Building and the faculty apartment building.
Decks:	None.
Exterior Stairs:	None.
Items of Special Value:	None.
Required Repairs:	See above photos – some of the brick veneer requires pressure washing to remove mold in several areas. The remaining apartment building roof shingles will soon require replacement.
Overall Quality:	Good
Overall Condition:	Above Average.

INTERIOR DESCRIPTION

Building Interior (Apartment Building)

8 apartments, each with two bedrooms and a full bath (see above floor layout).
Wet sprinkler system.

Typical Apartment Finishes

Apartment Units #1 and #3

Good quality, solid core wood interior and steel exterior doors.
Average age of appliances +/-15 years.

First Bedroom

- Wall to wall carpeting
- Oil fired Hot water baseboard heat
- Painted drywall walls and ceiling
- Double pane vinyl horizontal sliding windows with screens
- Sprinkled
- Ceiling fan
- Furnished

2nd Bedroom

- Same finishes as bedroom #1
- 12'6" x 15'3"

Kitchen

- VCT flooring
- Electric coil stove
- Exhaust fan
- Ample wood cabinetry
- Fridge

Bathroom

- Tub and shower – tiled.
 - Tiled floor
 - Hand wash sinks are outside of the toilet/shower room.
-

Laundry Room - 31' x 23'5"

- Ceiling height is 8'5"
- Tile floor, HWBB
- 3 commercial washers and dryers
- Painted drywall walls and ceiling
- Heavy solid core wood interior doors

Boiler Room

- 600 amps for apartment building; 3 Phase electricity.
- 2 water pumps; no problem with water pressure even if many tenants are using water simultaneously.
- Fuel oil fired Buderus boiler with Riello burner (\$28K in 2015).
- Large hot water tank

Building Interior (Alternative Education Building)

- Built in 1989
- Former recreational building for military officers, with a Mess hall and garage to fix cars.

Teaching Kitchen

- VCT Floor covering
- 4 smooth top stoves/ovens with stainless steel exhaust hoods (new 2 years ago)
- Good oak cabinetry
- 2 stainless steel double sinks
- Encased strip fluorescent lighting
- No central cooling

Men's room

- Tiled floor and walls
- Painted drywall ceiling
- 1 handicap toilet
- 1 regular toilet
- 1 urinal
- 3 showers
- Average+ quality and average+ condition

Former Multi Purpose Room (now a classroom)

- 8' eave height, 14'7 peak height
- Hot water baseboard heat
- Painted drywall walls and ceiling
- Encased strip fluorescent lighting
- VCT flooring
- Good condition

Adjacent serving line and Kitchen

- Tile floor
- Good wood cabinetry
- Painted drywall walls and ceiling
- Strip encased fluorescent lighting

Boiler Room

- Smith boiler/Carlin Burner (2017).
- 2500 gallon in ground #2 fuel oil tank – Double wall fiberglass with monitoring wells. Circa 1988.
- 3 phase electric
- Separate room for Air handler/air exchanger; fresh air intake equipment.

Attached 3 car garage

- 3 powered insulated doors (10' height x 9' wide)
- Measures 43'0" x 24'10" (interior dimensions)
- 10' eave height, 17' peak height.
- Concrete slab
- Floor drain – oil/water separator
- Two ceiling suspended Modine heaters (hot water from boiler)

2 Offices

- VCT flooring
- Painted cinderblock walls
- Steel doors
- Suspended with recessed lighting
- Both offices measure 9' x 17'8" total

½ Bathroom

- VCT flooring; 4' tile walls
 - Minor ceiling damage.
-

ECONOMIC & DEMOGRAPHIC INFORMATION

STATE OF MAINE

The Maine Consensus Economic Forecasting Commission (CEFC) last convened on October 23, 2023, to review and revise its forecast through 2027. This meeting builds on the Commission's forecast update of April 1, 2023, incorporating the most recent updates available for all relevant baseline data. This includes revised actual values, including revisions to personal income through 2022 from the U.S. Bureau of Economic Analysis (BEA). This report provides a summary of the Commission's findings. Prior to its fall forecasting meeting the CEFC held an information gathering session, a summary of which is available online.

The CEFC noted ongoing heightened uncertainty in economic conditions in the near-term, especially regarding geo-political upheaval, **but does not anticipate a recession in its forecast.** However, the Commission recognizes that access to housing may hamper growth in the coming years. High inflation and interest rates have continued into 2023, and the CEFC noted that the Federal Reserve is expected to continue pursuing policies that will constrain inflation, but inflation risks are likely to take several years to fully ease. Inflation and interest rates, demographic changes, access to housing, and a tight labor market were among the key risks to continued economic growth that the CEFC considered as it revised its forecasts.

The Commission left its nonfarm employment forecast unchanged for all years, with the expectation that higher demand for labor will continue to draw enough workers into Maine in the coming years to offset retirements from the Baby Boom generation.

Total personal income growth in 2022 was 3.9%, revised up from the BEA's preliminary estimate of 2.6%. The Commission revised its forecast for total personal income growth in 2023 up from 5.2% to 5.9% but downward for calendar years 2024 through 2027. The Commission revised those years down to 4.5%, 4.3%, 4.4%, and 4.4% from 4.9%, 4.5%, 4.6%, and 4.7%, respectively.

Wage and salary income, the largest component of personal income, increased by 8.5% in 2022, just under the preliminary estimate of 8.6%. The Commission revised its forecast for 2023 up to 7.5% from 6.0% based on data from the Maine Department of Labor and Maine Revenue Services for the first half of 2023. The rest of the forecast remained unchanged.

Supplements to wages and salaries increased by 4.4% in 2022, lower than the previously estimated increase of 5.5%. The Commission revised its forecast down to 3.5% for 2023, 2024, and 2025 (from 5.5%, 5.0%, and 4.0%, respectively) and left the remaining years unchanged.

Growth in non-farm proprietor's income was 6.2% in 2022, higher than the preliminary estimate of 3.8%. The Commission revised its forecast upwards for 2023, 2024, and 2025, going from 2.0% to 3.8% in 2023, 2.5% to 3.0% in 2024, and 2.8% to 3.0% in 2025. The rest of the forecast remained unchanged.

Dividends, interest, and rent (DIR) increased 7.6% in 2022, higher than the 5.0% preliminary estimate. The Commission revised its forecast up for 2023 from 5.0% to 6.5%, leaving the rest of the forecast unchanged.

Personal current transfer receipts decreased by 5.8% in 2022, up from a preliminary estimate of -9.2%. Downward revisions were made for all forecast years (2023-2027), going from 5.0%, 5.0%, 6.0%, 6.0%, and 6.0% to 3.5%, 3.5%, 5.0%, 5.0%, and 5.0%, respectively.

The Commission revised its forecast for inflation using the Consumer Price Index (CPI) down in all years, going from 5.8% to 4.1% in 2023, 4.0% to 3.2% in 2024, 3.5% to 2.7% in 2025, 3.5 to 2.7% in 2026, and 2.7% from 3.0% in 2027. These revisions were made based on the year-to-date CPI data and to better align with the Moody's Analytics and S&P forecasts for these years.

Corporate profits increased 8.4% in 2022, up from the preliminary estimate of 6.6%. The Commission revised its forecast for 2024- 2027 to better align with the S&P and Moody's Analytics forecasts for these years. These revisions include going from 5.0% to -1.0% in 2024, 5.0% to 0.5% in 2025, 5.0% to 3.0% in 2026, and 5.0% to 3.0% in 2027. The forecast for 2023 was unchanged.

The following table provides the forecast's major indicators along with a comparison to the previous forecast.

Calendar Years	2022	2023	2024	2025	2026	2027
Wage & Salary Employment (Annual Percentage Change)						
CEFC Forecast 04/2023	2.4	1.2	0.8	0.4	0.2	0.1
CEFC Forecast 11/2023	2.4	1.2	0.8	0.4	0.2	0.1
Personal Income (Annual Percentage Change)						
CEFC Forecast 04/2023	2.6	5.2	4.9	4.5	4.6	4.7
CEFC Forecast 11/2023	3.9	5.9	4.5	4.3	4.4	4.4
Wage and Salary Income (Annual Percentage Change)						
CEFC Forecast 04/2023	8.6	6.0	5.0	4.0	4.3	4.3
CEFC Forecast 11/2023	8.5	7.5	5.0	4.0	4.3	4.3
CPI (Annual Percentage Change)						
CEFC Forecast 04/2023	8.0	5.8	4.0	3.5	3.5	3.0
CEFC Forecast 11/2023	8.0	4.1	3.2	2.7	2.7	2.7

In deliberations leading to consensus, the CEFC considered information presented by the Maine Department of Labor, Maine Revenue Services, and by the Office of the State Economist in the Department of Administrative and Financial Services.

Consensus Forecast

The Commission left its non-farm employment forecast unchanged for all years. The Commission's assumption is that demographic changes will be offset by continued increases in employment of older workers and increased migration to the state. The forecast anticipates that employment will continue to grow through 2027 to 656,100 with slower increases as 2027 approaches.

This forecast reflects revised personal income data for 2022 released by the U.S. Bureau of Economic Activity on September 29. Total personal income growth in 2022 was 3.9%, up from the preliminary estimate of 2.6%. The Commission revised its forecast for total personal income growth in 2023 up from 5.2% to 5.9%. The forecasts for total personal income for years 2024 through 2027 were revised downward to 4.5% from 4.9% in 2024, 4.5% to 4.3% in 2025, 4.6% to 4.4% in 2026, and 4.7% to 4.4% in 2027. These revisions largely reflect upward revisions to wage and salary income in 2023 and downward revisions to personal current transfer receipts in all years. Details of these categories are provided below.

Wage and salary income, the largest component of personal income, increased by 8.5% in 2022, just under the preliminary estimate of 8.6%. The Commission revised its forecast for 2023 up to 7.5% from 6.0% based on data from the Maine Department of Labor and Maine Revenue Services for the first half of 2023. The rest of the forecast remained unchanged.

Supplements to wages and salaries increased by 4.4% in 2022, lower than the previously estimated increase of 5.5%. The Commission revised its forecast down to 3.5% for 2023, 2024, and 2025 (from 5.5%, 5.0% and 4.0%, respectively) and left the remaining years unchanged.

Growth in non-farm proprietor's income was 6.2% in 2022, higher than the preliminary estimate of 3.8%. The Commission revised its forecast upwards for 2023, 2024, and 2025, going from 2.0% to 3.8% in 2023, 2.5% to 3.0% in 2024, and 2.8% to 3.0% in 2025. The rest of the forecast remained unchanged.

Dividends, interest, and rent (DIR) increased 7.6% in 2022, higher than the 5.0% preliminary estimate. The Commission revised its forecast up for 2023 from 5.0% to 6.5%. The Commission left the rest of the forecast unchanged.

Personal current transfer receipts decreased by 5.8% in 2022, up from a preliminary estimate of -9.2%. Downward revisions were made for all forecast years (2023-2027), from 5.0%, 5.0%, 6.0%, 6.0%, and 6.0% to 3.5%, 3.5%, 5.0%, 5.0%, and 5.0%, respectively.

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The following page provides the full forecast.

Maine Consensus Economic Forecasting Commission

November 2023 Forecast

	History	Forecast				
	2022	2023	2024	2025	2026	2027
CPI-U* (Annual Change)	8.0%	4.1%	3.2%	2.7%	2.7%	2.7%
CPI for Energy Prices** (Annual Change)	24.9%	-4.0%	1.8%	-2.3%	-0.2%	1.4%
Avg. Price of New Vehicles** (Annual Change)	9.5%	1.8%	-5.5%	-4.0%	3.7%	7.2%
New Vehicle Registrations** (Annual Change)	-11.8%	5.1%	1.6%	4.1%	0.2%	-1.4%
Personal Savings Rate**	3.3%	4.4%	4.9%	5.9%	6.2%	6.3%
Maine Unemployment Rate**	2.9%	2.6%	2.8%	3.4%	3.6%	3.6%
3-Month Treasury Bill Rate**	2.0%	5.1%	5.2%	3.7%	2.6%	2.4%
10-Year Treasury Note Yield**	3.0%	4.0%	4.1%	3.5%	3.3%	3.2%
Before-Tax Corporate Profits* (Annual Change)	8.4%	2.0%	-1.0%	0.5%	3.0%	3.0%
Maine Wage & Salary Employment* (thousands)	638.7	646.4	651.5	654.1	655.4	656.1
Natural Resources	2.1	2.2	2.3	2.4	2.4	2.4
Construction	32.6	33.1	33.4	33.7	33.7	33.8
Manufacturing	54.5	54.4	54.5	54.6	54.5	54.4
Trade/Trans./Public Utils.	119.2	119.7	119.7	120.2	120.4	120.6
Information	7.9	7.9	7.9	8.0	8.0	7.9
Financial Activities	33.9	34.0	34.1	34.2	34.2	34.2
Prof. & Business Services	75.8	77.4	78.6	79.3	80.0	80.5
Education & Health Services	125.8	129.1	131.6	132.5	132.9	132.8
Leisure & Hospitality Services	65.5	66.3	66.7	67.0	67.1	67.0
Other Services	22.0	22.0	21.9	21.8	21.8	21.8
Government	99.4	100.4	100.8	100.6	100.5	100.6
Maine Wage & Salary Employment* (Annual Change)	2.4%	1.2%	0.8%	0.4%	0.2%	0.1%
Natural Resources	0.0%	5.4%	4.2%	3.1%	0.4%	-0.9%
Construction	1.9%	1.4%	0.9%	0.9%	0.2%	0.1%
Manufacturing	1.1%	-0.3%	0.3%	0.2%	-0.3%	-0.1%
Trade/Trans./Public Utils.	1.9%	0.4%	0.0%	0.4%	0.2%	0.2%
Information	5.3%	-0.3%	0.8%	0.6%	-0.1%	-0.5%
Financial Activities	2.4%	0.4%	0.3%	0.1%	0.1%	0.1%
Prof. & Business Services	4.6%	2.1%	1.6%	0.8%	0.9%	0.7%
Education & Health Services	0.1%	2.6%	1.9%	0.7%	0.3%	-0.1%
Leisure & Hospitality Services	7.6%	1.2%	0.6%	0.4%	0.2%	-0.1%
Other Services	4.3%	-0.1%	-0.3%	-0.3%	-0.1%	-0.1%
Government	1.7%	1.0%	0.4%	-0.2%	-0.1%	0.1%
	2022	2023	2024	2025	2026	2027
Personal Income* (\$ million)	83,951	88,864	92,854	96,850	101,092	105,573
Wages & Salaries*	38,678	41,579	43,658	45,404	47,358	49,393
Supplements to Wages & Salaries*	8,757	9,063	9,381	9,709	10,049	10,350
Nonfarm Proprietors' Income*	6,529	6,777	6,980	7,190	7,406	7,702
Farm Proprietors' Income**	175	138	163	196	187	175
Dividends, Interest, & Rent*	15,150	16,135	16,942	17,704	18,501	19,333
Dividends	5,531	5,600	5,862	5,754	5,772	5,993
Interest	5,748	6,228	7,052	8,091	8,824	9,322
Rent	3,872	4,308	4,032	3,859	3,904	4,021
Personal Current Transfer Receipts*	19,932	20,629	21,351	22,419	23,540	24,717
Less: Contributions for Social Ins.**	6,590	6,851	7,077	7,278	7,508	7,719
Adjustment for Residence**	1,320	1,394	1,457	1,506	1,559	1,622
Personal Income* (Annual Change)	3.9%	5.9%	4.5%	4.3%	4.4%	4.4%
Wages & Salaries*	8.5%	7.5%	5.0%	4.0%	4.3%	4.3%
Supplements to Wages & Salaries*	4.4%	3.5%	3.5%	3.5%	3.5%	3.0%
Nonfarm Proprietors' Income*	6.2%	3.8%	3.0%	3.0%	3.0%	4.0%
Farm Proprietors' Income**	21.7%	-20.7%	18.0%	20.0%	-4.4%	-6.8%
Dividends, Interest, & Rent*	7.6%	6.5%	5.0%	4.5%	4.5%	4.5%
Dividends	7.8%	1.3%	4.7%	-1.8%	0.3%	3.8%
Interest	7.9%	8.4%	13.2%	14.7%	9.1%	5.6%
Rent	7.0%	11.3%	-6.4%	-4.3%	1.1%	3.0%
Personal Current Transfer Receipts*	-5.8%	3.5%	3.5%	5.0%	5.0%	5.0%
Less: Contributions for Social Ins.**	8.6%	4.0%	3.3%	2.8%	3.2%	2.8%
Adjustment for Residence**	-1.1%	5.6%	4.5%	3.4%	3.5%	4.0%

*CEFC Forecast

**From S&P and Moody's Analytics baselines (October 2023)

ECONOMIC AND DEMOGRAPHIC OVERVIEW

Presque Isle

Presque Isle is the commercial center and largest city in Aroostook County. The city is home to the University of Maine at Presque Isle, Northern Maine Community College, Husson University Presque Isle, Northern Maine Fairgrounds, The Aroostook Centre Mall, and the Presque Isle International Airport.

Presque Isle is the headquarters of the Aroostook Band of Micmac, a federally recognized tribe.

According to the United States Census Bureau, the city has a total area of 77.60 square miles. 75.76 square miles is land and 1.84 square miles is water. Presque Isle is drained by the Aroostook River and Presque Isle Stream (also called Prestile Stream).

POPULATION

According to the most recent demographics data available from the United States Census Bureau released in the American Community Survey in November of 2022, the town had a population of 8,859 people in 2021. The population decreased by about 8.6% between 2010 to 2021.

EMPLOYMENT

Using the most recent economic analysis from the 2022 Census Bureau, the town's median earnings per worker is \$41,781 which is the second highest median earnings of all other places in the greater region. This compares to the United States median of \$53,269, and the State of Maine median earnings per worker of \$50,312.

The town has a median household income of \$47,853 which is the second highest of all places in the greater region. This compares to the median U.S. household income of \$69,021, and the Maine median household income of \$63,182.

18.4% of households receive public assistance, which compares to 13.2% for the state of Maine, and 12.3% for the U.S.

The town has a 2.7% annual unemployment rate, the second lowest in the region.

15.9% of its residents are below the poverty line, the second highest percentage in the region.

HOUSING

The housing density, as measured by housing units per square land mile (includes single family homes, apartments, etc.), is 61.1, which is the third lowest in terms of housing density of all the other places in the local area. The United States housing density is 39.5, and Maine's housing density is 23.9.

The town has a median home price of \$119,600, which is the second highest median home price of all other places in the region. This compares to a State of Maine median home price of \$212,100, and a U.S. median home price of \$244,900.

The town's change in housing units from 2010 to 2021 was 0.0%, between 2010 and 2021. This compares to the State of Maine's change of 2.2% and the U.S. change of 7.4%.

The median year built for Presque Isle housing stock is 1962, which is the third oldest in the region. This compares to 1975 for Maine, and 1979 for the U.S.

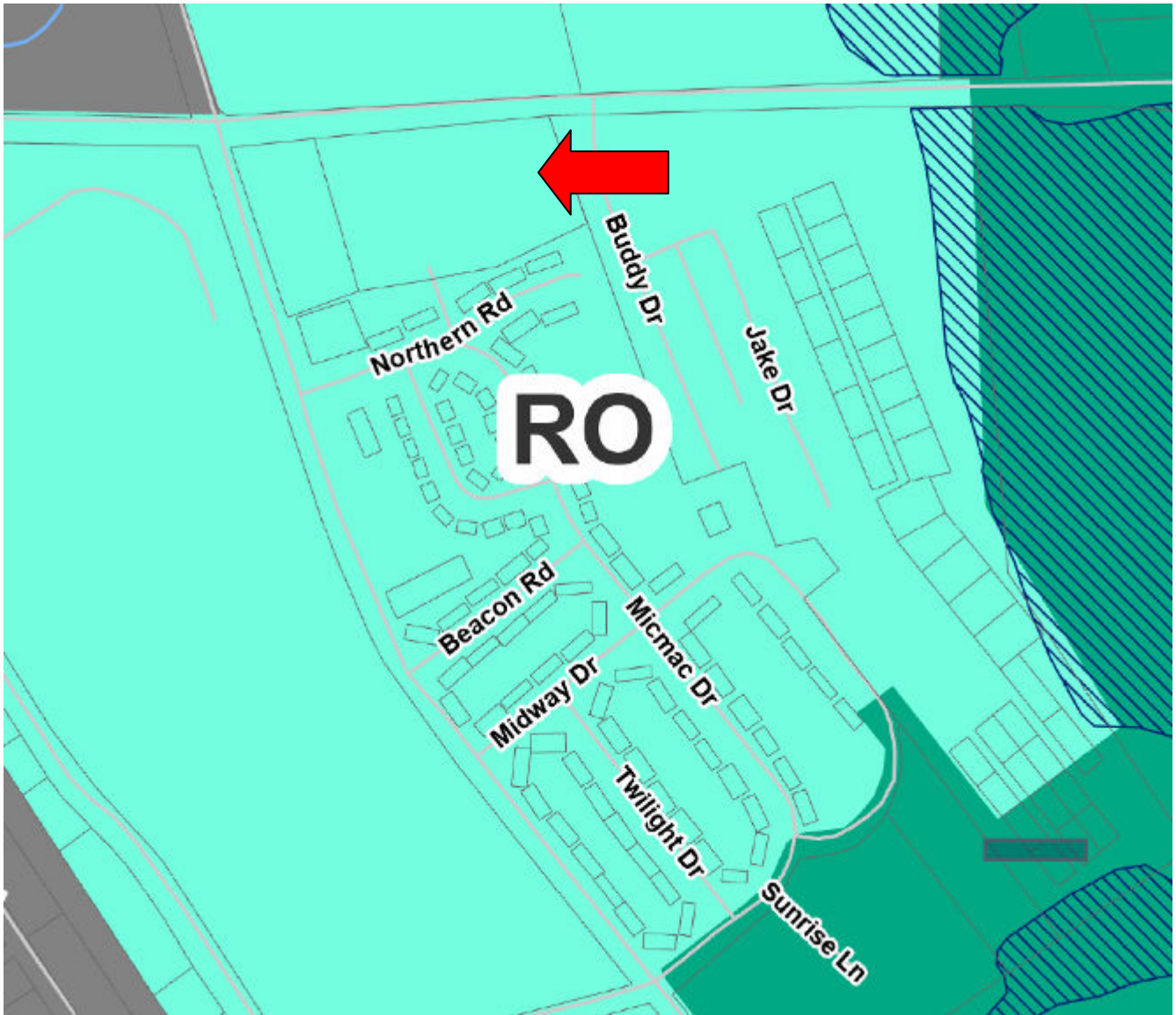
NEIGHBORHOOD

Type	Mixed institutional and multi-residential uses.
Neighborhood Boundaries	East- Parsons Road; North-State Road; South-Central Drive; West-Presque Isle airport
Present Land Use	Multi-unit developments; mixed mobile home park/duplex development; middle school, Northern Maine Community College.
Density Proximate to Subject	75%
Growth Rate	Stable
Trend in Property Values	Stable
Demand / Supply	In balance
Estimated Marketing Time	3 months to 12 months
Change in Land Use	No significant changes
Employment Stability	Stable
Convenience to Employment	About 1.5 miles to downtown Presque Isle.
Convenience to Shopping	Wal-mart, Marden's, JC Penney, Lowes are all within minutes of the subject property.
Convenience to Schools	The University of Maine at Presque Isle is within 10 minutes of the subject. The Presque Isle Middle School and Northern Maine Community College are immediately proximate to the subject property. The Zippel Elementary School, Presque Isle High School and Presque Isle Tech Center are located within a few miles.
Adequacy of Public Transportation	Presque Isle has public transportation.
Recreational Facilities	The University of Maine at Presque Isle, outdoor recreational trails and Mantle Lake Park.
Adequacy of Utilities	Adequate
Property Compatibility	Compatible with similar properties.
Protection from Detrimental Conditions	N/A
Police and Fire Protection	City of Presque Isle police and fire protection.
General Appearance of Properties	Average
Appeal to Market	Average

Nuisances, if any	None
Positive / Negative Trends	None
Commercial Vacancy Rate	5-7%
Growth and Economic Catalysts	None significant
Overall Neighborhood Quality	Average
Overall Neighborhood Condition	Average

ZONING AND LAND USE

According to the following Zoning Map, all of the subject property is entirely located in the “Residential Office” (RO) Zoning district.



Purpose of “RO” Zone.

To provide a transition zone in which residential uses and limited office uses are permitted. This zone recognizes that certain areas of Presque Isle along arterial and collector streets that have been predominately residential in nature are facing increased pressures for commercial development. The purpose of this zone is to provide for a mixture of residential and office uses that will be compatible with the traditional residential character and building design of the area.

The following are tables that list the permitted and non-permitted uses within this zoning district, followed by a table that lists the minimum Dimensional Requirements.

Land Use Table													
	AHZ	AFFZ	SRZ	URZ	RBZ	BZ	IZ	SCZ	ROZ	RRZ	GDZ	SWPA*	DRBZ
Uses													
Accessory Uses	P	P	P	P	P	P	P	P	P	P	P	P	P
Adult Daycare Facility	P	P	ZBA	ZBA	P	P		P	P	ZBA	P	P	P
Aged & Congregate Housing			ZBA	ZBA					P				
AGRICULTURE	P	P										P	
Agricultural & Forestry-related Businesses	P	P				P	P	P		ZBA		P	
Agritourism Activity	P	P											
Airport Terminals	P						P						
Apartments				P	P	P			P		P		P
Assisted Living Housing			ZBA						P				
Automotive Graveyards	P	P											

	AHZ	AFFZ	SRZ	URZ	RBZ	BZ	IZ	SCZ	ROZ	RRZ	GDZ	SWPA*	DRBZ
Automotive Recyclers	P	P											
Aviation-related Business	P						P						
Bank & Financial Institutions					P	P			P				P
BED & BREAKFAST INN	P	P	P	P		P		P	P	P	P	P	P
Business & Professional Office					P	P	P	P	P		P		P
Campgrounds	P	P											
Cemeteries	P	P	P					P					
Commercial Parking Lot or Parking Garage	ZBA				P		P						P
Community Living Arrangements	P	P	P	P	P	P		P	P	P	P	P	
Daycare/Home Babysitting Facility	P	P	ZBA	ZBA	P	P		P	P	ZBA	P	P	P
DOG DAYCARE	P	P				P		P					
Dog Kennel	P	P											
Duplex			P	P	P	P			P		P	P	
Drive-in Theater	P	P											
Drive-Through Establishment					P	P			ZBA				
Funeral Home				ZBA	P	P		P	P		P		

	AHZ	AFFZ	SRZ	URZ	RBZ	BZ	IZ	SCZ	ROZ	RRZ	GDZ	SWPA*	DRBZ
Gasoline Service Station					ZBA	ZBA		ZBA			ZBA		
Golf Course	P	P										P	
HOME OCCUPATION TYPE A	P	P	ZBA	ZBA	P	P		P	P	P	P	ZBA	P
HOME OCCUPATION TYPE B	ZBA	ZBA	ZBA	ZBA	ZBA	ZBA		ZBA	ZBA		ZBA		ZBA
Homeless Shelter									ZBA				
Hospice			ZBA			P		P	P				
Hospital			ZBA						P				
Hotel						ZBA							ZBA
Manufacturing						P	P						
MARIJUANA BUSINESSES		P			P	P	P	P	P		P		P
MINERAL EXPLORATION AND EXTRACTION	ZBA	ZBA											
Mobile Homes	P	P	ZBA	P		ZBA			P			P	
Motel					P	P							P
Municipal & Governmental Uses	P	P	P	P	P	P	P	P	P	P	P	P	P
New and Used Vehicle Dealer					P	P		P					
Non-Commercial Garage or Storage Building	P	P	P	P		P		P	P	P		P	

	AHZ	AFFZ	SRZ	URZ	RBZ	BZ	IZ	SCZ	ROZ	RRZ	GDZ	SWPA*	DRBZ
NON-COMMERCIAL KEEPING OF LIVESTOCK	P	P	P	P	P	P	P	P	P	P	P	P	P
Nursing Homes			ZBA						P				
Overhead Electric Utility Distribution Facilities			ZBA	ZBA			P		ZBA	ZBA			
Pre-School	P	P	ZBA	ZBA		P		P	P		P	P	
Place of Assembly	P	P	ZBA	ZBA	P	P		P	P		P		P
Private Recreation	P	P	ZBA	ZBA		ZBA		ZBA	ZBA	P			
Public Recreation	P	P	P	P		ZBA		P	P	P			
Public Utility Facilities		P	ZBA	ZBA	ZBA	P	P		ZBA				
Repair Garage					P	P	P	ZBA			P		

	AHZ	AFFZ	SRZ	URZ	RBZ	BZ	IZ	SCZ	ROZ	RRZ	GDZ	SWPA*	DRBZ
Research & Development Facilities						P	P		P				
Restaurant					P	P		P			P		P
Rooming House			ZBA	ZBA	ZBA				ZBA		ZBA		
Sales Establishment					P	P	P	P	ZBA		P		P
School			P	P					P				
Service Establishment					P	P	P	P	P		P		P
Single-family dwellings	P	P	P	P	P	P		P	P	P	P	P	
Ski Slopes	P	P											
Solar Electric Generation Facility	P	P	P			P	P	P					
Theater					ZBA	ZBA							P

	AHZ	AFFZ	SRZ	URZ	RBZ	BZ	IZ	SCZ	ROZ	RRZ	GDZ	SWPA*	DRBZ
Transportation Terminal						ZBA	P						
Underground Public Utility Facilities			P	P				P	P	P	P		P
Veterinary Hospital		P				P							
Warehousing						P	P						
WIND ENERGY SYSTEMS (SWES)		P											

SECTION VIII STANDARD TABLE FOR ZONES

Business & Commerce Zones							
	AHZ	AFFZ	RBZ ¹	BZ ¹	IZ	SCZ	DRBZ ^{1, 2}
Front Yard	40 ft	40 ft	30 ft	30 ft	50 ft	30 ft	none
Side & Rear	30 ft	30 ft	10 ft	30 ft	30 ft	30 ft	none
Side & Rear Setback if Abutting Residence Zone	NA	NA	15 ft	40 ft	50 ft	NA	NA
Lot Size	60,000 sq ft	1 Acre	none	none	none	1 Acre	none
Street Frontage	200 ft	200 ft	none	75 ft	none	100 ft	none
Building Coverage	15%	15%	none	none	none	15%	none
Building Height ³	35 ft	75 ft	75 ft	75 ft	none	35 ft	75 ft

Residential & Environmental Zones						
	ROZ	RRZ	SRZ	URZ	SWPA ⁴	GDZ ⁵
Front Yard	30 ft	30 ft	30 ft	15 ft	40 ft	*
Side & Rear	10 ft	15 ft	10 ft	10 ft	30 ft	*
Lot Size ⁶	7,000 sq ft	1 Acre	10,000 sq ft	7,000 sq ft	1 Acre	*
Business Use Floor Space Limit ⁶	3,000 sq ft	2,000 sq ft	2,000 sq ft	2,000 sq ft	2,000 sq ft	none
Min Lot Size per additional dwelling unit	4,000 sq ft	NP	5,000 sq ft	4,000 sq ft	NP	NP
Street Frontage	50 ft	200 ft	75 ft	50 ft	200	*
Building Coverage	25%	25%	25%	25%	15%	*
Building Height ³	35 ft	35 ft	35 ft	35 ft	35 ft	*

¹ Setback & density exemption for residential uses shall be the same as for those in the Urban Residential Zone (URZ)

² In an effort to preserve store fronts of the downtown retail business area, no residential units shall be constructed, expanded, or added onto the entire first floor and street view of facades.

³ In no instance shall any structure pierce the imaginary air space surfaces created and accepted by the City in the Current Airport Master Plan

⁴ Development is advised to follow the most recent Best Management Practices for Groundwater Protection Publication issued by the State of Maine

⁵ Shall meet the shoreline setbacks & other zoning standards for the "General Development I District" by DEP Chapter 1000 Rules. Standards include a reduced setback of 25 feet from the shoreline for principal & accessory structures.

⁶ Excluded from this density & space limit requirements include Hospitals, Nursing Homes, Hospice, and Aged, Congregate, & Assisted Living Housing

NP = Not Permitted

Zoning Conformity

The subject lot and current uses are legal and conforming in this zoning district.

HIGHEST AND BEST USE ANALYSIS

The purpose of Highest and Best Use Analysis is to identify the most profitable use of the property from the available optional uses. The Highest and Best Use conclusion forms the premise in which the subsequent data gathering and analysis is performed.

Highest and best use may be defined as “*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 highest and best use of land as though vacant assumes that a parcel of land is vacant or can be made vacant by demolishing any improvements. Highest and best use of a property as improved pertains to the use that should be made of an improved property in light of its improvements. For example, should a building be maintained as it is or should it be renovated, expanded, or partly demolished? Should it be replaced with a different type or intensity of use?

Highest & Best Use of Land as though Vacant

Physically Possible

The size, shape, terrain, and accessibility of land and the risk of natural disasters such as floods or earthquakes affect the uses to which land can be put. The utility of a parcel may also depend on its frontage, shape and depth. Irregularly shaped parcels can cost more to develop and, after development, may have less utility than regularly shaped parcels of the same size.

When topography or subsoil conditions make development difficult or costly, the land’s utility may be adversely affected. If the cost of grading or constructing a foundation on the subject site is higher than is typical for sites in the area competing for the same use, the subject site may be economically unfeasible for the highest and best use that would otherwise be indicated.

Factors such as transmission lines, adjoining uses that emit noise or odors, and excessive highway traffic can adversely affect the appeal and demand for residential uses. Adverse factors may also limit the range of the site’s uses and/or necessitate buffer areas, which will reduce the amount of land useable for development purposes.

The availability of utilities or drainage capacity of the soil can be a major factor in the suitability of a site for particular commercial uses, which may require public utilities that are reasonably priced.

When a reasonable forecast of a property’s highest and best use indicates a change in the near future from the property’s existing use to one with higher productivity, the present use is an interim use.

The highest and best use of a parcel could be to hold it for speculation – to remain vacant until development is justified by market demand. This occurs in oversupplied markets. Speculation is a type of interim use.

A use that was legal when established and has been maintained according to the jurisdiction’s regulations, but legally could not be rebuilt on an identical parcel of land is a legal, nonconforming use. When a property is a legal, nonconforming use that is more intense than current regulations allow, it usually has a nonconforming use value enhancement and an extended useful life.

The subject property has +-6.44 acres, located on paved 2-way, 2-lane public roads in a multi-family neighborhood, with public water and sewer available. The parcel is physically large enough to accommodate either residential or small scale commercial uses.

Legally Permissible

Legal permissibility considers zoning and other land use restrictions such as historic district codes, building codes, environment regulations, and private restrictions (including leases).

As previously noted in the Zoning section, the property is impacted by the “RO” district zoning regulations. This district allows apartments, assisted living, banks, business & professional offices, duplexes, schools, and many other uses.

Please refer to the above Zoning section for the minimum dimensional requirements and an itemized list of allowable uses. One Hypothetical Condition in this assignment that was requested by the client was to disregard the terms and conditions subsequent of the deed since the purpose of abrogation (what is being considered for the property) is to bring such restrictions to a conclusion.

Financially Feasible

All uses that are expected to produce a positive return after satisfying operating expenses and financial obligations are regarded as financially feasible.

Surrounding uses which have historically been profitable include primarily school, multi-family and mobile home park uses.

Due to the type of neighborhood for the subject property, its location next to the Presque Isle Middle School and NMCC, its location proximate to downtown Presque Isle and UMPI, the ample acreage and ease of development, easy access, and low vacancy rates, a multi-family development would be feasible on the parcel if it was vacant.

Maximally Productive

Of the financially feasible uses, the highest and best use is the use that produces the highest residual land value consistent with the market’s acceptance of risk and with the rate of return warranted by the market for that use.

The maximally productive use is that use that is physically possible, legally permissible, financially feasible, which produces the highest net present value.

The maximally productive use of the parcel as if vacant is concluded to be a multi-family development.

Highest & Best Use of the Property as Improved:

Physically Possible

The highest and best use of a property as improved pertains to the use that should be made of an improved property in light of the existing improvements.

If the existing use will remain financially feasible and is more profitable than modification or redevelopment, the existing use remains the highest and best use of the property as improved.

An existing improvement should be renovated or retained as long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing buildings and constructing new ones.

The highest and best use of a property as improved may involve renovation or rehabilitation, expansion, adaptation or conversion to another use, partial or total demolition, or some combination of those alternatives.

The first question that must be answered in any analysis of alternative uses is whether the existing improvements contribute value.

In this assignment, the value of the property as improved plus the cost of demolition are many times greater than the value of the site as if vacant, and so the building improvements should not be demolished.

This does not mean that the current use is necessarily the highest and best use because conversion or renovation must be considered.

Currently, the property is improved with an 8 unit apartment building, with the units rented to UMPI faculty. The second building is being utilized as an Alternative Education center. The second building could physically be converted relatively inexpensively to apartment units.

Legally Permissible

The current uses are conforming, legal uses, as previously noted. The Alternative Education Center could be converted to 7 additional two bedroom apartments (excluding the garage space), which would improve the property's profitability.

Financially Feasible

This test addresses the market demand for the subject property in its current state. If the existing use creates a positive return on investment, then it is considered to be financially feasible.

If the value of the property as improved plus the cost of demolition exceeds the value of the land as though vacant, the appraiser can reasonably conclude that the continuation of the existing use is financially feasible. All uses that are expected to produce a positive return after satisfying operating expenses and financial obligations are regarded as financially feasible.

There are four primary ways to determine whether a use or alternative use is financially feasible:

- Inferring from market conditions
- Calculation of residual land value
- Comparison of feasibility rent with market rent
- Applying a NPV profitability index

Given the historical profitability of the subject property's 8 unit apartment building and of similar multi-unit buildings in this area that I have recently appraised, it is highly probable that seven additional units would generate an acceptable return on invested capital into the foreseeable future.

Maximally Productive

Given the current strong demand for good quality rental housing (low vacancy rates) in Presque Isle, and based on the building's gross building area (excluding the 3-car garage) the maximally productive use of the property as improved is viewed as converting the Alternative Education Center to house 7 additional two bedroom apartments. In addition, the items of deferred maintenance mentioned above and shown in the photos should be addressed to improve the property's appearance and to extend its economic life.

The most typical buyer for the subject property would be an investor interested in the relatively stable cash flows from multi-family residential rental real estate.

OVERVIEW OF APPRAISAL PROCESS

In any determination of value, local market data are sought on such factors as sales and offerings of similar properties and tracts of vacant land, current prices for construction materials and labor, rentals of similar properties and their operating expenses, and current rates of return on investments and properties. From these data, values may be developed for the land and the property as a whole.

Three generally accepted methods may be used in the valuation of the fee simple interest in an improved property: the Cost Approach, the Sales Comparison Approach, and the Income Capitalization Approach.

The **Cost Approach** is based on the premise that a property's value can be derived by adding the estimated value of the land to the current cost of constructing a reproduction or replacement for the site and building improvements and then subtracting the amount of depreciation (deterioration and obsolescence) in the structure(s) and site improvements from all causes. The land value is best derived through a sales comparison of similar vacant parcels. The current costs to construct the improvements are obtained from cost estimating publications and/or builders and contractors. To these costs are added other indirect costs and an estimate of entrepreneurial profit. Depreciation is measured through market research and the application of specific valuation procedures.

In the **Sales Comparison Approach**, similar properties recently sold or offered for sale in the current market are analyzed and compared with the property being appraised. Adjustments are made to the comparables for various factors, such as market conditions, financing, conditions of sale, location, size, physical condition, basements, outbuildings, construction quality or other dissimilarities between the comparable and the subject. Upward adjustments are made to reflect inferior features. Downward adjustments are made to adjust features considered superior to the subject. The adjustment process produces a range of value estimates, which are then correlated into a single value estimate for the subject. The approach's reliability is a function of: (1) the availability of comparable sales data; (2) the degree of similarity between the comparable sales and the subject; (3) the extent to which the comparables do not exhibit abnormal financing or selling conditions.

In the **Income Approach**, the forecasted stabilized stream of net income before debt service can be capitalized using a reconciled overall capitalization rate to compute a value estimate. The capitalization process involves an analysis of competitive rent information for similar space within the competitive market area to determine whether the subject rents are at market. To the projected market rent estimate is added an estimated amount for miscellaneous income, if applicable.

The operating expenses that are expected for the property are then deducted from the effective gross income to arrive at the net operating income stream for the subject property. The quality, durability, probability and volatility of the forecasted income and expenses are considered important assumptions in this analysis.

If the property is likely to experience uneven annual future cash flows due to fluctuations in rents or expenses, or if the rate of change for the revenue relative to the expenses will be different, then the property's expected annual net operating income estimates over the investment holding period can be converted to a market value estimate through the use of Discounted Cash Flow Analysis.

In this assignment, both the **Sales Comparison** and **Income Approaches** were applicable and were used to value the subject property.

SALES COMPARISON APPROACH

The Sales Comparison Approach was utilized to value the subject property to its Highest & Best Use as a 15 unit apartment complex. The value of the property as a 15 unit complex is first determined, and then the estimated costs to convert the Alternative Education building were then subtracted to produce an As Is market value estimate for the property.

The principle of Substitution is the fundamental principle in the Sales Comparison Approach. Substitution suggests that property values tend to be set by the cost of acquiring an equally desirable substitute property. Equally desirable properties that have sold or are currently listed are used as comparable sales.

Since no two things are exactly equal, adjustments are then made. The adjustments for the differences, or elements of comparison, are intended to revise the sale/listing price of a comparable property until it reflects how much the comparable would have sold for had it been just like the subject. The objective of the adjustments is to make the comparables equivalent to the subject in market appeal on the effective date of the opinion of value. After all adjustments are made, the comparable property has theoretically been altered into a duplicate of the subject property. The concluded per-unit adjusted price is the indicated value for the subject property. The unit of comparison selected is what is used most often by market participants in the market for that property type.

While listings can be useful, they are primarily an indication of what the subject property is not worth if the property has been professionally marketed and has not sold after being on the market for many days.

Theoretically, the Sales Comparison Approach is applicable in all circumstances. Compared with the Cost and Income approaches, the Sales Comparison approach often requires the lowest number of judgments and decisions to reflect the actions of buyers and sellers in order to develop an opinion of a property's market value.

The primary limitation of the approach is the occasional lack of data. There may be no comparable sales, or an insufficient number of sales to develop quantifiable adjustments. For example, it is frequently difficult to find suitable comparables for special-use or historic properties in many markets.

Analysis

Research and analysis was performed of sales and active listings of apartment buildings with more than 5 units (which are considered to be commercial properties) that are as similar as possible to the subject property. A thorough search of the FlexMLS (Multiple Listing Service) system, Loopnet, and New England Commercial Property Exchange was performed for comparable sales and listings for the past 3 years for Presque Isle, Caribou, and other surrounding communities.

A number of comparable apartment building sales were identified and analyzed (more than are reported here). The 3 comparables that are summarized in the top half of the following **Apartment Comparables Adjustment Schedule** are the very best available. Detailed write-ups and maps of the comparables follow the Adjustment Schedule.

Adjustment Schedule

The comparables were adjusted to estimate the value of the subject property in the bottom half of the schedule. A comparative analysis was made of the factors that influence value. The Transactional and Property adjustment factors include Rights Conveyed, Financing, Conditions of Sale, Expenditures After Sale, Market Conditions, Location, Age/Condition, Quality of Construction, Porches/Decks/Outbuildings, Basements, and Site & Site Improvements. The resulting adjusted prices should closely approximate the market value of the subject property on the date of value.

A negative percentage adjustment was made to the comparables to adjust any of the aspects that were considered superior to the subject. A positive percentage adjustment was made to reflect those features deemed inferior.

The comparable sales are similar to the subject property in many important regards. All of the properties were at or close to full occupancy on the date of sale. The adjustment of each sale produces an indication of what the comparables would have sold for if they had exhibited the same significant characteristics as the subject.

Transactional Adjustments

The adjustment for **Rights Conveyed** seeks to address the value of the different bundle of rights that might have been conveyed for the comparable vis a vis the subject property. The Rights Conveyed adjustment is most likely to occur when the subject property or any of the comparables are encumbered by a long-term, below-market lease, or the subject or comparables are not at stabilized occupancy. The adjustment for a below market lease is determined by estimating the present value of the loss in net operating income resulting from the difference between the below-market lease and a lease at market, over the lease term at an appropriate discount rate. The rate should reflect the risk and the practices of market participants. A below-market lease is less risky than one based on a market lease, hence the discount rate for the leased fee is less than the discount rate for the fee simple.

Some contracts call for the sale of real property rights but add deed restrictions or other forms of limitations on the purchaser and/or future users of the property. Such title or use limitations may render the sale unusable for direct market comparison because the rights are less than fee simple.

All of the comparables were Leased Fee interests. The subject apartment building is also a Leased Fee interest that is fully rented at or near market rates. The conversion of the interior of the Alternative Education Building into 7 new two bedroom apartment units could likely be done relatively quickly, and due to the demand for good apartment units in Presque Isle, the units would likely be filled very quickly with minimal effort (likely during the construction process). Therefore, no adjustments were required.

The **Financing Terms** adjustment seeks to account for atypical financing terms, such as favorable seller financing terms or rates. For example, the purchaser of a comparable property may have assumed an existing mortgage at a favorable interest rate. Or, a seller may have arranged for a buy-down, paying cash to the lender so that a mortgage with a below-market interest rate could be offered. In both cases, the buyers probably paid higher prices for the properties to obtain below-market financing. Sales with non-market financing should be compared to other sales transacted with market financing to determine whether an adjustment for cash equivalency should be made. Strict, mathematical calculations of what the adjustment should be may not reflect market behavior. If the calculations are not recognized by buyers and sellers, the adjustment is not justified.

Because all of the comparables were conventionally financed, no adjustments were required.

The adjustment for **Conditions of Sale** seeks to consider the effect of any tax considerations (1031 transactions), listing price versus selling price, lack of adequate marketing exposure, sales between related business entities or persons, or any assemblage or plottage strategies. The adjustment also seeks to consider any undue duress, involving parties who are at a disadvantage (i.e., pending divorce or financial problems). The comparable sales were arms-length transactions, and no adjustments were necessary for any of the comparables.

The adjustment for **Expenditures after Sale** seeks to account for any required expenses that are **anticipated to be incurred** immediately after the sale of the property, such as demolition of existing improvements & removal costs, costs to cure deferred maintenance, costs to petition for a zoning change, environmental remediation costs, drainage improvements, etc. The buyer must have been aware at the time of purchase that the expenditures would be necessary. The relevant figure is not the actual cost that was incurred post-sale, but the cost that was anticipated by the buyer (since that is the amount that was factored into the purchase price. No required after-sale expenses were uncovered in my research for the comparables.

Market Conditions seeks to adjust for appreciation or depreciation in the values of the comparables that might have transpired since the sale date to the subject appraisal date. Adjustments are made if property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time. When current sales of similar properties do not exist, other evidence of shifting market conditions include:

- upward or downward trends in rent and rent terms
- the trend in sales prices to listing prices
- trend in number of listings
- trend in listing prices
- number of offers a seller receives; frequency of backup offers
- trend in number of foreclosures
- number of building permits issued and aggregate value
- use of seller financing
- trend in number of vacancies
- trend in overall capitalization rates

Enough similar paired sales or repeat sales of similar properties could not be found to calculate a credible appreciation or depreciation rate. However, based on an examination of median sales prices of similar properties and interviews with knowledgeable local commercial brokers and tax assessors, and rising apartment rental rates in this market, a 5% appreciation adjustment was required for the first two comparables.

For each comparable, each percentage adjustment for Rights Conveyed, Financing, Conditions of Sale, Expenditures After Sale, and Market Conditions is first added to the number 1, then multiplied together to produce an Adjustment Factor. These Adjustment Factors are then multiplied by the respective **Unadjusted Sale Prices per SF of GBA, Unadjusted Sale Prices per Bedroom, and Unadjusted Prices per Unit** to compute initial **Adjusted Prices per Square Foot, Adjusted Prices per Bedroom and Adjusted Prices per Unit** for the comparables.

Adjusting for Location and Physical Differences

The second part of the grid uses percentage adjustments that are summed together to account for a host of other differences.

The **Location** adjustment seeks to account for differences in quality/ease of access, visibility, proximity to employment, education, medical, and shopping centers or areas of broad interest, availability of public transportation & utilities, views or other amenities, supply and demand of similar properties, reputation, and quality and type of surrounding neighborhood. As noted above, the subject property is located proximate to downtown Presque Isle, which is the employment and commerce center of Aroostook County. No adjustments were required for the first two comparables, which are also located in or near downtown Presque Isle. The third comparable is located in Caribou in a residential neighborhood not far from the city center. Based on differences in employment/shopping/service opportunities and demographic and market characteristics, an upward adjustment was required for the third comparable sale.

The **Age/Condition** adjustment accounts for the differences in the overall condition of the comparables and the subject and the adjustments are performed by considering the variances in effective age between the comparables and the subject. The Marshall & Swift Valuation depreciation estimates based on effective age were heavily weighed in performing the adjustments, assuming economic lives of 50 years for multi-family properties. The subject property was rated as having an effective age of 15 years. All of the comparables have higher effective ages, requiring upward adjustments.

The **Quality of Construction** adjustment is more subjective, but using cost data as a guide, it seeks to account for differences in quality/durability/appeal of materials used, design, and craftsmanship. The subject

property exhibits Above Average Quality overall, due to its good brick veneer wall covering, heating systems, and finishes. All of the comparables were rated as having Average Quality, requiring upward adjustments.

The **Value of Porches, Decks, Outbuildings** adjustment is to account for the value differences in outbuildings, sheds, garages, decks, porches, etc. Because these components have significant contributory value both to the property and to the owner and would have value to typical buyers, and cannot be valued using capitalized net rent or by using sales comparables, the value of these components was determined primarily by using depreciated cost. The adjustments recognize that cost and value are not necessarily synonymous, and that the value added or lost by the presence or absence of an item in a comparable property may not equal the cost of installing or removing the item. The subject benefits from a 3-car garage (+1,075 sf), and a 644 sf covered porch, which connects the subject's two buildings. Please see the comparable detailed write-up sheets for a description of each comparable's decks, porches, etc., if any. Their values were also determined based on their depreciated cost, using their effective ages.

The **Basement** adjustment accounts for the differences in value that result from unfinished or finished basements. Basements are valued by multi-unit building owners as locations for heating/cooling equipment, tenant storage areas, or for additional units. Because basements add significant contributory value to the property and would have value to typical buyers, and cannot be valued using capitalized net rent (if they are not rented) or by using sales comparables, the value of these components was determined primarily by using depreciated cost. The subject property has no basements (concrete slabs only). The first two comparables have unfinished basements, requiring downward adjustments.

The **Site & Site Improvements** adjustments account for the fact that additional land area allows an owner to expand a building or to expand parking, to add additional structures for storage or other purposes, or to provide buffer areas or more landscaping. The subject and comparables' estimated land values were determined from an analysis of vacant land sales in the respective neighborhoods, and consider factors such as acreage, frontage, configuration, topography, vegetative cover, wetlands, and overall development potential. The adjustments also consider the value of the site improvements (any paving, landscaping). Please see bottom of the comparables' detail write-up sheets for a description of each comparable's site improvements. The subject benefits from a total of 6.44 acres (about 4.22 surplus acres), with +45,611 sf of paving, extensive lawn areas, good landscaping, and a 60' X 120' fenced in and lighted tennis court area.

The **Final Adjusted Prices** of the comparables were determined by applying the sum of the percentage adjustments to the **Adjusted Prices per Square Foot, Adjusted Prices per Bedroom and Adjusted Prices per Unit**, as explained above.

Averages and Medians for each of these metrics were then computed and are presented in the bottom of the schedule.

Each sale has its relative advantages and disadvantages as a benchmark by which to gauge the value of the subject property, and the comparables that were used are the best available. Several active listings were also considered, but those sales that were adjusted were the most reflective of value for the subject property.

Comparables #2 & #3 were given the most weight, due to lowest required Gross Adjustments.

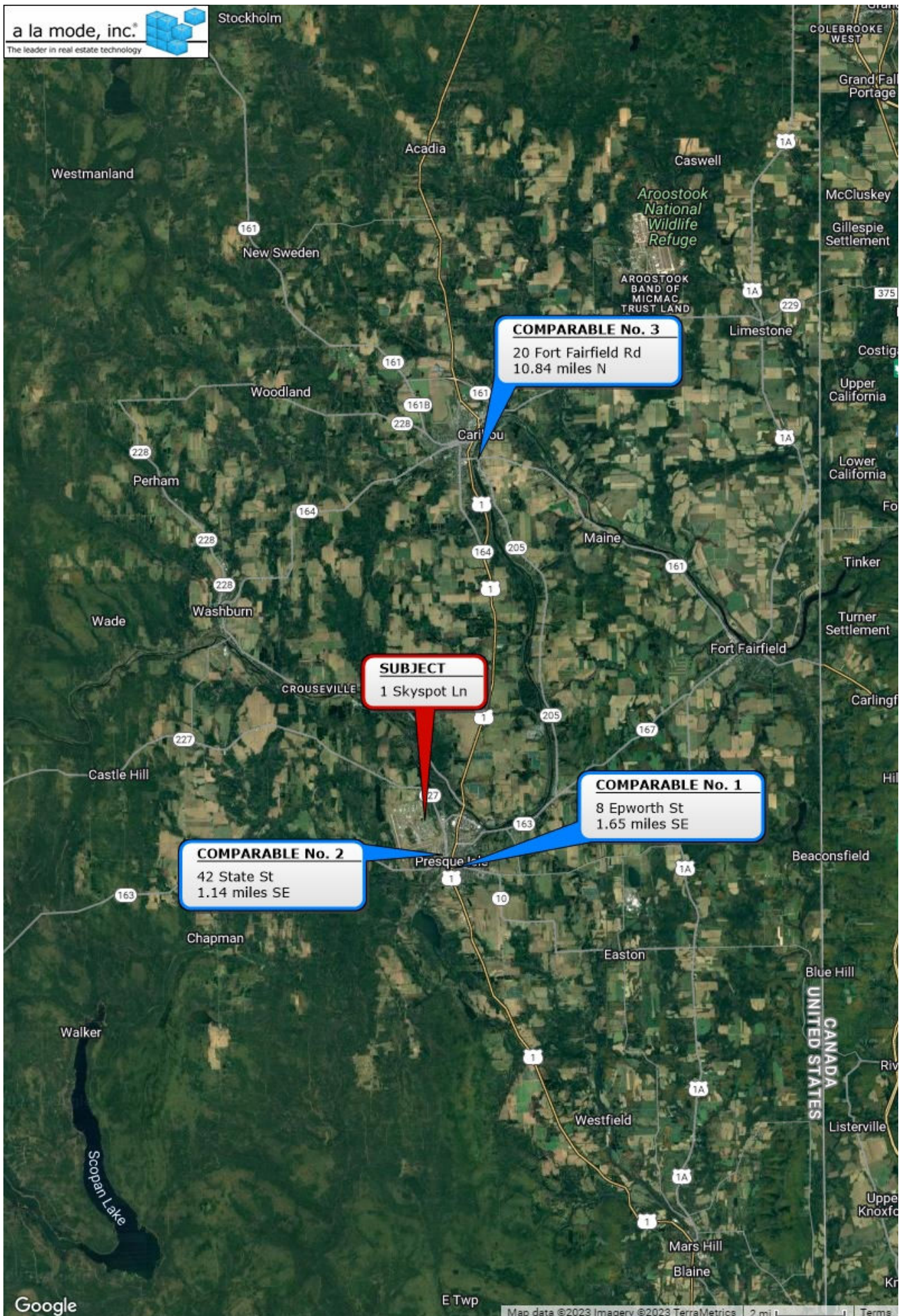
RECONCILIATION AND CONCLUSIONS

All of the preceding analyses and information lead to preliminary value indicators of **\$105/sf, \$50,000/bedroom, and \$79,600/unit**. These produce preliminary value indications of **\$1,465,065** using price per square foot of GBA, **\$1,500,000** using price per bedroom, and **\$1,194,000** using price/unit.

From these preliminary values must be subtracted the estimated cost to demolish the existing interior walls and to construct seven two bedroom units in the Alternative Education building. From the interior layout sketches provided by the client, about 5,798 sf of space (excluding the boiler room, equipment room and garage space) would be converted to apartments. The estimated cost of demolition was selected at \$4/sf (\$23,192) based on Marshall Valuation Service demolition cost data. The estimated cost per square foot to build out the apartments, assuming Average quality and retaining the use of the building's current heating and air exchange system was selected at \$48.42/sf (\$280,739). This cost assumes no salvage value for any existing appliances or materials or equipment or lighting.

Performing the subtractions produces value indications of **\$1,161,135** using price per square foot of GBA, **\$1,196,070** using price per bedroom, and **\$890,070** using price/unit.

Most of the weight was given to the value indication determined using Price per Square Foot, that metric used most by local market participants. Based on these results, I conclude an As Is market value estimate of **\$1,100,000** via the Sales Comparison Approach.



APARTMENT COMPARABLES ADJUSTMENT SCHEDULE

	SUBJECT	Comparable #1	Comparable #2	Comparable #3	
STREET ADDRESS	Skyspot	8, 12 Epworth	42 State St	20 Fort St	
CITY	Presque Isle	Presque Isle	Presque Isle	Caribou	
SALES PRICE	n/a	\$265,000	\$400,000	\$600,000	
SALE DATE	n/a	12/17/2021	1/31/2022	12/2/2022	
RIGHTS CONVEYED	Leased Fee	Leased Fee	Leased Fee	Leased Fee	
FINANCING	N/A	Conventional	Conventional	Conventional	
CONDITIONS OF SALE	N/A	Arms Length	Arms Length	Arms Length	
EXPENDITURES AFTER SALE	N/A	\$0	\$0	\$0	
ACREAGE	6.44	0.34	0.53	0.79	
LOCATION	Multi-Family; schools	Urban residential	Urban residential	Urban residential	
GROSS BUILDING AREA	13,953	4,417	6,000	10,899	
NUMBER OF UNITS	15	7	10	12	
NUMBER OF BEDROOMS	30	10	14	23	
GBA OF BASEMENT	0	2,146	1,430	0	
GBA OF PORCHES, DECKS, OUTBUILDINGS	Garage-1075 sf; Porch-644 sf	340	988	2,546	
ACTUAL AGE	35	112	140	39	
EFFECTIVE AGE	15	25	25	20	
OVERALL CONDITION	Above Average	Average	Average overall	Average	
OVERALL QUALITY	Above Average	Average	Average	Average	Averages
UNADJ.PRICE/SQ.FT.	n/a	\$60.00	\$66.67	\$72.96	\$66.54
UNADJ.PRICE/UNIT	n/a	\$37,857	\$40,000	\$53,000	\$43,619
UNADJ.PRICE/BEDROOM	n/a	\$26,500	\$28,571	\$44,167	\$33,079

TRANSACTIONAL ADJUSTMENTS				
RIGHTS CONVEYED	Leased Fee	0.0%	0.0%	0.0%
FINANCING	N/A	0.0%	0.0%	0.0%
CONDITIONS OF SALE	N/A	0.0%	0.0%	0.0%
EXPENDITURES AFTER SALE	N/A	0.0%	0.0%	0.0%
MARKET CONDITIONS	Stable	5.0%	5.0%	0.0%
CUMULATIVE % ADJUSTMENTS	N/A	5.0%	5.0%	0.0%
ADJUSTED PRICE/SQ.FT.	N/A	\$63.00	\$70.00	\$72.96
ADJUSTED PRICE/UNIT	N/A	\$39,750	\$42,000	\$53,000
ADJUSTED PRICE/BEDROOM	N/A	\$27,825	\$30,000	\$44,167

PROPERTY ADJUSTMENTS				
LOCATION	Multi-Family; schools	0.0%	0.0%	10.0%
AGE/CONDITION	Above Average	10.0%	10.0%	5.0%
QUALITY OF CONSTRUCTION	Above Average	10.0%	10.0%	10.0%
GBA OF PORCHES, DECKS, OUTBUILDINGS	Garage-1075 sf; Porch-644 sf	6.6%	3.5%	1.4%
GBA OF BASEMENTS	0	-7.7%	-3.4%	0.0%
SITE & SITE IMPROVEMENTS	Paving; large lawns, tennis courts.	25.7%	24.9%	23.9%
TOTAL PROPERTY ADJUSTMENTS	N/A	44.6%	45.0%	50.3%
NET ADJUSTMENTS	N/A	49.6%	50.0%	50.3%
GROSS ADJUSTMENTS	N/A	65.0%	56.8%	50.3%
FINAL ADJ. PRICE/SQ.FT.	N/A	\$91.08	\$101.47	\$109.66
FINAL ADJ. PRICE/UNIT	N/A	\$57,474	\$60,883	\$79,657
FINAL ADJ. PRICE/BEDROOM	N/A	\$40,232	\$43,488	\$66,381

Average Price/SQ.FT.	\$100.74
Average Price/UNIT.	\$66,005
Average Price/BEDROOM	\$50,034

Median Price/SQ.FT.	\$101.47
Median Price/UNIT.	\$60,883
Median Price/BEDROOM	\$43,488

		SUBJECT QTY.		PRELIMINARY VALUE ESTIMATE	Demolition & Build-out Costs	FINAL VALUE
Reconciled Adj Price/SQ.FT.	\$	105.00	13,953	\$ 1,465,065	\$ (303,930)	\$1,161,135
Reconciled Adj Price/Bedroom	\$	50,000	30	\$ 1,500,000	\$ (303,930)	\$1,196,070
Reconciled Adj Price/Unit	\$	79,600	15	\$ 1,194,000	\$ (303,930)	\$ 890,070

CONCLUDED VALUE ESTIMATE: **\$ 1,100,000**

BUILDING COMPARABLE #1



TAX MAP	31	ZONING	Residential
TAX MAP LOT	81-008; 81-012	NEIGHBORHOOD	Mature single & multi-family neighborhood.
STREET ADDRESS	8, 12 Epworth	VISIBILITY/VIEWS	Mixed commercial & residential.
CITY	Presque Isle	INGRESS/EGRESS	Good in both directions
STATE	Maine	ACCESS	Good via 2-way, 2-lane public
GROSS BUILDING AREA (GBA)	4,417	STREET SURFACE	Paved.
# OF UNITS	7	ACREAGE	0.34
# OF BEDROOMS	10	ROAD FRONTAGE	185.5
# OF BUILDINGS	2	CORNER LOT?	No
SELLING PRICE*	\$265,000	TOPOGRAPHY & DRAINAGE	Level
SALE DATE	12/17/2021	VEGETATIVE COVER	Small Lawn areas
SALE PRICE/SF	\$60.00	PARKING	Gravel on site-10 spaces.
SALE PRICE/UNIT	\$37,857	ADVERSE CONDITIONS	None
SALE PRICE/BEDROOM	\$26,500	OVERALL APPEAL	Average
BOOK/PAGE	Book 6283, p.343	OVERALL CAP RATE	Not Available
RIGHTS CONVEYED	Leased Fee	GROSS INCOME MULTIPLIER	5.01
CONDITIONS OF SALE	Arms Length		
FINANCING	Conventional		
EXPENDITURES AFTER SALE	\$0		
BUILDING CLASS	Wood Frame, gable roofs		
HEATING/COOLING	Oil & pellets.		
CONSTRUCTION QUALITY	Average		
BUILDING CONDITION	Average		
EFFECTIVE AGE	25		
ACTUAL AGE	112		
OUTBUILDINGS/DECKS	O.Porches-276 sf; Shed - 64 sf.		
BASEMENT	Unfinished basements-2146 sf.		
SITE IMPROVEMENTS	Small lawn areas. 10 gravel parking spaces.		
KNOWN WETLANDS	None		
EASEMENTS/RESTRICTIONS	Seller disclosed there were none.		
UTILITIES	Overhead electricity; public water & sewer; propane available.		
REMARKS	All wiring had been completed for each unit to have their own electric meters - meter boxes needed to be installed. Newer roof cover, updated painting, well maintained. Within walking distance to schools, university, banks, grocery, restaurants, etc. On street that runs parallel to Main St. Seller disclosed there was asbestos in the siding.		

BUILDING COMPARABLE #2



TAX MAP	39	ZONING	Residential
TAX MAP LOT	187-42	NEIGHBORHOOD	Multi-unit and single family; lumber yard.
STREET ADDRESS	42 State St	VISIBILITY/VIEWS	Good/single family uses and a lumber yard.
CITY	Presque Isle		
STATE	Maine	INGRESS/EGRESS	Good in both directions.
GROSS BUILDING AREA (GBA)	6,000	ACCESS	Good via public 2 way, 2-lane
# OF UNITS	10	STREET SURFACE	Paved
# OF BEDROOMS	14	ROAD FRONTAGE	On State Street.
# OF BUILDINGS	1	WATER FRONTAGE	None
SALES PRICE	\$400,000	CORNER LOT?	No
SALE DATE	1/31/2022	TOPOGRAPHY & DRAINAGE	Gently sloping
SALE PRICE/SF OF GBA	\$66.67	VEGETATIVE COVER	Small lawn areas.
SALE PRICE/UNIT	\$40,000	PARKING	Off street gravel 5-10 spaces
SALE PRICE/BEDROOM	\$28,571	ADVERSE CONDITIONS	None
		OVERALL APPEAL	Average
BOOK/PAGE	6283 / 343		
		OVERALL CAP RATE	10.83%
RIGHTS CONVEYED	Leased Fee	GROSS INCOME MULTIPLIER	4.66
CONDITIONS OF SALE	Arms Length		
FINANCING	Conventional		
EXPENDITURES AFTER SALE	\$0		
BUILDING CLASS	Wood frame 2.5 story.		
HEATING/COOLING	Electric, oil, propane forced hot water.		
CONSTRUCTION QUALITY	Average		
BUILDING CONDITION	Average overall		
EFFECTIVE AGE	25		
ACTUAL AGE	140		
ACREAGE	0.53		
OUTBUILDINGS/DECKS	Shed-760 sf. O.Porches-114 sf. Encl.porch-114 sf.		
BASEMENT	Unfin'd - 1430 sf.		
SITE IMPROVEMENTS	Gravel driveway, lawn.		
KNOWN WETLANDS	None		
EASEMENTS/RESTRICTIONS	None		
UTILITIES	Public Water and Sewer; bottled gas available.		
REMARKS	Building had been recently renovated, according to the listing realtor.		

BUILDING COMPARABLE #3



TAX MAP	28	ZONING	Residential 2
TAX MAP LOT	50-B	NEIGHBORHOOD	Mixed use single & multi-family.
STREET ADDRESS	20 Fort St		
CITY	Caribou	INGRESS/EGRESS	Good in both directions
STATE	Maine	ACCESS	Good via 2-way, 2-lane public
GROSS BUILDING AREA (GBA)	10,899	STREET SURFACE	Paved
# OF UNITS*	12	ROAD FRONTAGE	282'
# OF BEDROOMS	23	WATER FRONTAGE	None
# OF BUILDINGS	1	CORNER LOT?	No
SALES PRICE	\$600,000	TOPOGRAPHY & DRAINAGE	Slightly sloping
SALE DATE	12/2/2022	VEGETATIVE COVER	Significant lawn areas.
SALE PRICE/SF OF GBA	\$72.96	PARKING	Over 20 paved and gravel spaces onsite.
SALE PRICE/UNIT	\$53,000	ADVERSE CONDITIONS	None
SALE PRICE/BEDROOM	\$44,167	OVERALL APPEAL	Average
RIGHTS CONVEYED	Leased Fee	OVERALL CAP RATE	8.20%
CONDITIONS OF SALE	Arms Length	GROSS INCOME MULTIPLIER	5.85
FINANCING	Conventional		
EXPENDITURES AFTER SALE	None*		
BUILDING CLASS	Wood frame two story		
HEATING/COOLING	Electric heat paid by tenants.		
CONSTRUCTION QUALITY	Average		
BUILDING CONDITION	Average.		
EFFECTIVE AGE	20		
ACTUAL AGE	39		
ACREAGE	0.79		
OUTBUILDINGS/DECKS	O.covered porch - 2,546 sf.		
BASEMENT	None; slab.		
SITE IMPROVEMENTS	7,266 sf paving.		
KNOWN WETLANDS	None		
EASEMENTS/RESTRICTIONS	Seller disclosed there were none.		
UTILITIES	Overhead electric; public water & sewer.		
REMARKS	*Per the seller, a condition of the sale is that the seller had agreed to fabricate and deliver 10 remaining banisters on the second story covered porch by May 31, 2023.		

INCOME APPROACH

In this assignment, due to the expected nature of the cash flows, the Direct Capitalization method was utilized to determine the preliminary market value estimate at the property's highest and best use as a 15 unit apartment complex. The final As Is market value estimate was then determined by subtracting the cost to convert the Alternative Education building into 7 two bedroom units, and then adding in some additional components of value that the Income Approach does not capture.

The existing apartment building has 8 units, with each unit having two bedrooms, a full bath, and a kitchen, as shown on the above sketch. The units are connected by a corridor from a main entrance. The building benefits from a laundry room that the tenants can use for free, equipped with 3 commercial washers and 3 commercial dryers. There is also a boiler room, storage area, and a recreation lounge.

The current practice is to provide new faculty members with 6 free months of housing. After 6 months, the tenants pay \$800/month gross (all utilities and on-site paved parking are included in the rent). The leases are on a month/month basis. On the date of inspection, Units 101 and 106 were vacant, but Unit 101 was going to be filled the following week, and Unit #6 was going to be filled the 1st of September 2023. Each of the units is equipped with a refrigerator, gas range/stove, and an exhaust fan. Some of the units have two refrigerators. The existing appliances have an average age of 15-20 years, based on my inspection. There are at least 2 paved parking spaces per unit on-site. As noted, the property benefits from on-site tennis courts, large lawn areas, good landscaping, and immediate proximity to the public middle school, NMCC, and is within a short distance to UMPI and downtown Presque Isle.

According to the client, the units have historically been fully occupied.

DETERMINATION OF MARKET RENT

Exhibit I presents a current rental survey of similar two bedroom units in the area, with an indication of what utilities are paid by the tenants:

2 BEDROOM YEAR ROUND APARTMENT RENT SURVEY - November, 2023

		<u>Quality</u>	<u>Bedrooms</u>	<u>Baths</u>	<u>Monthly Rent</u>	<u>Expenses paid by Tenant</u>	<u>Remarks</u>
1	145 Glenn St Caribou	Average	2	1	\$700	Electricity; heat & hot water included	Proximate to recreational activities and shopping. Duplex built in 1958.
2	145 Glenn St Caribou	Average	2	1	\$670	Electricity; heat & hot water included	Proximate to recreational activities and shopping. Duplex built in 1958.
3	33 Washington St. Caribou	Average	2	1	\$800	Electricity; heat & hot water included	Proximate to grocery stores, Collins pond, walking trails, dog park. Built in 1922; well maintained.
4	33 Washington St. Caribou	Average	2	1	\$800	Electricity; heat & hot water included	Proximate to grocery stores, Collins pond, walking trails, dog park. Built in 1922; well maintained.
5	76 Washburn St Caribou	Average	2	1	\$825	Electricity; heat & hot water included	4-unit built in 1950. Oil hwbb heat & pellet boiler.
6	76 Washburn St Caribou	Average	2	1	\$700	Electricity; heat & hot water included	4-unit built in 1950. Oil hwbb heat & pellet boiler.
7	583 Main St Caribou	Average	2	1	\$800	Electricity; heat & hot water included	Renovated 3-unit building with new flooring, roofing, doors, windows, plumbing.
8	47 Grimes Mill Road Caribou	Average	2	1	\$800	Electricity & hot water.	Built in 1985, with newer vinyl siding and metal roof.
9	47 Grimes Mill Road Caribou	Average	2	1	\$695	Electricity & hot water.	Built in 1985, with newer vinyl siding and metal roof.
10	42 Glenn St Caribou	Average	2	1	\$700	Electricity.	Washer & dryer and heat and hot water included.
11	42A Glenn St Caribou	Abv. Avg	2	1	\$1,000	Electricity.	Washer & dryer and heat and hot water included. Microwave oven included.
12	20 Fort St Caribou	Average	2	1	\$645	Electricity. Electric Heat. Electric Hot Water.	Ample on-site paved parking. Frig, stove, and exhaust fan.
13	20 Fort St Caribou	Average	2	1	\$700	Electricity. Electric Heat. Electric Hot Water.	Ample on-site paved parking. Frig, stove, and exhaust fan.
14	11 Sweden St Caribou	Average	2	1	\$1,200	None.	Two car attached garage, hardwood floors, full basement. .45 acres.
15	83 Hersell St Caribou	Average	2	1	\$850	Electricity. Electric Hot Water.	Coin-op laundry on-site. Recently renovated 4-unit building.
16	83 Hersell St Caribou	Average	2	1	\$700	Electric Hot Water.	Coin-op laundry on-site. Recently renovated 4-unit building.
17	650 Main Street Presque Isle	Average	2	1	\$1,075	Electricity	Duplex located in downtown.
18	23 Church St Presque Isle	Average	2	1	\$750	Electricity	6 unit building located proximate to downtown.

High:	\$1,200
Low:	\$645
Average:	\$801
Median:	\$775

The rents, quality, condition, neighborhood quality, and location of the two bedroom units surveyed vary, with the rents ranging from a low of \$645/month to a high of \$1200/month. The survey reports Average and Median rents of \$801 and \$775 respectively. Given the quality and condition of the subject existing and prospective new units, their size, neighborhood, free on-site parking, location, and utilities included, it is my conservative opinion that the market rent for the subject's existing two bedroom units is \$875/month, assuming a reasonable vacancy rate. The concluded market rent for the hypothetical 7 new units, assuming Average quality construction and 825 sf of space, is \$1,000/month.

Exhibit II presents the **Stabilized Operating Income & Expense** schedule for the subject property, which presents the forecasted income and expense schedule for the year-ahead period after the completion and stabilization of the 7 hypothetical new units.

The subject property has no operating expense history under the assumption of it having 15 units. Without the benefit of historical data, I developed Benchmark operating expense ratio data (before consideration for replacement reserves) for five apartment buildings/complexes that I recently appraised in the region, as presented in the last columns of the Exhibit, as an aide in determining the realistic operating expenses the subject property can expect to incur once all 15 units are occupied. The operating expense ratios being incurred at similar buildings are very helpful for establishing realistic operating expense estimates for the subject property once the 7 hypothetical new units are stabilized. The Benchmark data is from apartment buildings that I appraised, and so I had the benefit of good data. The benchmark Operating Expense ratios were calculated by dividing the total operating expenses that are the responsibility of the landlord (before consideration for replacement reserves) by the Effective Gross Income. The Total Operating expenses include bookkeeping, office supplies, legal fees, plowing and grounds keeping, property taxes, insurance, any utilities paid for by the landlord, building maintenance and repair, cleaning, management fees, and any other miscellaneous expenses.

From the concluded market rents for the subject property and the benchmark operating expense data, I developed an annual **Stabilized Income and Expense Schedule** for the subject property in the second and third columns of the Exhibit. The stabilized income and expense data for the subject property assumes a reasonable vacancy rate.

INCOME FORECAST

Using the market rents, and assuming full occupancy, the Total Rental Income for the eight existing two bedroom apartments computes to \$84,000 annually. The Total Rental Income for the seven hypothetical new units also computes to \$84,000 annually. The existing commercial laundry machines could easily be converted to now require payment by the tenants to operate. Assuming \$2/wash and \$2/dryer load, and assuming each apartment unit does one load of whites and one load of darks per week, the property could expect to produce laundry income of \$6,240/year. Conservatively, no allowance was made for any possible Pet Fees, Late Fees, or any other fees or source of income. The Total Potential Income sums to \$174,240.

From this amount must be subtracted a reasonable Allowance for Vacancies and Collection Losses. This allowance provides for reductions in gross potential income attributable to vacancies, tenant turnover, and nonpayment of rent; and is usually estimated as a percentage of potential gross income. The vacancy rate selected should be the typical rate for the subject's submarket when estimating the fee simple interest in a property. The typical rate may change over time due to changes in supply and demand, and might be higher in rapidly growing markets than in stable or slow-growing markets because space is created in anticipation of future needs. It may also be higher after a decrease in demand because the supply of space falls slowly.

Based on the property's vacancy history and the overall quality and condition of the units, good location, amenities, and my discussions with local tenants, property managers, city officials, and local real estate brokers, a 3% rate is viewed as being a reasonable vacancy rate for this property in this location, given the assumed rents.

Subtracting \$5,227 from the Total Gross Income of \$174,240 produces an Effective Gross Income figure of **\$169,013**.

OPERATING EXPENSES

As indicated, I closely considered data from similar apartment buildings/complexes that I have recently appraised in forecasting the likely operating expenses that will be incurred in the future under full occupancy. I selected an Operating Expense Ratio of 43% for the subject property, based on the construction quality, the condition of the property, the utilities/expenses that are paid for by the landlord, and the benchmark data. This produces an annual amount of \$72,676 for the Fixed and Variable expenses.

Replacement Reserves

In accordance with appraisal theory, I added an allowance for replacement reserves by determining an estimated annual charge for each of those replaceable building components and appliances that are expected to have economic lives less than that of the building (roof covering, appliances, boiler, floor covering, paving, etc.).

As shown below, the **Realty Rates Investor Survey for Q3 2023** reports a range of \$165 to \$450 per unit for Apartments, with a typical amount of \$418. Based on the age and condition overall of the property, I conservatively selected \$425/unit, which computes to **\$6,375** annually.

The Total Operating Expenses forecast of **\$79,051 (\$5.90/sf)** seems reasonable, given the utilities paid for by the landlord, and the quality and condition of the units and site improvements.

Deducting all Fixed, Variable, and Replacement Reserve expenses from the Effective Gross Income figure of **\$169,013** produces a Net Operating Income figure of **\$89,962**.

The Reconciled Income and Expense Schedule serves as the starting point for valuation through Direct Capitalization, which follows **Exhibit II**. Based on the current supply and demand for apartment units and on the current economic climate, the subject property would be highly competitive and profitable into the distant future.

RealtyRates.com INVESTOR SURVEY - 3rd Quarter 2023*									
SURVEYED RESERVE REQUIREMENTS									
Property Type	Per SF			Per Unit			% of EGI		
	Min.	Max.	Typical	Min.	Max.	Typical	Min.	Max.	Typical
Apartments				\$165	\$450	\$418			
Golf				\$1,295	\$7,950	\$3,666	2.0%	4.5%	3.2%
Health Care/Senior Housing				\$275	\$760	\$424			
Industrial	\$0.28	\$0.90	\$0.59						
Lodging							4.0%	8.5%	4.6%
Mobile Home/RV Park				\$38	\$318	\$176	2.0%	5.5%	4.2%
Office	\$0.38	\$0.95	\$0.69						
Restaurants							2.0%	5.5%	3.2%
Retail	\$0.38	\$1.15	\$0.76						
Self-Storage	\$0.32	\$0.85	\$0.71	\$38	\$218	\$137			
Special Purpose	\$0.30	\$1.20	\$0.80						

*2nd Quarter 2023 Data

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STABILIZED OPERATING INCOME AND EXPENSE SCHEDULE

ANNUAL
INCOME &
EXPENSES

Eight Two Bedroom Units @ \$875/month 84,000
Seven new Two Bedroom Units @ \$1000/month 84,000
Laundry Income 6,240

TOTAL POTENTIAL INCOME 174,240
Less Vacancy & Bad Debts Allowance @ 3% (5,227)
Effective Gross Income (EGI) 169,013

OWNER'S OPERATING EXPENSES

Fixed & Variable Expenses

Operating Expense Ratio @ 43% of EGI

Replacement Reserves

Other

TOTAL OPER. EXPENSES.....

NET OPERATING INCOME.....

Apartment Building Operating Expense Ratio Benchmark Data

11 Unit-Old Town	7 unit Washburn	12 Unit-Caribou	Veazie 32 Unit	Van Buren 10 Unit
41%	41%	45%	42%	60%
(7.74)	(7.78)	(4.61)	(7.77)	(6.07)

Subject

Reconciled

\$/sf

(5.90)

\$ 89,962

VALUATION THRU DIRECT CAPITALIZATION

Direct Capitalization remains a widely used technique, and is achieved through the use of an overall capitalization rate (OAR). The stabilized operating income stream for a single year is converted into an indication of value by using the following equation:

$$\text{VALUE} = \text{NOI} / \text{OAR}$$

An OAR for the subject is normally best obtained by computing and reconciling the OARs from recent sales of comparable properties, when the income and operating expense data for the comparables is available. An OAR from a comparable sale is determined by dividing the property's net operating income by its selling price. Investor surveys and regional and national averages on similar properties are often helpful in establishing benchmark estimates. In addition, OARs can be derived from 1) the debt coverage ratio multiplied by the mortgage constant and the loan-to-value ratio; 2) the combined use of a net income ratio and effective gross income multiplier; and 3) band of investment techniques using either land and building components or the proportions of debt and equity in the property investment.

Because OARs are based on current sales and investor opinion of similar properties, the OAR is both market derived and reflective of current investor expectations. Captured in the OAR are investor expectations about future growth in income and property values, financing terms, required equity yield rates, and holding period assumptions.

Ideally, overall capitalization rates are derived from the market through comparable sales. This provides strong evidence of value when certain conditions are met:

- 1.) Data must be drawn from properties that are physically similar to the property being appraised and from similar (preferably competing) markets. Where significant differences exist for a given comparable, its indications are afforded less weight or may be discarded entirely.
- 2.) Sale properties used as sources for calculating overall capitalization rates should have current (date of sale) and future market expectations, including income and expense patterns and likely value trends, that are comparable to those affecting the subject property.
- 3.) Income and expenses must be estimated on the same basis for the subject property and all comparable properties.
- 4.) The comparable property's price must reflect market terms, or an adjustment for cash equivalency must be possible.
- 5.) If adjustments are considered necessary for differences between a comparable and the subject property, they should be made separately from the process of calculating the overall capitalization rate and should be based on market evidence.

A proper OAR for the subject was selected in the following **Exhibit II** by using several different techniques: Debt Coverage Ratio Method, Mortgage-Equity Band of Investment Method, Comparable Sales, and by analysis of investor surveys & interviewing local market participants.

Exhibit I shown below lists the major assumptions that underlie the selection of a suitable capitalization rate.

As shown below the Exhibit, the latest Realty Rates Investor Survey reports permanent financing interest rates for Garden Apartments that range from 4.32% - 7.22%, with an average of 5.77%. The Average required Debt Coverage Ratio is 1.26, with a range of 1.00 to 1.61, and the Loan to Value Ratio ranges from 65%-90%, with an average of 78%.

ASSUMPTIONS - OVERALL CAPITALIZATION RATE SELECTION

Percentage of Debt Financing.....	80.00%
Mortgage Interest Rate.....	5.75%
Percentage of Equity Financing.....	20.00%
Loan Term.....	20
Amortization Period.....	20
Number of Years in Holding Period.....	10
Equity Dividend Rate.....	8.23%
Required Equity Dividend Range.....	4.70% - 12.54%
Required Debt Coverage Ratio.....	1.20

*2nd Quarter 2023 Data		Copyright 2023 RealtyRates.com.™					
RealtyRates.com INVESTOR SURVEY - 3rd Quarter 2023*							
APARTMENTS - GARDEN/SUBURBAN TOWNHOUSE							
Item	Input						OAR
Minimum							
Spread Over 10-Year Treasury	0.75%	DCR Technique	1.00	0.052567	0.90		4.73
Debt Coverage Ratio	1.00	Band of Investment Technique					
Interest Rate	4.32%	Mortgage	90%	0.052567	0.047310		
Amortization	40	Equity	10%	0.047040	0.004704		
Mortgage Constant	0.052567	OAR					5.20
Loan-to-Value Ratio	90%	Surveged Rates					4.89
Equity Dividend Rate	4.70%						
Maximum							
Spread Over 10-Year Treasury	3.65%	DCR Technique	1.61	0.109341	0.65		11.44
Debt Coverage Ratio	1.61	Band of Investment Technique					
Interest Rate	7.22%	Mortgage	65%	0.109341	0.071071		
Amortization	15	Equity	35%	0.125446	0.043906		
Mortgage Constant	0.109341	OAR					11.50
Loan-to-Value Ratio	65%	Surveged Rates					10.81
Equity Dividend Rate	12.54%						
Average							
Spread Over 10-Year Treasury	2.20%	DCR Technique	1.26	0.072612	0.78		7.06
Debt Coverage Ratio	1.26	Band of Investment Technique					
Interest Rate	5.77%	Mortgage	78%	0.072612	0.056275		
Amortization	28	Equity	23%	0.082323	0.018523		
Mortgage Constant	0.072612	OAR					7.48
Loan-to-Value Ratio	78%	Surveged Rates					7.56
Equity Dividend Rate	8.23%						

*2nd Quarter 2023 Data

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For the subject property, a 20 year loan with a 5.75% interest rate, a conservative Loan-to-Value Ratio of 80%, and a conservative Debt Coverage Ratio of 1.20 was selected. A typical holding period of 10 years was assumed for the property.

An Equity Dividend (Capitalization) Rate of **8.23%** was selected based on local cash on cash expectations of investors, and as reported for this property type in the national 3rd Quarter 2023 Realty Rates Investor Survey (see above). The Survey reports an Equity Dividend range of 4.70% - 12.54%, with an Average of 8.23% for Garden apartments.

OVERALL CAPITALIZATION RATE SELECTION

A) DEBT COVERAGE RATIO METHOD

This method computes the overall capitalization rate by multiplying the loan-to-value ratio by the debt-coverage ratio and by the annual mortgage constant (see **Exhibit II** below). The debt coverage ratio is frequently used by institutional lenders, who are generally fiduciaries who manage and lend the money of others. The debt coverage ratio is the amount of annual net income produced by the property divided by the amount of the annual loan payments (principal and interest). Because of their fiduciary responsibility, lenders are particularly sensitive to the safety of loan investments, especially the safety of principal. Consequently, they try to provide a cushion by generally requiring a debt coverage ratio of 1.20-1.30, which means that they like to see the property generate income that is at least 20% more than what the annual principal and interest payments will be. This helps to ensure that the borrower will be able to meet the debt service obligations on the loan even if income declines.

To estimate an overall capitalization rate, the debt coverage ratio can be multiplied by the mortgage constant and the loan to value ratio. The mortgage constant is simply the amount of the annual loan payments (principal and interest) divided by the loan amount. The mortgage constant multiplied by the principal amount of the loan is the minimum annual amount the bank requires to cover its costs, make a profit on the loan, and to recoup a portion of the money it has lent out. It represents both the borrower's annual amount of loan payments and the amount of money the bank needs to make on the loan to warrant lending the money and to recover a portion of the principal annually.

Therefore, the first two components of the formula (if multiplied together and multiplied by the loan amount) represent the minimum that the bank must make on the loan to make a profit and recover its investment, increased by a safety cushion. When these two factors are then multiplied by the percentage of the value of the property that the bank will finance, the resulting overall capitalization rate, when divided into the net income that the property produces, results in the minimum property value estimate that is needed to meet the bank's underwriting and collateral requirements.

Although this method is less complete than the projected income-value (mortgage-equity) method, because it ignores the equity investor's yield requirement, appreciation/depreciation of the property, and equity build-up over time as loan payments are made, it has the advantage of being more easily derived from actual market evidence, and requires fewer assumptions about future property income and value behavior. For this assignment, the debt coverage ratio method yields an overall rate of **8.088%**.

B) MORTGAGE EQUITY BAND OF INVESTMENT

The overall capitalization rate computed with this method assumes that most properties are purchased with debt and equity capital, and has as its basic premise that the overall capitalization rate must satisfy the mortgage constant requirement of the lender and the pre-tax cash flow requirement of the equity investor. As just discussed, the mortgage constant requirement is the factor that represents what the financing institution needs to make on the loan to cover its costs, make a profit, and recover the money it has lent. The pre-tax cash flow requirement of the equity investor (equity capitalization rate) is simply how much cash return before taxes a typical investor should expect to receive annually (on a percentage basis) on his/her cash investment in the property, given its risk. The overall capitalization rate determined using this method is a weighted average rate, weighted in proportion to the

total property investment represented by debt and equity. The loan-to-value ratio represents the debt portion of the investment; the equity ratio is the amount of the investment financed with investor capital. The overall rate is computed by multiplying the loan to value ratio by the annual mortgage constant and adding to this product the equity ratio multiplied by the equity capitalization rate.

This results in a rate which, when multiplied by the value of the property, will produce a net income amount which will satisfy the minimum profit and principal return requirements of the lender and the cash return requirement of the equity investor.

In this assignment the Mortgage Equity Method produces an overall capitalization rate of **8.386%**.

C) SURVEYS AND LOCAL MARKET PARTICIPANTS

Several local commercial real estate brokers and property managers opined that 7.50%-8.50% would be a suitable overall capitalization rate for the property at this time. The Realty Rates Investor Survey for Q3 2023 and other leading Investor surveys were reviewed to obtain the latest reported apartment overall capitalization rates.

As shown above, the **Realty Rates Investor Survey for Q3 2023** reports a range of 4.89% to 10.81%, with an Average Surveyed Rate of **7.56%** for Garden/Suburban Townhouse apartments:

From this survey data, an Overall Capitalization Rate of **7.56%** is concluded.

D) COMPARABLE SALES

I was able to determine the overall capitalization rates for two of the comparables sales used above in the Sales Comparison Approach. The computed overall capitalization rates include vacancy allowances, replacement reserves and reasonable management fees. From this data, I conclude an overall rate from comparable sales of **9.51%**.

SUMMARY AND CONCLUSIONS

Several different methods were used to determine a supportable overall capitalization rate. In this assignment, each method was considered and given some weight.

The subject has Above Average Quality and Above Average Condition, with significant potential for future price appreciation as rents increase. I conservatively conclude that **7.75%** is a reasonable, overall capitalization rate for this property, given its quality and overall condition assumptions, and the current economic climate.

SELECTION OF OVERALL CAPITALIZATION RATE***A. DEBT COVERAGE RATIO METHOD***

CAP. RATE = Debt Coverage Ratio X Loan/Value Ratio

X Mortgage Constant

OVERALL CAPITALIZATION RATE =

8.088%***B. BAND OF INVESTMENT, MORTGAGE EQUITY METHOD***

% Debt X Mortgage Constant.....

6.740%

+ % Equity X Equity Cap. Rate.....

1.646%

OVERALL CAPITALIZATION RATE....

8.386%***C. INVESTOR SURVEYS AND LOCAL MARKET PARTICIPANTS***

Realty Rates Investor Survey - Garden Apartments Q3 2023.....

7.560%

APARTMENTS OVERALL CAPITALIZATION RATE....

7.560%***D. COMPARABLE SALES***

Comp #2 - 10 Unit - 42 State St Presque Isle.....

10.83%

Comp #3 - 10 Unit - 20 Fort St Caribou.....

8.20%

APARTMENT SALES CAPITALIZATION RATE....

9.515%**RECONCILED OVERALL CAPITALIZATION RATE****7.75%**

DETERMINATION OF AS IS MARKET VALUE ESTIMATE

Capitalizing the estimated stabilized net income estimate of **\$89,962** (see preceding Reconciled Operating Income and Expense schedule) results in a preliminary market value estimate of **\$1,160,800** for a 15 unit apartment complex.

To determine the As Is Market Value, an amount must be subtracted for the observed deferred maintenance, which is detailed above and shown in the photos. Based on Marshall & Swift Valuation guidelines, I estimate the deferred maintenance amount to pressure wash/cure/repair the stained brick veneer, remaining asphalt shingles to be replaced, small section of damaged soffit, damaged ceiling in the garage, etc. to be in the range of \$25,000.

The estimated cost of interior demolition of +-5,798 sf of the Alternative Education Center, and the estimated cost to build out the 7 new apartments at \$48.42/sf then needed to be subtracted.

Because the Income Approach does not capture the values of the subject 3-car garage, excess acreage, tennis courts, and the extensive lawn and landscaping, these estimated values then needed to be added. Their values were determined using comparable land sales in the immediate area and cost figures from the Marshall Valuation Service (please contact me for more detail).

Adding these amounts produce a final As-Is Market Value Estimate of **\$1,100,000**.

VALUATION VIA DIRECT CAPITALIZATION

$$\begin{array}{rcccl} \text{NOI} & & \$89,962 & & \\ \text{-----} & = & \text{-----} & = & \\ \text{OAR} & & 7.75\% & & \end{array} \qquad \qquad \qquad \text{\$1,160,800}$$

Preliminary Market Value Estimate:	\$1,160,800
Deferred Maintenance	(\$25,000)
Cost of Demolition @ \$4/sf * 5,798	(\$23,192)
Cost of Build-Out of 5,798 sf @ \$48.42	(\$280,739)
Estimated Depreciated Value of 3 Car Garage	\$54,000
Estimated Value of Excess Acreage	\$80,000
Estimated Value of Extensive Lawn & Landscaping	\$90,000
Tennis Courts	\$44,000
Concluded As-Is Market Value Estimate:	\$1,100,000 (rounded)

RECONCILIATION AND FINAL VALUE CONCLUSIONS

The Sales Comparison and Income Approaches were utilized to determine As Is market value estimates for the subject property.

The Income Approach produced a value of **\$1,100,000**. It normally best reflects the net income analysis that potential investors interested in acquiring an income producing property would likely perform to value the property, in the absence of true comparable sales. The approach best analyzes the income producing ability of the property, which is the primary method used by potential buyers in establishing a purchase price. However, the Income Approach may not fully capture the land, or outbuildings, or site improvements values, or the change in value in the land and site improvements over time, depending on the rent rates and/or the assumptions used in the analysis.

The Sales Comparison Approach was also utilized in this assignment due to the availability of suitable arms length comparable sales of similar properties. It also produced a value estimate of **\$1,100,000**. The Sales Comparison Approach is based on actual arms-length consummated sales of similar properties within the same economic area of the subject property, and hence is highly reflective of market participants' decision-making. However, more sales from which to select suitable comparables within the region would have been useful, and the ideal comparables would preferably have been of more similar size, construction quality, condition, and had similar improvements and number of bedrooms per unit. In addition, the dissimilarities in land value, type and quality of site improvements, outbuildings, age, and other factors required some adjustments to be determined. The approach is weakened by the number and magnitude of these adjustments.

For this assignment, both approaches produce useful indicators of value.

In this assignment, several additional components of value needed to be subtracted or added to the Income Approach's value estimate of the property as a 15 unit apartment complex to determine a final As Is estimate of market value. In addition, I did not have the benefit of historical operating income and expense data for the subject property at its highest and best use, which required me to make a number of reasonable assumptions with respect to the market rents that the property would be able to command and what the most likely operating expenses would be. The number of required assumptions renders the As Is Market Value estimate determined via the Income Approach more subject to a wider variability of results.

Based on the quantity and quality of the data that was available, I weighed the Sales Comparison Approach the most in concluding a final As Is market value of **\$1,100,000** for the subject property.

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- *the statements of fact contained in this report are true and correct.*
- *the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.*
- *I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.*
- *I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.*
- *my engagement in this assignment was not contingent upon developing or reporting predetermined results.*
- *my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.*
- *I have made a personal inspection of the property that is the subject of this report.*
- *no one provided significant real property appraisal assistance to the person signing this certification.*
- *I did not appraise the subject property or otherwise perform any valuation or any other services within the three-year period immediately preceding acceptance of this assignment.*
- *the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Uniform Standards of Professional Appraisal Practice.*



Michael J. Soucy, CFA, CPA, MBA
Certified General Appraiser – Maine CG379

COPY OF DEED

Presque Isle Skyspot LN

ISR

BK03318 PG001 13019

09-09-1999 @ 11:33a

QUITCLAIM DEED

May E. Bennett

PREAMBLE

This DEED is made this 16th day of July, 1999, between the UNITED STATES OF AMERICA, acting through the Secretary of Education, by David B. Hakola, Director, Real Property Group, Office of Management, ("GRANTOR") pursuant to §203(k) of the Federal Property and Administrative Services Act of 1949, as amended ("Act"), Public Law No. 81-152, 63 Stat. 377, 40 U.S.C. 5471 et seq., Reorganization Plan No. 1 of 1953, the Department of Education Organization Act of 1979, Public Law No. 96-88, 93 Stat. 668, 20 U.S.C. §3401 et seq., and the University of Maine System, having its principal offices at 107 Maine Avenue, Bangor, Maine ("GRANTEE").

I. RECITALS

1. By letter dated November 28, 1998 from the Department of the Air Force, Air Force Base Conversion Agency, certain Federal surplus real property located in Presque Isle, Aroostook County, Maine, known as a portion of the former Presque Isle Family Housing Unit, a detached housing site associated with Loring Air Force Base, and consisting of approximately 6.44 acres of land and improvements, more or less, ("Property"), was assigned to GRANTOR for disposal upon the recommendation of GRANTOR that the Property is needed for educational purposes in accordance with the provisions of the Act.

2. GRANTEE has made a firm offer to purchase the Property under the provisions of the Act, has applied for a public benefit allowance, and proposes to use the Property for certain

Attn: Air Force Conversion Agency Archives

REGISTRY OF DEEDS
AROOSTOOK SS.
Houlton, ME.

A TRUE COPY FROM
VOL. 33, P. PAGE 1

ATTEST

Ruth Holmes

educational purposes as detailed in its February 22, 1994 application ("Application").

3. The Department of the Air Force, Air Force Base Conversion Agency has notified GRANTOR that no objection will be interposed to the transfer of the Property to GRANTEE at 100 per cent public benefit allowance, and GRANTOR has accepted the offer of GRANTEE.

II. AGREEMENT

4. GRANTOR, in consideration of the foregoing, one dollar, the performance by the GRANTEE of the covenants, conditions, and restrictions hereinafter contained and other good and valuable consideration, the receipt of which is hereby acknowledged, does hereby remise, release and quitclaim to the GRANTEE, its successors and assigns, all right, title, interest, claim and demand, (reserving such rights as may arise from the operation of the conditions subsequent,) restrictions and covenants of this Deed, which the UNITED STATES OF AMERICA has in and to the Property, which is more particularly described:

Parcel VA-1

BEING A CERTAIN LOT OR PARCEL OF LAND, together with all improvements thereon, situated on the southerly side of Skyway Street in Presque Isle, Arcostock County, Maine, and being Parcel VA-1 according to a plat of survey entitled: Standard Boundary Survey, Property to be conveyed by the Air

Force Base Conversion Agency, Presque Isle Housing Unit on Edgemont Drive in Presque Isle, Maine, Sheet 3A of 8, and recorded in the Southern District of the Aroostook County Registry of Deeds in Book of Plans 39, Page 91A, and being further bounded and described as follows, to wit:

1. Commencing at (1) a 3/4 inch iron pin found at the intersection of the easterly line of Edgemont Drive and the southerly line of Skyway Street and being the northwest corner of Lot A (Wherry Housing Area) as reserved from Book 849, Page 360, said pin also being the northwest corner of Parcel VB according to the aforesaid plan of survey;
2. Thence on a former Presque Isle Air Force Base Grid North bearing South 80°02' East along the southerly line of Skyway Street (formerly State Route 227) 236.1 feet to (2) an iron pipe set and being the true point of beginning, said pipe also being the northeast corner of Parcel VB,
3. Thence South 80°02' East along the southerly line of Skyway Street (formerly State Route 227) 146.9 feet to (6) a 1/2 inch iron pipe found;
4. Thence South 80°02' East along the southerly line of Skyway Street (formerly State Route 227) 374.9 feet to (7) an iron pipe set;
5. Thence South 76°35' East along the southerly line of Skyway Street (formerly State Route 227) 159.7 feet to (8) an iron pipe set at the northwest corner of Skyway Trailer Park;
6. Thence South 5°06' East along the land of Skyway Trailer Park as recorded in Book 2297, Page 105, 317.0 feet to (33) an iron pipe to be set at the northeast corner of Parcel VA-2;
7. Thence South 79°57' West along Parcel VA-2, 291.2 feet to (34) an iron pipe to be set;
8. Thence North 85°29' West along Parcel VA-2, 151.0 feet to (13) an iron pipe set;
9. Thence North 85°29' West along Parcel VC, 252.6 feet to (3) an iron pipe set;

10. Thence 0°57' West along Parcel VB, 462.3 feet to (2) the point of beginning.

Containing 6.44 acres.

All iron pipes are set 1 inch by 36 inch black iron pipe set flush with the ground with a yellow identification cap #1219 affixed to the top.

Meaning and intending to hereby convey a part, and only a part of the same premises as were conveyed to the United States of America by Stanley G. Beckwith and Phyllis A. Beckwith by deed dated September 23, 1943, and recorded in the Southern District of the Aroostook County Registry of Deeds in Vol. 541, Page 207, reference thereto being made and had.

Included in this conveyance is a certain right-of-way easement to said Grantee herein, its successors and assigns, together with others having the same right, to use Northern Road, so-called, and Skyspot Drive, so-called, for ingress and egress from Edgemont Drive, so-called, to said Parcel VA-1, for all foot persons and vehicles as a public access and right-of-way, which right of way is shown on Sheet 4 of 8 according to said plan recorded in said Registry in Book of Plans 39, Page 84B.

Also included in this conveyance is the sewer line(s) existing within the boundaries of said Parcel VA-1, as shown on Sheet 6 of 8 of said Plan.

Also conveying to said Grantee, its successors and assigns, together with others having the same right, all of Grantor's right, title and interest in and to the use of the sewer line that reserved to the said Grantor in its conveyance to David M. Armstrong by deed dated January 22, 1982, and recorded in said Registry in Vol. 1996, Page 137, reference thereto being made and had.

Also conveying to said Grantee, its successors and assigns, the right to connect with the sewer system utility that was conveyed to the City of Presque Isle by said Grantor, by deed dated November 19, 1998, and recorded in said Registry in Vol. 3209, Page 263, that lies within said Parcel VC and

Parcel VD according to Sheet 6 of 8 of said Plan, in the event the said Grantee, University of Maine at Presque Isle (UMPI), decides at some future date that it would be to its best interest to do so, rather than utilize the sewer line that was reserved in the deed to David N. Armstrong, as aforementioned. Provided, said Grantee assumes all expense in doing so and complies with all the requirements and regulations of the Presque Isle Sewer District. And in order for such connection to be made, the said Grantee is hereby granted an easement of sufficient width and length over, upon and under that portion of Parcel VC to enable such connection to be made and maintained. Such connection line shall be accomplished in accordance with the approval of and the standards established by the Presque Isle Sewer District. The location of such connecting lines shall be as determined and required by the Presque Isle Sewer District.

Excluded from this conveyance are all Water Utilities and/or Electrical and Communication Utilities as shown on Sheet 5 and 8 of 8 according to said plan, which utilities have this date been conveyed to the City of Presque Isle. Also excluding from this conveyance are all sewer system utilities as shown on Sheet 6 of 8 of said Plan, other than that portion thereof conveyed to said Grantee herein above lying within the boundaries of Parcel VA-1.

EXCEPTING AND RESERVING FROM PARCEL VA-1, herein above described and herein conveyed, the following easements, given by said Grantor to the City of Presque Isle, as aforementioned:

(1) A Water System Utility Easement concerning the water system as shown on Sheet 5 of 8, of the aforementioned plan, which Sheet 5 is recorded in said Registry in Book of Plans 39, Page 85A, reference thereto being made and had;

(2) An Electrical and Communications System Utility Easement concerning the electrical and communications system as shown on Sheet 8 of 8, of the aforementioned plan, which Sheet 8 is recorded in said Registry in Book of Plans 39, Page 86B.

ALSO EXCEPTING AND RESERVING FROM SAID PARCEL VA-1, a perpetual sewer line easement to Maine School Administrative District No. 1, its successors and assigns, over, under and

across Parcel VA-1, according to said plan, Sheet 6 of 8 and as noted on said Sheet 6 of 8, referred to as No. 4, 6 and 7 of the General Notes thereon; said easement shall be twenty (20) feet in width, (ten (10) feet on either side of the center line as shown on said plan) extending easterly from the southerly side of Skyway Street, so-called, across the northeasterly corner of said Parcel VA-1, according to Sheet 6 of 8 of said Plan, for the purpose of installing, maintaining, repairing, using and replacing pipes and operating a sewer line servicing the facility owned and operated by the said Maine School Administrative District No. 1 and commonly referred to as the "Skyway Middle School". Also excepting the right given to Maine School Administrative District No. 1, this date, to cross over said Parcel VA-1 to enable Maine School Administrative District No. 1 to connect with the sewer line utility owned by the City servicing Parcels VC and VD as set forth in the easement this date given to Maine School Administrative District No. 1 by said Grantor, reference thereto being made and had.

ALSO EXCEPTING AND RESERVING FROM SAID PARCEL VA-1, is the right given this date to the owner of Parcel VC, according to said Plan, to connect with the sewer line that services the buildings on said Parcel VA-1, according to Sheet 6 of 8, and connect with the sewer line that was reserved to said Grantor in its deed to David H. Armstrong dated January 22, 1982, and recorded in said Registry in Vol. 1996, Page 137, as aforementioned. This easement shall pertain only to that portion of the sewer line as shown on said Sheet 6 of 8 that lies adjacent southerly to the line of houses situated on the southerly side of that portion of Northern Road that extends easterly from the intersection of said Northern Road and Crestview Drive, according to said plan, which sewer line was not included in this conveyance given by said Grantor to the City of Presque Isle.

This conveyance is made subject to existing easements for roads and rights-of-way, and utilities and utility rights-of-way.

5. [GRANTEE by acceptance of this Quitclaim Deed agrees]

that the Property is transferred on an "as is, where is"

basis without warranties of any kind either expressed or implied. GRANTEE further agrees that this conveyance is subject to any and all existing easements, rights of way, reservations, and servitudes, whether of record or not.

III. CONDITIONS SUBSEQUENT

6. GRANTEE shall HAVE AND HOLD the Property, subject, however, to each of the following conditions subsequent, which are for the sole benefit of the UNITED STATES OF AMERICA and which shall be binding upon and enforceable against GRANTEE, its successors and assigns as follows:

- (1) For a period of thirty (30) years from the date of this Deed, the Property will be used solely and continuously for educational purposes in accordance with the proposed program and plan of GRANTEE set forth in its February 22, 1994 application and for no other purposes. GRANTOR reserves the right to enter and inspect the Property during said period.
- (2) During the above period of thirty (30) years GRANTEE will not sell, resell, lease, rent, mortgage, encumber, or otherwise transfer any interest in any part of the Property except as:

GRANTOR may authorize in advance in writing.

- (3) One year from the date of this Deed and annually thereafter for the period of thirty (30) years, unless GRANTOR directs otherwise, GRANTEE will file with GRANTOR a report on the operation and maintenance of the Property and will furnish, as requested by GRANTOR, such other pertinent information evidencing its continuous use of the Property as required by condition subsequent number 1.
- (4) During the above period of thirty (30) years GRANTEE will at all times be and remain a tax supported institution or a nonprofit institution, organization, or association exempt from taxation under §501(c)(3) of the Internal Revenue Code of 1954, as amended.
- (5) For the period during which the Property is used for the purpose for which Federal assistance is hereby extended by GRANTOR or for another purpose involving the provision of similar services or benefits, GRANTEE hereby agrees that it will comply with the requirements of (a) Title VI of the Civil Rights Act of 1964 (P.L. No. 88-352), 42

U.S.C. §2000d et seq.; (b) Title IX of the Education Amendments of 1972 (P.L. No. 92-318), 20 U.S.C. § 1681 et seq.; §504 of the Rehabilitation Act of 1973 (P.L. No. 93-112), 29 U.S.C. §794 et seq.; and all requirements imposed by or pursuant to the Regulations (34 C.F.R. Parts 12, 100, 104 and 106) issued pursuant to the Act and now in effect, to the end that, in accordance with said Acts and Regulations, no person in the United States shall, on the ground of race, color, national origin, sex, or handicap, be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under the program and plan referred to in condition subsequent number 1 above or under any other program or activity of the GRANTEE, its successors and assigns, to which such Acts and Regulations apply by reason of this conveyance.

7. The failure of GRANTOR to insist in any one or more instances upon complete performance of the conditions subsequent, terms, or covenants of this Deed shall not be construed as a waiver of, or a relinquishment of GRANTOR's right to the future performance of any of those conditions

subsequent, terms and covenants and the GRANTEE's obligations with respect to such future performance shall continue in full force and effect.

8. In the event of a breach of any of the conditions subsequent or in the event of a breach of any other terms and covenants of this Deed, whether caused by the legal or other inability of GRANTEE, its successors and assigns, to perform any of the terms and conditions of this Deed, [at the option of the UNITED STATES OF AMERICA, all right, title and interest in and to the Property shall, upon the recording by the UNITED STATES OF AMERICA of a Notice of Entry, pass to and become the property of the UNITED STATES OF AMERICA, which shall have an immediate right to entry thereon, and the GRANTEE, its successors and assigns, shall forfeit all right, title, and interest in and to the Property and in and to any and all of the tenements, hereditaments, and appurtenances thereto.]

9. In the event the GRANTOR fails to exercise its options to reenter the Property or to revert title thereto for any breach of conditions subsequent numbered 1, 2, 3, and 4 of Paragraph 6 of this Deed within thirty one (31) years from the date of this conveyance, conditions subsequent numbered 1, 2, 3, and 4 of said Paragraph 6,

together with all rights to reenter and revert title for breach of those conditions, will, as of that date, terminate and be extinguished.

10. The expiration of conditions subsequent 1, 2, 3, and 4 of Paragraph 6 of this Deed and the right to reenter and revert title for breach thereof, will not affect the obligation of GRANTEE, its successors and assigns, with respect to condition subsequent 5 of Paragraph 6 or the right reserved to GRANTOR to reenter and revert title for breach of condition subsequent 5.

IV. COVENANTS

11. GRANTEE, by the acceptance of this Deed, covenants and agrees for itself, its successors and assigns, that in the event GRANTOR exercises its option to revert all right, title, and interest in and to the Property to GRANTOR, or GRANTEE voluntarily returns title to the Property in lieu of a reverter, the GRANTEE shall provide protection to and maintenance of the Property at all times until such time as the title to the Property or possession of the Property, whichever occurs later in time, is actually reverted or returned to and accepted by GRANTOR. Such protection and maintenance shall, at a minimum, conform to the standards prescribed by the General Services Administration in FPMR

101-47.4913 (41 C.F.R. Part 101-47.4913) now in effect, a copy of which is referenced in the GRANTEE's Application.

12. GRANTEE, by the acceptance of this Deed, covenants that, at all times during the period that title to the Property is vested in GRANTEE, its transferees or assigns, subject to conditions subsequent 1, 2, 3, and 4 of Paragraph 6 of this Deed, it will comply with all provisions of the following with respect to the Property: the National Environmental Policy Act of 1969, as amended, 42 U.S.C. §4321 et seq., including the preparation of environmental impact statements, as required (See 42 U.S.C. §4332); the National Historic Preservation Act of 1966, as amended (P.L. No. 89-665); Executive Order No. 11988, 44 Fed. Reg. 43239 (1979) reprinted in 42 U.S.C.A. §4321 app. at 188-189 (1987), governing floodplain management; Executive Order No. 11990, 42 Fed. Reg. 26961 (1977), reprinted in 42 U.S.C.A. §4321 app. at 197-198 (1987), governing protection of wetlands; Federal Property Management Regulations, 41 C.F.R. 101-47.304-13; 41 C.F.R. 101-47.200 et seq., 53 Fed. Reg. 29892 (1988), provisions relating to asbestos; and other appropriate guidelines, laws, regulations or executive orders, federal, state or local, pertaining to floodplains, wetlands or the future use of this Property.

13. GRANTEE, by acceptance of this Deed, covenants and agrees for itself, its successors and assigns, and every successor in interest to the Property herein conveyed or any part thereof that it will comply with the requirements of (a) Title VI of the Civil Rights Act of 1964 (P.L. No. 88-352), 42 U.S.C. §2000d et seq.; (b) Title IX of the Education Amendments of 1972 (P.L. No. 92-318), 20 U.S.C. §1681 et seq.; § Section 504 of the Rehabilitation Act of 1973 (P.L. No. 93-112), 29 U.S.C. §794 et seq.; and all requirements imposed by or pursuant to the Regulations (34 C.F.R. Parts 12, 100, 104 and 106) issued pursuant to the Act and now in effect, to the end that, in accordance with said Acts and Regulations, no person in the United States shall, on the ground of race, color, national origin, sex, or handicap, be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under the program and plan referred to in condition subsequent 1 above or under any other program or activity of the GRANTEE, its successors and assigns, to which such Acts and Regulations apply by reason of this conveyance. This covenant shall attach to and run with the land for so long as the Property is used for a purpose for which Federal assistance is hereby extended by GRANTOR or for another

purpose involving the provision of similar services or benefits, and shall in any event, and without regard to technical classifications or designation, legal or otherwise, be binding to the fullest extent permitted by law and equity, for the benefit of, in favor of and enforceable by GRANTOR against GRANTEE, its successors and assigns, for the Property, or any part thereof. In the event of a breach of this covenant by GRANTEE or by its successors or assigns, GRANTOR, may, in addition to any right or remedy set forth in this agreement, avail itself of any remedy authorized by the violated statute or regulation.

14. In the event title to the Property or any part thereof is reverted to the UNITED STATES OF AMERICA for noncompliance or is voluntarily reconveyed in lieu of reverter, GRANTEE, its successors or assigns, shall at the option of GRANTOR, be responsible for and be required to reimburse the UNITED STATES OF AMERICA for the decreased value thereof that is not the result of reasonable wear and tear, an act of God, or alternations and conversions made by the GRANTEE and approved by the GRANTOR, to adapt the Property to the educational use for which the Property was transferred. GRANTEE shall, in addition thereto, reimburse GRANTOR for damage it may sustain as a result of such

noncompliance, including but not limited to costs incurred to recover title to or possession of the Property.

15. GRANTEE may seek abrogation of the conditions subsequent 1, 2, 3, and 4 of Paragraph 6 of this Deed by:

- a. Obtaining the advance written consent of the GRANTOR; and
- b. Payment to the UNITED STATES OF AMERICA of a sum of money equal to the fair market value of the property to be released from the conditions subsequent as of the effective date of the abrogation:
 - (1) multiplied by the percentage public benefit allowance granted at the time of conveyance,
 - (2) divided by 360, and
 - (3) multiplied by the number of months, or any portion thereof, of the remaining period of restrictions to be abrogated.

16. GRANTEE, by acceptance of this Deed, further covenants and agrees for itself, its successors and assigns, that in the event the Property or any part or interest thereof is at any time within the period of thirty (30) years from the date of this conveyance sold, leased, mortgaged, encumbered or otherwise disposed of or used for

purposes other than those designated in condition subsequent 1 above without the prior written consent of GRANTOR, all revenues received therefrom and the reasonable value, as determined by GRANTOR, of any other benefits to GRANTEE deriving directly or indirectly from such sale, lease, mortgage, encumbrance, disposal or use, shall be considered to have been received and held in trust by GRANTEE for the UNITED STATES OF AMERICA and shall be subject to the direction and control of GRANTOR; but the provisions of this paragraph shall not impair or affect the rights reserved to GRANTOR under any other provision of this Deed.

17. GRANTEE, by the acceptance of this Deed, further covenants and agrees for itself, its successors and assigns, that at all times during the period that title to the Property is vested in GRANTEE subject to conditions subsequent 1, 2, 3, and 4 of Paragraph 6 of this Deed, GRANTEE shall at its sole cost and expense keep and maintain the Property and the improvements thereon, including all buildings, structures and equipment at any time situate upon the Property, in good order, condition and repair, and free from any waste whatsoever.

18. GRANTEE, by the acceptance of this Deed, further covenants and agrees for itself, its successors and assigns,

that at all times during that period that it holds title to the Property subject to conditions subsequent 1, 2, 3, and 4 of Paragraph 6 of this Deed, it shall not engage in, authorize, permit or suffer the extraction or production of any minerals from the Property without the prior written consent of GRANTOR. GRANTEE, by the acceptance of this Deed, further covenants and agrees for itself, its successors and assigns, that should an extraction or production of minerals including but not limited to oil, gas, coal, and sulphur on or under the described Property occur during that period that it holds title to the Property subject to conditions subsequent 1, 2, 3, and 4 of Paragraph 6 of this Deed (i) it will hold all payments, bonuses, delayed rentals, or royalties in trust for GRANTOR and (ii) that all net revenues and proceeds resulting from the extraction or production of any minerals including, but not limited to, oil, gas, coal or sulphur, by GRANTEE, its successors and assigns, will be held in trust for and promptly paid to GRANTOR. The listing of certain minerals shall not cause the doctrine of ejusdem generis to apply. Nothing herein shall be construed as authorizing the GRANTEE to engage in the extraction or production of minerals in, on or under the Property.

19. GRANTEE, by acceptance of this Deed, covenants that, upon the recording by the UNITED STATES OF AMERICA of a Notice of Entry pursuant to Paragraph 8 above, all right, title and interest in and to the Property shall pass to and become the property of the UNITED STATES OF AMERICA, which shall have an immediate right to enter thereon, and the GRANTEE, its successors and assigns, shall immediately and quietly quit possession thereof and forfeit all right, title, and interest in and to the Property and in any and all of the tenements, hereditaments, and appurtenances thereunto belonging, conveying all right, title and interest conveyed to it in this Deed except for encumbrances authorized and approved by the GRANTOR in writing as provided in condition subsequent 2 of Paragraph 6 of this Deed.

20. If the GRANTEE, its successors or assigns, shall cause the Property and/or any improvements thereon to be insured against loss, damage or destruction, or if the GRANTOR requires such insurance while the Property is subject to conditions subsequent 1, 2, 3, and 4 of Paragraph 6 of this Deed, and any such loss, damage or destruction shall occur during the period GRANTEE holds title to the Property subject to conditions subsequent 1, 2, 3, and 4 set

forth in Paragraph 6 of this Deed, said insurance and all moneys payable to GRANTEE, its successors or assigns, shall be held in trust by the GRANTEE, its successors or assigns, and shall be promptly used by GRANTEE for the purpose of repairing and restoring the Property to its former condition or replacing it with equivalent or more suitable facilities; or, if not so used, shall be paid over to the Treasurer of the United States in an amount equal to the unamortized public benefit allowance of Property multiplied by the current fair market value of the improvements lost, damaged or destroyed. If the Property is located in a floodplain, GRANTEE will, during the period it holds title subject to conditions subsequent 1, 2, 3, and 4 of Paragraph 6 of this Deed insure the Property and any machinery, equipment, fixtures, and furnishings contained therein against loss, damage, or destruction from flood, to the maximum limit of coverage made available with respect to the Property under §102 of the Flood Disaster Protection Act of 1973 (P.L. No. 93-234). Proceeds of such insurance will be used as set forth above.

21. GRANTEE further covenants to pay damages for any time period held over beyond the time period stated in a demand to quit possession of the Property at the fair market

rental value plus reasonable attorneys fees and costs of the GRANTOR in securing the return of the Property.

22. As of the date of conveyance, all remedial action necessary to protect human health and the environment, with respect to any known hazardous substance activity on the subject Property, has been taken and no further remedial action is required at this time. However, any additional remedial action found to be necessary after the date of conveyance, which is due to contamination occurring prior to the date of conveyance, will be conducted by the UNITED STATES OF AMERICA. In the event any environmental contamination is discovered or additional remedial action is deemed necessary after conveyance, the Federal sponsoring agency should be notified immediately and the UNITED STATES OF AMERICA shall be granted access to the property for the purposes of evaluating, investigating and/or remediating such contamination. Additionally, expenditures for environmental restoration projects that are not considered imminent threats to public health and safety will not be considered an off-set for purposes of abrogation unless these expenditures are to remediate contamination occurring prior to the date of conveyance and unless PRIOR concurrence is obtained from the Federal sponsoring agency in writing.

23. GRANTOR acknowledges and advises that this Property includes facilities which contain asbestos. The Basewide Environmental Baseline Survey (EBS), the Supplemental EBS and the Phase II EBS Final Report disclose the condition (when known) and location of any asbestos.

(a) The GRANTEE is warned that the facilities designated in the Basewide EBS, the Supplemental EBS, and the Phase II EBS Final Report may contain asbestos.

Asbestos is a hazardous material. Unprotected exposure to asbestos fibers has been determined to significantly increase the risk of cancer, mesothelioma, and asbestosis. These diseases can cause serious bodily harm resulting in cancer and death.

(b) The GRANTEE is invited, urged, and cautioned to inspect the Property as to its asbestos content and any hazardous or environmental conditions relating thereto.

The Government will assist the GRANTEE in obtaining any authorization(s) which may be required in order to carry out any such inspection(s). The GRANTEE shall be deemed to have relied solely on its own judgment in assessing the overall condition of all or any portion of the Property, including any asbestos hazards or concerns.

(c) No warranties, either expressed or implied, are given with regard to the condition of the Property including, without limitation, whether the Property does or does not contain asbestos or is or is not safe for a particular purpose. The failure of the GRANTEE to inspect or to be fully informed as to the condition of all or any portion of the Property offered will not constitute grounds for any claim or demand for adjustment or withdrawal of the GRANTEE's application, this assignment, or subsequent conveyances.

(d) The description of the Property set forth in this conveyance or any other information provided therein with respect to said Property is based on the best information available to the U.S. Air Force and is believed to be correct, but any error or omission including, but not limited to, the Agency having custody over the Property and/or any other Federal agency shall not constitute grounds or reason for nonperformance of the GRANTEE's obligations or any claim by the GRANTEE against the Government including, without limitation, any claim for allowance, refund or payment of any kind.

(e) The Government assumes no liability for damages

for personal injury, illness, disability, or death to the GRANTEE or the GRANTEE's successors, assigns, employees, invitees, or any other person subject to GRANTEE's control or direction or to any person, including members of the general public, arising from or incident to the purchase, transportation, removal, handling, use, disposition, or other activity causing or leading to contact of any kind whatsoever with asbestos on the Property which is the subject of this conveyance, whether the GRANTEE, its successors, or assigns has or have warned or failed to properly warn the individual(s) injured.

(f) The GRANTEE further agrees that, in its use and occupancy of the Property, it will comply with all Federal, State, and local laws relating to asbestos.

24. The Buyer/GRANTEE hereby acknowledges the required disclosure in accordance with the Residential Lead-Based Paint Hazard Reduction Act of 1992, 42 U.S.C. §4852d (Title X), of the presence of any known LBP and/or LBP hazards in target housing on the Property described herein constructed prior to 1978; the receipt of available records and reports; receipt of the lead hazard information pamphlet; and inclusion of the 24 CFR Subparts 35H and 745F disclosure and

statutory lead warning language in the Title X Lead Based Paint Disclosure Statement attached and made part of this Deed as Exhibit "A". Target housing means any housing constructed prior to 1978, except housing for the elderly or persons with disabilities (unless any child who is less than six years of age resides or is expected to reside in such housing) or any zero-bedroom dwelling. The GRANTEE agrees, that in any improvements on this Property defined as target housing by Title X and constructed prior to 1960, LBP hazards will be abated by a certified contractor in accordance with Title X before use and occupancy of such improvements as a residential dwelling (as defined in Title X). The GRANTEE further agrees that in its use and occupancy of the Property it will comply with Title X and all applicable Federal, State, and local laws relating to LBP; and that the GRANTOR assumes no liability for damages for personal injury, illness, disability, or death, to the GRANTEE, its successors or assigns, or to any other person, including members of the general public, arising from or incident to the purchase, transportation, removal handling, use disposition, or other activity causing or leading to contact of any kind whatsoever with LBP on the Property described in this Deed, whether GRANTEE, its successors or

assigns have properly warned or failed to warn the individual(s) injured.

25. Pursuant to Section 120(h)(4) of the CERCLA of 1980, as amended, 42 U.S.C. Section 9620(h)(4), the GRANTOR has identified the herein described tracts of land as real property on which no hazardous substances and no petroleum products or their derivatives were stored for one year or more, known to have been released, or disposed of by the UNITED STATES. The UNITED STATES covenants and warrants that in the event that any response action or corrective action is found to be necessary after the date of conveyance for contamination existing on the land prior to the date of conveyance, such response action or corrective action shall be conducted by the UNITED STATES. The foregoing covenant shall not apply in any case in which the GRANTEE of the Property, or any part thereof, is a potentially responsible party with respect to the Property before the date on which any grantee acquired an interest in the Property, or is a potentially responsible party as a result of an act or omission affecting the Property.

26. The GRANTOR reserves a right of access to any and all portions of the herein described tracts of land for purposes of environmental investigation, remediation or

other corrective action. This reservation includes the right of access to and use of, to the extent permitted by law, available utilities at reasonable cost to the GRANTOR.

These rights shall be exercisable in any case in which a remedial action, response action, or corrective action is found to be necessary after the date of conveyance of the herein described tracts of land, or such access is necessary to carry out a remedial action, response action, or corrective action on adjoining property. Pursuant to this reservation, the UNITED STATES and its officers, agents, employees, contractors, and subcontractors shall the right (upon reasonable notice to the GRANTEE or the then owner and any authorized occupant of the Property) to enter upon the herein described tracts of land and conduct investigations and surveys, to include drillings, test pitting, borings, data and/or record compilation, and other activities related to environmental investigation, and to carry out remedial or removal actions as required or necessary under applicable authorities, including, but not limited to, monitoring wells, pumping wells, and treatment facilities.

27. All covenants, conditions subsequent and restrictions contained in this Deed shall run with the land and be binding upon GRANTEE, its successors and assigns, to

all or any part of the Property. All rights and powers reserved to GRANTOR by the Deed may be exercised by any successor in function to GRANTOR, and all references to GRANTOR shall include its successor in function. All covenants and conditions subsequent contained herein are for the sole benefit of GRANTOR and may be modified or abrogated by it as provided in the Act.

V. SIGNATURES

TO INDICATE THEIR AGREEMENT to the provisions contained in this agreement, GRANTOR and GRANTEE have executed this document as the date and year first above written.

UNITED STATES OF AMERICA
Acting by and through the
Secretary of Education

GRANTOR:

By: *David B. Hakola*
David B. Hakola, Director
Real Property Group
Office of Management
U.S. Department of Education
Washington, D.C.

GRANTOR ACKNOWLEDGMENT

WASHINGTON)

DISTRICT OF COLUMBIA)

On this 16th day of July, 1999,
 personally appeared before me, a Notary Public in and for
 the District of Columbia, David B. Hakola, Director, Real
 Property Group in the Office of Management, United States
 Department of Education, acting for the United States of
 America and the Secretary of Education, known to me to be
 the same person whose name is subscribed to the foregoing
 instrument and acknowledged to me that he executed the same
 on the date hereof as his free and voluntary act and deed
 for the purposes and consideration therein expressed and
 with full authority and as the free act and deed of the
 United States of America and the Secretary of Education.

IN WITNESS WHEREOF, I have set my hand and seal at
 Washington, D.C., this 16th day of July,
 1999.

Harry Goldstein
 Notary Public

My Commission Expires: 8/31/2003

GRANTEE ACCEPTANCE

The GRANTEE hereby accepts this Quitclaim Deed and
 accepts and agrees to all the terms, covenants, conditions
 subsequent, and restrictions contained therein.

GRANTEE:

By: *B. Russell Smith*

B. Russell Smith
 Treasurer and
 Chief Financial Officer
 University of Maine System

GRANTEE ACKNOWLEDGMENT

STATE OF MAINE)

COUNTY OF PENOBSCOT)

On this 25th day of August, 1999 personally appeared before me, a Notary Public in and for the State of Maine, B. Russell Smith, Treasurer and Chief Financial Officer of the University of Maine System, to me known to be the same person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same on the date hereof as his free and voluntary act and deed for the purposes and consideration therein expressed and with full authority and as the free act and deed of the University of Maine System.

IN WITNESS WHEREOF, I have set my hand and seal on this 25th day of August, 1999.

Patricia A. Gardner
Notary Public
My Commission Expires: _____



PATRICIA A. GARDNER
Notary Public, Maine
My Commission Expires July 1, 2001

Michael J. Soucy, CFA, CPA, MBA
Certified General Appraiser
646 Bog Rd.
Hermon, ME 04401
Phone: (207) 848.3333
msvaluation@gmail.com

PROFESSIONAL LICENSES & CERTIFICATION

- **Chartered Financial Analyst (CFA).**
- **Certified Public Accountant (CPA).**
- **Certified General Real Estate Appraiser (CG379).**
- **Real Estate Broker (Retired License-Maine)**
- **MBA, with a concentration in Investments & Finance (3.9 on a 4.0 scale).**
- **Graduate of General Electric's Financial Management Program (FMP).**

CAREER HISTORY

1991 - 2023 *MS Valuation Group, Inc.*

Hermon, ME

President – MS Valuation Group, Inc. is a full service appraisal company that performs narrative and form appraisals for a large number of clients, including banks, private parties, credit unions, attorneys and government agencies on retail, office, medical, industrial, farm, shopping mall, apartment and residential properties throughout the state of Maine.

1990 – 1991 *Solari Appraisal Services Company*

N. Windham, ME

Commercial Appraiser – Performed narrative and form appraisals of commercial, retail, and special purpose properties for a variety of banks, private parties and attorneys in the Greater Portland area. Appraised apartment complexes, multi-units, shopping centers, warehouses and manufacturing facilities, condos, special purpose properties, and properties subject to litigation.

1989-1990 *PriceWaterhouseCoopers - CPAs*

Portland, ME

PricewaterhouseCoopers is an international CPA firm that offers audit, tax, and consulting services.

As an **Associate**, I performed financial audits of retailing, manufacturing, and higher education institutions. Prepared audit working papers and financial statements in accordance with GAAP. Analyzed client's operations and financial statements, and made recommendations for improving operational efficiencies. Passed all parts of the Certified Public Accountant exam.

1986-1989 *Norstate Federal Credit Union*

Madawaska, ME

Norstate Federal Credit Union is one of Maine's largest credit unions, providing traditional banking services as well as commercial loans to its membership base.

As a **Commercial Loan Officer**, I evaluated, negotiated, closed and monitored loans to businesses and presented commercial loan requests to the Board of Directors. I also served as **Manager of the Accounting Department**, supervising the Accounting and Accounts Payable departments. In addition, I invested and managed a portion of the institution's fixed income securities portfolio. Promoted to **Systems Manager** in 1988 – in addition to the above duties, was responsible for hardware/software procurement, implementation, and maintenance.

1983-1985 *General Electric Company*

Malvern, PA

The **Financial Management Program** is a nationally recognized, intensive two-year program consisting of graduate-level coursework combined with full-time rotational work assignments in Finance. Rotations included work as an **Accounts Payable Supervisor** (3 staff, \$100 million in annual disbursements), **Accounts Receivable Specialist**, and **General Accounting Specialist**. See following **Education** section for graduate-level Finance & Accounting courses completed while in the program.

PROFESSIONAL EDUCATION

2009-2012 *Appraisal Institute*

Chicago, ILL

Completed all courses required for the **MAI** (Member of the Appraisal Institute) designation, as well as all 4 parts of the MAI Comprehensive Examination.

2002-2004 *CFA Institute*

Charlottesville, VA

Chartered Financial Analyst. I successfully passed Level I in 2002, Level II in 2003, and Level III in June 2004 and was awarded the CFA charter in September 2004.

2000-2002 *University of Maine*

Orono, ME

MBA Program – Completed a Masters of Business Administration degree, with a concentration in Investments & Finance, within 2 years while working on a full-time basis. Cumulative GPA–**3.9 (4.0 scale)**. Areas of focus included portfolio management, options, futures, swaps, fixed income securities, alternative investments and quantitative methods.

1992-2022 *Appraisal Institute (Chicago, Ill); University of Southern Maine (Portland, ME); Mckissock*

Completed 14 hours of Certified General Real Estate Appraiser continuing education requirements every year. Also completed 15 credit hours of Real Estate Broker continuing education requirements every two years. Also complete 40 hours of CPA CPE every year since licensure.

1987-1988 *University of Maine at Fort Kent*

Fort Kent, ME

Completed 12 college credit hours of real estate broker and investment courses: Real Estate Law, Real Estate Appraising, Real Estate Practice, and Personal Finance. **GPA – 4.0 (4.0 scale).**

1986-1987 *University of Pennsylvania Law School*

Philadelphia, PA

Attended as a full-time student. Courses taken: Contracts, Property Law, Civil Procedure, Torts, Legal Research and Writing, Criminal Law, Constitutional Law.

1983-1985 *GE Financial Management Program*

Valley Forge, PA

Two-year program that combined graduate-level, semester-length business courses with full-time, rotational work assignments. Curriculum: Financial Accounting, Management Accounting, Auditing, Management Information Systems, Effective Presentations, and Developing Managerial Effectiveness. Selected to be an instructor for the Effective Presentations course. Successfully graduated from the program in June, 1985.

B.S., Business Administration. Double majors in Accounting and Finance; also a concentration in Computer Science. Completed the Honors Program course sequence and thesis. Thesis topic: Lease vs. Purchase Analysis (computerized model of capital asset financing). Advisor was Dr. John K. Ford – D.B.A. Harvard Business School.

HONORS

Graduated as an undergraduate from the University of Maine with 136 credit hours in 8 semesters (120 credits required for graduation) with **Highest Distinction** and completed the Honors Program with **Highest Honors**. **Cumulative GPA – 3.7** (4.0 scale).

PUBLIC SERVICE

2015 - 2016 *Hermon Economic Development Committee*

Hermon, ME

Selected by Hermon Town Management to serve on the town's Economic Development Committee, to assist with developing Economic Plans and creative incentives to attract businesses to the community.

2004 - 2007 *Hermon Town Council – Vice-Chairperson*

Hermon, ME

Elected by the citizens of Hermon in June, 2004 to a three-year term. Oversee all aspects of town management, budgeting, expenditures and governance.

1997-1998 *Planning Board Member – Town of Hermon*

Hermon, ME

Reviewed development plans from contractors for commercial and residential construction to ensure compliance with federal, state and local ordinances, and approved or denied development projects.

1987-1989 *MSAD #33 School Board Director*

St. Agatha, ME

Elected by the citizens of M.S.A.D #33. Chairman – Finance Committee. Chairman – Committee on Administrator Evaluations (evaluate Superintendent and Principals). Member – Salary Negotiations Committee (negotiate faculty contracts with unions).



State of Maine
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
OFFICE OF PROFESSIONAL AND OCCUPATIONAL REGULATION
BOARD OF REAL ESTATE APPRAISERS

License Number CG379

Be it known that

MICHAEL JEAN SOUCY

has qualified as required by Title 32 MRS Chapter 123 and is licensed as:

CERTIFIED GENERAL APPRAISER

ISSUE DATE
December 31, 2022

Anne L. Head
Commissioner

EXPIRATION DATE
December 31, 2023