

APPRAISAL  
REPORT REGARDING

**PROPOSED 36-LOT SUBDIVISION  
SOUTHEAST OF BUSH CHAPEL ROAD AND SCHOFIELD AVENUE  
ABERDEEN, MARYLAND 21001  
PROJECT#: 20-000033-01-01**

PREPARED FOR

**MR. KURTIS MARX  
UNITED BANK, INC.  
14201 SULLYFIELD CIRCLE  
CHANTILLY, VA 20151**

DATE OF VALUATION

**JANUARY 29, 2020**

DATE OF REPORT

**FEBUARY 11, 2020**

PREPARED BY

**METZBOWER, WATTS & HULTING, LC  
REAL ESTATE ANALYSTS  
5501 TWIN KNOLLS ROAD, SUITE 112  
COLUMBIA, MARYLAND 21045  
(410) 992-9632  
FILE #: 20024**

**METZBOWER, WATTS & HULTING**  
REAL ESTATE ANALYSTS

February 11, 2020

Mr. Kurtis Marx  
United Bank  
14201 Sullyfield Circle  
Chantilly, VA 20151

**Re: Proposed 36-Lot Subdivision  
SE of Bush Chapel Road and Schofield Avenue  
Aberdeen, MD 21001  
Project #: 20-000033-01-01**

Mr. Marx:

In accordance with our agreement, we have prepared this appraisal report regarding the referenced property.

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

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions and conclusions;
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved;
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results;
- Steven A. Metzbower, MAI previously performed an appraisal of the property that is the subject of this appraisal as of December 19, 2017 (report dated January 11, 2018). Steve Metzbower, MAI has preformed no other real estate related services, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- Steven A. Metzbower, MAI and Patrick J. Wall made a personal inspection of the property that is the subject of this report.
- Patrick J. Wall provided significant real property appraisal assistance to the person(s) signing this report. This includes property inspection, research, market and comparable analysis and report writing assistance;
- Our compensation is not contingent upon the 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;
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, and the Standards of Professional Practice and Code of Ethics of the Appraisal Institute.
- Use of the report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the date of this report, Steven A. Metzbower, MAI has completed the requirements of the continuing education program of the Appraisal Institute.

**METZBOWER, WATTS & HULTING**  
REAL ESTATE ANALYSTS

February 11, 2020  
Transmittal Letter

We have estimated the market value of the fee simple interest of the subject property, in its "as-is" condition, as of January 29, 2020. It is our opinion that the market value as-is of the property is as follows:

**\$1,450,000**  
**ONE MILLION FOUR HUNDRED FIFTY THOUSAND DOLLARS**

We have also estimated the prospective market value of the fee simple interest of the subject property, as if subdivided, but with no physical improvements, as of May 1, 2020. It is our opinion that the market value as-is of the property is as follows:

**\$1,670,000**  
**ONE MILLION SEVEN HUNDRED SEVENTY THOUSAND DOLLARS**

**Extraordinary Assumptions**

- The prospective valuations assume that the subject property will receive approval for the development that is proposed by the owner of the property, including 35 townhome lots and one single-family detached lot. We also assume that final approvals will be secured within three months of the date of value, and that subdivision plats may be recorded at any time following final approval.
- This appraisal also assumes that the site development described in this appraisal will be completed as planned, in a workmanlike manner consistent with the quality standards in the local market, and at a cost level consistent with the developer's budget.

Respectfully submitted,  
Metzbower, Watts & Hulting, LC



---

Steven A. Metzbower, MAI  
MD Certified General Appraiser #04-636

**CRITICAL FACTS AND CONCLUSIONS**

**Property:** The subject property includes five contiguous parcels of land totaling 4.61 acres which are located south of Schofield Avenue, just east of the intersection with Bush Chapel Road in the City of Aberdeen, Harford County, Maryland. The site is zoned R-3 and is improved with a detached dwelling which offers no contributory value to the property.

**Location:** SE of Bush Chapel Road & Schofield Avenue  
Aberdeen, Harford County, MD 21001

**Tax Map Identification:** TM 207, Grid 12, Parcels 578, 579, 582, 2846

**Ownership & Deed Reference:** Schofield Gardens LLC / Liber 7334, Folio 359-377

**Acquisition Date & Price:** The current owner assembled the subject property from five different sellers in five transactions that all settled simultaneously on May 3, 2007. These are summarized in the table below. The combined purchase price was \$850,500.

Address	Tax Acct. #	TM, Grid & Par.	Seller	Buyer	Sale Date	Sale Price	Liber/folio
Schofield Ave	02-032775	207/12/578	Frances E. Scholfield	Schofield Gardens, LLC	5/3/2007	\$160,000	7334/364
Schofield Ave	02-021609	207/12/579	Leonard E. McGrady	Schofield Gardens, LLC	5/3/2007	\$35,000	7334/368
734 Schofield Ave	02-003139	207/12/582	734 Schofield Ave, LLC	Schofield Gardens, LLC	5/3/2007	\$422,500	7334/377
Schofield Ave	02-107740	207/11/2846	Thomas E. Shivers, Jr.	Schofield Gardens, LLC	5/3/2007	\$215,000	7334/372
Schofield Ave	02-107732	207/12/2846	Donald Wayne Scholfield	Schofield Gardens, LLC	5/3/2007	\$18,000	7334/359
Totals						\$850,500	

We know of no current offerings, listings or contracts of sale for the subject property.

**Property Rights Appraised:** Fee Simple

**Date of Inspection:** January 29, 2020

**Date of Valuation:**  
**As Is** January 29, 2020 (Unentitled)

**As If Subdivided, but With  
No Physical Improvements:** May 1, 2020 (Prospective)

**Date of Report:** February 11, 2020

**Final Value Indications:**

	<b>As-Is as of <u>January 29, 2020</u></b>	<b>Prospective Market Value As If Subdivided <u>as of May 1, 2020</u></b>
<b>Sales Comparison Approach</b>	<b>N/A</b>	<b>N/A</b>
<b>Development Approach</b>	<b>\$1,450,000</b>	<b>\$1,670,000</b>
<b>Reconciled Value</b>	<b>\$1,450,000</b>	<b>\$1,670,000</b>

**Extraordinary Assumptions**

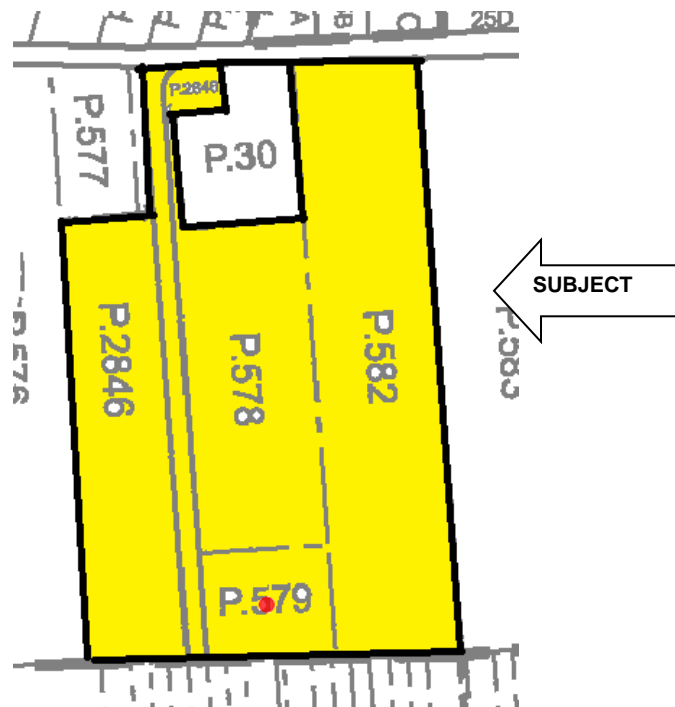
- The prospective valuations assume that the subject property will receive approval for the development that is proposed by the owner of the property, including 35 townhome lots and one single-family detached lot. We also assume that final approvals will be secured within three months of the date of value, and that subdivision plats may be recorded at any time following final approval.
- This appraisal also assumes that the site development described in this appraisal will be completed as planned, in a workmanlike manner consistent with the quality standards in the local market, and at a cost level consistent with the developer's budget.

**PROPERTY DESCRIPTION****Site Area****Location:**

The subject site is located along the south side of Schofield Avenue, just east of the intersection with Bush Chapel Road in the City of Aberdeen, Harford County, Maryland.

**Tax Map Identification:**

Address	TM, Grid & Par.	Land Area SF
Schofield Ave	207/12/578	45,302
Schofield Ave	207/12/579	13,197
734 Schofield Ave	207/12/582	87,120
Schofield Ave	207/11/2846	50,965
Schofield Ave	207/12/2846	4,411
<b>Total SF</b>		<b>200,996</b>
<b>Total Acres</b>		<b>4.6142</b>

**Land Area:**

As shown in the table above the gross land area is 4.6142 acres, or 200,996 square feet.

**Frontage & Accessibility:**

The site has limited frontage along the south side of Schofield Avenue, a tertiary, residential side street, which is just east of the intersection with Bush Chapel Road. Bush Chapel Road is a two lane road which provides access to MD Route 22 to the north. The proposed subdivision is planned to have a single access/spine road that will extend south from Schofield Avenue, terminating in a cul de sac. Overall accessibility is average.

<u>Shape &amp; Topography:</u>	This is an irregular shaped site that has rolling topography that slopes downward to the south.
<u>Surrounding Development:</u>	Surrounding development in the immediate neighborhood includes older vintage single-family detached homes.
<u>Flood Hazard:</u>	According to FEMA Flood Map 24025C0193E, dated 4/19/2016, the subject is located in Zone X, which is an area outside the 0.2% chance floodplain.
<u>Utilities:</u>	The site is served will be served by public water and sewer, electricity, and telephone.
<u>Soils and Drainage:</u>	The scope of this appraisal does not include specific tests for adequacy of soils and drainage; however, no problems were evident during our inspection of the site that would appear to limit development.
<u>Easements/Other Restrictions:</u>	As a survey of title is beyond the scope of this report, a complete rendering of recorded easements and encroachments was not available. Based on a physical inspection of the property, and on our review of the recorded plat, the site is affected by areas such as utility, drainage, access easements and the like. The reader should note that we are not aware of any substantial easements or encroachments other than described in this appraisal report. We have appraised the subject property based on the assumption that no unknown easements or encroachments exist that would inhibit the utilization of the site identified in this appraisal. If any such easements or encroachments are identified in the future, then the results of this appraisal should be reconsidered.
<u>Environmental Hazards:</u>	Our physical inspection does not constitute an examination or evaluation for the presence of hazardous materials which could adversely impact the subject property. We are not experts in this field, and we make no representations in this regard. Our value conclusion is based on the assumption that the site/improvements are free of any environmental contamination. Should any such environmental hazards become known in the future, then the conclusions of this appraisal should be reconsidered.

**Development Status:**

Currently this site has no active, formal approvals. The site plan presented later in this section, reflects a proposed plan of subdivision for the subject, known as Normandy Woods, that received preliminary plan approval from the City Council of Aberdeen in December 2008. This approval has expired. The plan calls for development of the subject site with 32 lots, including 31 townhome lots and one single-family detached lot. The townhomes reflect the current minimum width of 26 feet for interior units and 28-feet for end units. Given that the plan was previously approved, it is our opinion that, if re-submitted, it would be able to be re-approved as engineered. However, it should be noted that in 2019 the city council approved a revision to the development standards for townhomes in the R-3 zone. These changes reduced the required width of interior townhome units to 20-feet and end units to 24-feet. Based on these changes, we estimate the current yield of 32 lots would likely increase to 36 lots (35 TH & 1, SFD).

The table below summarizes the developer's 2017 proposed site work development budget for the 32-unit plan with costs spent to date. In this instance, the cost left to spend have been indexed to equate these costs to the current timeframe in 2020. This required applying an inflation factor of 2.5% per year to the 2017 balance:

<b>NORMANDY WOOD SUBDIVISION</b>					
<b>Site Development Budget &amp; Costs Spent to Date</b>					
<b>2020 (December 2017 Estimate Indexed to 2020)</b>					
	<b>Total Costs</b>	<b>Per Lot</b>	<b>Spent to Date</b>	<b>Balance</b>	<b>2020 Estimate (1)</b>
<b>Hard Costs</b>					
Engineering	\$128,000	\$4,000	\$108,000	\$20,000	\$21,013
Geotechnical	\$9,500	\$297	\$9,500	\$0	\$0
Traffic Study	\$12,722	\$398	\$12,722	\$0	\$0
Wetlands Delineations	\$17,200	\$538	\$17,200	\$0	\$0
Site Work & Utilities	\$650,000	\$20,313	\$0	\$650,000	\$682,906
Landscaping/Hardscape	\$75,000	\$2,344	\$0	\$75,000	\$78,797
General Conditions	\$75,000	\$2,344	\$0	\$75,000	\$78,797
Contractors Fee	\$112,000	\$3,500	\$0	\$112,000	\$117,670
Site Contingency	<u>\$50,000</u>	<u>\$1,563</u>	<u>\$0</u>	<u>\$50,000</u>	<u>\$52,531</u>
<b>Sub-Total</b>	<b>\$1,129,422</b>	<b>\$35,294</b>	<b>\$147,422</b>	<b>\$982,000</b>	<b>\$1,031,714</b>
<b>Soft Costs</b>					
County Review Fees	\$8,947	\$280	\$0	\$8,947	\$9,400
Permits & Fees	\$82,145	\$2,567	\$0	\$82,145	\$86,304
Legal Fees	\$20,000	\$625	\$0	\$20,000	\$21,013
Developer Fees	<u>\$50,000</u>	<u>\$1,563</u>	<u>\$0</u>	<u>\$50,000</u>	<u>\$52,531</u>
<b>Sub-Total</b>	<b>\$161,092</b>	<b>\$5,034</b>	<b>\$0</b>	<b>\$161,092</b>	<b>\$169,247</b>
<b>Total Costs</b>	<b>\$1,290,514</b>	<b>\$40,329</b>	<b>\$147,422</b>	<b>\$1,143,092</b>	<b>\$1,200,961</b>
<b>Total Lots</b>	<b>32</b>				
(1) 2020 estimate reflects application of inflation factor of 2.5% per year to the Balance.					
Source: David Orr, Orr Partners					



Based on 32-units, the total site work development budget equals \$1,290,514, or \$40,239 per lot. Based on 36 units the per lot cost is slightly less at \$35,848 per lot. The original site development budget is deemed to be below the lower limit, but within reasonable range, of costs for townhome developments featuring units with similar lot widths as shown in the table below. While the developer seems to have a reasonable cost basis for required development costs, there is some risk for the potential of cost overruns. This is factored into the selection of the applicable discount rate for the sellout analysis presented later in this report.

<b>Subdivision / Location</b>	<b>Gross Land Area (Ac)</b>	<b>Lots</b>	<b>Lot Width/ Lot Size</b>	<b>Expected Value of Finished Lots</b>	<b>Hard Dev. Cost Budget / Lot</b>
<b><u>Townhouse Lot Developments</u></b>					
Good Luck Rd, Lanham, MD	11.870	138	20'	\$98,000	\$41,296
Coca-Cola Drive, Hanover, MD	NA	197	20'-22'	NA	\$44,822
Bel Air, Harford Co., MD	NA	31	38'	\$135,000	\$94,794
<b><u>SFD/Townhouse Lot Development</u></b>					
Millersville, MD	80.000	237	22'-24' 5,800	\$140,000 Townhouse \$185,000 SFD	\$56,091
Millersville, MD	44.884	117	24' 5,000	\$147,000 Townhouse \$180,000 SFD	\$49,253
Millersville, MD	44.884	117	24' 5,000	\$147,000 Townhouse \$180,000 SFD	\$49,253
Bel Air, MD	8.400	58	36' 4,743 & 19,863	\$135,000 TH/Villas \$195,000 SFD	\$79,787

Since the 36 proposed lots would essentially be built within the same foot-print as the 32-lots, based on smaller allowable widths, we would expect limited difference in the costs of site work as the property would generally have the same layout and interior road. The only exception might be running utilities for the four additional lots. Based on our experience, these costs appear to be a reasonable estimate of required site work for a small townhome subdivision.

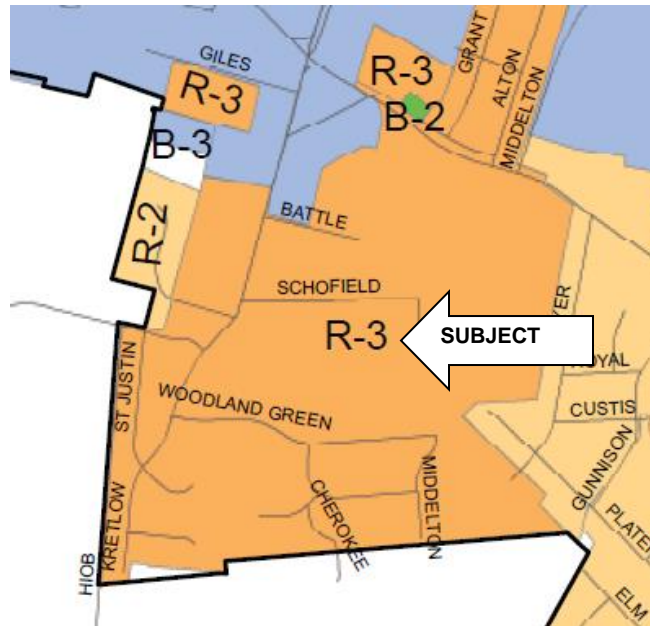
The remaining costs to complete as of December 2017 totaled \$1,143,092. Based on an annual inflation factor of 2.5%, the total costs left to spend is estimated to equal \$1,200,961. The costs spent to date reflect required preliminary engineering to develop the current plan, as well as completion of geotechnical work, a traffic study and required wetlands delineations which have all been previously completed for the project as currently proposed. To secure approvals/entitlements the developer indicated spending the remaining engineering fees to revise the existing site plan (\$21,013), plus the county review fees (\$9,400). The remaining soft and hard costs are related to actual completion of the site work to deliver finished lots.

According to information provided by the City of Aberdeen securing of the entitlements and all necessary permits, will likely take roughly three months to complete. Beyond that the majority of the site work is projected to be completed within six months. Thus, the period leading into the first lots sales is estimated to be roughly 9 months, or three quarters.



**Zoning:**

The subject site is zoned R-3 (High Density Residential) by the City of Aberdeen. The purpose of this district is to provide for a high-density residential district within the City, including single-family detached, duplexes, apartments, and townhomes. These uses together with such public buildings, schools, churches, public recreational facilities and accessory uses as may be necessary or are normally compatible with residential surroundings.



The current development standards for primary residential uses under the R-3 zone include:

	<b>SFD</b>	<b>Townhouse</b>	<b>Duplexes</b>	<b>Apartments</b>
Min. Lot Area	5,000 s.f.	2,000 s.f.	7,000 s.f.	7,500 s.f.
Min. Lot Width	50'	20' / 24' end units (unit width)	70'	75'
Min. Front Yard	25'	25'	25'	25'
Min. Side Yard	7' (Total 14')	15' (Total 30')	12' (Total 24')	10' (Total 25')
Min. Rear yard	35'	35'	35'	35'
Max. Bldg. Height	50'	50'	50'	50'
Min. Floor Area	720 s.f. (1 story); 900 s.f. (2.5 stories)	720 s.f. (1 story); 900 s.f. (2.5 stories)	720 s.f. (1 story); 900 s.f. (2.5 stories)	500 s.f.

**Comments:**

As previously approved in December 2008 under the 32-lot plan, the subject property is a legal conforming use. As noted, in 2019 the city council approved changes in development standards for townhomes in the R-3 zone that reduced the minimum lot widths to 20 feet for interior units and 24 feet for end units, it is our opinion that the subject site could likely obtain a slightly higher lot yield. This higher yield is estimated to be 36 lots, including 35 townhome lots and one single family detached lot.

**Real Estate Taxes:**

Properties in Maryland are reassessed every three years, and any increase in the "Full Cash Value" is phased in during the coming three years, resulting in a calculation of "Phase-In Value". The subject property was reassessed as of January 1, 2018. The next reassessment is scheduled as of January 1, 2021.

**Assessed as of January 1, 2018**

	<b>02-032775 207/12 / 578</b>	<b>02-021609 207/12 / 579</b>	<b>02-003139 207/12 / 582</b>	<b>02-107740 207/11 / 2846</b>	<b>02-107732 207/12 / 2846</b>	<b>Totals</b>
Land	\$48,400	\$1,300	\$74,000	\$49,700	\$400	\$173,800
Improvements	\$0	\$0	\$66,200	\$0	\$0	\$66,200
Total	\$48,400	\$1,300	\$140,200	\$49,700	\$400	\$240,000
<b>Tax Year</b>	<b>2019-2020</b>	<b>2019-2020</b>	<b>2019-2020</b>	<b>2019-2020</b>	<b>2019-2020</b>	
Phased-in Value	\$48,400	\$1,300	\$138,233	\$49,700	\$400	\$238,033
Base Tax Rate	\$1.646	\$1.646	\$1.646	\$1.646	\$1.646	\$1.646
City Real Estate Tax	\$309.76	\$8.32	\$884.69	\$318.08	\$2.56	\$1,523.41
County Real Estate Tax	\$432.55	\$11.62	\$1,235.39	\$444.17	\$3.57	\$2,127.30
State Real Estate Tax	\$54.21	\$1.46	\$154.82	\$55.66	\$0.45	\$266.60
Highway Tax	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total RE Taxes</b>	<b>\$796.52</b>	<b>\$21.39</b>	<b>\$2,274.90</b>	<b>\$817.91</b>	<b>\$6.58</b>	<b>\$3,917.31</b>

The current combined full cash value assessment for the subject property totals \$240,000. The current phase-in assessment totals \$238,033. The tax rates are based on the current rates for Harford County (\$0.8937 per \$100) Aberdeen (\$0.64 per \$100) and the State of Maryland (\$0.112 per \$100). These have remained more or less stable the last five years, and total \$1.646 per \$100 of assessed value. Based on these rates, the total real estate taxes for the subject equals \$3,917.31.

It should be noted that at record plat each lot will be individually assessed as a vacant lot. In estimating the future tax burden for the property as finished lots, we have considered the following assessments for finished townhome lots in Harford County:

<b>Total FCV Assessment</b>	
	<b>\$/Lot</b>
Townes at Bynum Woods	\$72,000
Magness Mill	\$75,000
Beech Creek	\$37,500
Trimble Meadows	\$55,000
Monarch Glen	\$65,000

These comparables were all recently reassessed in 2018. Thus, we have projected a finished lot assessment for the subject that is toward the lower end of the range, or \$50,000 per lot. At the current tax rate, real estate taxes due on a finished townhome lot would be \$823 per lot,

rounded. This figure is applied on a quarterly basis to the total number of unsold townhome units. A 2.5% annual escalation is applied quarterly (0.625%) to the tax expense in the development model.

In addition, we have considered the following assessments for finished detached home lots in Harford County:

<b>Total FCV Assessment</b>	
	<b>\$/Lot</b>
Monarch Glen	\$79,000
Magness Mill	\$57,500
Eagles Rest	\$58,000

These comparables were all recently reassessed in 2018. Thus, we have projected an average finished lot assessment for the subject near the middle of the range, or \$65,000 per lot. At the current tax rate, real estate taxes due on a finished detached home lot would be \$1,070 per lot, rounded. This figure is applied on a quarterly basis to the total number of unsold detached home units. A 2.5% annual escalation is applied quarterly (0.625%) to the tax expense in the development model.

## AREA & NEIGHBORHOOD ANALYSIS

### Area Description – Baltimore Metropolitan Area

The subject property is in Harford County, which is part of the Baltimore Metropolitan area. Baltimore is the largest metropolitan area in Maryland, has a large industrial base, and is the center of the state's economic activity. It is part of the northeast corridor, a densely populated string of major U.S. cities including Boston, New York, Philadelphia, Baltimore, and Washington, D.C. These two primary factors combine to create an economy which is dependent on manufacturing, but which has sufficient diversity to allow for modest growth.



The metropolitan area population grew at an average of 0.6% per year between 2000 and 2010, and grew at a slightly higher rate of 0.7% through 2015. The forecast for the region is growth of 4.2% between 2015 and 2025 and 11.9% total growth between 2015 and 2045. The dominant migration pattern in the area is one of decline in Baltimore City, maturity in Baltimore County, with the majority of the growth occurring in the outer suburban jurisdictions. Suburban jurisdictions in the region, aside from Baltimore County, include Anne Arundel County, Carroll County, Harford County, and Howard County. This migration is fueled by the availability of land for new development in the suburban areas, along with the normal collection of urban ills facing Baltimore,



including high rates of crime, poverty, and homelessness. The highest rates of growth are projected for Queen Anne's, Howard and Harford Counties, due to availability of land and excellent connections to employment centers.

**Forecasted Population Growth<sup>1</sup>**  
**2015-2045**

JURISDICTION	2015	2020	2025	2030	2035	2040	2045
Anne Arundel County	562,867	572,340	582,566	594,303	608,928	621,771	643,978
Baltimore City	615,813	617,018	626,989	627,904	636,723	648,033	647,127
Baltimore County	827,758	840,644	846,323	864,974	879,955	893,540	907,126
Carroll County	167,550	169,200	171,700	175,150	178,500	181,800	185,150
Harford County	250,025	257,680	264,870	271,865	280,570	289,220	294,250
Howard County	313,359	336,920	355,696	366,818	369,499	371,846	372,358
Queen Anne's County	48,477	51,813	55,434	58,319	61,021	63,533	66,148
Baltimore Region	2,785,850	2,845,615	2,903,578	2,959,332	3,015,195	3,069,744	3,116,137

Household growth patterns are much the same, though slightly exaggerated, with stability expected in Baltimore, moderate growth in Baltimore and Anne Arundel Counties, and strong growth projected for the remaining areas.

**Forecasted Household Growth<sup>2</sup>**  
**2015-2020**

JURISDICTION	2015	2020	2025	2030	2035	2040	2045
Anne Arundel County	207,338	210,959	217,565	224,575	231,253	237,951	244,998
Baltimore City	250,238	254,557	259,667	262,988	269,119	271,327	273,363
Baltimore County	322,738	327,457	329,940	337,410	343,323	348,565	353,808
Carroll County	61,045	62,667	64,394	66,522	67,975	69,118	70,332
Harford County	93,362	97,241	101,021	104,801	108,590	112,380	114,752
Howard County	111,753	121,499	130,432	136,125	138,782	139,686	139,851
Queen Anne's County	18,645	20,355	22,068	23,413	24,705	25,735	26,807
Baltimore Region	1,065,119	1,094,736	1,125,087	1,155,835	1,183,748	1,204,762	1,223,910

Household growth in the area proceeded at an average annual pace of 0.6% per year from 2000 to 2010, and the future pace of growth is not expected to change materially. Queen Anne's, Howard and Harford Counties remain the strongest in terms of growth, with historic and projected growth rates that are almost twice that of the region.

Employment has rebounded in the past five to six years with modest increases in services, transportation and public utilities industries. Most indicators point to moderate employment growth during the foreseeable future with 9.8% growth forecasted between 2015 and 2025 for the region. Recent patterns of employment in the area are as follows:

<sup>1</sup> Baltimore Metropolitan Council, Round 9 Forecasts, June 2018.

<sup>2</sup> Ibid.

**Forecasted Employment Growth<sup>3</sup>  
2015-2045**

<b>JURISDICTION</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>	<b>2035</b>	<b>2040</b>	<b>2045</b>
Anne Arundel County	369,580	382,795	397,236	413,039	431,305	451,373	474,511
Baltimore City	401,082	418,102	436,252	454,948	466,906	485,731	505,068
Baltimore County	462,770	479,680	500,515	515,752	528,684	540,935	550,843
Carroll County	74,313	77,411	79,760	82,268	84,419	86,815	89,281
Harford County	115,560	125,454	136,745	147,685	158,761	170,668	183,468
Howard County	204,050	219,050	234,050	249,050	259,050	269,050	279,050
Queen Anne's County	20,748	22,454	24,251	24,790	25,778	26,406	27,050
Baltimore Region	1,648,103	1,724,946	1,808,811	1,887,531	1,954,902	2,030,979	2,109,271

Implications for the real estate industry are continued decline in demand for older manufacturing facilities, most of which are in the city, and expansion of distribution space at a pace comparable to that of the last decade. Overall, office-based employment should continue to grow at about the same rate as seen over the last ten years. Retail trade will likely continue to expand, as new retail facilities are built to support the growth in households.

Overall, the prospects for properties such as the subject are positive. The economic health of the metropolitan area should allow for favorable operating conditions for most types of property, which in turn promotes economic and population growth. Most sectors of commercial real estate have seen major new development in the last few years. The subject enjoys a good location within the Baltimore metropolitan area and linkages to major employment centers are considered strong. Continued growth is expected in the area.

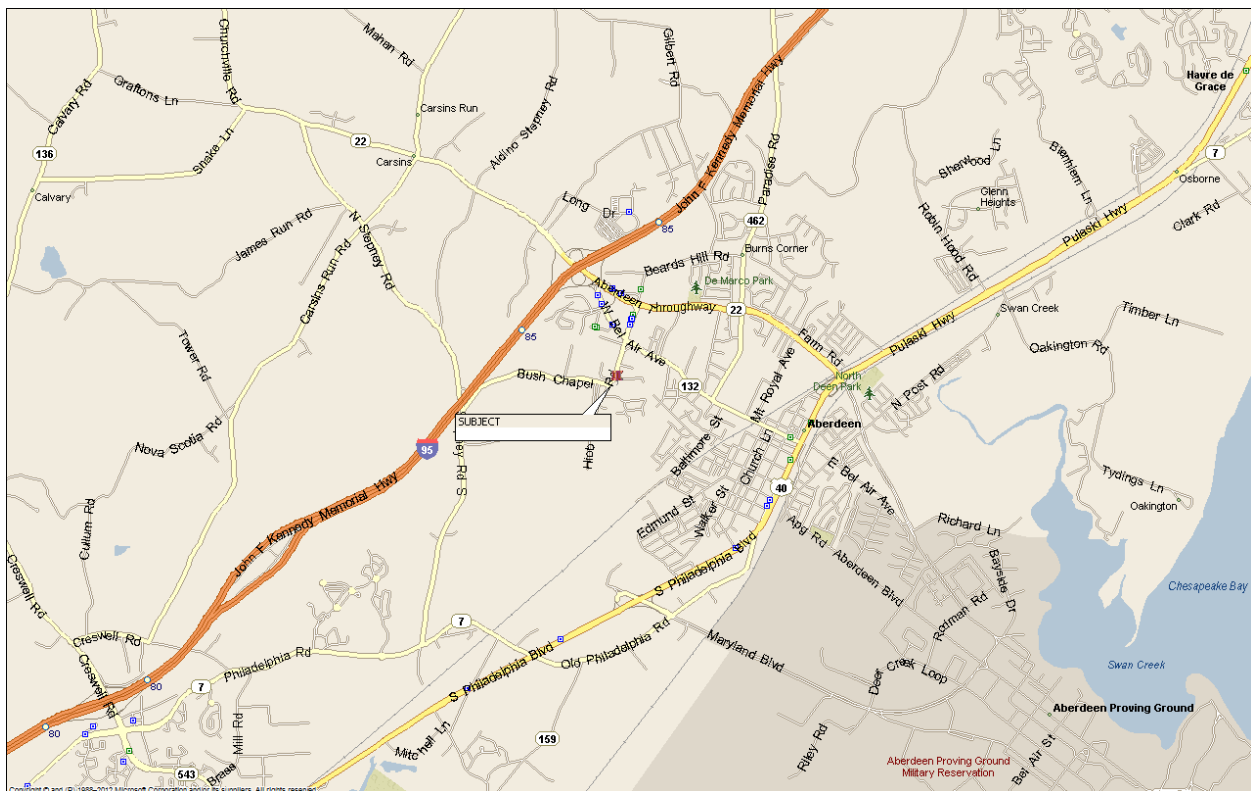
---

<sup>3</sup> Ibid.



## Neighborhood Description

The subject property is located in the Town of Aberdeen, one of three incorporated towns in Harford County. Harford County has experienced significant population growth over the last ten years and with it has come substantial new development of commercial space, especially along Route 24 and Route 1 in Bel Air (the county seat). Aberdeen is located between I-95 and US Route 40, and is known for the Aberdeen Proving Grounds (APG) which is one of the county's largest employers. The base has undergone a large increase in employment due to relocation caused by the latest round of BRAC. The boundaries of the neighborhood are the city boundaries, though the primary influence on the subject is residential and commercial development at the interchange of I-95 and Route 22, the Aberdeen Thruway. This is a major commercial road that connects I-95 with US Route 40 and the Aberdeen Proving Grounds to the east.



**Neighborhood Map**

Access to Aberdeen is very good via I-95 which has an interchange with Route 22, the primary east-west road into town. US Route 40, Pulaski Highway, traverses the southern part of the city in a north-south direction. These highways are the loci for most commercial development in Aberdeen, and provide access to the gates of APG. MARC has a commuter rail station that links Aberdeen to Baltimore. Overall, access is rated as very good.

Aberdeen has a large employment base at APG, but also serves as a bedroom community for the Baltimore metropolitan area. Development in the town is primarily residential, with commercial development located along the major roads. Various industrial parks are located close to the gates of APG off Route 40. New office construction has also occurred to serve the anticipated growth in government contractors moving to the area as a result of BRAC. Several garden

apartment complexes and hotels are also located throughout Aberdeen, which is expected with a transient population serving at the army base.

### **Demographics**

Aberdeen is a moderately growing neighborhood with a medium concentration of population, and a housing stock which generates moderate prices and rents. The following table, based on ESRI statistics, outlines statistics describing the area's population in the 21001 zip code, compared to Harford County and the Baltimore Metropolitan Area:

<b>Historic and Projected Population Growth</b>			
<b>Year</b>	<b>21085 Zip Code</b>	<b>Harford County</b>	<b>Metro Area</b>
2010 Census	16,451	244,826	2,710,489
2019 Estimate	17,331	259,565	2,844,291
2024 Projection	17,822	266,665	2,908,745
Annual Growth 2010-2019	0.7%	0.8%	0.5%
Annual Growth 2019-2024	0.6%	0.5%	0.4%

The growth rate in population in the Aberdeen area has kept pace with growth in Harford County, but has exceeded the pace of growth rates across the Baltimore MSA. This is a trend that is projected to continue into the near future. The household statistics in the following table indicate a similar trend.

<b>Historic and Projected Household Growth</b>			
<b>Year</b>	<b>21085 Zip Code</b>	<b>Harford County</b>	<b>Metro Area</b>
2010 Census	6,335	90,218	1,038,765
2019 Estimate	6,623	95,715	1,084,256
2024 Projection	6,799	98,362	1,106,683
Annual Growth 2010-2019	0.6%	0.8%	0.5%
Annual Growth 2019-2024	0.5%	0.5%	0.4%

The additional statistics below round out the overall profile of the subject's market area, based on 2019 estimates:

	<b>21085 Zip Code</b>	<b>Harford County</b>	<b>Metro Area</b>
Average Household Size	2.62	2.68	2.56
Median Household Income	\$70,873	\$80,965	\$78,691
Median Home Value	\$289,036	\$309,639	\$314,887
Owner Occupied Housing Units	76.2%	73.0%	60.9%
Renter Occupied Housing Units	18.6%	21.0%	30.3%
Vacant Housing Units	5.2%	6.0%	8.8%

These income and housing characteristics suggest that the subject is located in an area which exhibits below average economic characteristics as compared to Harford County as a whole, and across the Baltimore MSA. This includes a lower median income, and lower median home value. The rate of home ownership is consistent with the rate exhibited for Harford County, however, it is well above the rate for the Baltimore MSA as a whole.

**DEVELOPMENT PATTERNS**

Residential: The following table summarizes resales of existing homes in the subject's 21001 zip code for 2019 compared to sales in 2018.

**Residential Sales  
21001 Zip Code**

Year End 2019	Average		Price Range	
	Count	Price	Minimum	Maximum
Single Family Detached	251	\$241,190	\$16,000	\$665,000
Townhouse/Duplex	102	\$231,655	\$65,000	\$420,915
Condominium	2	\$171,000	\$150,000	\$192,000
Total/Average	355	\$238,055		
Year End 2018	Average		Price Range	
	Count	Price	Minimum	Maximum
Single Family Detached	255	\$208,884	\$25,000	\$640,000
Townhouse/Duplex	82	\$205,101	\$74,000	\$339,900
Condominium	6	\$140,667	\$133,000	\$145,000
Total/Average	343	\$206,786		
% Change 2018-2019	Average			
	Count	Price		
Single Family Detached	-1.6%	15.5%		
Townhouse/Duplex	24.4%	12.9%		
Condominium	-66.7%	21.6%		
Total/Average	3.5%	15.1%		

Overall sale activity was up 3.5% between 2018 and 2019. The sales of detached (-1.6%) and condominium (-66.7%) units both experienced decreases in sales year-to-year. Townhomes was the only segment which experienced an increase (24.4%) in sales. In addition, the overall average sale price increased 15.1% year-to-year as all three segments experienced higher prices in 2019 compared to 2018. Year-to-year marketing times, measured as days on market, varied across all segments. The average marketing time for detached units was 44 days in 2018 compared to 53 days in 2019. Among townhomes, the average marketing time was nearly unchanged between 2018 and 2019, at 40 days and 39 days, respectively. Lastly, the marketing time for condos decreased from 60 days in 2018 to 20 days in 2019.

Commercial Development: Most commercial development is located on Route 22, just north of the subject and along US Route 40 to the west. Significant speculative office space was delivered in anticipation of BRAC employment growth; unfortunately, most of the new employment moved to office space on the base rather than off site. Thus the office market shows a significant vacancy rate, while retail, flex and industrial markets are quite healthy.

**AVAILABILITY & VACANCY ANALYSIS  
ABERDEEN, MARYLAND  
FEBRUARY 2020**

<b>Property Type</b>	<b># Bldgs.</b>	<b>Inventory</b>	<b>Available</b>	<b>Direct Vacancy %</b>	<b>Average Face Rent</b>
Flex	33	872,061	109,014	12.5%	\$8.00
Industrial	119	18,732,409	873,850	4.7%	\$4.88
General Retail	287	2,519,941	128,121	5.1%	\$15.75
Office	142	2,212,556	477,278	21.6%	\$20.26
	581	24,336,967	1,588,263	6.5%	\$5.58

Source: CoStar Group; February 2020 Survey

Implications for the Subject Property: Over the long term, the prospects for residential real estate in the subject's market are considered to be average given the slow improvement in overall economic conditions and consistently low interest rates that have resulted in an increase in home sales and higher achievable home sale prices within the local area. Projections are for continued long term growth in population and households, which should increase demand for quality residential development.

**RESIDENTIAL MARKET ANALYSIS**

**Overview of the Baltimore MSA**

The chart below details summarizes statistical data on home sales as reported by the Maryland Association of Realtors.

**Existing Home Sales  
Baltimore Region  
2009-2019**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Anne Arundel	5,131	4,944	5,142	5,859	6,663	6,933	8,101	9,155	9,301	9,282	9,985
Baltimore City	5,240	5,284	5,314	5,348	6,412	7,003	8,068	8,626	9,452	9,089	9,034
Baltimore County	6,626	6,184	6,375	7,143	7,983	8,324	9,974	10,827	10,964	10,728	10,921
Carroll	1,369	1,270	1,340	1,537	1,720	1,836	2,239	2,570	2,480	2,422	2,460
<b>Harford</b>	<b>2,439</b>	<b>2,504</b>	<b>2,370</b>	<b>2,301</b>	<b>2,705</b>	<b>2,707</b>	<b>3,442</b>	<b>3,834</b>	<b>3,881</b>	<b>3,941</b>	<b>4,178</b>
Howard	<u>2,888</u>	<u>2,847</u>	<u>2,703</u>	<u>3,138</u>	<u>3,482</u>	<u>3,472</u>	<u>4,136</u>	<u>4,570</u>	<u>4,594</u>	<u>4,378</u>	<u>4,461</u>
Total	23,693	23,033	23,244	25,326	28,965	30,275	35,960	39,582	40,672	39,840	41,039
Annual Change	N/A	-2.8%	0.9%	9.0%	14.4%	4.5%	18.8%	10.1%	2.8%	-2.0%	3.0%

By all accounts the housing market in Baltimore appears to have stabilized following a sharp contraction that occurred during the 2008/2009 recession (and the difficulty in the residential housing market that preceded it), which continued into 2010 and 2011. Beginning in 2012, however, the market strengthened substantially, resulting in notable gains every year through 2017. During this time, the total number of home sales in the Baltimore region increased from 23,244, to 40,672. In 2018, the total number of home sales experienced a decline (-2.0%) for the first time in eight years. However, sales activity rebounded in 2019 with a 3.0% increase in sales. The 41,039 units sold in 2019 representing a new all time high for the number of units sold in one year.

The average settled sale price for all units exhibits the following trends:

**Average Settled Sale Price  
Baltimore Region  
2009-2019**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Anne Arundel	\$350,908	\$352,358	\$346,720	\$356,297	\$371,401	\$367,038	\$358,461	\$365,890	\$382,773	\$400,636	\$411,043
Baltimore City	\$158,847	\$143,420	\$129,149	\$159,437	\$164,936	\$156,106	\$154,463	\$167,473	\$173,598	\$174,321	\$180,601
Baltimore County	\$263,811	\$263,697	\$245,447	\$244,756	\$257,167	\$257,977	\$249,672	\$263,288	\$275,858	\$282,495	\$293,651
Carroll	\$294,883	\$291,757	\$279,998	\$284,922	\$301,774	\$398,478	\$299,793	\$310,308	\$326,707	\$335,837	\$348,316
<b>Harford</b>	<b>\$267,667</b>	<b>\$268,517</b>	<b>\$251,385</b>	<b>\$255,440</b>	<b>\$259,547</b>	<b>\$258,875</b>	<b>\$260,509</b>	<b>\$264,757</b>	<b>\$274,439</b>	<b>\$280,066</b>	<b>\$299,699</b>
Howard	<u>\$390,093</u>	<u>\$402,848</u>	<u>\$403,459</u>	<u>\$403,119</u>	<u>\$385,000</u>	<u>\$389,945</u>	<u>\$430,624</u>	<u>\$436,084</u>	<u>\$444,708</u>	<u>\$454,840</u>	<u>\$462,968</u>
Total	\$277,044	\$274,406	\$262,235	\$275,574	\$277,331	\$283,123	\$277,789	\$289,284	\$298,580	\$307,283	\$319,652
Annual Change	N/A	-1.0%	-4.4%	5.1%	0.6%	2.1%	-1.9%	4.1%	3.2%	2.9%	4.0%

The pattern for home prices has been similar to the pattern of sales volume. The region experienced declines in 2010 (-1.0%) and 2011 (-4.4%), representing a decline in the average price from \$277,044 per unit in 2009 down to \$262,235 per unit in 2011. Beginning in 2012, however, the market began a period of sustained increases in sale prices, that was only interrupted in 2015. During this time the average price increased to \$283,123. A consistent trend in higher average prices began in 2016 and the current average sale price in 2019 of \$319,652 is the highest average experienced over the past 11 years.

Existing Home Sale Activity, Harford County: The table below outlines residential market data produced by MRIS for Harford County for 2019 compared to 2018.

**RESIDENTIAL SALE TRENDS  
HARFORD COUNTY, MARYLAND  
2018-2019**

	<b>Full Year 2017 vs Full Year 2019</b>		
	<b><u>Change</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Total Units Sold	6.01%	4,178	3,941
Dollar Volume Sold	13.55%	\$1,253,269,310	\$1,103,739,360
Average Sold Price	7.04%	\$299,699	\$280,000
Median Sold Price	8.40%	\$271,000	\$250,000
Average Days on Market	-7.14%	39	42

Source: Bright MLS Market Statistics

In 2019, there was an increase in the number of homes sold year-over-year (6.01%) with a double-digit increase in the dollar volume sold (13.55%). The average and median sales prices increased year-over-year at 7.04% and 8.40% respectively. In addition, the average number of days on the market decreased slightly from 42 in 2018 to 39 in 2019. Harford County has experienced seven consecutive years of increased sales and five consecutive years of increases in the average sale price for all home types.

While the data in MRIS does not include the newest home subdivisions, sales agents report similar strength in the new home market. We have seen an increase in terms of sale pace (units per month) and average sale price.

## **PERFORMANCE OF COMPETITIVE SUBDIVISIONS**

In order to judge future demand for the lots in the proposed subject subdivision, we examined the performance of other projects currently marketing similar units in the area. Our research revealed no current active townhome subdivisions within the City of Aberdeen, Maryland. Therefore we surveyed sales data for new townhomes which are the closest competing subdivisions (non age-restricted) currently active in the Harford County and northeast Baltimore County areas of Maryland. The following summary observations have been made from the summary data presented in the table on the following page:

Inventory: We considered five townhouse subdivisions which were located in Harford County and northeast Baltimore County. These include a total of 471 planned townhome units ranging between 20-foot and 24-foot wide. One of these projects, Magness Mill in Bel Air, Maryland and has no remaining units. Ravenhurst Glen in Middle River, Maryland, has just two units available. Overall there are approximately 152 townhomes units remaining in inventory among these five subdivisions in the survey.

Home Prices: Overall the base list home prices for these subdivisions range between \$241,990 and \$340,000. The closing sale prices range between \$241,990 to \$417,900. The higher end of the range are larger home models with many options/amenities.

Unit & Lot Sizes: Among the townhome subdivisions in this survey the range of home sizes is between 1,280 and 2,500 s.f. The lot sizes average roughly 2,307 s.f. However, it is noted that the subdivisions with 24-foot wide lots indicate larger lot sizes ranging between 2,570 and 2,592 s.f. while the subdivisions with 20-foot wide lots indicate smaller lots sizes between 2,100 and 2,160 s.f.

Sales Pace: This survey indicates that the sales pace for the projects in this survey ranged from 1.7 to 4.5 months, averaging 2.8 units per month overall. The property with the fastest pace was Beechwood Creek in Aberdeen. This subdivision has ample inventory and the price points are at the lower end of the overall range.

## **CONCLUSIONS FOR THE SUBJECT**

Considering the historical sales pace of the projects surveyed in the table on the following page, we have projected that the sales pace for the 35 townhouse lots and one detached lot proposed for the subject property, is estimated to be 2.0 units per month (or 6 units per quarter). This is deemed to be reasonable given the location in Aberdeen, which is inferior to the competing properties in the survey, as well as the lack of competition in the immediate area of the subject. The total takedown period, therefore, is projected to be six quarterly periods, or 18 months, which equates to an overall average pace of 2.00 lots per month. Due to the small amount of inventory at the subject and the short sell-out period, we have estimated no lot appreciation over the sell-out period.

Project Name	Location	Project	Open	Units	Lifetime		Remaining	Base List Price	Home Sizes	Lot Sizes
					Total	Monthly				
<b>Townes at Bynum Run-Phase 2</b> / Ryan	Bel Air, Harford Co., MD	TH - 20 '	Jan-19	33	27	1.9	6	\$290,000-\$310,000	1,280-1,694	2,160
<b>Magness Mill</b> / Ryan (Closed 12/19)	Bel Air, Harford Co., MD	TH - 24 '	Sep-17	90	90	3.2	0	\$330,000-\$340,000	2,500	2,570
<b>Beech Creek</b> / Lennar	Aberdeen, Harford Co., MD	TH - 20 '	Dec-18	201	67	4.5	134	\$241,990-\$281,990	1,700-2,073	2,115
<b>Franklin Pointe @ Deerborne</b> / Sage	Rosedale, Baltimore Co., MD	TH - 20 ' & 24 '	Aug-17	64	54	1.7	10	\$299,990-\$339,990	2,160-2,400	2,592
<b>Ravenhurst</b> / Lennar	Middle River, Baltimore Co., MD	TH - 20 '	Sep-17	83	81	2.9	2	\$285,000-\$320,000	1,672-2,000	2,100
Totals/Averages				<b>471</b>	<b>319</b>	<b>2.8</b>	<b>152</b>	<b>\$241,990-\$340,000</b>	<b>1,280-2,500</b>	<b>2,307</b>



## **MARKETABILITY OF THE SUBJECT PROPERTY**

Most Likely Buyer: Based on our analysis of recent sales of properties similar to the subject, as well as surveys of buyers, sellers, and brokers active in the local market, it is our opinion that the most likely buyer of the subject property is a land developer, or residential builder.

Exposure Time and Marketing Period: Exposure time and marketing period refer to the length of time required for a property to be exposed to the market prior to sale. An estimate of market value presumes sale as of the date of the appraisal. Therefore, the estimated exposure time would have just ended. The estimated marketing period reflects the amount of *future* exposure time required to sell the property if it were placed on the market as of the date of the appraisal. When user and capital market conditions are relatively stable, exposure time and marketing period should be equivalent. However, during periods of change in market conditions, the estimated marketing period may be longer or shorter than estimated exposure time.

Estimated exposure time is based on a range of data, including the amount of exposure time experienced by similar properties which have recently sold, interviews with market participants active in the subject's area, and surveys of buyers and sellers interested in properties such as the subject. It is our opinion that, at the market value estimate contained in this report, the subject would require an exposure time of 12 months.

Considering the information presented above, regarding market activity and the orientation of the appraisal, it appears that the amount of exposure time required for the sale of a property is stable. Based on this analysis, we estimate the marketing period for the subject property, as though it would be placed on the market for sale as of the date of the appraisal, to be 12 months. This is the same as the exposure time estimate.

### **HIGHEST AND BEST USE<sup>4</sup>**

An analysis of Highest and Best Use results in a judgment of the most profitable long term use for a given property. HBU is a key concept in the valuation, marketing, or use of real estate, because it identifies that use which generally results in a property's highest value in the market.

Appraisers judge HBU through a series of analyses, each designed to identify and eliminate unprofitable uses. The analysis begins with a very basic test: Legal Permissibility. This analysis identifies those legal uses to which a property may be put, and recognizes that uses which are not legally permissible cannot be profitable over the long term. Legally permissible uses are defined primarily by zoning laws, but are also limited by historic preservation, easements, contracts, and other binding agreements. The subsequent analyses consider only those uses which are legally permissible.

Once the legally permissible uses are defined, the appraiser considers the physical limitations of the site and its improvements. Under the analysis of Physical Possibility, uses which may be legally permissible but which cannot be physically accommodated by the real estate are eliminated from consideration as the Highest and Best Use. Physical limitations may be related to the site, e.g. accessibility, flood plain, and topography; or to the improvements, e.g. building size and design. Typically, the legal and physical tests cull the range of potential uses down to a small number.

The remaining uses are then tested on the basis of Financial Feasibility. To be considered a financially feasible use, the use must be profitable to the extent that net income produced, after operating expenses are deducted from gross income, is sufficient to return an acceptable yield to invested capital. Invested capital may include the purchase price for the property under consideration, plus any additional investments required.

If the feasibility analyses result in more than one legal, physically possible, and financially feasible use, the HBU conclusion is based on consideration of Maximal Profitability. Simply put, among the financially feasible uses, that use which is most profitable is judged to be the Highest and Best Use, because it should result in the highest attainable value in the market.

---

<sup>4</sup> *The Appraisal of Real Estate*, The Appraisal Institute, Tenth Edition, 1992.

## **HIGHEST AND BEST USE OF THE SITE AS THOUGH VACANT**

### **Legally Permissible**

The site is zoned R-3 by the City of Aberdeen, which primarily permits high density residential development in the form of single-family detached homes, townhomes or multifamily apartments and condominiums.

### **Physically Possible**

The subject site includes 4.6142 net acres. The current plan of subdivision for a total of 32 units previously received preliminary approval by the Aberdeen City Council in December 2008. This includes 31 townhomes (26-foot wide interior lots and 28-foot wide end units) and one single-family detached lots (50-foot wide). As noted previously in this report, in 2019 the city council changed the development standards for townhomes in the R-3 zone that reduced the minimum lot widths to 20 feet for interior units and 24 feet for end units. Based on this, it is our opinion that the subject site could likely obtain a slightly higher lot yield. This higher yield is estimated to be 36 lots, including 35 townhome lots and one single family detached lot.

### **Financially Feasible**

While development of either townhomes or single-family detached homes is both legally and physically permissible, based on our examination of market conditions in the local market, and considering the patterns of development and land use in the area, development of would produce a significantly higher overall lot yield than single-family development alone. As such, development with townhomes would be the most financially feasible.

### **Maximally Profitable**

The higher permitted density of a townhome project has a distinct advantage over the lower density alternative, since per acre prices for townhouse land generally exceed those for single family detached acreage. Moreover, the estimated finished lot prices for the proposed subdivision are adequate to cover the projected hard and soft development costs, and provide an acceptable return to raw land, resulting in an as-is land value that is consistent with observed pricing in the local market. As a result, it is our opinion that proposed development of the subject site to its maximum allowable density with finished lots for market rate townhome units is the most profitable use, and is therefore its highest and best use as well.

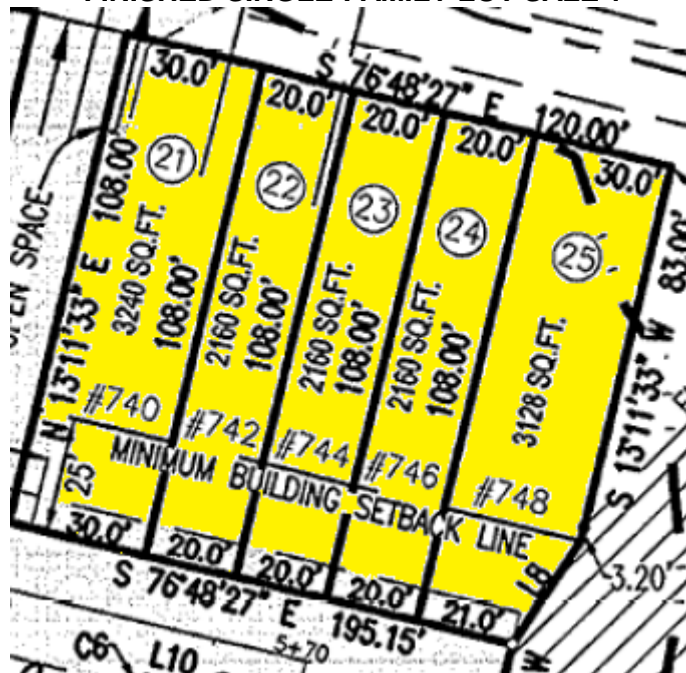
### **Highest & Best Use – As Improved**

One of the contiguous parcels that form the subject site (Parcel 582) is improved with a vacant, dilapidated detached dwelling with a detached garage. The existing improvements add no contributory value to the site, and combined with the contiguous vacant land parcels represents an underutilization of the land. Moreover, renovation of the existing improvements would not provide a higher property value than the value of the land as a redevelopment parcel for a multi-lot subdivision of new attached townhomes and a single-family detached home. Therefore, demolition of the existing improvements and redevelopment of the site with a subdivision to the maximum density allowed, is the most financially feasible use of the property.

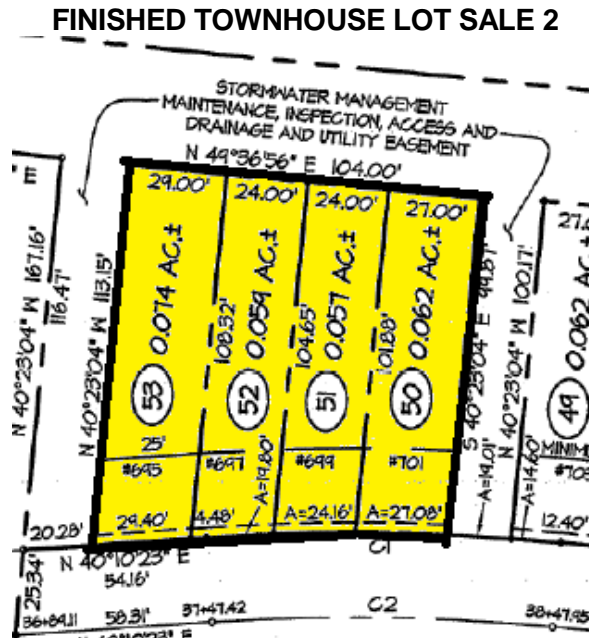
**SALES COMPARISON ANALYSIS**

The direct comparison technique has been used to estimate the prospective value of finished lots. The appropriate unit of comparison for the subject's finished lots is price per lot. The subsequent pages show written profiles of each sale and a discussion of adjustments and the conclusion. A map showing the location of the finished lot sales is presented below.

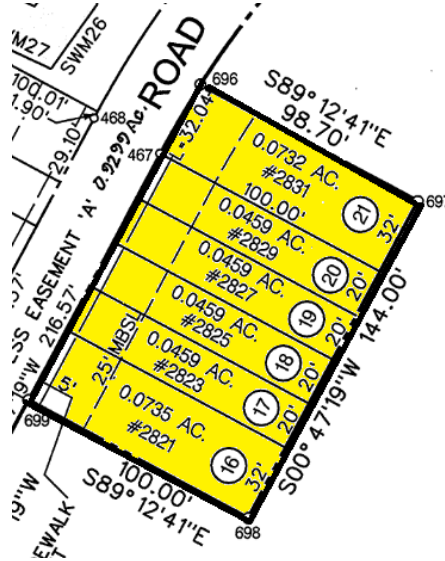
**FINISHED LOT SALES MAP**

**FINISHED SINGLE-FAMILY LOT SALE 1**

<b>LOCATION</b>	Subdivision:	Townes at Bynum Run
	Address:	740-748 (Even) Thurlow Court Lots 21-25 Bel Air, Maryland
<b>TRANSACTION</b>	Seller:	TOR Bynum Run, LLC
	Buyer:	NVR Inc.
	Date of Sale:	12/06/2019
	Deed:	13581/001
	Consideration:	\$475,000
	Verified:	Buyer; Deed
<b>FINANCING</b>	Source:	Cash to Seller
<b>SITE</b>	Number of Lots:	5
	Size:	2,160 sf
	Lot Width:	20 feet
	Topography:	Level
	Physical Status:	Finished
<b>ANALYSIS</b>	Price Per Lot:	\$95,000
<b>COMMENTS</b>	This the most recent takedown of 20-foot wide townhome lots located at Townes at Bynum Run. It is located along Moores Mill Road in Bel Air, Harford County, Maryland. The buyer, Ryan Homes, is developing a total of 38 TH units in this subdivision. Average home prices are \$350,000. Thus, the indicated lot to home price ratio is 27%.	



<b>LOCATION</b>	Subdivision:	Magness Mills
	Address:	695-701 (Odd) Iron Gate Road Lots 50-53 Bel Air, Maryland
<b>TRANSACTION</b>	Seller:	High Ridge Properties
	Buyer:	NVR, Inc.
	Date of Sale:	10/28/2019
	Deed:	13518/483
	Consideration:	\$493,184
<b>FINANCING</b>	Verified:	Buyer; deed
	Source:	Cash to Seller
<b>SITE</b>	Number of Lots:	4
	Size:	2,570 sf avg
	Lot Width:	24 feet
	Topography:	Level
	Physical Status:	Finished
<b>ANALYSIS</b>	Price Per Lot:	\$123,296
<b>COMMENTS</b>	This the most recent takedown of 24-foot wide townhome lots located in the Magness Mills subdivision . It is located along S. Tollgate Road in Bel Air, Harford County, Maryland. The buyer, Ryan Homes, is developing a total of 90 TH units in this subdivision. Average home prices are \$385,000. Thus, the indicated lot to home price ratio is 30%.	

**FINISHED TOWNHOUSE LOT SALE 3**

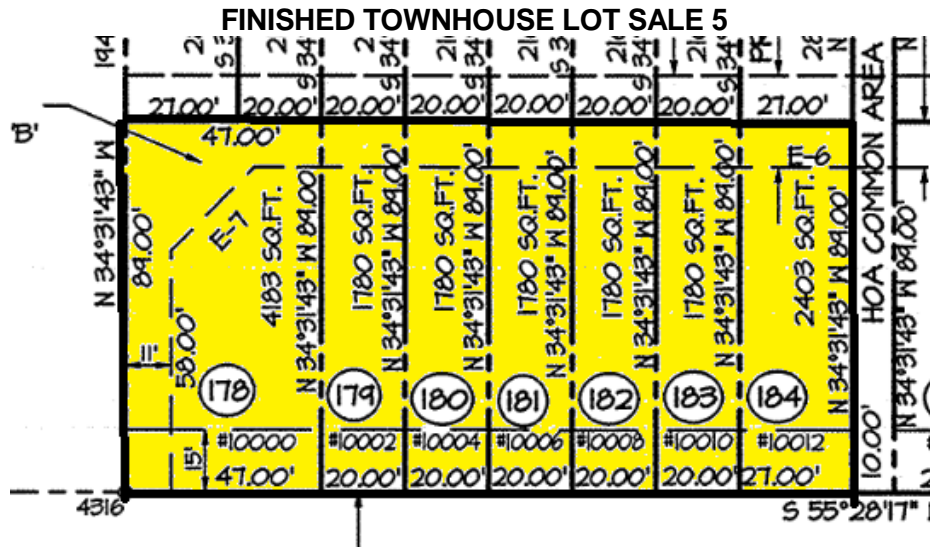
<b>LOCATION</b>	Subdivision:	Shaw's Discovery
	Address:	2935-2945 (Odd) Shaws Road Lots 59-64 Baltimore, Maryland 21236
<b>TRANSACTION</b>	Seller:	MCS Edgemere LLC
	Buyer:	NVR, Inc.
	Date of Sale:	11/21/2019
	Deed:	42213/348
	Consideration:	\$611,570
	Verified:	Buyer; deed
<b>FINANCING</b>	Source:	Cash to Seller
<b>SITE</b>	Number of Lots:	6
	Size:	2,400 sf avg
	Lot Width:	20 feet
	Topography:	Level
	Physical Status:	Finished
<b>ANALYSIS</b>	Price Per Lot:	\$101,928
<b>COMMENTS</b>	This the first takedown of 20-foot wide townhome lots located in the Shaw's Discovery subdivision. It is a 144-lot subdivision located along the north side of North Point Road, just west of Millers Island Road in the Edgemere neighborhood of southeastern Baltimore County, Maryland. The property sits along the southern shore of the Back River, thus providing water access for this community. These townhomes will feature one- and two-car garage models. Base home prices are in the range of \$310,000. Thus, the indicated lot to home price ratio +/-29%.	



LOCATION	Subdivision: Address: Lots 94-97 Halethorpe, Maryland 21227
TRANSACTION	Seller: Buyer: Date of Sale: Deed: Consideration: Verified:
FINANCING	Source:
SITE	Number of Lots: Size: Lot Width: Topography: Physical Status:
ANALYSIS	Price Per Lot:

29





**LOCATION**                      Subdivision:                      Preserve at Windlass Run  
    Address:                              10000-10012 (Even) Sandy Run Road  
                                 Lots 178-184  
                                 Middle River, Maryland 21220

**TRANSACTION**              Seller:                              Beazer Homes Corp.  
    Buyer:                              NVR  
    Date of Sale:                      7/27/2018  
    Deed:                                40656/400  
    Consideration:                      \$800,784  
    Verified:                              Buyer; deed

**FINANCING**                      Source:                              Cash to Seller

**SITE**                              Number of Lots:                      7  
    Lot Width:                              20' wide  
    Size:                                  2,212 s.f.  
    Topography:                              Level  
    Physical Status:                              Finished

**ANALYSIS**                      Price Per Lot:                              \$114,398

**COMMENTS**                      This represents the most recent takedown of 20-foot wide townhome lots by Ryan Homes in the Preserve at Windlass Run subdivision located along Campbell Boulevard, just south of the White Marsh Boulevard extension in Middle River, Baltimore County, Maryland. This location is just east of an interchange along I-95 and the White Marsh Town Center. Ryan Homes is near completion of a total of 140 TH units in this subdivision. Average home prices are \$340,000. Thus, the indicated lot to home price ratio is +/-34%. This subdivision includes shared amenities including a clubhouse, outdoor pool and fitness center.

**FINISHED LOT SALES COMPARISON ANALYSIS**

**TOWNHOUSE LOTS  
NORMANDY WOODS  
FEBRUARY 2020**

	<u>Comp 1</u>	<u>Comp 2</u>	<u>Comp 3</u>	<u>Comp 4</u>	<u>Comp 5</u>
<b>Subdivision</b>	<b>Townes at Bynum Run</b>	<b>Magness Mills</b>	<b>Shaw's Discovery</b>	<b>Highgate Village</b>	<b>Preserve at Windlass Run</b>
<b>Location</b>	Bel Air, MD	Bel Air, MD	Baltimore, MD	Halethorpe, MD	Middle River, Md
<b>County</b>	Harford County	Harford County	Baltimore County	Baltimore County	Baltimore County
<b>Sale Date</b>	Dec-19	Oct-19	Nov-19	Oct-19	Jul-18
<b>Buyer/Builder</b>	NVR	NVR	NVR	NVR	NVR
<b>Number of Lots</b>	5	4	6	4	7
<b>Average Lot Size (Acres)</b>	2,160	2,570	2,400	2,500	2,212
<b>Lot Width</b>	20 feet	24 feet	20 feet	20 feet	20 feet
<b>Physical Status</b>	Finished	Finished	Finished	Finished	Finished
<b>Property Rights Conveyed</b>	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
<b>Consideration</b>	\$475,000	\$493,184	\$611,570	\$468,840	\$800,784
<b>Finished Price Per Lot</b>	\$95,000	\$123,296	\$101,928	\$117,210	\$114,398
<b>Transaction Adjustments</b>					
Property Rights Conveyed	0.0%	0.0%	0.0%	0.0%	0.0%
Financing	0.0%	0.0%	0.0%	0.0%	0.0%
Conditions of Sale	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Overall Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Price	\$95,000	\$123,296	\$101,928	\$117,210	\$114,398
<b>Market Conditions Adjustments</b>	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Price	\$95,000	\$123,296	\$101,928	\$117,210	\$114,398
<b>Comparative Characteristics Adjustments</b>					
Location	-5.0%	-5.0%	0.0%	-10.0%	-5.0%
Physical Characteristics					
Lot Size/Width	0.0%	-10.0%	0.0%	0.0%	0.0%
Development Status & Utilities	0.0%	0.0%	0.0%	0.0%	0.0%
Volume & Sell Out	0.0%	0.0%	0.0%	0.0%	0.0%
Amenities	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>-10.0%</u>
Net Comparative Adjustment	-5.0%	-15.0%	0.0%	-10.0%	-15.0%
<b>Adjusted Price/Lot</b>	\$90,250	\$104,802	\$101,928	\$105,489	\$97,238
<b>Range of Indications</b>	<u>Lowest</u>	<u>Highest</u>			
Price per Lot	\$90,250	\$105,489			
Average Price Per Lot	\$99,941				
Median Price Per Lot	\$101,928				
<b>Indicated Value - Townhouse Lot</b>	<b>\$100,000</b>				

## **ADJUSTMENT OF COMPARABLE TOWNHOME LOT SALES**

### **Property Rights Conveyed**

The comparables must first be adjusted to reflect differences in the property rights conveyed between buyer and seller. Most transfers of real estate convey fee simple, leased fee, or leasehold estates. To the extent that there are differences between the estate being appraised and that transferred in a comparable, an adjustment may be required. Adjustments in this category also recognize the impact on price of transfers of less than 100% ownership of the property. All of the comparables reflect transfer of 100% of the fee simple interest, so no adjustments are required.

### **Financing Adjustments**

Financing arranged by the seller, in the form of assumed financing or a note accepted for part of the purchase price, may affect the price paid for the property. Common examples include: 1) the provision of seller financing when other borrowing options are not available, which tends to elevate price; 2) Seller or assumed financing at favorable terms, which also tends to elevate price; and 3) Existing financing at unfavorable terms which is required, typically by an existing lender, to transfer with the property, which tends to depress price. None of the comparables included seller or assumed financing, so no adjustments were applied.

### **Conditions of Sale**

Unusual conditions affecting the transaction may result in a price which is higher or lower than that expected under a normal, arms length transfer. Common examples include a seller under pressure to raise capital or unusual relationships between the buyer and the seller. No adjustments were required for the comparables.

### **Changes in Market Conditions**

Over time, changing market conditions affect the pricing of real estate. These sales have all settled within the past 18 months. These are considered to be reflective of current market conditions and pricing, and no adjustment is required for this factor.

### **Location**

Differences in neighborhood desirability, as well as site specific characteristics such as access to transportation networks or proximity to complementary uses may have a significant impact on value. The subject is located in the City of Aberdeen, Harford County, Maryland. Sales 1 and 2 are located in the Bel Air area of Harford County, which is further southwest of Aberdeen. Bel Air is a superior market location compared to Aberdeen and a downward adjustment was applied to Sales 1 and 2 for this factor. Sale 3 is located in the Edgemere area of southeast Baltimore County. In terms of market demographics and land values this is a comparable market location to Aberdeen. No adjustments are required to this sale for this factor. Sale 4 is located further south along the I-95 Corridor in the Halethorpe area of southwest Baltimore County. This is a superior market location compared to the subject and a downward adjustment is applied to Sale 4 for this factor. Sale 5 is located further south along the I-95 Corridor in the Middle River area of southeast Baltimore County. This location is just east of the busy White Marsh Town Center. This is a superior market location compared to the subject and a downward adjustment is applied to Sale 5

for this factor.

### **Physical Characteristics**

Lot Size/Width: The subject is proposed for 20 foot wide interior lots averaging approximately 2,040 square feet in size. Sales 1, 3, 4 and 5 offer similar lot widths and overall lot sizes and no adjustments were applied to, these sales for this factor. Sale 2 reflects the sale of 24-foot wide lots which as a result reflects a larger lot size compared to the subject. As such a downward adjustment is applied to Sale 2 for this factor.

Development Status & Utilities: This analysis assumes that the subject lots are finished with utilities in place. The sales presented all reflect finished lots and no adjustments are required for this factor.

Volume & Sell Out: This analysis assumes an estimate of value for a single retail lot, which is the same as all of the comparable sales. No adjustment is required for this factor.

Amenities: The subject lots are proposed to be located in a small community with a single interior spine road and small open space areas. This is comparable to Sales 1, 2, 3 and 4, which needed no adjustment. Sale 5 is located in a community with a community clubhouse with a fitness center, outdoor swimming pool and tot lots. A downward adjustment is applied to Sale 5 for this factor.

### **Conclusion –Finished Townhome Lots**

Following the adjustments as described above the sales indicated a range of adjusted lot values between \$90,250 and \$105,489 per lot. The indicated average is \$99,941 per finished lot. The median value is estimated to be \$101,928 per lot. Based on this we have reconciled a value for a finished lot at the subject near the indicated average, or \$100,000 per lot.

### **Conclusion –Finished SFD Lot**

In addition, the subject is proposed to include one single-family detached home lot. Our research revealed the following finished lot sales for single-family detached homes in the Harford County area.

No.	Address	Subdivision	Lot Size (SF)	Seller	Buyer	Liber/Folio	Sale Date	Price/ Lot
1	657 Iron Gate Rd Bel Air, MD	Magness Mill	7,797	High Ridge Properties	NVR Inc.	13642/316	Jan-20	\$196,201
2	5 Lots Fitri Ct. & Amber Way Aberdeen, MD	Eagle's Rest	11,211	Sage Custom Homes	Rich. American	13295/433	Jun-19	\$100,000
3	507 Dusk View Drive Havre De Grace, MD	Scenic Manor	5,026	ESD Scenic Manor	NVR Inc.	13300/0070	Jun-19	\$90,000
4	801 United Aberdeen, MD	Gray's Run Overlook	5,176	Union Four LLC	Gemcraft Homes Inc.	13610/72	Dec-19	\$105,000
<b>Averages</b>			<b>7,302</b>				<b>Average</b>	<b>\$122,800</b>
							<b>Median</b>	<b>\$102,500</b>

The subject lot is proposed to contain 8,335 square feet and fronts along the south side of Schofield Avenue in the City of Aberdeen, Harford County, Maryland. Each of the comparables reflect recent transactions having closed within the past eight months. No adjustments for market conditions would apply. Sale 1 offers a superior location compared to the subject, and a downward adjustment would apply for this factor. Sales 2 and 4 offer similar market locations compared to the subject and no adjustments would apply to these sales for this factor. Sale 3 offers an inferior location, which would result in an upward adjustment for this factor. In comparison to the subject, Sale 1 reflects a similar average lot size. Sale 2 reflects a larger lot size, and a downward adjustment would apply. Sales 3 and 4 offer smaller lot sizes compared to the subject and upward adjustments would apply to these two comparables of this factor. The subject has a narrow lot width of roughly 50 feet. This is inferior to Sale 1 which provided for lot widths between 60 and 70-feet. However, Sales 2, 3 and 4 offer similar lot widths to the subject. Overall based on these factors, we have reconciled the market value for the subject's proposed finished single-family detached lot slightly below the indicated average sale price among these comparables, or \$120,000.

## **THE DEVELOPMENT (INCOME) APPROACH**

The Income Approach to value is defined as: "A set of procedures in which an appraiser derives a value indication for income-producing property by converting anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. The first method is direct capitalization, in which one year's projected income can be capitalized at an overall rate which reflects the quantity, quality, and durability of the income stream. Subsequent adjustments may be made to take into consideration variations from normalized operations. The second method is discounted cash flow (DCF) analysis, wherein projected annual cash flows during a holding period, along with future proceeds from resale of the property, can be discounted at a specified yield rate."<sup>5</sup>

Application of the Income Approach to a residential subdivision involves use of the discounted cash flow technique, but modeled on land development cash flows rather than net operating income. In this analysis, the gross proceeds of future lot sales are estimated on the basis of projected lot absorption or take down, along with estimates of lot values. The direct costs of subdivision construction are then deducted from expected sale proceeds, along with indirect costs such as settlement costs, contractor's overhead, taxes, and the like. The resulting projection of net cash flow is then discounted at a yield rate which reflects the overall risk profile of the venture, resulting in an indication of present value.

### **PROJECTED LOT SALE REVENUES**

Our projection of gross lot sale proceeds is based on (1) the market pricing as derived in the Sales Comparison Approach – Finished Lot Sales and; (2) the projected absorption pace as detailed in the Market Analysis section of this report. This pace results in a sell-out period of one year divided into four quarters.

### **Projected Absorption of Lots**

Sell-Out Pace: As concluded in the market analysis, we have forecast sales at a rate of 2 townhome lots per month, or 6 per quarter. The sales of these lots are projected to begin upon completion of the proposed site development work. In addition, we have also concluded that since the subject is proposed for just one single-family detached lot, that site would be projected to be absorbed as soon as available following completion of all site development for the subject subdivision.

### **Projected Revenues**

Lot Pricing: As derived in the Sales Comparison Approach section of this report, the subject's finished townhome lots at the subject have a market value of \$100,000 per lot. The one single-family detached lot has a market value estimated to be \$120,000.

Escalations: Due to the small amount of inventory at the subject and the short sell-out period, we have estimated no lot appreciation over the sell-out period.

---

<sup>5</sup> The Dictionary of Real Estate Appraisal, Appraisal Institute.

**Total Gross Sale Proceeds**

The total proceeds of lot sales, based on the assumptions outlined above, are estimated at \$3,620,000.

**PROJECTED DEVELOPMENT COSTS****Direct Construction Costs**

Direct costs, including remaining amounts for site development and engineering/permits/fees, and general conditions, have been estimated on the basis of the developer's budget, as presented in the Property Description. For this analysis the total development costs are estimated to equal \$1,179,949. This excludes \$21,013 of legal fees from the developer's budget, which we will estimate separately under indirect development costs presented below. The \$1,179,949 costs are broken down as \$148,235 of soft costs and \$1,031,714 of hard costs. We have added a contingency of 25% to the soft cost estimate to reflect that, due to the lack of progress in planning and entitlements for the proposed subdivision, some of the tasks that were previously completed may need to be repeated prior to final approvals. The adjusted soft costs equal \$185,293.

The costs required to secure approvals are expended in the first quarterly period. This includes soft costs of \$11,750 attributable to all required reviews and recording, and \$21,013 of hard costs for plans engineering. The remaining soft costs are thus expended during the second and third quarterly periods. Site development work is estimated to begin in the second quarter following receipt of final approvals and required permits. The majority of the site work is projected to occur within six months with final paving and minor finish work taking place upon final sellout.

**Indirect Development Costs**

Recordation & Transfer Taxes: In Harford County recordation taxes equal \$6.60 per \$1,000, or 0.66%. Transfer taxes equal to 1% of the consideration payable. These costs are typically shared equally between the buyer and the seller. Therefore for the developer's share of such charges the recordation tax equals 0.33% and the transfer tax equals 0.50% of the gross sales.

Developer's Profit: We have included the developer's profit in the discount rate and not as a separate line item.

Marketing & Commissions: The costs for marketing, advertising and any brokerage fees incurred are projected at 2.0% of the gross sales.

Legal, Management and Overhead are estimated at 2.0% of gross sales.

Real Estate Taxes: As detailed in the Real Estate Tax section of this report, the current real estate taxes equal \$3,917.31 per year. This reflects the assessment for the subject in its as-is condition. We project that this figure will be applicable on a quarterly basis through the first year of the sellout analysis. Once approved and finished the property is expected to be reassessed based on individual finished lots. We project this will take place beginning in period 5 of this analysis. Using comparable data for finished townhome and detached lots we have estimated quarterly taxes (escalated for inflation) to be applied on all remaining unsold lots in the developer's inventory through the remainder of the sellout analysis. For each period we have applied this per lot tax to the average number of lots in the inventory during each period.

**Total Development Costs**

Including the direct and indirect costs outlined above, the total expenditures projected during the life of the project are estimated at \$1,410,888.

**NET CASH FLOWS**

Net cash flow is projected for each year by deducting net development costs and profit from anticipated gross sale proceeds. Cash flow projections are presented on the following DCF table.

The total net sale proceeds anticipated during the life of the project are \$2,209,112.



## **INDICATION OF PRESENT VALUE**

In order to arrive at an indication of the present value of the subject's lots, the projected net cash flows must be discounted to present value using a discount rate which is appropriate for the subject's risk profile.

### **Discount Rate Selection**

Investments in residential subdivisions are generally considered to be more risky than investments in operating properties. This reflects two primary factors: First, annual revenues are based on sales of lots rather than leases. Leases may ensure occupancy and income for a finite period of time. Lot sales, on the other hand, are dependent on the continuation of demand. As demand declines, so will lot sale revenues. Second, a purchase of operating property involves the expectation of a reversion: After leases expire, the property may be leased or sold to another. With a subdivision, the completion of a lot sale program exhausts ownership rights, and there is no reversion. For these reasons, required yields for investments in residential subdivisions are generally much higher than those for operating property.

Residential developments, by contrast, are generally considered to carry high risks, including:

- (1) Permitting risk, caused by uncertainty regarding approval of a subdivision plan and the ultimate density allowed by governmental authorities;
- (2) Development risk, caused by uncertainty regarding direct costs of infrastructure, and the amount of time require to complete construction; and
- (3) Marketing risk, caused by uncertainty regarding lot price and the pace of sales. With residential land, the completion of the lot sale program or a bulk sale of development rights exhausts ownership rights, and there is no reversion.

For these reasons, required yields for investments in residential subdivisions are generally much higher than those for operating property. The Second Quarter 2019 issue of the "PriceWaterhouse/Coopers Investor Survey" indicated required overall land investment IRRs of 10% to 20%, with an average response of 15.50%, which is down 30 basis points from the Fourth Quarter 2018 and 50 basis points lower than reported in the Second Quarter 2017 (16.00%). (Note: These rates include developer's profit.) In general, the lowest IRRs are for commercial build-to-suit developments with little to no risk, while the high end of the spectrum is reported for completely speculative land developments. Also, these rates assume that entitlements are in place. Without entitlements, the discount rate is increased between 100 and 1,500 basis points (an average increase of 519 basis points, or 20.69%) per the Second Quarter 2019 PwC Investor Survey.

The following summarizes discount rates for Subdivisions and PUDs in the Mid-Atlantic region, as reported by Realtyrates.com, for the 4<sup>th</sup> Quarter 2019. Actual Rates are historical rates achieved by survey respondents, while Pro-Forma Rates reflect forward-looking revenue and expenses, and developer's profit is not treated as an expense.

<b>RealtyRates.com DEVELOPER SURVEY - 4th Quarter 2019*</b>						
<b>Mid-Atlantic - Subdivisions &amp; PUDs</b>						
	<b>Actual Rates</b>			<b>Pro-Forma Rates</b>		
	<b>Min</b>	<b>Max</b>	<b>Avg</b>	<b>Min</b>	<b>Max</b>	<b>Avg</b>
<b>Site-Built Residential</b>	16.83%	39.97%	26.31%	16.16%	38.37%	25.26%
-100 Units	16.83%	34.46%	25.13%	16.16%	33.08%	24.13%
100-500 Units	17.25%	37.90%	26.47%	16.56%	36.39%	25.42%
500+ Units	17.68%	39.62%	26.93%	16.97%	38.04%	25.85%
Mixed Use	18.10%	39.97%	26.71%	17.37%	38.37%	25.64%
<b>Manufactured Housing</b>	16.90%	42.95%	27.72%	16.23%	41.23%	26.61%
-100 Units	16.90%	37.35%	26.58%	16.23%	35.86%	25.52%
100-500 Units	17.33%	41.08%	28.04%	16.63%	39.44%	26.92%
500+ Units	17.75%	42.95%	28.53%	17.04%	41.23%	27.39%
<b>Business Parks</b>	17.15%	39.12%	26.11%	16.47%	37.55%	25.06%
-100 Acres	17.15%	34.02%	25.07%	16.47%	32.66%	24.07%
100-500 Acres	17.58%	37.42%	26.40%	16.88%	35.92%	25.34%
500+ Acres	18.01%	39.12%	26.85%	17.29%	37.55%	25.78%
<b>Industrial Parks</b>	17.15%	33.84%	23.72%	16.47%	32.49%	22.77%
-100 Acres	17.15%	29.43%	22.82%	16.47%	28.25%	21.91%
100-500 Acres	17.58%	32.37%	23.98%	16.88%	31.07%	23.02%
500+ Acres	18.01%	33.84%	24.37%	17.29%	32.49%	23.40%

\*3rd Quarter 2019 Data

Copyright 2019 RealtyRates.com™

During the 4<sup>th</sup> quarter of 2019, the average actual discount rate for residential development with less than 100 units was 25.13%, with a range of 16.83% to 34.46%. The pro-forma average is 24.13%. However, in the PwC survey quoted previously the target range of discount rates, including profit is between 10% and 20%. This is noteworthy as in our experience discount rates rarely exceed this range in the local market. The figures provided by Realtyrates have consistently trended higher. The Realty Rates survey likely includes rates for property that still requires approval and engineering.

Risks are slightly above average for the subject. The proposed development plan for the subject previously received preliminary approval from the City of Aberdeen in December 2008. That approval has since expired. The developer has to resubmit the plan to the city to be reconsidered for approvals again. Moreover, since the City of Aberdeen has approved a reduction in the current required lot widths for townhomes in the R-3 zone, the developer's engineered plans do not reflect this change, which will likely result in a higher lot yield for the property. Thus, this will require engineering of the existing plan so this involves some additional costs and risk. Further, site development has yet to be completed. While the developer seems to have a reasonable cost basis for required development costs, there is some risk for the potential of cost overruns. Furthermore, marketing risk is deemed to be slightly above average for the market as there has been no recent market activity for new townhome sales in the City of Aberdeen. However, with the potential for only 36 lots proposed this development is moderate in size and revenues and sale pace is based on highly comparable subdivision activity from around the surrounding area.

Based on these considerations for subject subdivision, it is our opinion that the subject's overall risk profile is above the PwC survey average, or between +/-20 to 24%.

#### Market Extraction

We were able to extract a discount rate for a 2015 deal involving a 195 lot subdivision of single-family detached homes located at the intersection of MD Route 29 and MD Route 99 in Ellicott City, which is known as the Estates at Patapsco Park. The lots were approved and awaiting recordation at the time of sale. The developer was purchasing the property for \$35.5 million, or \$182,051 per lot. The buyer had term sheets with Beazer Homes and NV Homes for lot takedown contracts at fixed lots prices with an annual escalation factor, and the term sheets spell out a pre-determined takedown schedule for each builder. The site development costs were budgeted and deemed reliable. Overall the risks were deemed to be below average to average. The resulting discount rate for this deal was in the range of 13.5%, including developer profit.

Finally, an August 2018 transaction involving a raw, undeveloped tract of land that had been plat recorded for the development of a 117-lot single-family and townhouse subdivision known as Wade's Grant in Millersville, MD transferred for \$8,800,000 or \$75,214 per lot. Of the 117 lots, 52 are single-family detached lots and 65 are townhouse lots. The property was purchased by K. Hovnanian to develop the site and construct the improvements. Assuming a market sell-out pace and finished lot price and using a typical site development cost budget, the implied discount rate to yield a per lot price of \$75,214/lot would be 12.5%.

#### Final Discount Rate Selection

Based on these considerations for subject subdivision, it is our opinion that the subject's overall risk profile is slightly above average based on national surveys, and in comparison to the one local market extracted rate. We have therefore selected a rate of 20.0% for the subject property as-is, including developer profit.

#### **FINAL VALUE INDICATION – AS-IS PHYSICAL CONDITION**

The total indicated as-is value of the subject, at the selected discount rate of 20.0% per year, is **\$1,450,000** or \$41,429 per lot.

# METZBOWER, WATTS & HULTING

**DISCOUNTED CASH FLOW ANALYSIS  
NORMANDY WOODS  
35 MARKET RATE TH LOTS & 1 SFD LOT  
ABERDEEN, MARYLAND  
MARKET VALUE AS IS - AS OF FEBRUARY 2020**

Period #		1	2	3	4	5	6	7	8	9	Total
Quarter Ending		<u>4/20</u>	<u>7/20</u>	<u>10/20</u>	<u>1/20</u>	<u>4/21</u>	<u>7/21</u>	<u>10/21</u>	<u>1/22</u>	<u>4/22</u>	
Inflation	0.00%										
<b><u>Lot Description</u></b>	<b><u>Avg. Lot Price</u></b>										
20-Foot TH Lots	\$100,000 per lot	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	
SFD lot	\$120,000 per lot	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	
<b><u>Projected Take-Down</u></b>	<b><u>Total Lots</u></b>										
20-Foot TH Lots	<u>35</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>35</u>
Total	35	0	0	0	6	6	6	6	6	5	35
Total TH Taken Down		0	0	0	6	12	18	24	30	35	
Remaining Inventory (TH)		35	35	35	29	23	17	11	5	0	
SFD Lot	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Total	1	0	0	0	0	1	0	0	0	0	1
Total TH Taken Down		0	0	0	0	1	1	1	1	1	
Remaining Inventory (TH)		1	1	1	1	0	0	0	0	0	
Total Lots	36										
<b><u>Projected Revenues</u></b>											
20-Foot TH Lots		0	0	0	600,000	600,000	600,000	600,000	600,000	500,000	3,500,000
SFD Lot		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>120,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>120,000</u>
Gross Revenue		0	0	0	600,000	720,000	600,000	600,000	600,000	500,000	3,620,000
<b><u>Projected Development Costs</u></b>	<b><u>2020\$</u></b>										
<b><u>Direct Construction Costs</u></b>											
Soft Costs	185,293	11,750	83,382	83,382	0	0	0	0	0	6,779	185,293
Site Development	<u>1,031,714</u>	<u>21,013</u>	<u>490,064</u>	<u>490,064</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,573</u>	<u>1,031,714</u>
Total Direct & Offsite Costs	1,217,007	32,762	573,446	573,446	0	0	0	0	0	37,353	1,217,007
<b><u>Indirect Costs</u></b>	<b><u>Rate</u></b>										
Recordation Fees	0.330%	0	0	0	1,980	2,376	1,980	1,980	1,980	1,650	11,946
Transfer Taxes	0.500%	0	0	0	3,000	3,600	3,000	3,000	3,000	2,500	18,100
Profit	0.00%	0	0	0	0	0	0	0	0	0	-
Marketing & Commissions	2.00%	0	0	0	12,000	14,400	12,000	12,000	12,000	10,000	72,400
Legal/Management/OH	2.00%	0	0	0	12,000	14,400	12,000	12,000	12,000	10,000	72,400
RET Per Finished TH Lot	\$823 /lot/yr	206	207	208	210	211	212	214	215	216	
RET Per Finished SFD Lot	\$1,070 /lot/yr	268	269	271	273	274	276	278	279	281	
Real Estate Tax Payments											
Current RE taxes	\$3,917.31 /yr	979	979	979	979	0	0	0	0	0	3,917
Finished TH Lots		0	0	0	0	5,484	4,245	2,990	1,719	541	14,980
Finished SFD Lot		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>137</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>137</u>
Total Indirect Costs		979	979	979	29,959	40,398	33,225	31,970	30,699	24,691	193,880
<b>Total Development Costs</b>		33,742	574,425	574,425	29,959	40,398	33,225	31,970	30,699	62,043	1,410,888
<b>Projected Net Cash Flow</b>		(33,742)	(574,425)	(574,425)	570,041	679,602	566,775	568,030	569,301	437,957	2,209,112
<b><u>Indicated Present Value</u></b>											
Discount Rate	20.0%	5.000%	5.000%	5.000%	5.000%	5.000%	5.000%	5.000%	5.000%	5.000%	
Discount Factor		0.9524	0.9070	0.8638	0.8227	0.7835	0.7462	0.7107	0.6768	0.6446	
P.V. of Annual NCF		(32,135)	(521,021)	(496,210)	468,974	532,486	422,936	403,688	385,325	282,311	
<b>Total Present Value</b>		1,446,354									
<b>Rounded</b>		<b>\$1,450,000</b>									
<b>Per Lot</b>		<b>\$41,429</b>									

**FINAL PROSPECTIVE MARKET VALUE INDICATION – AS IF SUBDIVIDED**

Our client has also asked for the prospective market value of the subject, as if subdivided, but with no physical improvements. As shown on the following table, we have provided this value indication by altering the DCF analysis as follows:

- Reduce the soft costs for cost attributable to securing required approvals by the City of Aberdeen. As noted this cost was previously estimated to total \$11,750.
- Reduce hard costs for costs attributable to completion of preliminary engineering, or \$21,013.
- Start site work development one quarter earlier thus reducing the sellout period by one quarter.
- Reduce the discount rate to 16%, inclusive of developer profit, to reflect the reduction in the risk relating to the preliminary engineering and approval process.

Based on the development schedule projected in this analysis, the prospective date of value is May 1, 2020.

The total indicated prospective market value of the subject, as if subdivided, but with no physical improvements, as of May 1, 2020, at the selected discount rate of 16.0% per year, is **\$1,670,000** or \$47,714 per lot.

# METZBOWER, WATTS & HULTING

**DISCOUNTED CASH FLOW ANALYSIS  
NORMANDY WOODS  
31 MARKET RATE TH LOTS & 1 SFD LOT  
ABERDEEN, MARYLAND  
PROSPECTIVE MARKET VALUE AS IF SUBDIVIDED - AS OF MAY 2020**

Period #		1	2	3	4	5	6	7	8	Total
Quarter Ending		<u>7/20</u>	<u>10/20</u>	<u>1/20</u>	<u>4/21</u>	<u>7/21</u>	<u>10/21</u>	<u>1/22</u>	<u>4/22</u>	
Inflation	0.00%									
<b><u>Lot Description</u></b>	<b><u>Avg. Lot Price</u></b>									
20-Foot TH Lots	\$100,000 per lot	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	
SFD lot	\$120,000 per lot	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	
<b><u>Projected Take-Down</u></b>	<b><u>Total Lots</u></b>									
20-Foot TH Lots	<u>35</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>35</u>
Total	35	0	0	6	6	6	6	6	5	35
Total TH Taken Down		0	0	6	12	18	24	30	35	
Remaining Inventory (TH)		35	35	29	23	17	11	5	0	
SFD Lot	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Total	1	0	0	1	0	0	0	0	0	1
Total TH Taken Down		0	0	1	1	1	1	1	1	
Remaining Inventory (TH)		1	1	0	0	0	0	0	0	
Total Lots	36									
<b><u>Projected Revenues</u></b>										
20-Foot TH Lots		0	0	600,000	600,000	600,000	600,000	600,000	500,000	3,500,000
SFD Lot		<u>0</u>	<u>0</u>	<u>120,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>120,000</u>
Gross Revenue		0	0	720,000	600,000	600,000	600,000	600,000	500,000	3,620,000
<b><u>Projected Development Costs</u></b>	<b><u>2020\$</u></b>									
<b><u>Direct Construction Costs</u></b>										
Soft Costs	173,544	83,382	83,382	0	0	0	0	0	6,779	173,544
Site Development	<u>1,010,701</u>	<u>490,064</u>	<u>490,064</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,573</u>	<u>1,010,701</u>
Total Direct & Offsite Costs	1,184,245	573,446	573,446	0	0	0	0	0	37,353	1,184,245
<b><u>Indirect Costs</u></b>	<b><u>Rate</u></b>									
Recordation Fees	0.330%	0	0	2,376	1,980	1,980	1,980	1,980	1,650	11,946
Transfer Taxes	0.500%	0	0	3,600	3,000	3,000	3,000	3,000	2,500	18,100
Profit	0.00%	0	0	0	0	0	0	0	0	-
Marketing & Commissions	2.00%	0	0	14,400	12,000	12,000	12,000	12,000	10,000	72,400
Legal/Management/OH	2.00%	0	0	14,400	12,000	12,000	12,000	12,000	10,000	72,400
RET Per Finished TH Lot	\$823 /lot/yr	206	207	208	210	211	212	214	215	
RET Per Finished SFD Lot	\$1,070 /lot/yr	268	269	271	273	274	276	278	279	
Real Estate Tax Payments										
Current RE taxes	\$3,917.31 /yr	979	979	0	0	0	0	0	0	1,959
Finished TH Lots		0	0	6,667	5,450	4,219	2,972	1,709	537	21,553
Finished SFD Lot		<u>0</u>	<u>0</u>	<u>135</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>135</u>
Total Indirect Costs		979	979	41,578	34,430	33,199	31,952	30,689	24,687	198,494
<b>Total Development Costs</b>		574,425	574,425	41,578	34,430	33,199	31,952	30,689	62,040	1,382,738
<b>Projected Net Cash Flow</b>		(574,425)	(574,425)	678,422	565,570	566,801	568,048	569,311	437,960	2,237,262
<b><u>Indicated Present Value</u></b>										
Discount Rate	16.0%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	
Discount Factor		0.9615	0.9246	0.8890	0.8548	0.8219	0.7903	0.7599	0.7307	
P.V. of Annual NCF		(552,332)	(531,089)	603,115	483,451	465,869	448,937	432,630	320,013	
<b>Total Present Value</b>		1,670,594								
<b>Rounded</b>		<b>\$1,670,000</b>								
<b>Per Lot</b>		<b>\$47,714</b>								

**TEST OF VALUE BASED ON LOWER LOT YIELD**

The preceding value estimates are predicated on the assumption that the proposed development of the subject property will be changed based on the approved change in the development standards in Aberdeen's R-3 zoning code. The subject had previously been approved for development of 31 townhouse lots and one single family detached lot (32 total) prior to the April 2019 change in the R-3 development standards, that provide for narrower townhouse lots, which are more consistent with demand characteristics in the local new home market.

Because of this change, we have based the previous value estimates on the assumption that this change will take place, and that the subject will be approved for development of 36 total lots, including 35 townhouse lots and one single family detached lot. In order to provide the client with sufficient information to make an informed decision regarding the potential financing of the subject, we have tested the two previous value estimates as though an increase in density from 32 lots to 36 lots would otherwise not be obtained. These tests are based on the following changes to the land development cash flow analyses:

- For each analysis, we have reduced the number of townhouse lots by four, from 35 to 31 lots. The impact is placed in the final takedown of lots in each cash flow analysis.
- Each analysis still utilizes the assumption of one single family detached lot.
- The result is that each analysis utilizes a total of 32 lots, as opposed to 36 lots in the previous analyses.
- All of the other assumptions remain the same. Estimated development costs have not been changed, since the footprint of the buildings would be the same for a 32-lot or 36-lot subdivision.

The resulting value indications under this scenario are as follows:

As-Is, As of January 29, 2020:	\$1,210,000
Prospective, As If Subdivided, but With No Physical Improvements As of May 1, 2020	\$1,400,000

# METZBOWER, WATTS & HULTING

**DISCOUNTED CASH FLOW ANALYSIS  
NORMANDY WOODS  
31 MARKET RATE TH LOTS & 1 SFD LOT  
ABERDEEN, MARYLAND  
MARKET VALUE AS IS - AS OF FEBRUARY 2020**

Period #		1	2	3	4	5	6	7	8	Total
Quarter Ending		4/20	7/20	10/20	1/20	4/21	7/21	10/21	1/22	
Inflation	0.00%									
<b>Lot Description</b>	<b>Avg. Lot Price</b>									
20-Foot TH Lots	\$100,000 per lot	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	
SFD lot	\$120,000 per lot	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	
<b>Projected Take-Down</b>	<b>Total Lots</b>									
20-Foot TH Lots	31	0	0	0	6	6	6	6	7	31
Total	31	0	0	0	6	6	6	6	7	31
Total TH Taken Down		0	0	0	6	12	18	24	31	
Remaining Inventory (TH)		31	31	31	6	19	13	7	0	
SFD Lot	1	0	0	0	0	1	0	0	0	1
Total	1	0	0	0	0	1	0	0	0	1
Total TH Taken Down		0	0	0	0	1	1	1	1	
Remaining Inventory (TH)		1	1	1	1	0	0	0	0	
Total Lots	32									
<b>Projected Revenues</b>										
20-Foot TH Lots		0	0	0	600,000	600,000	600,000	600,000	700,000	3,100,000
SFD Lot		0	0	0	0	120,000	0	0	0	120,000
Gross Revenue		0	0	0	600,000	720,000	600,000	600,000	700,000	3,220,000
<b>Projected Development Costs</b>	<b>2020\$</b>									
<b>Direct Construction Costs</b>										
Soft Costs	185,293	11,750	83,382	83,382	0	0	0	0	6,779	185,293
Site Development	1,031,714	21,013	490,064	490,064	0	0	0	0	30,573	1,031,714
Total Direct & Offsite Costs	1,217,007	32,762	573,446	573,446	0	0	0	0	37,353	1,217,007
<b>Indirect Costs</b>	<b>Rate</b>									
Recordation Fees	0.330%	0	0	0	1,980	2,376	1,980	1,980	2,310	10,626
Transfer Taxes	0.500%	0	0	0	3,000	3,600	3,000	3,000	3,500	16,100
Profit	0.00%	0	0	0	0	0	0	0	0	-
Marketing & Commissions	2.00%	0	0	0	12,000	14,400	12,000	12,000	14,000	64,400
Legal/Management/OH	2.00%	0	0	0	12,000	14,400	12,000	12,000	14,000	64,400
RET Per Finished TH Lot	\$823 /lot/yr	206	207	208	210	211	212	214	215	
RET Per Finished SFD Lot	\$1,070 /lot/yr	268	269	271	273	274	276	278	279	
Real Estate Tax Payments										
Current RE taxes	\$3,917.31 /yr	979	979	979	979	0	0	0	0	3,917
Finished TH Lots		0	0	0	0	4,641	3,396	2,136	752	10,925
Finished SFD Lot		0	0	0	0	137	0	0	0	137
Total Indirect Costs		979	979	979	29,959	39,554	32,376	31,116	34,562	170,505
<b>Total Development Costs</b>		33,742	574,425	574,425	29,959	39,554	32,376	31,116	71,915	1,387,513
<b>Projected Net Cash Flow</b>		(33,742)	(574,425)	(574,425)	570,041	680,446	567,624	568,884	628,085	1,832,487
<b>Indicated Present Value</b>										
Discount Rate	20.0%	5.000%	5.000%	5.000%	5.000%	5.000%	5.000%	5.000%	5.000%	
Discount Factor		0.9524	0.9070	0.8638	0.8227	0.7835	0.7462	0.7107	0.6768	
P.V. of Annual NCF		(32,135)	(521,021)	(496,210)	468,974	533,147	423,570	404,295	425,113	
<b>Total Present Value</b>										
		1,205,733								
<b>Rounded Per Lot</b>		<b>\$1,210,000</b>								
		<b>\$39,032</b>								



**DISCOUNTED CASH FLOW ANALYSIS  
NORMANDY WOODS  
31 MARKET RATE TH LOTS & 1 SFD LOT  
ABERDEEN, MARYLAND  
PROSPECTIVE MARKET VALUE AS IF SUBDIVIDED - AS OF MAY 2020**

Period #		1	2	3	4	5	6	7	Total
Quarter Ending		<u>7/20</u>	<u>10/20</u>	<u>1/20</u>	<u>4/21</u>	<u>7/21</u>	<u>10/21</u>	<u>1/22</u>	
Inflation	0.00%								
<b>Lot Description</b>	<b>Avg. Lot Price</b>								
20-Foot TH Lots	\$100,000 per lot	100,000	100,000	100,000	100,000	100,000	100,000	100,000	
SFD lot	\$120,000 per lot	120,000	120,000	120,000	120,000	120,000	120,000	120,000	
<b>Projected Take-Down</b>	<b>Total Lots</b>								
20-Foot TH Lots	31	0	0	6	6	6	6	7	31
Total	31	0	0	6	6	6	6	7	31
Total TH Taken Down		0	0	6	12	18	24	31	
Remaining Inventory (TH)		31	31	25	19	13	7	0	
SFD Lot	1	0	0	1	0	0	0	0	1
Total	1	0	0	1	0	0	0	0	1
Total TH Taken Down		0	0	1	1	1	1	1	
Remaining Inventory (TH)		1	1	0	0	0	0	0	
Total Lots	32								
<b>Projected Revenues</b>									
20-Foot TH Lots		0	0	600,000	600,000	600,000	600,000	700,000	3,100,000
SFD Lot		0	0	120,000	0	0	0	0	120,000
Gross Revenue		0	0	720,000	600,000	600,000	600,000	700,000	3,220,000
<b>Projected Development Costs</b>	<b>2020\$</b>								
<b>Direct Construction Costs</b>									
Soft Costs	173,544	83,382	83,382	0	0	0	0	6,779	173,544
Site Development	1,010,701	490,064	490,064	0	0	0	0	30,573	1,010,701
Total Direct & Offsite Costs	1,184,245	573,446	573,446	0	0	0	0	37,353	1,184,245
<b>Indirect Costs</b>	<b>Rate</b>								
Recordation Fees	0.330%	0	0	2,376	1,980	1,980	1,980	2,310	10,626
Transfer Taxes	0.500%	0	0	3,600	3,000	3,000	3,000	3,500	16,100
Profit	0.00%	0	0	0	0	0	0	0	-
Marketing & Commissions	2.00%	0	0	14,400	12,000	12,000	12,000	14,000	64,400
Legal/Management/OH	2.00%	0	0	14,400	12,000	12,000	12,000	14,000	64,400
RET Per Finished TH Lot	\$823 /lot/yr	206	207	208	210	211	212	214	
RET Per Finished SFD Lot	\$1,070 /lot/yr	268	269	271	273	274	276	278	
Real Estate Tax Payments									
Current RE taxes	\$3,917.31 /yr	979	979	0	0	0	0	0	1,959
Finished TH Lots		0	0	5,833	4,612	3,375	2,123	748	16,690
Finished SFD Lot		0	0	135	0	0	0	0	135
Total Indirect Costs		979	979	40,745	33,592	32,355	31,103	34,558	174,310
<b>Total Development Costs</b>		574,425	574,425	40,745	33,592	32,355	31,103	71,910	1,358,555
<b>Projected Net Cash Flow</b>		(574,425)	(574,425)	679,255	566,408	567,645	568,897	628,090	1,861,445
<b>Indicated Present Value</b>									
Discount Rate	16.0%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%	
Discount Factor		0.9615	0.9246	0.8890	0.8548	0.8219	0.7903	0.7599	
P.V. of Annual NCF		(552,332)	(531,089)	603,856	484,168	466,563	449,608	477,297	
<b>Total Present Value</b>				1,398,070					
<b>Rounded</b>				<b>\$1,400,000</b>					
<b>Per Lot</b>				<b>\$45,161</b>					

### RECONCILIATION AND CORRELATION

During the process of reconciling the indications of value derived from the various approaches employed in the appraisal, the appraiser considers the quantity and quality of the information available for use in each approach, as well as the applicability of each approach to the appraisal problem at hand. The resulting value indications are as follows:

	<b>As-Is as of <u>January 29, 2020</u></b>	<b>Prospective Market Value As If Subdivided <u>as of May 1, 2020</u></b>
<b>Sales Comparison Approach</b>	<b>N/A</b>	<b>N/A</b>
<b>Development Approach</b>	<b>\$1,450,000</b>	<b>\$1,670,000</b>

The Sales Comparison Approach is most reliable when a number of confirmed sales of similar properties are available for analysis. Value contributions by standard property components can be easily identified and adjusted for. If the subject property has unique or specialized elements, or if there are substantial variations between the comparables and the subject, the indicated value is less reliable. This approach has been developed to estimate the finished lot values of the subject lots. These finished lot prices are then used in the projection of revenues for the remaining unsold lots, as developed in the Development (Income) Approach. There have been no bulk sales of comparable lots that are partially or substantially finished.

The Development (Income) Approach is generally considered to be the most reliable indicator of value for income producing properties, because pricing decisions by investors are based on income analyses. The applicability of the approach is undermined, however, when limited data are available to support estimates of revenues, expenses, and required investment yields. The assumptions employed in this approach are based on a wide array of applicable market data, cost engineering estimates prepared for the subject property, and surveys of return requirements by active developers. The indications provided by this approach are considered to be highly reliable. Thus, this approach has been given full weight in the reconciliation.

We have estimated the market value of the fee simple interest of the subject property, in its "as-is" condition, as of January 29, 2020. It is our opinion that the market value as-is of the property is as follows:

**\$1,450,000**  
**ONE MILLION FOUR HUNDRED FIFTY THOUSAND DOLLARS**

We have also estimated the prospective market value of the fee simple interest of the subject property, as if subdivided, but with no physical improvements, as of May 1, 2020. It is our opinion that the market value as-is of the property is as follows:

**\$1,670,000**  
**ONE MILLION SIX HUNDRED SEVENTY THOUSAND DOLLARS**

**Extraordinary Assumptions**

- The prospective valuations assume that the subject property will receive approval for the development that is proposed by the owner of the property, including 35 townhome lots and one single-family detached lot. We also assume that final approvals will be secured within three months of the date of value, and that subdivision plats may be recorded at any time following final approval.
- This appraisal also assumes that the site development described in this appraisal will be completed as planned, in a workmanlike manner consistent with the quality standards in the local market, and at a cost level consistent with the developer's budget.

## **ADDENDA**

## **VALUATION PROCESS AND DEFINITIONS**

### **Purpose of the Appraisal**

The purpose of the appraisal is to provide three fee simple value estimates for the subject property, including the as-is market value, and the prospective market value as if subdivided, but with no physical improvements.

### **Intended Use of the Report**

The intended use of this report by the client is for loan underwriting and/or credit decisions by United Bank and/or participants. The intended user is identified as United Bank, Inc. and/or its affiliates. No other user or intended use of this appraisal has been identified, and none has been approved by the appraisers.

### **Scope of the Appraisal**

The scope of the appraisal includes:

- 1) an on-site inspection of the subject property;
- 2) research and collection of data on comparable rents and sales in the subject's trade area;
- 3) verification of key data through examination of public records and discussions with buyers, sellers, or brokers, as available;
- 4) an analysis of local market conditions, locational factors, physical attributes, unit sizes and other pertinent factors; and
- 5) development of two of the three recognized approaches to value, namely the Sales Comparison Approach (for finished lot values) and Development (Income) Approach.

### **Definition of Market Value <sup>6</sup>**

"The most probable sales 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, 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 advised, and each acting in what they consider their own best interest;
- (3) a reasonable time is allowed for exposure in the open market;
- (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereof; 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."

---

<sup>6</sup> OCC Ruling 12 CFR Part 34, Section 34.44.

## **Property Rights Appraised**

This valuation addresses the fee simple interest of the property. Fee simple interest is defined as "Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government."<sup>7</sup>

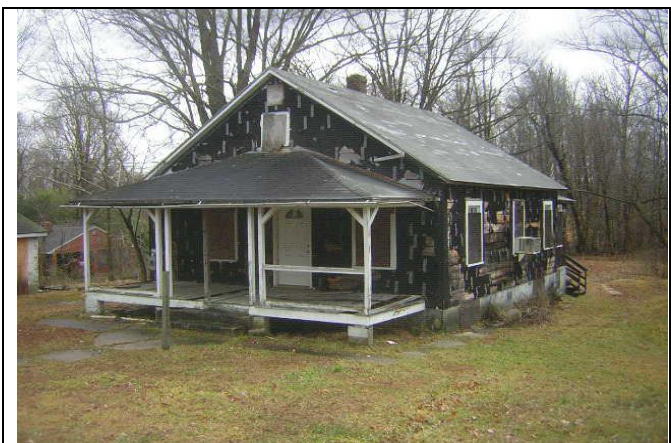
## **Extraordinary Assumptions**

- The prospective valuations assume that the subject property will receive approval for the development that is proposed by the owner of the property, including 35 townhome lots and one single-family detached lot. We also assume that final approvals will be secured within three months of the date of value, and that subdivision plats may be recorded at any time following final approval.
- This appraisal also assumes that the site development described in this appraisal will be completed as planned, in a workmanlike manner consistent with the quality standards in the local market, and at a cost level consistent with the developer's budget.

---

<sup>7</sup> Dictionary of Real Estate Appraisal; Appraisal Institute.

## **Subject Property Photographs**



Portion of the Subject Fronting on Schofield Ave



View Facing Towards the Rear of the Property



View Facing Towards the Rear of the Property



West Along Schofield Avenue



East Along Schofield Avenue



## **General Assumptions & Limiting Conditions**

## **GENERAL ASSUMPTIONS & LIMITING CONDITIONS**

In addition to the specific assumptions and limiting conditions outlined in this report, the following general assumptions and limiting conditions apply:

### **General Assumptions**

- 1) No responsibility is assumed for the legal description provided for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- 2) The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
- 3) Responsible ownership and competent property management are assumed.
- 4) This information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- 5) All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
- 6) It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
- 7) It is assumed that the property is in full compliance with all applicable federal, state and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
- 8) It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.
- 9) It is assumed that all required licenses, certificates of occupancy, consents, and 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.
- 10) It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

- 11) Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field, if desired.

### **General Limiting Conditions**

- 1) Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
- 2) Possession of this report, or a copy thereof, does not carry with it the right of publication.
- 3) The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.
- 4) Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
- 5) The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and continuation of current economic trends. These forecasts are, therefore, subject to changes with future conditions.
- 6) If the property is proposed construction, improvements are assumed to have been completed per the plans and specifications at the assumed dates of completion and/or stabilization. Any construction is assumed to conform to all legal requirements.
- 7) Exhibits, maps, and site plans included in this report are intended solely to help the reader visualize the property and its environs. They should not be used for surveys or any other purpose.
- 8) Unless otherwise specified in the report, no consideration has been given to personal property located on the property or the cost of relocating such personal property; only the real property was considered in the appraisal.

- 9) The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of the property to determine whether or not it is conformance with ADA. It is possible that a compliance survey could reveal that the property is not in compliance with one or more of the requirements of this act. If so, this could have a negative effect on the subject property value. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.

## **Qualifications**

**STEVEN A. METZBOWER, MAI**  
**Principal**

Education

**St. Mary's College of Maryland, St. Mary's City, Maryland**  
BA in Political Science

**The Appraisal Institute**

Successfully completed the following Courses:

Introduction to Appraising Real Property

Applied Residential Property Valuation

Capitalization Theory and Techniques Parts A and B

Standards of Professional Practice

Case Studies in Real Estate Appraisal

Narrative Report Writing

Comprehensive Appraisal Review

The Appraisal Institute conducts a program of continuing education for its designated members. Mr. Metzbower has completed the requirements of this program.

Professional Memberships and Licenses

Designated Member of the Appraisal Institute (MAI) #10211

Certified General Appraiser in the following states:

Maryland # 04-636

Virginia # 4001-001924

District of Columbia # GA-10188

Pennsylvania # GA000858L

Professional Experience

Metzbower, Watts & Hulting, LC      Hanover, Maryland  
Principal, 1994 to present

Campanella & Company, Inc. Towson, Maryland  
Vice President, 1992 to 1994

GA/Partners - Arthur Andersen & Co. Washington, D.C.  
Manager, 1988 to 1992  
Associate, 1986 to 1988

Montgomery County, Maryland      Rockville, Maryland  
Assistant Public Advocate, 1984 to 1986

State of Maryland      Rockville and Towson, Maryland  
Assessor, 1979 to 1984

THIS DOCUMENT IS VOID WITHOUT BLUE BACKGROUND. CONTAINS  
COPY VOID FEATURE & ARTIFICIAL WATERMARK ON THE BACK.



LICENSE \* REGISTRATION \* CERTIFICATION \* PERMIT

STATE OF MARYLAND

DEPARTMENT OF LABOR, LICENSING AND REGULATION

COMMISSION OF RE APPRAISERS & HOME INSPECTORS

CERTIFIES THAT:

STEVEN ALFRED METZBOWER

Lawrence J. Hogan, Jr.  
Governor

Boyd K. Rutherford  
Lt. Governor

Kelly M. Schulz  
Secretary

IS AN AUTHORIZED: **04 - CERTIFIED GENERAL**

LIC/REG/CERT  
636

EXPIRATION  
12-31-2021

EFFECTIVE  
11-20-2018

CONTROL NO  
5266785

Signature of Bearer

Secretary DLLR

WHERE REQUIRED BY LAW THIS MUST BE CONSPICUOUSLY DISPLAYED IN OFFICE TO WHICH IT APPLIES

## **PATRICK J. WALL**

### Education

LOYOLA COLLEGE, Baltimore, Maryland  
Bachelor of Business Administration Degree in Finance, May 1989

#### **APPRAISAL COURSES**

Basic Valuation Procedures, Course 1-B	Fall 1993
Principles of Real Estate Appraisal, Course 1-A	Fall 1992
Basic Income Capitalization, Course 310	Summer 1998
Advanced Income Capitalization, Course 510	Summer 1998

### Professional Experience

1/02-Present	<u>METZBOWER, WATTS &amp; HULTING, LLC, Columbia Maryland</u> Senior Appraiser - Research and preparation of real property valuation appraisals for commercial real estate throughout the Baltimore and Washington Metropolitan Area.
7/01-12/01	<u>INDEPENDENT CONTRACT APPRAISER</u> Research and preparation of real property valuation appraisals for commercial real estate throughout the Baltimore and Washington Metropolitan Area.
01/96 – 6/01	<u>COLUMBIA NATIONAL REAL ESTATE FINANCE, INC., Baltimore, MD</u> Financial Analyst - Assist production/origination team in analysis and preparation of real property financing submissions.
05/92-01/96	<u>MERKLE APPRAISAL GROUP, Annapolis, Maryland</u> Real Estate Analyst - Experienced in the research and preparation of real property valuation appraisals for commercial real estate throughout the Baltimore and Washington Metropolitan Area.
03/90-01/92	<u>ILEX CONSTRUCTION &amp; DEVELOPMENT, INC., Baltimore, MD</u> Assistant Project Administrator - Training in all phases of new residential construction and custom remodeling projects for General Contractor.



## **Letter of Engagement**



## United Bank Appraisal Engagement Contract

United Bank

Date Awarded:01/24/2020

Project Number:20-000033-01-01

Appraiser Name:Steve Metzbower

Appraiser Company:Metzbower, Watts & Hulting LC

Address:5501 Twin Knolls Rd., Columbia, MD21045

Phone:410-992-9632

Fax: 410-992-9077

Email:steve@mwhappraisal.com

Property/Project Name: Schofield Gardens

Property Address: 700 block of Schofield Rd, Aberdeen, MD 21001

Property Type:Land, Subdivision-Residential (5+ Lots)

Property Description:Market value of land as-is and as-if entitled by right 5 tax lots (4 unimproved, 1 improved w/vacant house) along south line of Schofield Rd, SE of Bush Chapel Rd, zoned R-3. R-3 zoning allowed development of 32 lots (32 TH, 1 SFD). Borrower was then proposing 36-lot development (35 TH, 1 SFD) that was dependent upon change of R-3 zoning to allow greater density.

Access/Contact Info:Scott Siegel

Phone:703-289-2100

Email:scott.siegel@onpartners.com

Alternate Phone:

Please accept this letter as your authorization to develop an appraisal of the referenced property on behalf of United Bank. This engagement is subject to the following:

- The specific terms and conditions outlined in the Request for Proposal in RIMS including, but not limited to, the Comments Section, the supplemental Scope of Work Requirements for the subject property type and any other specified or Reference Documents;
- The United Bank Appraisal & Evaluation Policy and Appraisal Requirements (as applicable to this assignment); and
- Any specific requirements set forth in this letter or as required by applicable USPAP standards and applicable banking laws, regulations, and guidance.

Delivery Date: 02/11/2020

**Delivery Requirements:** Please submit any requests for information to the property contact and arrange for a property inspection. If you have not received all required information or if at any time you believe the report may be delayed, please contact the Job Manager stipulated below. At a minimum, this notification should take place at least seven days before the due date. *At the discretion of the Valuations Manager, appraisal reports that are delivered late (without prior notification and approval) are subject to a late charge of a minimum of 5% of the total appraisal fee for each calendar day past the due date, or 10% of the total appraisal fee, whichever is greater.* Please upload an electronic copy of your appraisal report to RIMS by no later than the delivery date. The RIMSCentral web address is [www.rimscentral.com](http://www.rimscentral.com). If the complete copy of the report cannot be uploaded, please contact RIMS Support at [yeni.mairena@bankwithunited.com](mailto:yeni.mairena@bankwithunited.com).

**Appraisal Fee:** \$3600.00, inclusive of all costs necessary to complete the report. Any costs not included in the fee must be approved in advance by United Bank.

It is mutually agreed that your completed appraisal report, in the specified number of copies, will be delivered to the undersigned on or before the date specified, and that the total appraisal fee will not exceed the fee specified above.

### **APPRAISAL REPORTING OPTIONS**

This appraisal Engagement Letter allows one type of appraisal assignment (complete) with two reporting options (appraisal report or restricted appraisal report). These are defined in the most current version of the USPAP Standard Rule 2-2 and Statement 2, 8, and 10.

The required scope and format of your assignment shall be as follows:

In developing this appraisal assignment, we require at a minimum that:

Three approaches to value to be considered, developed and repeated, if appropriate: OR Sales Comparison and Income Approaches to be developed\*

*\*We recognize in setting forth the Scope of Work for this assignment that you may determine that two or three approaches to value may be required to provide a credible appraisal.*

#### SCOPE OF WORK

Intended Use: The intended use of this appraisal is for loan underwriting and-or credit decisions by United Bank and-or participants

Intended User: The intended users of this report is United Bank and-or affiliates

Approaches to Value: To be used when subdivision and development of the site represent the highest and best use of the subject parcel and sales data on finished lots is available.

Inspection Requirements: Inspect the subject interior and exterior and at least an exterior inspection for all comparables utilized.

Additional Work Scope: Please provide the following values:  
1) As-is  
2) As-if subdivided into the maximum number of TH lots plus 1 SFD lot allowable by-right as currently zoned.  
Thank you.

Report Distribution: Valuation reports (and the conclusions contained therein) should not be shared with the account officer UNTIL the assignment has successfully passed United Bank review process.

Independence Certification: By accepting this engagement, you are confirming that you are independent of United Bank's loan production and collection process and have no direct, indirect or prospective interest, financial or otherwise, in the property or transaction. In addition, you acknowledge that you have received, read, and understand this assignment and that you affirm that you have the knowledge and experience necessary to competently complete this assignment.

Report Type: Appraisal Report

Report Format: Narrative

Premise	Qualifier	Interest	Comment
Market Value	As-Is	Fee Simple	see above work scope

RFP Comments (if any): Comments Available to all bidders..

Special Conditions (if any): Comments Available to all bidders. - By accepting this engagement, you are confirming that you are independent of United Bank's loan production and collection process and have no direct, indirect or prospective interest, financial or otherwise, in the property or transaction. In addition, you acknowledge that you have received, read, and understand this assignment and that you affirm that you have the knowledge and experience necessary to competently complete this assignment.

When completed, please upload an electronic copy of your report to the rimscentral.com web site, in addition to your instructions for hard-copy report distribution. Please Note: Valuation reports (and the conclusions contained therein) should not be shared with the account officer UNTIL the assignment has successfully passed the United Bank review process.

NOTE: Please provide and add an insurance value (replacement cost) of each structure within a flood zone, if applicable.

In no event should the results of this valuation assignment be communicated to the borrower without the prior written consent of the United Bank's Valuation Manager.

Address Questions to the Job Manager: Yeni Mairena  
yeni.mairena@bankwithunited.com  
703-442-7175

**Valuations Manager:** Robert McGee  
Phone: 304-424-8876  
Email: robert.mcgee@bankwithunited.com

**Address Final Reports to:** Kurtis Marx  
14201 Sullyfield Cir  
Chantilly, VA 20151

**Deliver Reports to:** 0 - Copy(ies) to:  
Yeni Mairena  
14201 Sullyfield Cir  
Chantilly, VA20151

**Invoice Requirements**

Please reference our RIMS Project Number, your company's Tax Identification Number, and a property reference on the invoice.

In addition to uploading the PDF appraisal at <http://www.rimscentral.com>, please upload a copy of the appraisal invoice at the same time.

**Authorization**

This document was created 1/24/2020 12:00:00 AM by Yeni Mairena for United Bank. The user's identity has been verified and authenticated by RIMS through a secure login. The original version of this document is retained in RIMS.

### General Requirements

The appraisal and reports are to be prepared in conformance with the requirements of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA); the Interagency Appraisal and Evaluation Guidelines; and the Uniform Standards of Professional Appraisal Practice (USPAP) including all applicable banking laws, regulations, and guidance. The appraisal should include an estimate of exposure time as required in Statement 6 (USPAP) and clearly state the reporting option used under Standard 2-2 (USPAP). The purpose of the appraisal is to estimate market value as defined by the Board of Governors of the Federal Reserve System, in accordance with Title XI of FIRREA (1989). Any references to source information pertaining to FIRREA contained within the appraisal report must be from the Federal Deposit Insurance Corporation (FRB) 12 CFR Part 225 subpart G. The appraisal will be utilized by United Bank as an aid in proper underwriting, loan classification and/or disposition of the asset.

We require that you personally inspect the subject property and comparables listed in the report; sub-contracting is not permitted. If anyone other than yourself will be providing assistance in the appraisal process and they are not appropriately licensed in the state where the subject property is located for this assignment, you must employ them, and United's Valuations Manager must receive and review their qualifications, prior to accepting this assignment.

Failure to comply with any of the above requirements may result in rejections of the appraisal.

The report should contain sufficient data and analysis to enable the reader to follow the appraiser to the final value conclusions. Representatives of United Bank may perform an administrative or technical review of the report internally and/or contract with outside parties competent to perform these services. Your full cooperation in the review process is deemed to be an integral part of this appraisal assignment. The appraisal process will not be considered complete until such time as the report has passed the review process and is deemed satisfactory for the assignment.

If upon review the appraisal report or evaluation is deemed unacceptable by United Bank for non-compliance or any other issues and requested changes and/or additions are not properly made within two (2) business days, United may elect to refuse payment of the appraiser's invoice.

United Bank reserves the right to provide a copy of the appraisal to the borrower, the borrower's representative, or any third party United Bank may deem appropriate. Further, United Bank reserves the right to terminate this appraisal assignment at any time without any further liability or obligation owed to you, if in United Bank's judgment you have failed to perform in accordance with the terms and conditions set forth in this Engagement Letter. The appraiser will maintain the absolute confidentiality and privacy of customer information obtained in the course of this assignment in compliance with USPAP and Regulation P, Title V of the Gramm-Leach-Bliley Financial Modernization Act.

Except as provided, neither the appraiser(s) nor the appraisal firm may divulge any operating information pertaining to the property appraisal or the analysis, opinions or conclusions developed in the appraisal report; nor may they give a copy of the report to anyone other than the client or client's designee as specified in writing. However, this condition does not apply to any request made by professional organizations and/or presiding state appraiser boards for the purpose of confidential standards or ethics enforcement. Also, this condition does not apply to any order by a court or any other body with power of subpoena.

The appraiser may not discuss the appraisal or the results thereof with anyone without prior specific approval from United Bank.

As confirmation of your acceptance of this assignment under the terms specified in this letter, please return a signed copy of this engagement letter to us and include a copy in the addenda to the report. Signing of this engagement letter indicates that your appraisal report will comply with the most current USPAP and all applicable guidelines specified herein. Evaluations must comply with the FRB's requirements for same. Also, by signing this letter you understand that United Bank is the client, and certify that you have no personal interest in the property to be appraised and will fully abide by the terms of this Engagement Letter. The signatory of this letter must also be a signatory of the completed appraisal report.

Time is of the essence in preparing this appraisal request. Should you experience any delays in the performance of this appraisal, please notify us in writing via email no less than seven days prior to the proposed delivery date. *At the discretion of the Valuations Manager, appraisal reports that are not delivered as promised or without prior notice and approval as outlined herein are subject to a late charge of a minimum of 5% of the total appraisal fee for each calendar day past the due date, or 10% of the total appraisal fee, whichever is greater.* No penalties will be imposed for delays resulting from circumstances beyond the appraiser's control; subject to determination at United Bank's sole discretion.

If an appraisal or evaluation is not completed and received on or before the scheduled due date (unless otherwise notified and approved by United Bank's Valuations Manager), United Bank reserves the right in its sole discretion to cancel your employment under this agreement, in which case no fee will be paid. Notwithstanding the right to cancel, United may, in its sole discretion, elect to accept the appraisal report subject to the late penalties previously stated.



### United Bank Appraisal Requirements

In addition to the items previously defined, all United Bank appraisal assignments are to be prepared in accordance with United Bank's Appraisal & Evaluation Policy and Appraisal Requirements. These items are incorporated into this Engagement Letter by reference (available on the RIMS website). Please refer to these documents as needed and apply them as appropriate to this assignment. However, any deviation from these requirements must be well supported and fully documented in the final report. Failure to comply with these standards in an appropriate manner will be considered as grounds to refuse payment of the appraiser's invoice.

The following items should be included in every report:

- Signed copy of Engagement Letter
- Copy of appropriate State Certifications in Addenda
- Signed copy of completed Compliance Checklist
- Signed copy of completed Hazardous Waste Supplement
- Properly-completed Invoice

Please contact the Job Manager named below if you have any questions on this assignment. During the course of this engagement, you may find it necessary to look to United Bank for additional direction or clarification to complete the appraisal or to obtain additional information about the subject property not otherwise provided herein. Such information may include, but not be limited to, the property's intended use, description, ownership, financing, cost budgets, lease information, rezoning or building plans, etc. For these purposes only, we consider a dialogue between you and the bank's personnel to be appropriate.

In the event discussions with the loan officer are warranted, please alert the Job Manager if those discussions fall outside of the specific areas previously noted in this paragraph. If, at any time during this assignment, you believe you have been subject to undue influence from anyone affiliated either with United Bank or the property that is the subject of this assignment, please contact the Job Manager as soon as possible.

Please confirm our mutual understanding by returning a signed copy of this letter to the undersigned. Additionally, please include a copy of the signed Engagement Letter as an addendum to your completed appraisal report. By signing below, you acknowledge and affirm that you have received, read, and understand this assignment and that you affirm that you have the knowledge and experience necessary to competently complete this assignment. If you require further information, please contact the undersigned. All value conclusions are to be provided to this individual and/or United's Valuations Manager exclusively. The signatory of this Engagement Letter must also be a signatory of the appraisal report. Signature of this Engagement Letter indicates your complete acceptance of the terms and conditions contained herein.

Sincerely,

Yeni Mairena  
Product Coordinator, Valuation & Environmental Risk Management D  
United Bank

Accepted By:



Printed Name:

Steven A. Metzbower

Date:

January 25, 2019

United Bank  
Compliance Checklist

This is to be completed by the appraiser and placed in the Addenda of the report. The appraisal must use property appraisal methodology and contain sufficient supporting data to lead the reviewer to the same value conclusions as the appraiser. This list is the minimum requirements for all appraisal reports. Please indicate the applicability (Yes, No, or N/A and page number) for each question in the space to the left of the question. (Y= Yes, N= No, and D = Does Not Apply)

Y/N/D	Page #	
Y	Trans. Ltr	Signed Certification in accordance with USPAP located in the report?
Y	Trans. Ltr	Does the appraiser have appropriate state classification for the appraisal assignment?
Y	ADD	Is there a signed Letter of Engagement from a Federally Regulated institution?
Y	Trans. Ltr	Does the report conform to USPAP and FIRREA?
Y	Trans. Ltr	Are all applicable ownership interest analyzed in the report?
Y	ADD	Does the appraisal describe the extent of the process of collecting, confirming and reporting the data?
Y	23-24	Does the appraisal describe and support the highest and best use of the real estate?
Y	ADD	Does the appraisal describe the intended use, function and define the value estimated?
Y	ADD	Does the appraisal have a definition as defined by the Federal Reserve/OCC?
Y	3-10	Is the subject property adequately identified and described?
Y	1	Does the appraisal provide a three-year history and analyze sales, pending contract and listings?
Y	22	Does the appraisal indicate the marketing time and is it supported?
Y	Trans. Ltr	Is the effective date indicated?
Y	Trans. Ltr	Does the appraisal have an "AS IS" value of the property in the current condition?
Y	Trans. Ltr	Are any extraordinary assumptions and/or limited conditions disclosed and discussed?
D		Are omissions of any approaches to value reported and are they justified?
D		Are discounts for absorption, proposed construction and non-market leases discussed and supported?
D		If the subject property is leased, has the lease information been analyzed and presented in the report?
D		Have business value, furniture, fixtures and equipment and/or personal property been separated and a value stated for each?
Y		Does the appraisal include all "Required Contents" as detailed in the Engagement Letter?

Appraiser's Signature



Date

2/11/2020



### HAZARDOUS WASTE SUPPLEMENT

**A. IDENTIFICATION**

Owner's Name(s) Schofield Gardens, LLC  
Property address or Brief Description 700 Block of Schofield Road  
Aberdeen, DC 21001  
Date of Inspection January 29, 2020

**B. STORAGE TANKS**

Are there any storage tanks on the property? If yes, please provide the following information for each tank. (Use additional pages if necessary.) [ ] Yes [x] No

<u>Tank #1</u>	<u>Tank #2</u>
Is tank in use? <span style="margin-left: 20px;"><input type="checkbox"/> Yes</span> <span style="margin-left: 20px;"><input type="checkbox"/> No</span> <span style="margin-left: 20px;"><input type="checkbox"/> Unable to determine</span>	Is tank in use? <span style="margin-left: 20px;"><input type="checkbox"/> Yes</span> <span style="margin-left: 20px;"><input type="checkbox"/> No</span> <span style="margin-left: 20px;"><input type="checkbox"/> Unable to determine</span>
Tank is: <span style="margin-left: 20px;"><input type="checkbox"/> Above Ground</span> <span style="margin-left: 20px;"><input type="checkbox"/> Below Ground</span>	Tank is: <span style="margin-left: 20px;"><input type="checkbox"/> Above Ground</span> <span style="margin-left: 20px;"><input type="checkbox"/> Below Ground</span>
Location: _____	Location: _____
What is/was tank used for? _____	What is/was tank used for? _____
What is the tank size? _____	What is the tank size? _____

**C. COLLECTION SITES**

1. Are there any open pits or dumps? [ ] Yes [x] No
2. Are there any drain water evaporation ponds? [ ] Yes [x] No
3. Are there any holding ponds with chemical wastes effluents? [ ] Yes [x] No  
If yes, please provide the following information for each pit/pond.  
  
Number of pits/ponds \_\_\_\_\_  
Size of each \_\_\_\_\_
4. Is there any evidence of pollutants in the water or around the edges of the ponds? [ ] Yes [ ] No [x] N/A

**D. DRUMS/CONTAINERS AND/OR PESTICIDES**

1. Are there any drums/containers (e.g., pesticides, oils, fuels, lubricants, paints, etc.)? If yes, please provide the following on a separate attachment: [ ] yes [x] No
  - a. A rough count by size (number of gallons) and type.
  - b. Number of unlabeled drums.
  - c. Evidence of spills or leaks.



d. Location of drums.

2. Is there any evidence or knowledge that any part of the property is or has been used for a pesticide application or chemical manufacturing business? ☐ Yes ☒ No  
If yes, please explain on a separate sheet.

**E. ASBESTOS**

1. Is there any evidence of asbestos at any of the improvements? ☐ Yes ☒ No ☐ N/A  
2. If yes, is the asbestos friable (subject to crumbling)? ☐ Yes ☐ No ☒ N/A

**F. MISCELLANEOUS**


1. Is there evidence of soil contamination or other noteworthy conditions which has not been previously discussed? ☐ Yes ☒ No  
If yes, please explain on a separate sheet. Examples of noteworthy conditions are as follows:

- a. Gullies partially filled in or edges of mounds with containers exposed.
- b. Top soil removed and/or soil does not support the same vegetation as the surrounding area.
- c. Unexplained one inch (1") or bigger pipeline or any of opening with metal rim (a possible indicator of an underground storage tank).

2. Is there any evidence or knowledge of contamination from adjacent or nearby properties (e.g., property is located next to a crop duster operation or a dump site)? If yes, please explain on a separate sheet. ☐ Yes ☒ No  
3. Has an independent environmental study been performed on the subject property? ☐ Yes ☒ No  
--If yes, have the main results been summarized in the appraisal report? ☐ Yes ☒ No

**G. APPRAISAL REPORT**

1. Have storage and/or disposal site(s) been shown on the plat or site plan? N/A  
2. Does the existence, storage and/or disposal of any hazardous materials affect appraised value? If yes, please indicate how the appraised value is affected. \_\_\_\_\_  
3. This report is true and correct to the best of my/our knowledge and belief.

Date 2/11/2020 Appraiser   
(Primary Appraiser)

Date \_\_\_\_\_ Appraiser \_\_\_\_\_

By signing the above, the appraiser does not imply or represent that he/she has expertise in the field of environmental contamination.