

## DANIEL J. DWYER / REAL ESTATE APPRAISER - CONSULTANT

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SUITE 300 128 STATE STREET AUGUSTA, MAINE 04330  
TELEPHONE (207) 623-2258 FAX (207) 623-2258  
EMAIL dwyerassociates@midmaine.com

REAL ESTATE  
APPRAISER / ANALYST  
GENERAL ASSOCIATE APPRAISAL INSTITUTE  
MAINE LICENSED / GENERAL CERTIFIED

March 10, 2014

Town of Otisfield  
c/o Hal Ferguson, Chairman Board of Selectmen  
403 State Route 121  
Otisfield, ME 04270-6274

### **APPRAISAL SERVICES REGARDING HENIGER PARK LEASED LOTS**

Dear Mr. Ferguson:

This office was referred to the Town of Otisfield by Attorney Geoffrey Hole, Esquire, representative of the Town of Otisfield.

The purpose of this appraisal service has been to assist with development of a ground rental rate to be applied to both waterfront and back lots within Heniger Park on Pleasant Lake. The development and reporting of the findings specific to this assignment is in compliance with *Uniform Standards of Professional Appraisal Practice (2014/2015) Standards One and Two*. The effective date of this assignment is March 3, 2014.

The scope of the assignment has included an examination of the physical characteristics of the lots as identified within: municipal tax map and flood maps depicting this portion of Otisfield, wetland plan of the US Fish and Wildlife Service National Wetlands Inventory, and soil survey provided by the USDA Natural Resources Conservation Service.

This office has also examined topographical plans extending along the westerly shore of Pleasant Lake and survey description of Pleasant Lake, including other ponds and lakes within this municipality, as provided by the Maine Department of Inland Fisheries and Wildlife.

Background information was made available through the office of Bernstein Shur via Geoffrey Hole and the Oxford County Registry of Deeds regarding historical lease assignments and current transfers within Heniger Park as well as other waterfront or back lot transfers throughout the community.

Further identification of these lots included a review of municipal property record cards as provided by John E. O'Donnell & Associates and zoning restrictions within the Shoreland Zone pertaining to the General Development District regarding allowed uses and dimensional requirements.

## **DESCRIPTION OF VALUATION SERVICES**

As understood, the purpose of this assignment has been to develop a market based ground rental rate reflective of typical lease terms within the market as of the date of this assignment to be applied to the lots within Heniger Park.

The process has included the following:

- Collection of the most current vacant and improved waterfront and back lot sales along Pleasant Lake as well as other principle lakes within the community for comparison purposes.
- Examination of market conditions through graphical analysis reflecting on market trends since the recession of late 2007 through date of the assignment
- Give consideration to typical conditions, ground leases including rent reset or step ups, and general terms applied in the market.

The undersigned has also contacted several brokers familiar with waterfront properties in Otisfield as a means of reflecting on buyer perception and appeal of Pleasant Lake.

## **ANNUAL LEASE RATE**

A reasonable annualized ground rent was calculated through the development of an overall indicated market value on a per front foot basis for waterfront lots and on a square foot basis for rear lots.

A land capitalization rate recognizes that land is a non-depreciating asset which requires only a return on investment and is reflective of a discount rate. Land capitalization rates were reviewed through Investor Survey of February 2012 regarding land leases associated with residential improvements, and a reasonable rate was selected based on overall appeal of Pleasant Lake and minimal risk associated with the same.

Thus, the estimated market value of waterfront or rear lot based on market sales, multiplied by a reasonable capitalization rate, renders a reasonable overall rental rate to be applied. Generally, lease terms should be sufficient to allow a lessee to obtain a leasehold mortgage and may be associated with the economic life of improvements, most of which were observed to be 25 to 30 years as identified per municipal record.

Step ups, or rent reset clauses, are typical for these types of properties and should be established at the onset for the entire lease, which allows for less risk as perceived by a lender at the time of financing. Step ups typical within three to five year intervals. Market terms have also been observed to include resets based on a consumer price index, again, at three to five year intervals.

Leases of this type are typically net leases where the owner of the property is not responsible for any additional expenses associated with the ground leased area, i.e., maintenance, utilities, and the like.

Leases of this sort are generally separate transactions and are not treated as a tax assessment, rather a rental rate.

## **HENIGER PARK LOT PRICING**

The sales which were selected for analysis regarding both waterfront and rear lots occurred within the time frame of January 2010 through January 2014 for parcels ranging in size from .24 AC with 100 Ft of shore frontage to 1 AC lots with 200 Ft of water frontage.

Rear lots included transfers from 2010 through 2012 for parcels ranging in size from .32 AC to 1 AC, all having right-of-ways to the lake.

All sales have been adjusted for variances in market conditions in order to establish current lot pricing.

Per this analysis, waterfront lots with 100 Ft of frontage were analyzed to have market pricing at \$1,500 per front foot, or \$150,000 per lot. Rear lots were found to be priced at \$2.10 per square foot, or approximately \$31,000 per parcel. Rear lots were taken at 14,810 SF, or .34+/- AC on average.

## **LAND CAPITALIZATION RATE**

Land capitalization rates have been taken from an Investor Survey per the 2<sup>nd</sup> quarter of 2012 regarding properties of a residential nature. The overall capitalization rates had a spread from 2.04% to 11.93%, and the lower end of the rates was considered to be most applicable per the spread of 2.04% to 2.20%, or 2.10% as a blend.

## **SELECTED RENTAL RATES**

Based on lot pricing for a waterfront lot at \$150,000 at a 2.10% land capitalization rate equals an annualized rental rate at \$3,150.

Rear lots priced at \$31,000 at 2.10% equals a rental rate of \$651 annually.

The rental rate opinion for both waterfront and rear lots is not specific to any single property, yet, is a reporting of rates for lots having similar characteristics to those lots found in Heniger Park.

This office appreciates the opportunity to be of service and should you have any additional questions pertaining to this report, or if I can be of additional assistance, please do not hesitate to contact me.

Respectfully submitted,



Daniel J. Dwyer, CMA  
Candidate, Appraisal Institute  
Dwyer Associates  
Maine Certified General Appraiser CG #276  
Phone/Fax: (207) 623-2258  
Email: [dwyerassociates@midmaine.com](mailto:dwyerassociates@midmaine.com)

## APPRAISER'S CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the 3-year period immediately preceding the acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of a Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and further prepared in conformity with the Uniform Standards of Professional Appraisal Practice (2014).
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. I have not made a personal inspection of the property that is the subject of this report.
11. No one provided significant real property appraisal assistance to the person signing this certification.
12. As of the date of this report, I, Daniel J. Dwyer, have completed the continuing education program of the Appraisal Institute.
13. As of the date of this report, I, Daniel J. Dwyer, have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.

ADDRESS OF PROPERTY APPRAISED:

Heniger Park  
Oxford County  
Ostisfield, ME

APPRAISER:  
Signature: Daniel J. Dwyer

Date: March 10-2014

Name: Daniel J. Dwyer  
State Certification: #CG276  
State License: #CG276  
State: Maine  
Expiration Date: December 31, 2014

## **DANIEL J. DWYER, CMA**

Principal, Dwyer Associates  
Augusta, Maine

[dwyerassociates@midmaine.com](mailto:dwyerassociates@midmaine.com)

T 1.207.623.2258

F 1.207.623.2258

### **CLIENTS REPRESENTED**

American Lung Association  
Central Maine Power Company  
Associated Grocers of Maine  
State of Maine Dept. of Transportation  
MaineGeneral Hospital  
Mid-Coast Hospital  
Camden National Bank  
TD Banknorth  
Savings Bank of Maine  
Kennebec Savings Bank  
Northeast Bank  
Pierce, Atwood, Attorneys at Law  
Lipman Katz & McKee  
Bernstein Shur  
Preti, Flaherty, Beliveau & Pachios  
Maine Dept. of Conservation  
Wadleigh Oil Company  
Maine Farmland Trust  
City of Augusta, ME  
Burns and McDonnell Engineering Co.  
Maine Turnpike Authority

### **PROFESSIONAL EXPERIENCE**

Dwyer Associates formed 1984.  
Appraisal and consulting for all property types.

### **SIGNIFICANT ASSIGNMENTS**

The following is a partial summary of assignments completed.

#### Office:

Both standard and medical office in Augusta, Brunswick, Farmington, Waterville.

#### Industrial:

Warehouse and light industrial, including high cube  
Reuse development  
Statewide

#### Retail:

Standalone and multi-tenant shopping centers;  
Rite Aid real estate development.  
Maine and New Hampshire

#### Hospitality:

Coastal inns  
Bed & breakfast  
Flag hotel/motel  
Central and Southern Maine

#### Special Purpose:

Golf courses  
Assisted living facilities  
Auto dealerships  
Corridors  
Subdivisions  
Conservation easements  
Contaminated site  
Mobile home parks  
Condemnation  
Sporting camps  
Campgrounds

### **PROFESSIONAL DESIGNATIONS**

Certified General Appraiser #CG276  
Certified Maine Assessor  
General Associate, Appraisal Institute  
VP Maine Chapter Appraisal Institute 2002

### **EDUCATION**

University of Maine Farmington 1975 – BA  
Appraisal Institute classes/seminars since 1992.  
“Fundamentals of Separating Real Property,  
Personal Property, and Intangible Business Assets”  
(*Small Business Administration Required*)