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Appraisal Report
Sub Zone A-3: Commercial Marina
Forrestal Drive Road,
Former Naval Station Roosevelt Roads (NSRR),
Machos Ward,
Ceiba, Puerto Rico

Prepared For
Ms. Malu Blázquez-Arsuaga
Roosevelt Roads Local Redevelopment Authority
355 FD Roosevelt Ave. Office 106
San Juan, PR 00918

Prepared By
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688-EPA/ 151-GC

Effective Date
October 19, 2016

Report Date
December 15, 2016



hardcore basketball court and a 1,600 square feet detached building subject to a lease contract. The remaining land area of approximately 5.86 acres comprises the public area occupied by the Forrestal Drive road. The site and improvements are fully described within the enclosed report.

The highest and best use of the commercial marina is the connection of power and water utility service to the ware slips for the continued operation as a commercial marina. The highest and best use of the oceanfront development land area is to hold for future commercial-recreational development. Finally, the highest and best use of the mainly unimproved north section is to hold for future institutional-industrial development.

The appraisal was developed and reported conforming to Standards 1 and 2 of Uniform Standards of Professional Appraisal Practice (USPAP). The analysis, opinions and conclusions were developed based on, and this report has been prepared in conformance with, our interpretation of the guidelines and requirements set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, the Code of Ethics and Standards of Practice of the CCIM Institute and the laws and regulations of the United States of America and the Commonwealth of Puerto Rico.

The effective date of the appraisal is October 19, 2016. Property and neighborhood inspections, review of current economic and market conditions and development of the applicable valuation techniques indicated the following value opinion conclusions:

Market Value Opinions			
Sub-zone	Marketable Unit	Right	Market Value
A3	1- Commercial Marina/13.24 acres	Fee Simple	\$ 1,095,000.00
A3	2- Oceanfront Development Land/12.5 acres	Fee Simple	\$ 1,290,000.00
A3	3- North Development Land/18.4 acres	Fee Simple	\$ 950,000.00

The client also requested a value allocation between the land and improvements. For marketable units 1, the commercial marina on 13.24 acres, the land “as vacant” was valued at \$100,000.00 per *cuerda*; or about \$1,360,000.00. For the commercial marina, the improvements represent interim highest and best use and, therefore, have no overall value contribution with all the market value allocated to the land at this point. Finally, for units 2 and 3, all the market value is allocated to the land as these are vacant sites or improvements have no value contribution.

This appraisal addressed the market value to a single purchaser of Subzone A3. As explained, the three (3) defined marketable units were valued based on the concluded highest and best uses. In order to derive an opinion of the market value for Subzone A3, a discount was necessary to account for a yield requirement that would consider the profit required to motivate a typical single investor to venture in the acquisition of the property to obtain a reasonable gain and related costs.

The market value to a single purchaser of Subzone A3 was estimated at \$2,330,000.00 by discounting the aggregate of value opinions for the marketable units by 12.7% for a period of 3 years or 36 months.

Subzone A-3
Market Value to a Single Purchaser, Fee Simple Rights,
---\$2,330,000.00---
(TWO MILLION THREE HUNDRED THIRTY THOUSAND DOLLARS)

The market value to a single purchaser for Subzone A-3 is completely allocated to the land.

No land survey plan was submitted. The land area for the subject site was provided by personnel from the Roosevelt Roads Local Redevelopment Authority (RRLRA), and measurements by the appraiser based on aerial photography online services. These areas were assumed correct for appraisal analysis purposes. Then, the appraisal was made with the extraordinary assumption the land areas are correct. If the extraordinary assumption is found to be false or incorrect, the reported value opinion would be invalid.

The reported market value opinion is based on an estimated typical exposure and a marketing time of 36 months.

The enclosed appraisal report presents the facts analyzed and reached conclusions. The report, in its entirety, including all assumptions and limiting conditions, will be an integral and inseparable part of this letter. It has been a privilege to assist you in this assignment. If you have questions concerning the analysis or the report, or if **ODV Appraisal Group, P.S.C.** can be of further service, please contact us.

Respectfully submitted,



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SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

PROPERTY TYPE	Subzone A3 with a land area of 50 acres comprised of three (3) defined marketable units; 1) a commercial marina on a 13.24 acres section, 2) a contiguous 12.5 acres oceanfront vacant parcel, and 3) a separated 18.4 acres mainly unimproved parcel north of the Forrestal Drive road.
REPORT FORMAT	Appraisal report
LOCATION	Commercial Marina, Forrestal Drive Road, Former Naval Station Roosevelt Roads (NSRR), Machos Ward, Ceiba, Puerto Rico
RIGHTS APPRAISED	Fee simple rights
PURPOSE OF THE APPRAISAL	To report our professional opinion of the market value of the fee simple rights in the subject real estate as of the appraisal effective date.
INTENDED USE OF THE APPRAISAL	This report will be used to assist the Roosevelt Roads Local Redevelopment Authority (RRLRA) in an internal decision making process.
INTENDED USER(S) OF THE APPRAISAL	Roosevelt Roads Local Redevelopment Authority (RRLRA).
PROPERTY OWNER	Roosevelt Roads Local Redevelopment Authority (RRLRA)
EXTRAORDINARY ASSUMPTION	No land survey plan was submitted. The land area for the subject site was provided by personnel from the Roosevelt Roads Local Redevelopment Authority (RRLRA), and measurements by the appraiser based on aerial photography online services. These areas were assumed correct for appraisal analysis purposes. Then, the appraisal was made with the extraordinary assumption the land areas are correct. If the extraordinary assumption is found to be false or incorrect, the reported value opinion would be invalid.

NEIGHBORHOOD

The subject property is part of the former Naval Station Roosevelt Roads (NSRR) in the Municipality of Ceiba.

Parcel 3 of the former base, mainly waterfront industrial clusters, was transferred to the Roosevelt Roads Local Redevelopment Authority on January, 2012. Parcels 1 and 2, mainly former residential and institutional areas, were transferred on May, 2013. Refer to the base map.

As of the appraisal effective date, former NSRR presents a special situation. Except for the airport, private marina, and several properties still owned and managed by the US Army or other US Agencies, the base is basically unoccupied without efficient maintenance and in a very poor state.

The Roosevelt Roads Local Redevelopment Authority (LRA) has developed a Development Zones Master Plan and, in addition, is in the process of selecting a master developer. The Roosevelt Roads redevelopment project encompasses approximately 3,000 acres of developable lands and facilities of high value for a mixed-use development with opportunities in tourism, commercial, recreational, residential, educational and light industrial projects.

However, as of the appraisal date, most of the land owned and controlled by the Roosevelt Roads Local Redevelopment Authority (RRLRA) is, during the planning stages of the proposed redevelopment, un-occupied and in neglected condition. Then, what we observed is a mostly un-occupied former base with scattered well maintained parcels (those still owned by the US). Nevertheless, there have been recent leases signed during the past year for industrial and office space.

SITE AREA

The area is formed by several smaller zones separated by topography, wetlands or land use; each dominated by a common land use with supporting adjacent facilities adaptable for reuse and/or appropriate for redevelopment.

The economic outlook of former NSRR clearly depends on the successful execution of the LRA Master Plan. This project is essential to the general economic growth of the overall region.

Overall real estate values and rents within the Ceiba Municipality have declined since the base closure and due to the general economic recession since 2006 and are expected to slightly decline and/or to remain stable with possible slight increases at superior locations.

50 acres; approximately equal to 51.55 *cuerdas* and/or 202,597.7629 square meters.

For appraisal analysis purposes we divided the subject site into the following three (3) marketable units.

Marketable Units	
Unit	Area (acres)
1- Commercial Marina	13.24
2- Oceanfront Development Land	12.5
3- North Development Land	18.4

The remaining land area of approximately 5.86 acres comprises the public area occupied by the Forrestal Drive road.

IMPROVEMENTS

Commercial Marina

Commercial marina including 72 wet boat slips for small vessels, three detached (3) buildings with a combined gross construction area of 12,939 square feet, boatyard areas and surface parking areas.

Oceanfront Development Land

Open asphalted boatyard area covering an area

of about 20,000 square feet.

North Development Land

Improvements to the north section comprise the former baseball fields, running track and basketball court, and a 1,600 square feet detached building subject to a lease contract.

ZONING

Central urban district (M-2) as per NSRR Special Zoning Map. The site is also within a Subzone A-3 as per the 2014 Development Zones Master Plan for former NSRR. Allowed uses include small vessel marina with stack storage, nautical-oriented lodging and nautical-oriented commercial and services.

HIGHEST AND BEST USE

Commercial Marina

As vacant

To hold for future waterfront industrial re-development until market conditions become favorable.

As improved

The connection of power and water utility service to the ware slips and continued operation of the commercial marina.

Oceanfront Development Land

As vacant

To hold for future commercial-recreational development.

As improved

To hold for future commercial-recreational re-development until market conditions become favorable.

North Development Land

As vacant

To hold for future institutional-industrial re-development until market conditions become favorable.

As improved
 To hold for future institutional-industrial re-
 development until market conditions become
 favorable.

VALUATION APPROACHES

COMMERCIAL MARINA

MARKET VALUE INDICATION BY THE SALES
 COMPARISON APPROACH \$1,190,000.00

MARKET VALUE INDICATION BY THE
 INCOME CAPITALIZATION APPROACH \$1,095,000.00

OCEANFRONT DEVELOPMENT LAND

MARKET VALUE INDICATION BY THE SALES
 COMPARISON APPROACH \$1,290,000.00

NORTH DEVELOPMENT LAND

MARKET VALUE INDICATION BY THE SALES
 COMPARISON APPROACH \$950,000.00

CONCLUSIONS

CONCLUDED MARKET VALUE OPINIONS
 FOR DEFINED MARKETABLE UNITS

Commercial Marina
 \$1,095,000.00

Oceanfront Development Land
 \$1,550,000.00

North Development Land
 \$720,000.00

CONCLUDED MARKET VALUE TO A SINGLE
 PURCHASER OPINION FOR SUBZONE A3 \$2,330,000.00

MARKET VALUE ALLOCATION \$2,330,000.00 Land
 \$0.00 Improvements

CONCLUDED MARKETING TIME	36 months
CONCLUDED EXPOSURE TIME	36 months
EFFECTIVE DATE OF APPRAISAL	October 19, 2016
REPORT DATE	December 15, 2016
APPRAISER	J. Javier Ortiz del Valle, MAI, CCIM State Certified Real Estate Appraiser Certificate 151 CG State License 688 EPA

DEFINITION OF THE APPRAISAL PROBLEM

USPAP Compliance and Report Format

This appraisal report complies with all the requisites of the Uniforms Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, the Code of Ethics and Standards of Practice of the CCIM Institute and the laws and regulations of the United States of America and the Commonwealth of Puerto Rico.

Purpose of the Appraisal

This appraisal estimates the market value of the fee simple rights in the subject property as of the appraisal effective date.

Intended Use of the Appraisal

This report will be used to assist Roosevelt Roads Local Redevelopment Authority (RRLRA) in an internal decision making process.

Intended User of the Appraisal

As instructed by the client the intended users of the appraisal is Roosevelt Roads Local Redevelopment Authority (RRLRA).

Effective Date of the Appraisal

The property was last inspected on October 19, 2016, the effective date of the appraisal.

Definitions of Appraisal Terms

The *Dictionary of Real Estate Appraisal*, 6th edition, published by the Appraisal Institute, defines market value, exposure and marketing time as follows:

Market Value

“The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming neither is under undue duress.”

Exposure

- “1) The time a property remains on the market.
- 2) The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; Comment:

Exposure time is a retrospective opinion based upon an analysis of past events assuming a competitive and open market.”

Marketing Time

“An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal.”

Property Rights Appraised

The subject property is currently partially occupied by tenants. The marina is lease on a short-term basis to the Ceiba Municipality with a monthly rent of \$5,000.00, the marina boat office and shop building is occupied based on lease with the Department of Natural and Environmental Resources (DNER) without generating rent and, finally, a section of the site is leased to the National Guard Veteran Reservists Association (NAUTAS) for \$2,000.00 per month. However, as per client request, this appraisal addresses the value of the fee simple rights in the property.

The *Dictionary of Real Estate Appraisal*, 6th edition, published by the Appraisal Institute defines fee simple as “absolute ownership unencumbered by any other interest or estate; subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.”

Extraordinary Assumptions

No land survey plan was submitted. The land area for the subject site was provided by personnel from the Roosevelt Roads Local Redevelopment Authority (RRLRA), and measurements by the appraiser based on aerial photography online services. These areas were assumed correct for appraisal analysis purposes. Then, the appraisal was made with the extraordinary assumption the land areas are correct. If the extraordinary assumption is found to be false or incorrect, the reported value opinion would be invalid.

General Assumptions and Limiting Conditions

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

1. No responsibility is assumed for the legal description provided or 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. The 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 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.
10. It is assumed that the use of the land and improvements is confined to the boundaries or property lines of the property described, and that there is no encroachment or trespass unless noted in the report.
11. The appraiser did not observe the existence of hazardous materials, which may or may not be present on the property. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser 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 intended user is urged to retain an expert in this field, if desired.

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

1. Possession of this report, or a copy thereof, does not carry with it the right of publication.

2. The 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.
3. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser and/or otherwise stated in the report.
4. The liability of ODV Appraisal Group PSC and/or subcontractors of ODV Appraisal Group PSC is limited to the fee collected. There is no liability to unauthorized third parties.
5. The forecasts, projections, or operating estimates contained herein are based on current market conditions, and anticipated short-term supply and demand factors. These forecasts are, therefore, subject to changes with future conditions.
6. Any property inspection was made for the purpose of analyzing factors that contribute or affect property value. The appraisers are not certified or licensed property inspectors. No liability is assumed for unobserved site deficiencies.

Competency

Our qualifications are included in the addenda of this report. These reflect that we have the knowledge and experience required to complete this engagement. Our knowledge and experience is appropriate for the complexity of this assignment.

Scope of the Assignment

This appraisal is an estimate or opinion of value of the fee simple rights in the subject property reached by analysis of relevant factors. In completing this assignment, the appraiser:

- Requested and obtained all pertinent information about the property from the client and/or property owner.
- Inspected the subject neighborhood and property. Property inspection, conducted on October 19, 2016, included observations of elements that affect value.
- Examined neighborhood maps to identify access to the area and principal uses. Government published maps were examined to identify physical and legal attributes of the properties. These included flood maps prepared by the Federal Emergency Management Agency and zoning maps prepared by the Puerto Rico Planning Board. General data pertaining to Puerto Rico and the Ceiba Municipality was gathered from different sources including quarterly reports prepared by private institutions as well as by government agencies.

- Developed an inferred market analysis and proceeded to determine the highest and best use of the property (as though vacant and as improved) after analyzing its physical, location and economic characteristics.
- After a thorough market analysis, we concluded that the present buildings and structures at the commercial marina contribute to the overall property market value at this time. The highest and best use as improved of the commercial marina is to continue commercial operation of the existing marina improvements. The highest and best use of the oceanfront development land area is to hold for future commercial-recreational development. Similarly, the highest and best use of the mainly unimproved north section is to hold for future commercial-industrial development. Based on the highest and best use conclusions, the market was surveyed in order to identify comparable data for the applicable valuation techniques.
- Gathered information at the Property Registry, the Municipal Revenue Collection Center (CRIM for its Spanish acronym), and from actual market participants based on the results of the market survey.
- Developed the sales comparison and income capitalization approaches to derive value indications.
- Reconciled the appraisal process into a final estimate and, finally,
- Wrote the appraisal report.

To develop the opinion of value, the appraisers performed an appraisal process in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP). This report is intended to include all the data pertinent to the analysis and value conclusion.

IDENTIFICATION AND HISTORY OF THE SUBJECT PROPERTY

Identification and History of Subject Property

Identification

The appraised property is Subzone A3 of Parcel 3 as per the 2014 Development Zones Master Plan for former NSRR in the Machos Ward of San Juan, Puerto Rico. The subject site has a land surface area of 50 acres. It is part of Parcel 3 of former NSRR. Parcel 3 of NSRR, also known as Forrestal, has a total of 731.856 *cuerdas* (709.9 acres) and comprises the industrial “heart” of the former base and includes all office, shops, warehouses, and housing of the industrial the port area. The legal description of Parcel 3 is as follows.

---RURAL: Parcel of land identified as Remnant Parcel, situated in the Wards of Machos and Guayacán, Municipality of Ceiba, Puerto Rico, containing an area of two million eight hundred seventy six thousand four hundred eighty four square meters and one hundred forty nine thousandths of a square meter (2,876,484.149 s.m.); equivalent to seven hundred thirty one *cuerdas* and eight hundred fifty six thousandths of a *cuerda* (731.856 *cuerdas*); bounded on the NORTH by lands of José Aponte de la Torre Airport (Commonwealth of Puerto Rico, Puerto Rico Ports Authority) and Conservation Zone 39 (Commonwealth of Puerto Rico, Department of Natural and Environmental Resources); on the SOUTH by the Ensenada Honda, by lands of Conservation Zone 28 (Commonwealth of Puerto Rico, Department of Natural and Environmental Resources), Conservation Zone 60 (Commonwealth of Puerto Rico, Department of Natural and Environmental Resources), Parcel 46 property of the United States of America, Parcel 47 (property of the United States of America and Cabras Island property of the United States of America; on the EAST by lands of Hospital (Servicios de Salud Episcopales, Inc), Parcel 63 (ARMY Reserve Dry Dock) property of the United States of America, and Bahía de Puerca; and on the WEST by lands of Sale Parcel I D property of the United States of America. ---

No land survey plan was submitted. The land area for the subject site was provided by personnel from the Roosevelt Roads Local Redevelopment Authority (RRLRA), and measurements by the appraiser based on aerial photography online services. These areas were assumed correct for appraisal analysis purposes. Then, the appraisal was made with the extraordinary assumption the land areas are correct. If the extraordinary assumption is found to be false or incorrect, the reported value opinion would be invalid.

The 50 acres are mainly divided into three (3) separate marketable units; an area of 13.24 acres which comprises the commercial marina, three (3) detached buildings totaling 12,939 square feet, boatyard areas and surface parking areas, a contiguous vacant land section with an approximate area of 12.5 acres with frontage to the bay, and a separated mainly unimproved section with a land area of 18.4 acres north of the Forrestal drive road which comprises two (2) former baseball fields, a running track, an open hardcore basketball court and a 1,600 square feet

detached building subject to a lease contract. The remaining land area of approximately 5.86 acres comprises the public area occupied by the Forrestal Drive road.

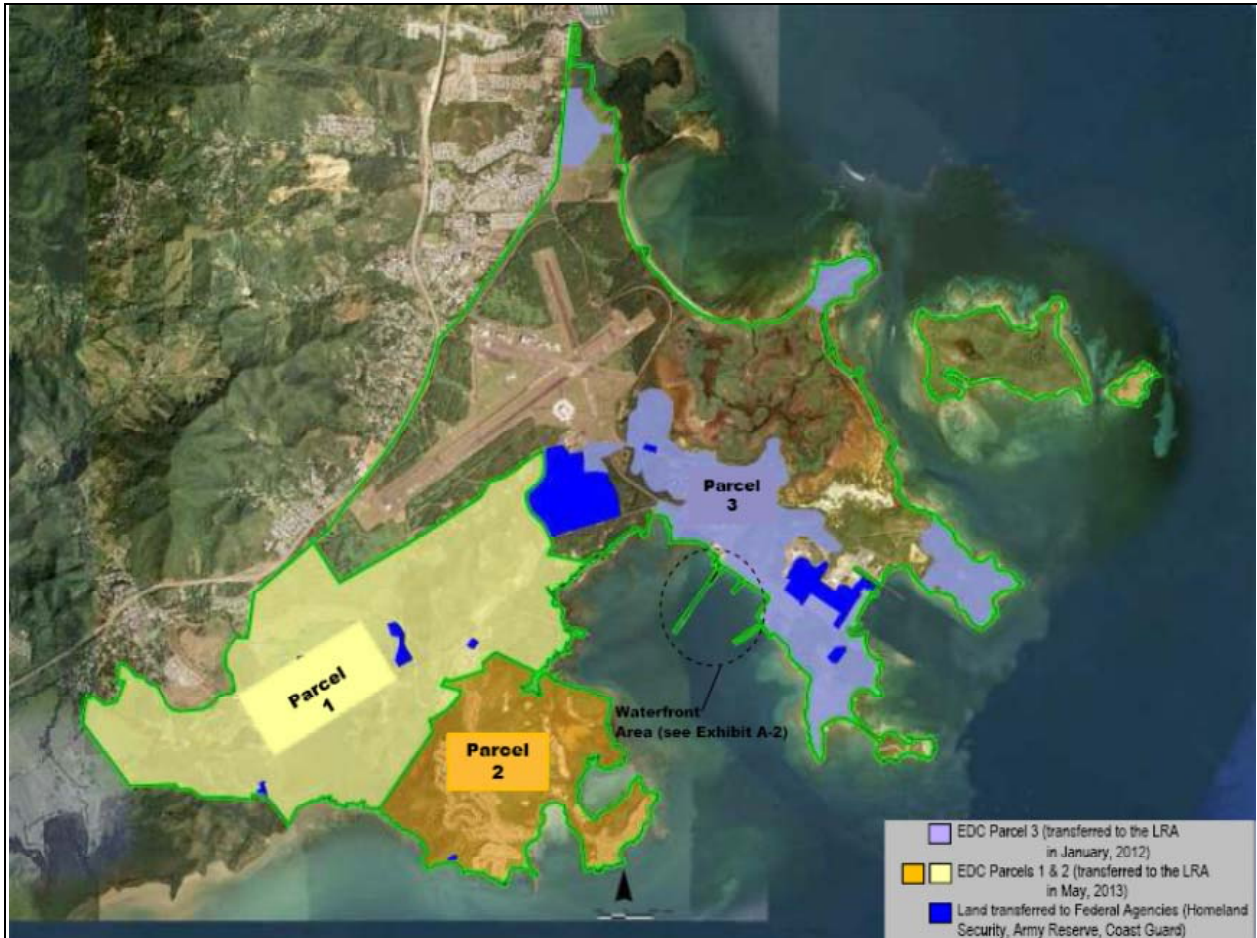
History

Standards 1 and 2 of the Uniform Standards of Professional Appraisal Practice (USPAP) promulgate analysis and disclosure of any sale transaction of the property being appraised, if it occurred within a three-year period prior to the effective date of the appraisal.

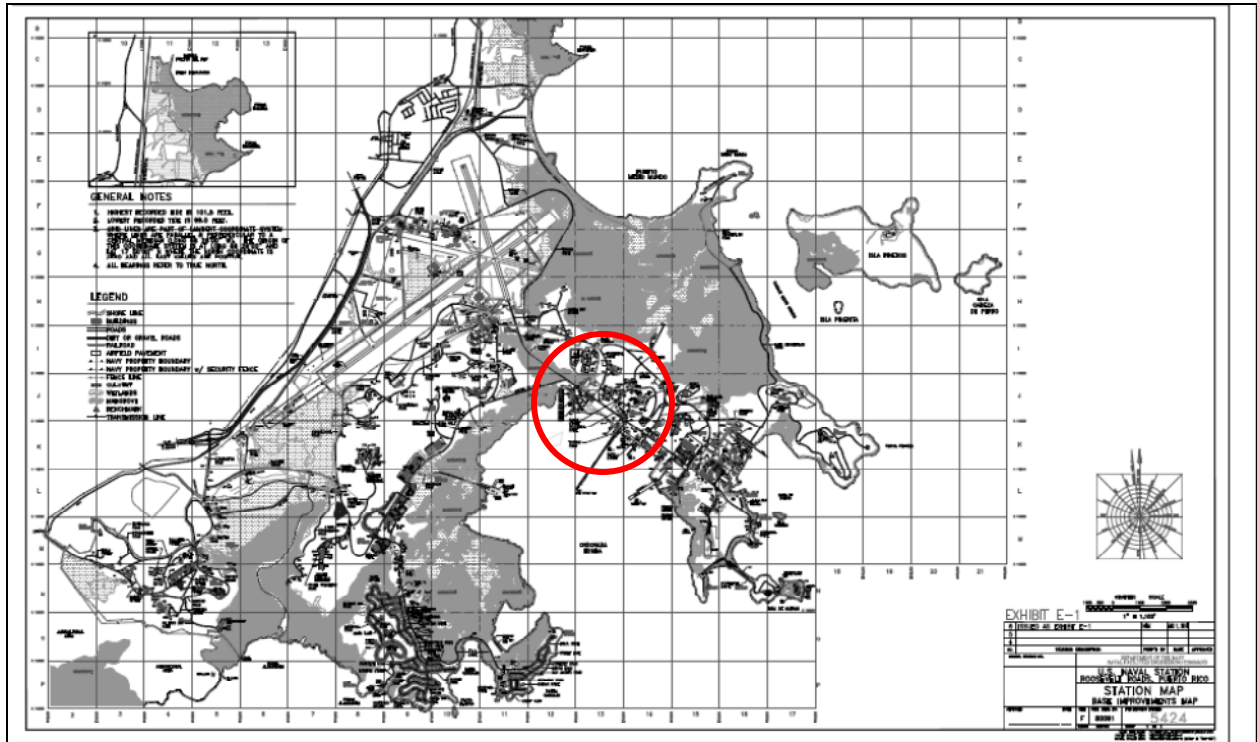
Parcel 3 was transferred to the RRLRA on January 25, 2012 as per Deed of Ratification and Conversion to Public Instrument of Quitclaim Deed 15 before Hector F. Lebrón González, Esquire. Refer to the Addenda for a copy of the quitclaim deed.

The subject property is subject to lease agreements discussed in the Income Capitalization Approach Section. To the best of our knowledge, the property is being marketed for lease by RRLRA.

NSRR Map –Parcels Transferred to LRA



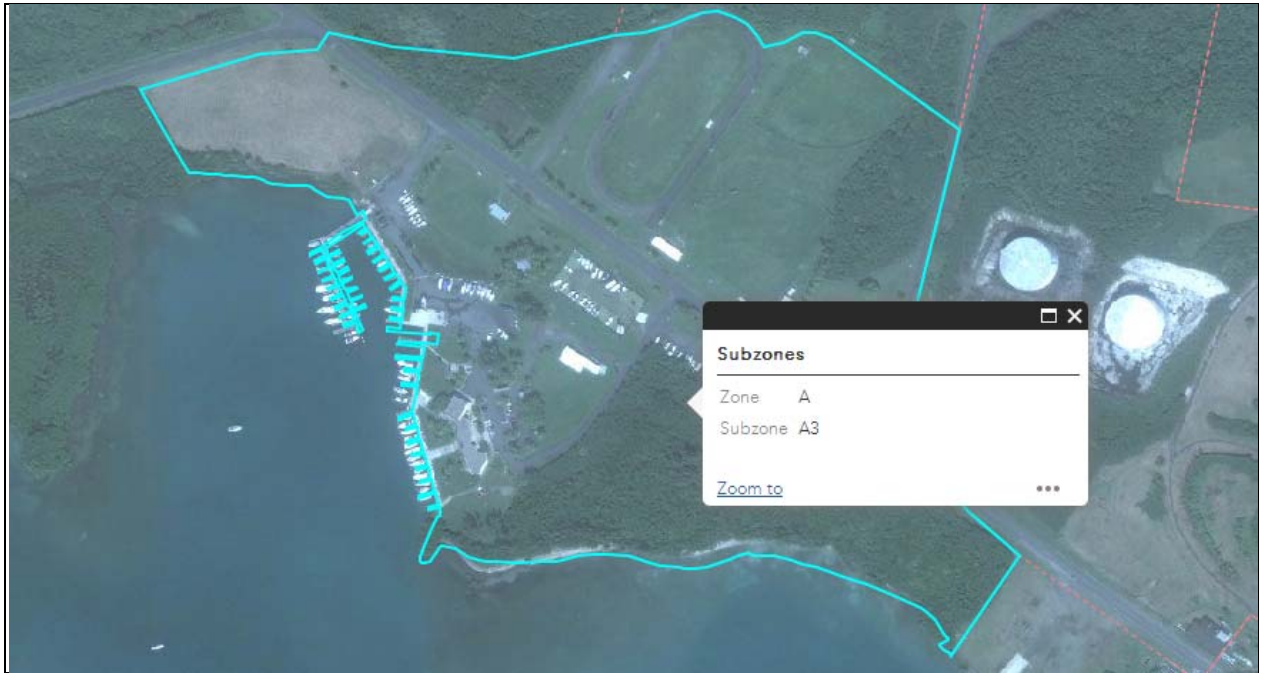
Former NSRR Map



Panoramic View of Subject Site

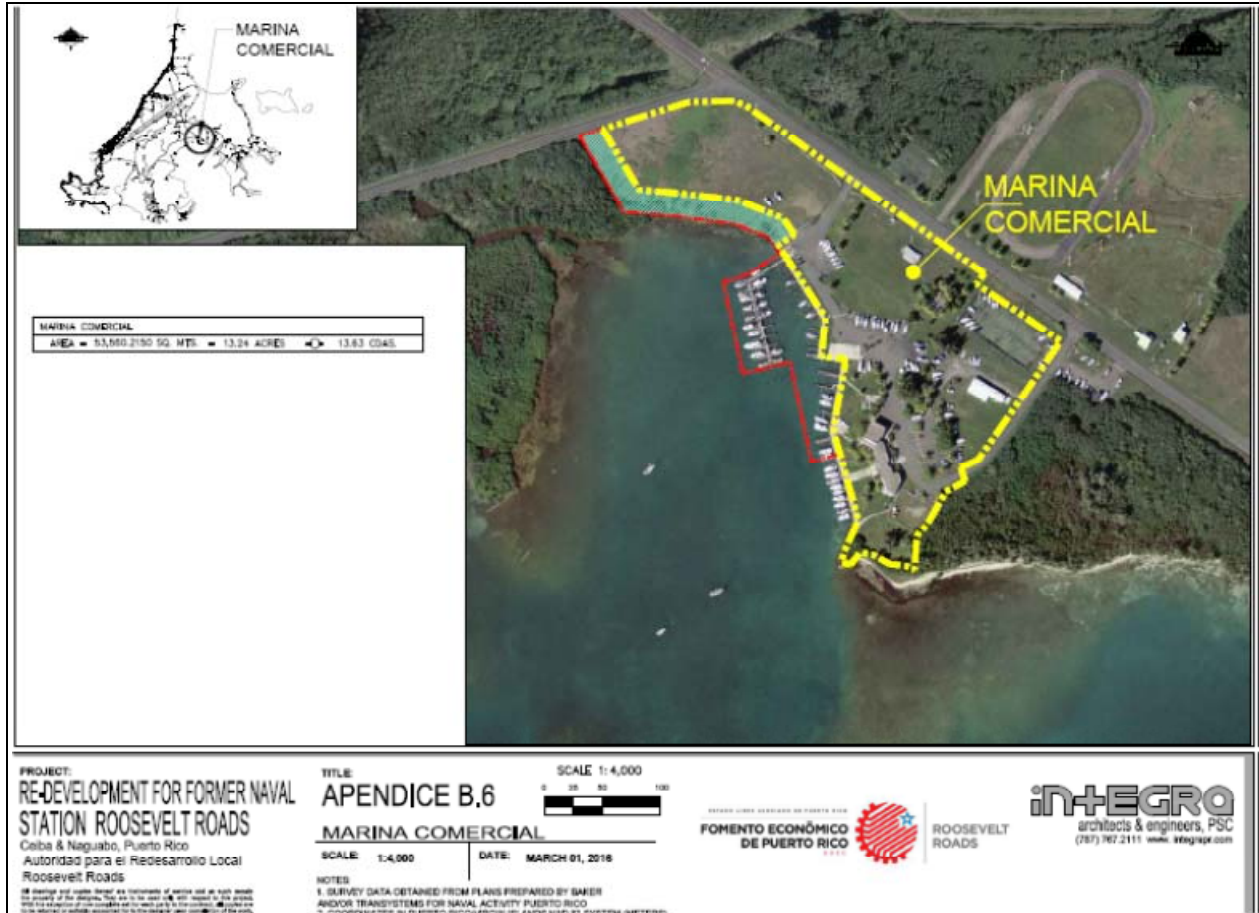


Aerial View of Subject Property



Subject Property Marketable Units

Commercial Marina



Subject Property Marketable Units

Ocean Front Development Land



Subject Property Marketable Units

North Development Land



Location Map



REGIONAL AND CITY ANALYSIS

Find enclosed in the addenda a copy of *Puerto Rico's Economic Indicators*, a monthly economy profile summary published by the Government Development Bank for Puerto Rico.

Brief Economic Overview for the Commonwealth of Puerto Rico

Source: MarketBeat Office Snapshot San Juan, PR, C & W 3Q 2016

As the final stretch of an election year draws near, the habitually funded government projects are nowhere to be seen. The lack of projects is not surprising as the government is operating on a shoe-string budget and credit has dried up; and it is therefore incapable to fund any of those activities. This said, most businesses continue operating under careful watchfulness, in anticipation of the full effect of the Fiscal and Oversight Board (“Promesa”) and a new upcoming governmental administration. It is still to be determined what they will be able to achieve in terms of reinstating debt payments and jump starting new investment on the Island. “Promesa” board members were announced in early September thereby marking an important step towards implementing the new authoritative hierarchy of the Island’s fiscal affairs.

In spite of the negative news surrounding the Island, investment grade real estate in the San Juan Metropolitan Area (SJMA) continue to enjoy healthy occupancy rates. The overall vacancy rate for the total investment grade office market measured 15.0% at the end of this third quarter, keeping pretty much in line with the past two quarters. Significantly for class A space, the overall vacancy rate reported 11.5% thereby marking a slight decrease in vacancy for the most sought-after office buildings. The most significant trend of 2016 has been the steady increase in vacancy in class A spaces in the central business district (CBD), as evidenced during the last four quarters. This deterioration however, is not considered significant as the CBD vacancy rate during third quarter increased to 9.1% from 7.4% at mid-year. On the other hand, the investment retail segment is still over performing other real estate asset types. The best shopping center properties still have occupancy rates well above 90%, and rental rates remain stable. The recent successful conversion and rebranding of the Montehiedra Town Center into an outlet mall, The Outlets at Montehiedra, provides hope for the local investment grade real estate market. Other good examples are the continued developments and openings at the Convention Center District and the rebranding and continued opening of new retailers at Paseo Caribe, plus the opening of new stores at the Mall of San Juan.

It is forecasted that the best investment grade real estate product will maintain very healthy occupancy rates. This belief is predicated on the current supply of space and assumes there will not be new significant construction in the near future. The economy on the Island is evolving and there is still much uncertainty as to what lies ahead. “Promesa”, along with a more disciplined approach to governance is expected to get Puerto Rico on the right track.

The Municipality of Ceiba

Geographic Location and Physical Environment

The appraised property lies at the former NSRR in the *Machos* Ward of the Municipality of Ceiba, Puerto Rico. Part of the base (about 10%) is within the Naguabo Municipality but most (90%) is within Ceiba. Ceiba boundaries are:

North	<i>Municipality of Fajardo</i>
South	<i>Municipality of Naguabo</i>
East	<i>Atlantic Ocean</i>
West	<i>Municipality of Río Grande</i>

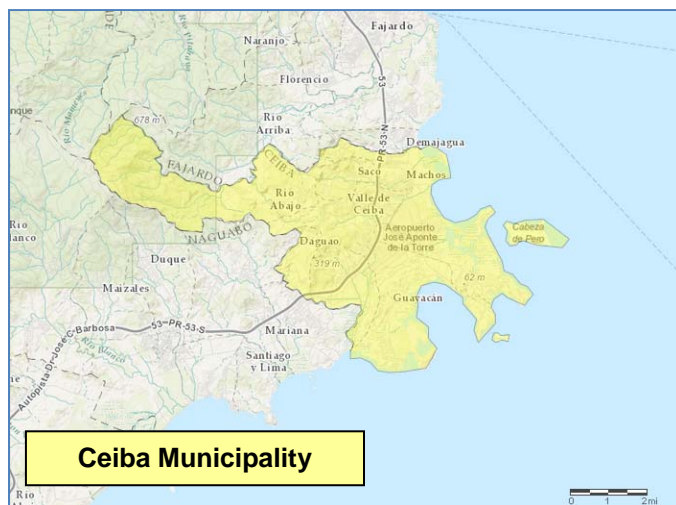


Ceiba is a small municipality in northeast Puerto Rico. It is named after the famous Ceiba tree. Ceiba lies along the northeast coast of the island, bordering the Atlantic Ocean, north of Naguabo, south of Fajardo, and east of Río Grande. It is located about one hour's driving distance from San Juan. Ceiba is spread over 7 wards and Ceiba Pueblo (The downtown area and the administrative center of the city). It is part of the Fajardo Metropolitan Statistical Area. It has a total territorial extension of 27.2 square miles. Ceiba was founded on April 7, 1838 by

Luis de la Cruz.

The following wards form Ceiba: Ceiba Pueblo, Chupacallos, Daguao, Guayacán, Machos, Quebrada Seca, Río Abajo and Saco.

Ceiba is home of the Ceiba Forest (787) which extends along the coastline between Ceiba and Fajardo. 95% of the forest is classified as mangrove. Various



species of birds can be seen as well as turtles and manatees. Its rivers includes; Río Daguao, Río Demajagua and Río Fajardo.

The municipality extends northwest into the seas between Fajardo and Culebra and thereby includes the reefs and islets named Arrecifes Hermanos and Arrecifes Barriles. The reef are closest to the coastal *barrio* (ward) of Machos, but barrio boundaries are not defined in that area.

Government

The administrative political unit is the Municipal Government of Ceiba. The mayor and a legislative body known as the Municipal Assembly form it. Among the administrative responsibilities of the municipal government not provided by the central government are the implementation of municipal ordinances approved by the Assembly, real estate and municipal tax collection, trash collection and city cleaning, community and urban improvements and management of municipal hospitals and clinics. The current mayor of Ceiba is Angelo Cruz Ramos, of the New Progressive Party (PNP). He was elected at the 2012 general elections. The city belongs to the Puerto Rico Senatorial district VIII, which is represented by two Senators. In 2012, Pedro A. Rodríguez and Luis Daniel Rivera were elected as District Senators.

Although in 1991 the Government of Puerto Rico approved a law to transfer all land use planning powers to the municipal governments, as of the appraisal date land use planning and enforcement was the responsibility of the Puerto Rico Planning Board and the Permits and Regulations Administration Agency, both central government's agencies.

The Puerto Rico Planning Board is responsible for the development of land use and urban development policy and regulations in the Ceiba municipality. The government agency developed a zoning code classifying and regulating uses, densities and constructions. The enforcement and management of the land use policies is the function of the Permits and Regulations Administration Agency. The Municipal Revenue Collection Center (MRCC) establishes and collects taxes on personal and real property. The municipality also collects taxes on business revenues.

The Puerto Rico Police Department and the Municipal Police provide property and life protection in San Juan. Fire protection is offered by the Puerto Rico Fire Department. The Puerto Rico Electric Power Authority supplies electrical service. The Puerto Rico Telephone Company and other private suppliers offer telephone services. The Puerto Rico Aqueducts and Sewers Authority is responsible for water and sanitary sewer services. The municipal government provides trash collection service, although private collectors provide trash collection services to commercial, industrial and institutional facilities.

Population and Social Trends

The following table summarizes population and social trends as per the 2014 American Community Survey 5-Year Estimates of the US Census of Population.

Subject	Ceiba Municipio, Puerto Rico			
	Estimate	Margin of Error	Percent	Percent Margin of Error
Total population	13,122	xxxxx	13,122	(X)
HOUSEHOLDS BY TYPE				
Total households	4,556	+/-253	4,556	(X)
Family households (families)	3,195	+/-289	70.1%	+/-4.3
With own children under 18 years	1,148	+/-195	25.2%	+/-3.8
Married-couple family	1,730	+/-206	38.0%	+/-4.0
With own children under 18 years	538	+/-124	11.8%	+/-2.6
Male householder, no wife present, family	299	+/-109	6.6%	+/-2.4
With own children under 18 years	101	+/-65	2.2%	+/-1.4
Female householder, no husband present, family	1,166	+/-221	25.6%	+/-4.4
With own children under 18 years	509	+/-159	11.2%	+/-3.3
Nonfamily households	1,361	+/-199	29.9%	+/-4.3
Householder living alone	1,225	+/-193	26.9%	+/-4.3
65 years and over	635	+/-137	13.9%	+/-3.1
Households with one or more people under 18 years	1,443	+/-210	31.7%	+/-4.0
Households with one or more people 65 years and over	1,762	+/-117	38.7%	+/-2.7
Average household size	2.87	+/-0.16	(X)	(X)
Average family size	3.49	+/-0.29	(X)	(X)

Total population was 13,122 persons. Households totaled 4,556 and the average household size was 2.87 persons.

City Economy

General economic characteristics for Ceiba are summarized in the following table as per the 2014 American Community Survey 5-Year Estimates.

Subject	Ceiba Municipio, Puerto Rico			
	Estimate	Margin of Error	Percent	Percent Margin of Error
EMPLOYMENT STATUS				
Population 16 years and over	10,576	+/-53	10,576	(X)
In labor force	4,320	+/-270	40.8%	+/-2.6
Civilian labor force	4,315	+/-270	40.8%	+/-2.6
Employed	3,808	+/-279	36.0%	+/-2.7
Unemployed	507	+/-132	4.8%	+/-1.2
Armed Forces	5	+/-7	0.0%	+/-0.1
Not in labor force	6,256	+/-285	59.2%	+/-2.6
INCOME AND BENEFITS (IN 2014 INFLATION-ADJUSTED DOLLARS)				
Total households	4,556	+/-253	4,556	(X)
Less than \$10,000	1,101	+/-199	24.2%	+/-4.0
\$10,000 to \$14,999	579	+/-157	12.7%	+/-3.4
\$15,000 to \$24,999	916	+/-183	20.1%	+/-3.9
\$25,000 to \$34,999	670	+/-172	14.7%	+/-3.6
\$35,000 to \$49,999	818	+/-182	18.0%	+/-3.8
\$50,000 to \$74,999	296	+/-96	6.5%	+/-2.1
\$75,000 to \$99,999	74	+/-50	1.6%	+/-1.1
\$100,000 to \$149,999	85	+/-61	1.9%	+/-1.3
\$150,000 to \$199,999	8	+/-12	0.2%	+/-0.3
\$200,000 or more	9	+/-16	0.2%	+/-0.3
Median household income (dollars)	20,339	+/-2,524	(X)	(X)
Mean household income (dollars)	27,933	+/-3,691	(X)	(X)

INDUSTRY				
Civilian employed population 16 years and over	3,808	+/-279	3,808	(X)
Agriculture, forestry, fishing and hunting, and mining	59	+/-49	1.5%	+/-1.2
Construction	225	+/-111	5.9%	+/-3.0
Manufacturing	403	+/-144	10.6%	+/-3.7
Wholesale trade	128	+/-109	3.4%	+/-2.8
Retail trade	303	+/-117	8.0%	+/-3.1
Transportation and warehousing, and utilities	200	+/-82	5.3%	+/-2.1
Information	19	+/-31	0.5%	+/-0.8
Finance and insurance, and real estate and rental and leasing	286	+/-109	7.5%	+/-2.7
Professional, scientific, and management, and administrative and waste management services	498	+/-146	13.1%	+/-3.7
Educational services, and health care and social assistance	802	+/-202	21.1%	+/-5.4
Arts, entertainment, and recreation, and accommodation and food services	442	+/-150	11.6%	+/-3.7
Other services, except public administration	173	+/-80	4.5%	+/-2.1
Public administration	270	+/-96	7.1%	+/-2.5

Total labor force in Ceiba was estimated at 3,808 persons. Unemployment was at 4.8. The median household income was \$20,339; substantially lower than US national standards.

Major industries contributing to Ceiba economy are services, manufacturing, and retail. All service industries represent almost 60% of the total employment. Of all service categories, educational services, healthcare and social assistance represents 26.3%. Manufacturing and retail contribute 10.6 and 8% to the total employment respectively.

Housing Characteristics

General housing characteristics for Ceiba are summarized in the following table as per the 2014 American Community Survey 5-Year Estimates.

Subject	Ceiba Municipio, Puerto Rico			
	Estimate	Margin of Error	Percent	Percent Margin of Error
HOUSING OCCUPANCY				
Total housing units	7,446	+/-147	7,446	(X)
Occupied housing units	4,556	+/-253	61.2%	+/-3.4
Vacant housing units	2,890	+/-266	38.8%	+/-3.4
Homeowner vacancy rate	2.1	+/-1.6	(X)	(X)
Rental vacancy rate	8.0	+/-4.6	(X)	(X)
HOUSING TENURE				
Occupied housing units	4,556	+/-253	4,556	(X)
Owner-occupied	3,517	+/-223	77.2%	+/-3.5
Renter-occupied	1,039	+/-182	22.8%	+/-3.5

Of the total housing units, 7,446 as per the 2014 estimate, 38.8% were vacant. Of the total occupied units, 77.2% were owner-occupied and 22.8% renter-occupied.

Urban Growth Trend

The municipality followed both a co-centric and a sectorial urban growth trend. The following wards form Ceiba: Ceiba Pueblo, Chupacallos, Daguao, Guayacán, Machos, Quebrada Seca, Río Abajo and Saco.

Former Naval Station Roosevelt Roads (NSRR) was the largest and most significant development within the municipality. NSRR was first commissioned as a U. S. Naval Operations Base in 1943. The idea of a naval base in Puerto Rico was the result of a tour of Puerto Rico by the then Assistant Secretary of the Navy in 1919 and future U.S. President, Mr. Franklin D. Roosevelt,

who expressed its liking for the Ceiba terrain where the base now is after returning to Washington, D.C. This was during the World War I era, and the United States could benefit from an air field in Ceiba. While Puerto Rico is a commonwealth, its territorial rights belong to the United States, which made it perfectly feasible, and ideal, for the American government to build an airplane base in Ceiba.

It took many years, however, for the United States Government to become convinced of the need for an air base to be constructed in Ceiba. It was not until Adolf Hitler and Nazi-led Germany began to invade other European countries, that the United States Government, led by then President Roosevelt, entertained the idea of a Naval air station in Ceiba.

The base had been inaugurated, but scaled down to a maintenance status with a public works office in 1944; from that moment on and until 1957, the base went through many shifts, being opened seven times and closed eight times. Meanwhile, it continued being a source of work for the citizens of Ceiba as well as for American military pilots and soldiers as a consequence of the airbase's operations, when it was operating.

In 1957, it was upgraded to Naval Station status. Fort Bundy was set there, but it crossed over to parts of Vieques, a fact which would later become important in the history of the base. An American military mission, the N3, was also set there. It was part of the "Naval Computer and Telecommunications Station, Puerto Rico Base Communication Department". "N3" had a fleet center, a technical control facility and a Tactical support communications department, among other things. The "N3" was designated to help Puerto Rico, the United States and other Caribbean and Latin American countries that were members of NATO to deal with drug trafficking, illegal immigration and other, much more complex subjects such as enemy airplanes during war, terrorism, etc. For the next 47 years, the base would be utilized by military airplanes for landings and take-offs, as well as for other missions and control of the area's air-space.

On September 30, 2003, the President of the United States signed into law the Fiscal Year 2004 Defense Appropriations Act. The legislation required the Navy to close the Naval Station Roosevelt Roads no later than six months after enactment of the act. In January of 2004 The Navy decided to relocate U.S. Naval Forces Southern Command (USNAVSO) from Naval Station Roosevelt Roads, Puerto Rico, to Naval Station Mayport, Florida. The Naval Station became inoperative on March 31, 2004. Shortly after operations ended at the NSRR the Puerto Rico Department of Economic Development and Commerce was appointed as the Local Redevelopment Authority (LAR). The base closing has contributed to a decline in demand for commercial, industrial, and residential real estate.

Rents and values in Ceiba are slightly declining. Commercial land values range from \$50.00 to over \$100.00 per square meter varying mostly with differences in size and specific location or exposure to a major road. Industrial land ranges from \$30.00 to \$50.00 per square meter for smaller lots; or from \$20,000.00 to \$80,000.00 per *cuerda* for large industrial tracts.

Improved commercial-industrial properties have sold from \$20.00 per square foot (i.e., large old buildings in fair condition) to over \$70.00 per square foot for buildings in good conditions. Commercial occupancy levels at functional facilities in use range from 70% to 100%. Rents range from \$5.00 per square foot for larger or poor conditioned or storage spaces to over \$15.00 per square foot for good conditioned retail and office space. Typical marketing time for commercial real estate could range from 12 to 36 months depending to property size, location and condition. Special financing concessions from private bank institutions or from sellers to buyers are becoming typical.

In conclusion, the base closing contributed to a decline in demand for commercial, industrial, and residential real estate. In general, real estate values and rents are expected to slightly decline or to remain stable only at superior locations.

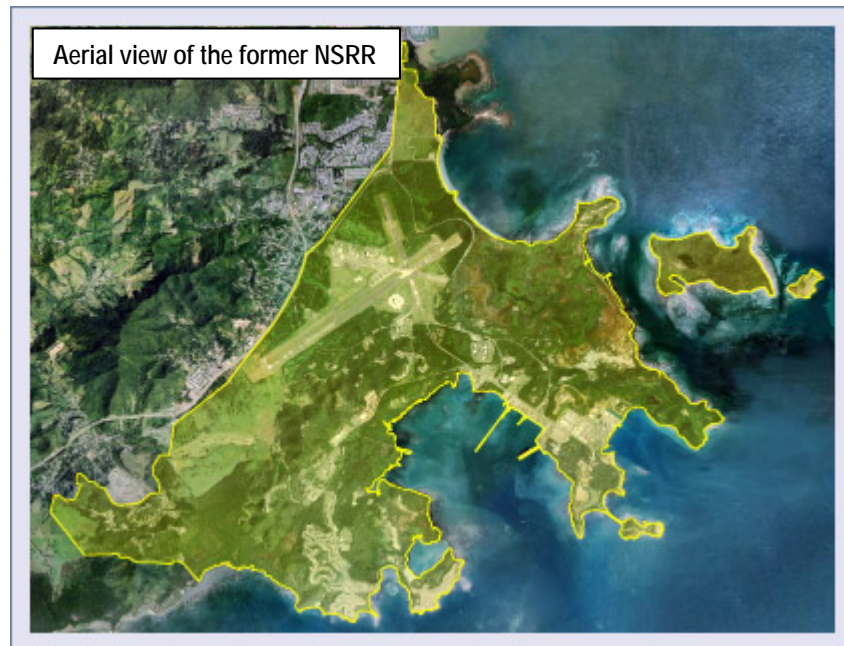
NEIGHBORHOOD ANALYSIS

Adequate analysis of subject's neighborhood provides a framework in which property value is estimated. It identifies the area of analysis and establishes the physical boundaries from within the appraisers search market data to be used in the approaches to value.

Location, Boundaries and Access

The subject of this appraisal is Subzone A3 of former NSRR which includes the commercial small vessel marina within the Naval Station Roosevelt Roads (NSRR) and two (2) development parcels. The former NSRR constitutes the subject neighborhood. It lies east of State Road 3 in the Guayacán, Machos and Quebrada Seca Wards of the Municipality of Ceiba. Please refer to the location map. Neighborhood boundaries are:

North:	Fajardo Municipality
South:	Naguabo Municipality
East:	Atlantic Ocean
West:	Expressway 53



NSRR is approximately 40 miles southeast of the San Juan Metropolitan Area, and about a one-hour drive away from the City of San Juan. Access to the NSRR from the SJMA can be either traveling along State Road 3 through northeastern farms and beaches and descending from Fajardo on Expressway 53, or through lush mountains and green valleys going first south on Expressways 52, east on 30 and north on 53. The Property is situated just 10

miles south of the El Conquistador Resort & Golden Door Spa in nearby Fajardo. Additionally, the Property sits in the shadow of El Yunque and the Caribbean National Forest.

Physical Environment

The subject's neighborhood encompasses a sweeping 8,300 acres on mainland Puerto Rico plus three smaller islands, Isla Piñeros, Cayo Piñerito and Cabeza de Perro that together represent some 300 additional acres. The site geographically is the easternmost extension of the foothills of El Yunque; forming notable twin booted peninsulas that together frame Ensenada Honda;

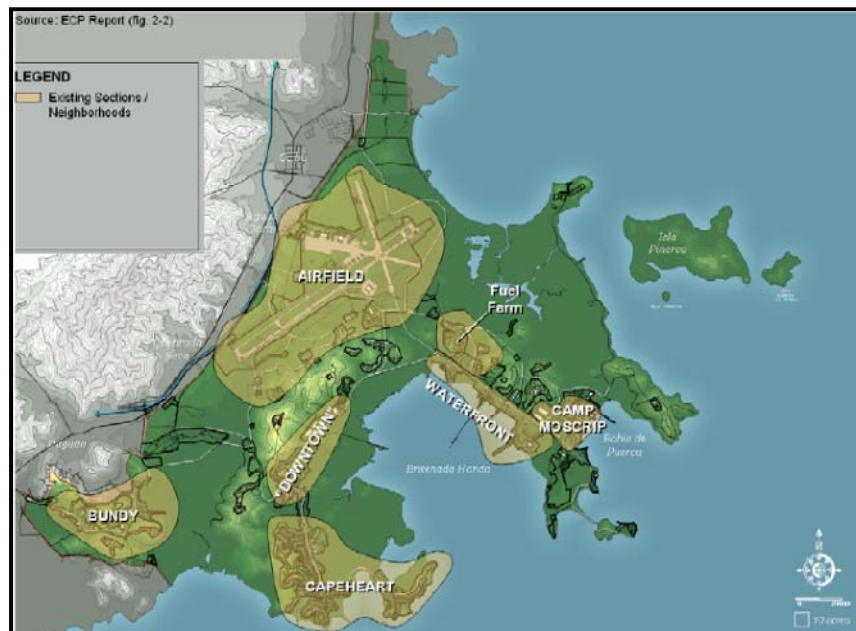
the large and well-protected harbor at the center of the former NSRR with a distinctive ring of hills, nearly 300 feet at the highest point.

At the foothills of El Yunque and at the edge of the sea, the former NSRR is intrinsically linked to its regional ecology of rainforests, marine habitat, migratory birds, and coastal flora. The richness of natural diversity, of natural flora, extensive wetlands, mangrove forests and surrounding sea grass beds, underscores the existing multiple ecologies and biodiversity within the neighborhood. The former NSRR is an important coastal resource and potential habitat for a number of threatened and endangered species including the Yellow Shouldered Blackbird and the West Indian Manatee. Additionally, there are a number of listed archeological sites potentially warranting future investigation.

While the overall extension of the neighborhood is approximately 8,600 acres, including the three islands, up-land terrain available for new development and/or redevelopment opportunities are limited to approximately 3,400 acres. This is due to the presence of significant wetland areas, the 100-year floodplain, and areas with relatively steep slopes (i.e. greater than 15% gradient).

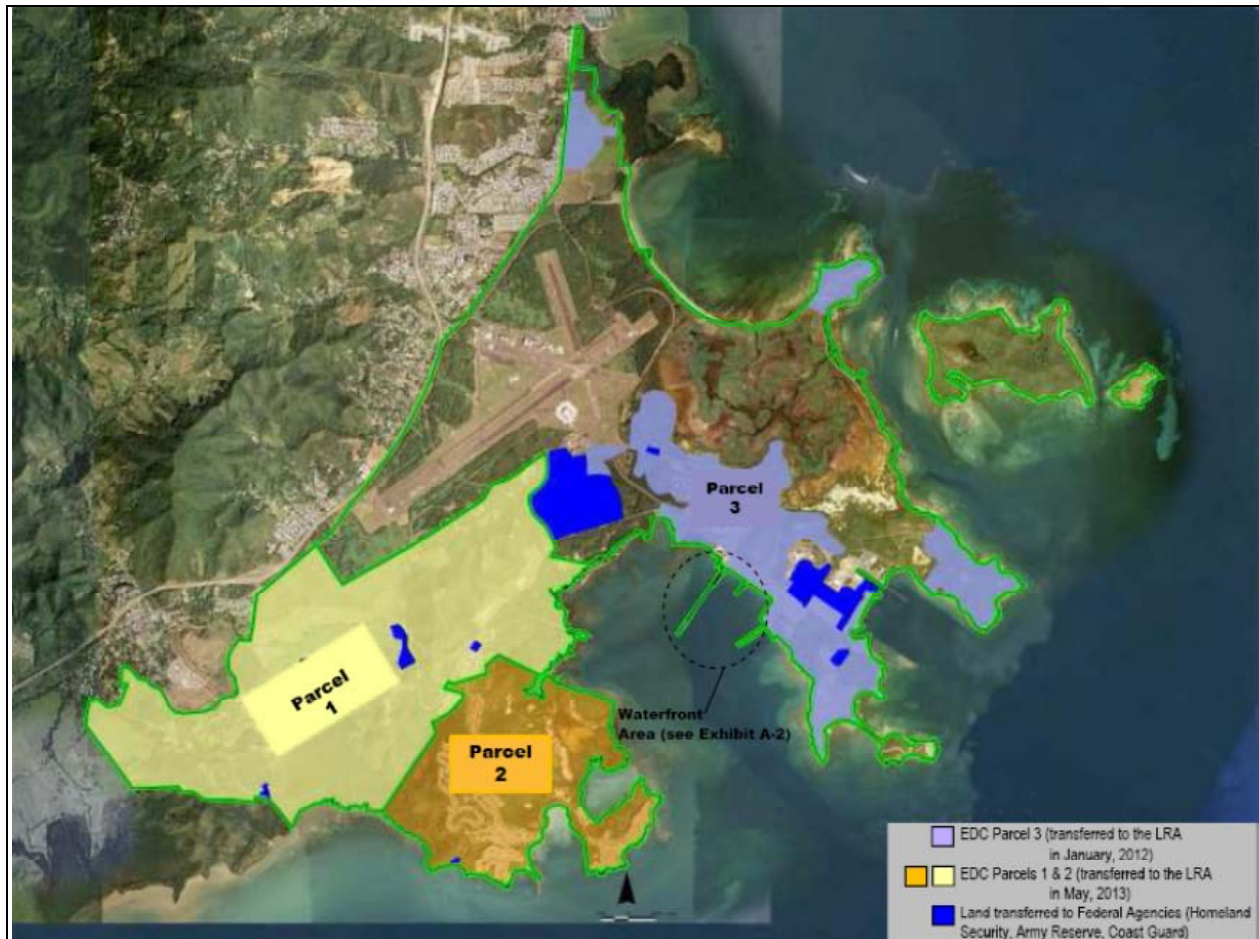
Urban Contour and Trends

Existing infrastructure within the former NSRR falls within several fragmented zones separated by topography, wetlands or land use: Airfield; Bundy to the southwest; Downtown at the center of the neighborhood; Capehart (residential neighborhoods on the southern peninsula); Waterfront along the northern bulkhead of Ensenada Honda, and Camp Moscrip at the edge of Bahia de Puerca. Each area is dominated by a single land use with supporting adjacent facilities; each is adaptable to reuse or appropriate for redevelopment. The following is an aerial map of the former NSRR.



Parcels 1, 2 and 3 of the base were transferred to the Roosevelt Roads Local Development Authority in January, 2012 (Parcel 3) and May, 2013 (Parcels 1 and 2). Some of the land was transferred to Homeland Security, Army Reserve and the Coast Guard. Please refer to the Station Map.

NSRR Map –Parcels Transferred to LRA



As of today, former NSRR presents a special situation. Except for the airport, private marina, and properties still owned and managed by the US Army or other US Agencies, the base is basically unoccupied without maintenance and in a very poor state. Most of the land owned and controlled by the Roosevelt Roads Local Redevelopment Authority is un-occupied and in neglected condition. Then, what we observed is sort of a ghost town with scattered well maintained parcels (those still owned by the US).

Infrastructure at the NSRR was developed in support of specific land uses and zones, and while adequate to support some degree of reuse, it is likely that with reuse of the former NSRR, elements of existing infrastructure will require updating and modification. In particular, the

roads, which were not designed to service significant traffic generated by private vehicles, and the piers, which were sized to service naval and tanker vessels rather than passenger ferries or private charter boats, will need to be addressed.

Moscrip Area

The Moscrip area was classified as Waterfront/Industrial land use while the area operated as a naval station (Department of the Navy 2005). The Moscrip area is in the eastern portion of the NAPR, along the Atlantic Ocean waterfront.

Social and Economic Factors

The Naval Station has been closed since March of 2004. In terms of economic and social profiles, the subject's neighborhood will be most probably formed by existing and/or migrating residents to the overall Ceiba Region.

The Roosevelt Roads Local Redevelopment Authority (LRA) has developed a Development Zones Master Plan and, in addition, its Board of Directors selected on August, 2014 four entities to move to the final round of the process to choose one Master Developer. The Roosevelt Roads redevelopment project encompasses approximately 3,000 acres of developable lands and facilities of high value for a mixed-use development with opportunities in tourism, commercial, recreational, residential, educational and light industrial projects.

However, as of the appraisal date, most of the land owned and controlled by the Roosevelt Roads Local Redevelopment Authority is, during the planning stages of the proposed redevelopment, un-occupied and in neglected condition. Then, what we observed is a mostly un-occupied former base with scattered well maintained parcels (those still owned by the US).

Conclusion

In conclusion, the subject property is part of the former Naval Station Roosevelt Roads (NSRR) in the Municipality of Ceiba. The area is formed by several smaller zones separated by topography, wetlands or land use; each dominated by a single land use with supporting adjacent infrastructure adaptable to reuse or appropriate for redevelopment. The economic outlook of the neighborhood is directly dependent on the successful implementation of the NSRR 2014 Development Zones Master Plan. The general economic growth of the overall region is entirely reliant on the success of the base re-development. The intended re-development presents an opportunity for a positive outlook for the overall eastern region of the Island. Nonetheless, overall real estate values and rents within the Ceiba Municipality are expected to slightly decline and/or to remain stable at superior locations.



View southeast along waterfront access road.



View of northwest along the waterfront road within NSRR.

SITE DESCRIPTION AND ANALYSIS

Location, Access and Linkages

The appraised property is Subzone A3 as per the 2014 Development Zones Master Plan for former Naval Station Roosevelt Roads (NSRR) in Ceiba, Puerto Rico.

The former NSRR has three entrances; all with adequate accessed from Expressway 53 through State Road 3 and other interior streets of the Ceiba urban area.

In terms of linkages, the former NSRR is approximately 40 miles southeast of the San Juan Metropolitan Area, and about a one-hour drive away from the City of San Juan. The Property is situated just 10 miles south of the El Conquistador Resort and Spa in nearby Fajardo. Additionally, NSRR sits in the shadow of El Yunque and the Caribbean National Forest.

Size, Boundaries and Frontage

In Puerto Rico, industrial sites are typically measured in *cuerdas* and/or square meters. A *cuerda* is a Spanish unit of land area measurement equal to 0.97 acres. According to the submitted documentation, Subzone A3 has an area of 50 acres.

No land survey plan was submitted. The land area for the subject site was provided by personnel from the Roosevelt Roads Local Redevelopment Authority (RRLRA), and measurements by the appraiser based on aerial photography online services. These areas were assumed correct for appraisal analysis purposes. Then, the appraisal was made with the extraordinary assumption the land areas are correct. If the extraordinary assumption is found to be false or incorrect, the reported value opinion would be invalid.

Subzone A3 is bounded as follows:

North:	Subzone B2 and undeveloped land
South:	Caribbean Sea
East:	Subzones B2 and A1
West:	Caribbean Sea and undeveloped land

For appraisal analysis purposes we divided the subject site into the following three (3) marketable units.

Marketable Units		
Unit	Area (cuerdas)	Area (acres)
1- Commercial Marina	13.65	13.24
2- Oceanfront Development Land	12.89	12.5
3- North Development Land	18.97	18.4

The remaining land area of approximately 5.86 acres comprises the public area occupied by the

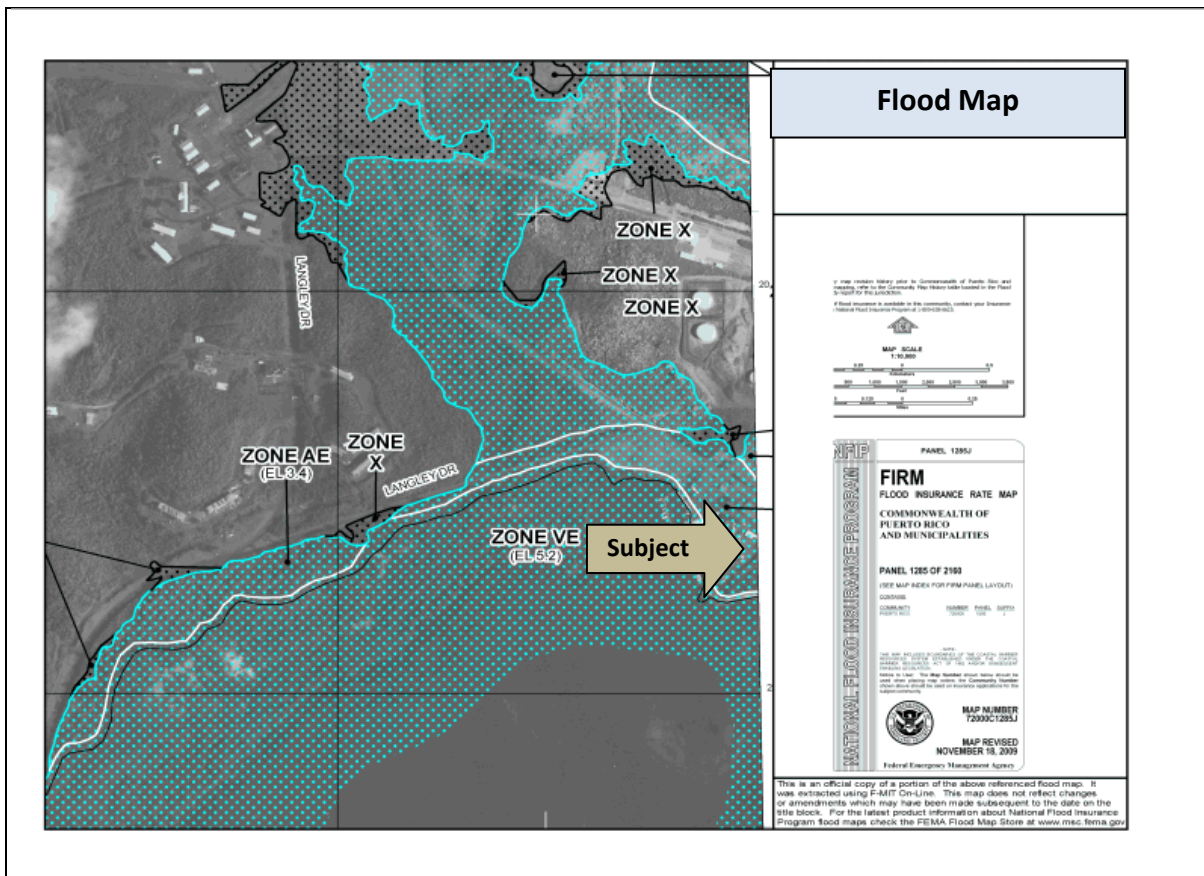
Forrestal Drive road. The commercial marina has frontages of approximately 146 meters to the public access road to the northwest Waterfront Road and about 345 meters the Forrestal Drive road within NSRR. The oceanfront development land parcel has a frontage of 331 meters to the Forrestal Drive road while the north development land parcel has a frontage of 575 meters to the road.

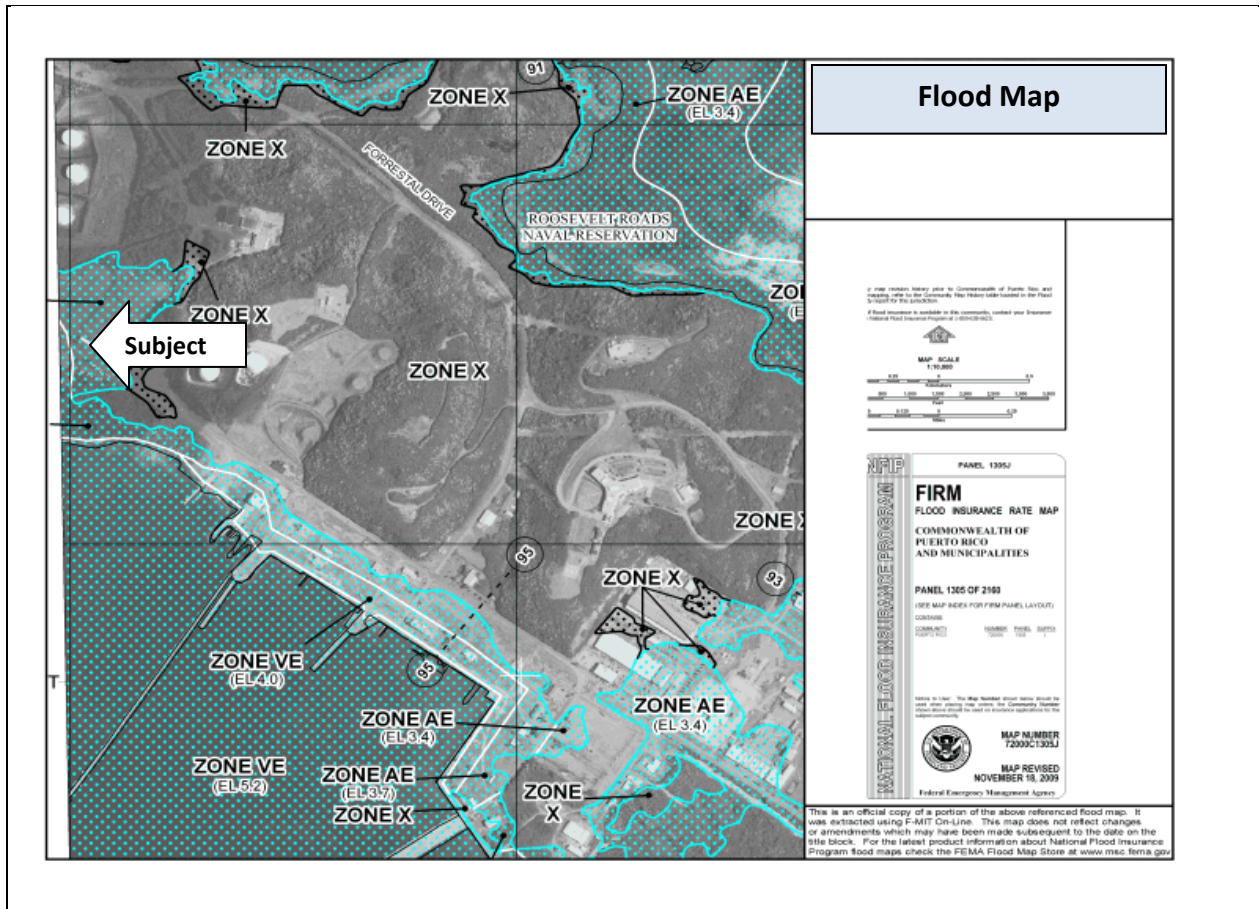
Topography, Shape and Drainage

Subzone A3 and its defined marketable units have irregular configurations with a mostly leveled topography typical of developed lots of this size within the NSRR. Two undeveloped areas at the westernmost and easternmost sections of the north parcel have sloping topography. Based on the physical inspection drainage seems adequate following the site contours.

Flood Classification

According to FEMA Flood Map No. 72000C1285J and 72000C1305J, last revised on November 18, 2009, part of the site appears to lie within the flood prone area (Zone VE). Zone VE refer to areas subject to inundation by the 1-percent-annual-chance flood event with additional hazards due to storm-induced velocity wave action. Base Flood Elevations (BFEs) derived from detailed hydraulic analyses are shown. Mandatory flood insurance purchase requirements and floodplain management standards apply.





Soils

No recent soils studies were submitted to the appraisers. Nonetheless, based on the visual inspection and since most the sites within the immediate neighborhood have been developed, this appraisal was made under the general assumption that no detrimental soil conditions exist that could affect the lot’s development potential.

Utilities

The neighborhood enjoys all services provided by the state and municipal governments. In terms of utilities, the subject site reportedly has public electric power distribution service but lacks public water disposal utility facilities typical of urban areas (i.e., water distribution and disposal, electric power distribution and telephone service) to support large scale urban commercial-industrial uses. Used water disposal is under a private contract. Furthermore, LRA confirmed that the boat slips lack electric power and water. This appraisal assumes utilities are available to support the present marina operation at typical connection costs.

Condemnations, Easements and Encroachments

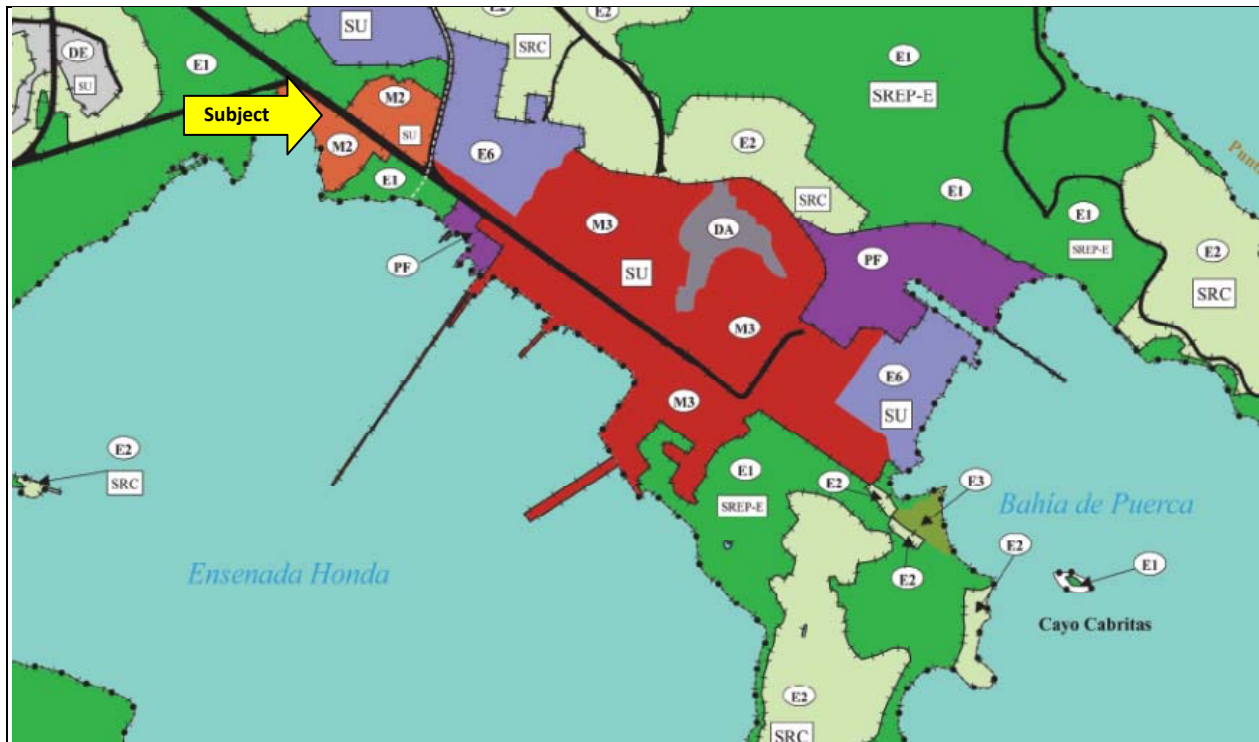
The appraiser has no knowledge of easements, encroachments and contemplated condemnations that could have a negative impact upon property value.

Zoning

The appraised property lies within an M-2, central urban district as per the Special Zoning Map for NSRR. The purpose of this district is to promote orderly development and to classify mixed commercial and residential areas. Allowed uses include multi-family residential, hotel, office, commercial including retail and marina, recreational and public. Based on the on-site visual inspections, the site seems to be under a legal conforming use.

The site also lies within a Subzone A-3 as per the 2014 Development Zones Master Plan for former NSRR. Allowed uses include small vessel marina with stack storage, nautical-oriented lodging and nautical-oriented commercial and services.

Zoning Map



Environmental Impact

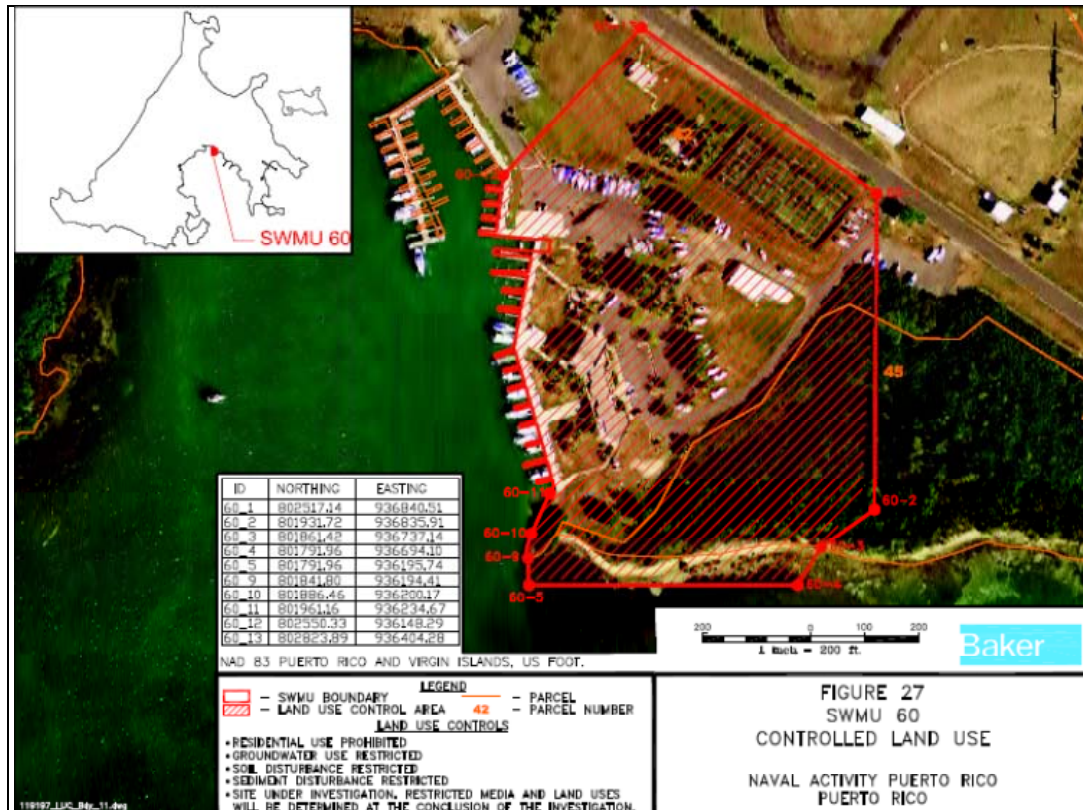
No environmental impact studies have been made in conjunction with this appraisal report. The reported value opinion could be affected by subsequent environmental impact studies, assessments and/or resulting governmental actions.

Hazardous Materials

Part of the subject site has been classified as solid waste management unit SWMU 60 within the base. SMWU's are units or areas from which hazardous constituents might migrate, irrespective of whether the units were intended for the management of solid and/or hazardous

wastes. Residential use is prohibited. Groundwater, soil disturbance and sediment disturbance is restricted. The site is under investigation. Restricted media and land uses to be determined as per the conclusion of the investigation.

Controlled Land Use (SWMU 60)



The appraisers have no knowledge of the existence of other hazardous materials that could have a significant negative impact on the subject site. The appraiser, however, is not qualified to detect such substances. The appraisal was made with the general assumption there is no hazardous materials or contamination affecting the subject site that could affect the commercial marina use.

Site Analysis Conclusion

The appraised site is Subzone A3 of former NSRR in Ceiba. The appraised site is functional for the legally allowed waterfront commercial marina use. No physical, location or legal factors were observed that could detract from the site market value. Nevertheless, reportedly the site lacks the necessary off-site on-site utility infrastructure for large scale re-development.

Panoramic View of Subject Site

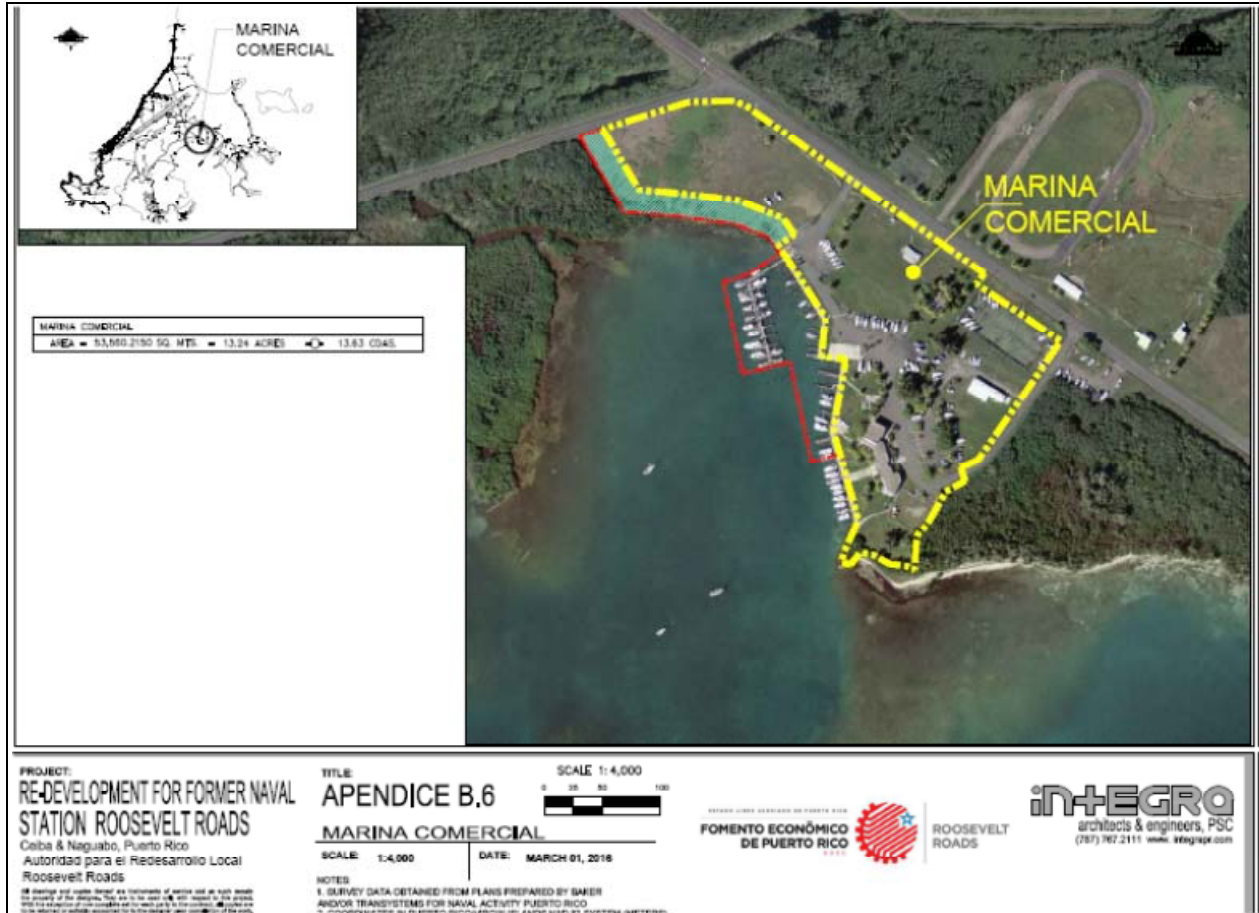


Aerial View of Subject Property



Subject Property Marketable Units

Commercial Marina



Subject Property Marketable Units

Ocean Front Development Land



Subject Property Marketable Units

North Development Land



IMPROVEMENTS DESCRIPTION AND ANALYSIS

Improvements at the appraised site are described based on a site inspection conducted on October 19, 2016 to observe elements that affect value.

General Description

The appraised property is Subzone A3 of Parcel 3 as per the 2014 Development Zones Master Plan for former NSRR. Main improvements comprise a commercial marina including 72 wet boat slips for small vessels, four (4) detached buildings with a combined gross construction area of 14,539 square feet, boatyard areas and surface parking areas, on a site with a land area of 50 acres within the waterfront industrial cluster.

The 50 acres are mainly divided into three (3) separate marketable units; an area of 13.24 acres which comprises the commercial marina, three (3) detached buildings totaling 12,939 square feet, boatyard areas and surface parking areas, a contiguous vacant land section with an approximate area of 12.5 acres with frontage to the bay, and a separated mainly unimproved section with a land area of 18.4 acres north of the Forrestal drive road which comprises two (2) former baseball fields, a running track, an open hardcore basketball court and a 1,600 square feet detached building subject to a lease contract. The remaining land area of approximately 5.86 acres comprises the public area occupied by the Forrestal Drive road.

Buildings at Subzone A3



Commercial Marina

Description

Improvements comprise a commercial marina including 72 wet boat slips for small vessels, three detached (3) buildings with a combined gross construction area of 12,939 square feet, boatyard areas and surface parking areas.

Main Boathouse Building (2334)

The main building is the original Marina Boathouse or base Building 2334. This concrete structure was built in 1993. It has a gross construction area including open halls and walkways of 8,450 square feet, and a gross building area of 7,532 square feet. It comprises the main office-shop area and bathrooms with a gross area of 5,482 square feet, and an attached service-maintenance structure with an area of 2,050 square feet. The main office areas are currently occupied by the Puerto Rico Department of Natural and Environmental Resources (DNER) and by FURA, a Division of the Puerto Rico Police Department.

The building with an irregular contemporary design has two main office areas or sections with separate entrances through a main open hallway. Each section's interior is divided into reception areas, open office areas, private offices, storage rooms, and kitchenette-lounge areas. The space occupied by DNER has restrooms. There are public restrooms accessed separately from the open hallway. Average floor height is 10 feet.

The garage-boat service shop area is a rectangular space with a gross area of 2,050 square feet. It has a height of approximately 20 feet.

Construction details include concrete foundations/footings with a concrete floor slab, concrete roof, concrete frame, concrete block exterior walls and units partitions, and cement plaster and painted exterior wall finish.

Interior improvements include concrete block and gypsum board partitions, acoustic panel ceilings, fluorescent lamps, average quality electrical and plumbing fixtures and ceramic tiles floor covering.

Main building construction details are best described as follows:

Structure design:	Marina office-shop building.
Stories:	One (1).
Foundation:	Reinforced concrete slab, perimeter foundation with continuous footings.
Frame:	Concrete.
Roof structure:	Concrete.
Wall structure:	Plastered and painted concrete block walls.
Floor cover:	Carpet and tiles.

Interior partitions:	Plastered and painted concrete block and gypsum board partitions.
Doors:	Minimum aluminum frame pane glass at entrance, metal and wood.
Windows:	Aluminum frame awning glass.
Electrical system:	Typical for office use (as required by code).
Illumination:	Fluorescent lighting fixtures.
Ventilation and other equipment:	Packaged AC systems.
Plumbing system:	Typical for commercial-office use (as required by code).

Marine Exchange Center Building (467)

The site also has a detached light industrial warehouse structure; originally identified as the Marine Exchange Center or base Building 467. This is a concrete foundation steel construction "L" shape building with a gross area of 3,321 square feet.

Construction details include concrete foundations/footings with a concrete floor slab, corrugated metal panels roof, steel frame, corrugated metal panels exterior walls and typical average light-industrial building finishes. Construction details are best described as follows:

Structure design:	Marina light-industrial shop building.
Stories:	One (1).
Foundation:	Reinforced concrete slab, perimeter foundation with continuous footings.
Frame:	Steel.
Roof structure:	Corrugated metal panels.
Wall structure:	Corrugated metal panels.
Floor cover:	Concrete.
Interior partitions:	Concrete block and gypsum board partitions.
Doors:	Metal and wood.
Windows:	Aluminum frame awning glass.
Electrical system:	Typical for light-industrial use (as required by code).
Illumination:	Fluorescent lighting fixtures.
Ventilation and other equipment:	Rooftop ventilators.
Plumbing system:	Typical for light-industrial use (as required by code).

Utility Building (1716)

This is a one-story concrete/wood utility building with a gross area of 1,168 square feet. It has a mostly rectangular configuration. Construction details include concrete foundations/footings with a concrete floor slab, corrugated metal panels roof, steel-wood frame, and typical average light-industrial/utility building finishes. This building was constructed in 1972.

Marina Boat Slips

The marina comprises a concrete bulkhead towards the bay boundary and an “L” shape concrete out pier accommodating approximately 52 small vessels boat slips forming a typical “U” design. There are utility boxes with water fixtures; one box for four slips at the out pier and one box per two slips along the main bulkhead. As per the submitted aerial drawing delineating the property about twenty additional slips on the main bulkhead complete a total of 72 slips. The bulkhead and out pier also has ladders at three points, and mooring piles. There is a concrete boat ramp adjacent to the out pier.

Refer to the piers and boat slips sketch for details.

Additional Improvements

Site improvements include about marked and unmarked surface parking spaces at the front, side and rear of main building, former outdoor tennis courts currently used as boat yard space, partial perimeter chain link fence, an entrance gate, and minimum outdoor lightning.

Analysis

Building 2334 was built on 1993 and, thus, has an actual age of 23 years. It was observed in general average-fair condition reflecting an effective age of 23 years. Building 467 was built on 1960, has an actual age of 56 years. It has been well maintained and was observed in average condition. Its effective age was estimated at 35 years. Building 1716 was constructed in 1972 for an actual age of 44 years. Its effective age was estimated at 35 years.

The electric and plumbing systems were in place and functional as of the inspection date. However, the boat slips on the bulkhead and pier, although with the facilities in place, do not have water or electric service for boats. Typical physical deterioration was observed throughout the improvements. The only items in need of immediate repairs for typical marina, office, service and/or light-industrial occupancy is precisely to provide water and electric service to the boat slips. LRA has estimated the cost to correct this condition at \$31,000.00. After consulting with local contractors we have estimated the cost to connect power and water service to the water slips at \$35,000.00.

Normal wear and tear of the long-lived structures was observed. Incurable physical depreciation was based on the age-life method. Long-live items (LLI) useful life was estimated at 60 years and, therefore, the incurable depreciation for the LLI's was estimated at 38.33 to 58.33%. Short live items (SLI) useful lives range from 5 to 15 years, their estimated actual age is 3 to 10 years and, thus, their incurable physical depreciation varies from 60 to 66.67%.

In overall terms, the improvements are functional for commercial marina use when compared to competitive properties. The low lot occupancy ratio provide plenty of surface parking area and undeveloped areas ideal for future developments.

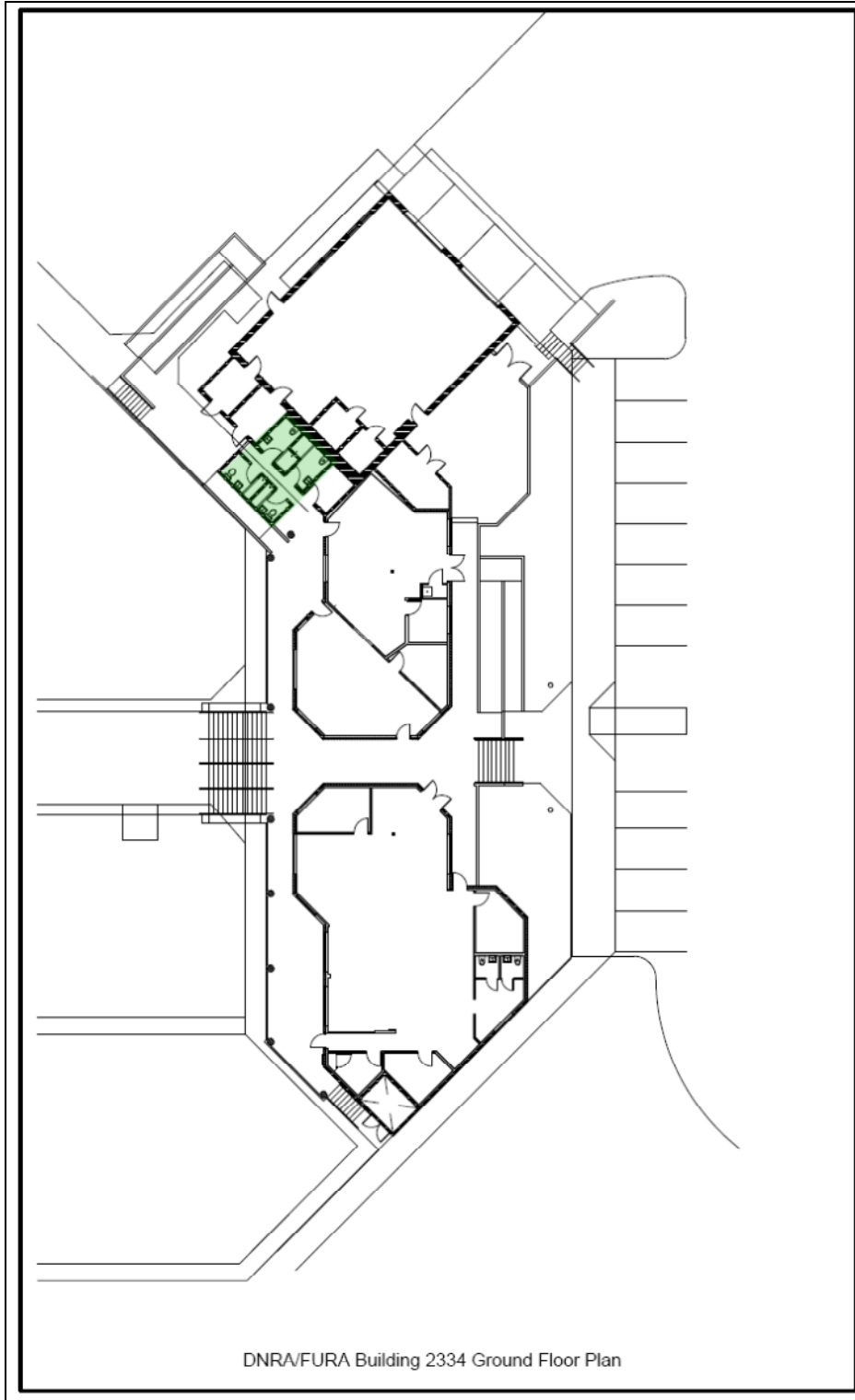
The general economic recession the island has been experiencing since 2006 has decrease the demand for commercial uses. This has resulted in higher vacancy rates, and a general decline in

real estate prices and rents. Since this external condition is general, it is already reflected in land values, building vacancy levels, rents and prices. A summary of the improvements analysis follows.

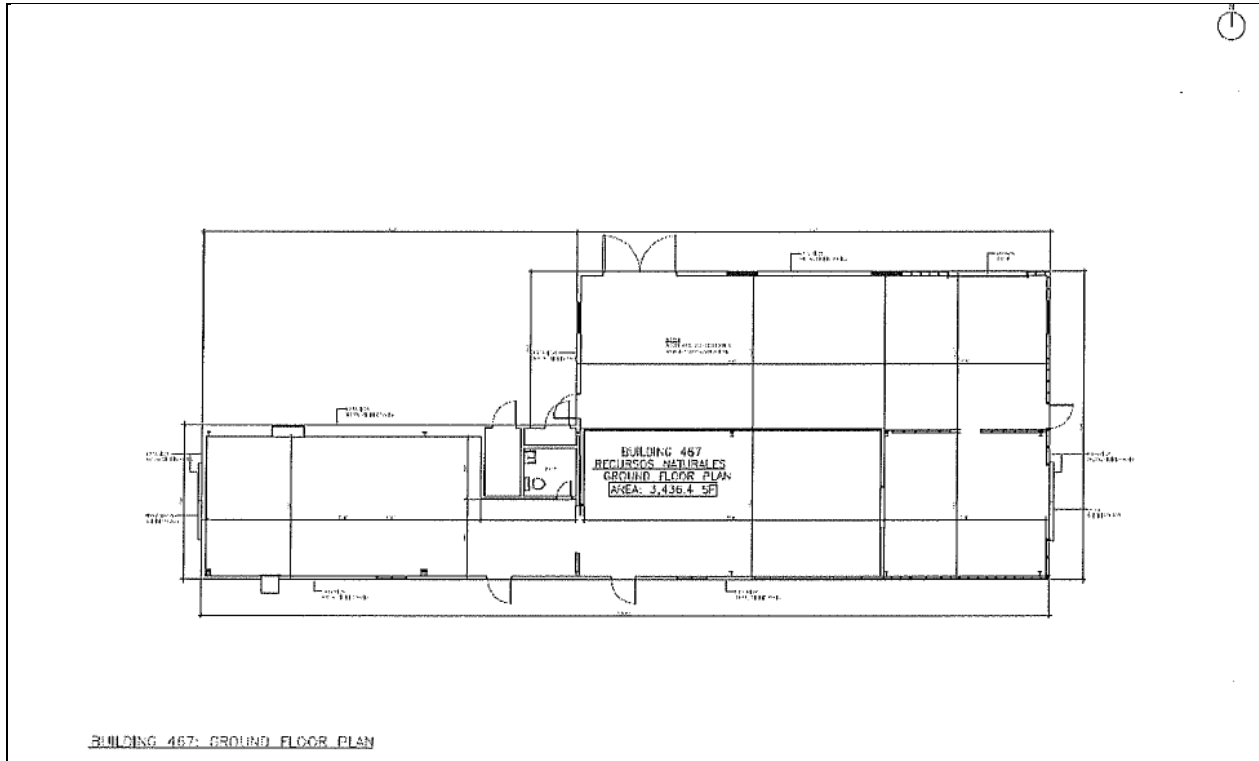
Condition:	Average-fair.
Age:	23 and 56 years (long lived items); 3 to 10 years (short lived items).
Useful life:	60 years (long lived items); 5-15 years (short lived items).
Curable Physical Depreciation:	Installation of water and electric service to boat slips. After consulting with local contractors we have estimated the cost to connect power and water service to the water slips at \$35,000.00.
Incurable Physical Depreciation:	38.33 to 58.33% (age/life method) for long-lived items; 60-66.67% for short-lived items.
Curable Functional Obsolescence:	None.
Incurable Functional Obsolescence:	None.
External Obsolescence:	General economic recession already reflected in land values, building vacancy levels, rents and prices.

In conclusion, the existing improvements are functional for their present use. These were in an overall average-fair physical condition suffering from typical incurable physical depreciation. The external economic obsolescence due to the general economic recession since 2006 is already reflected in property vacancy, rent and price levels.

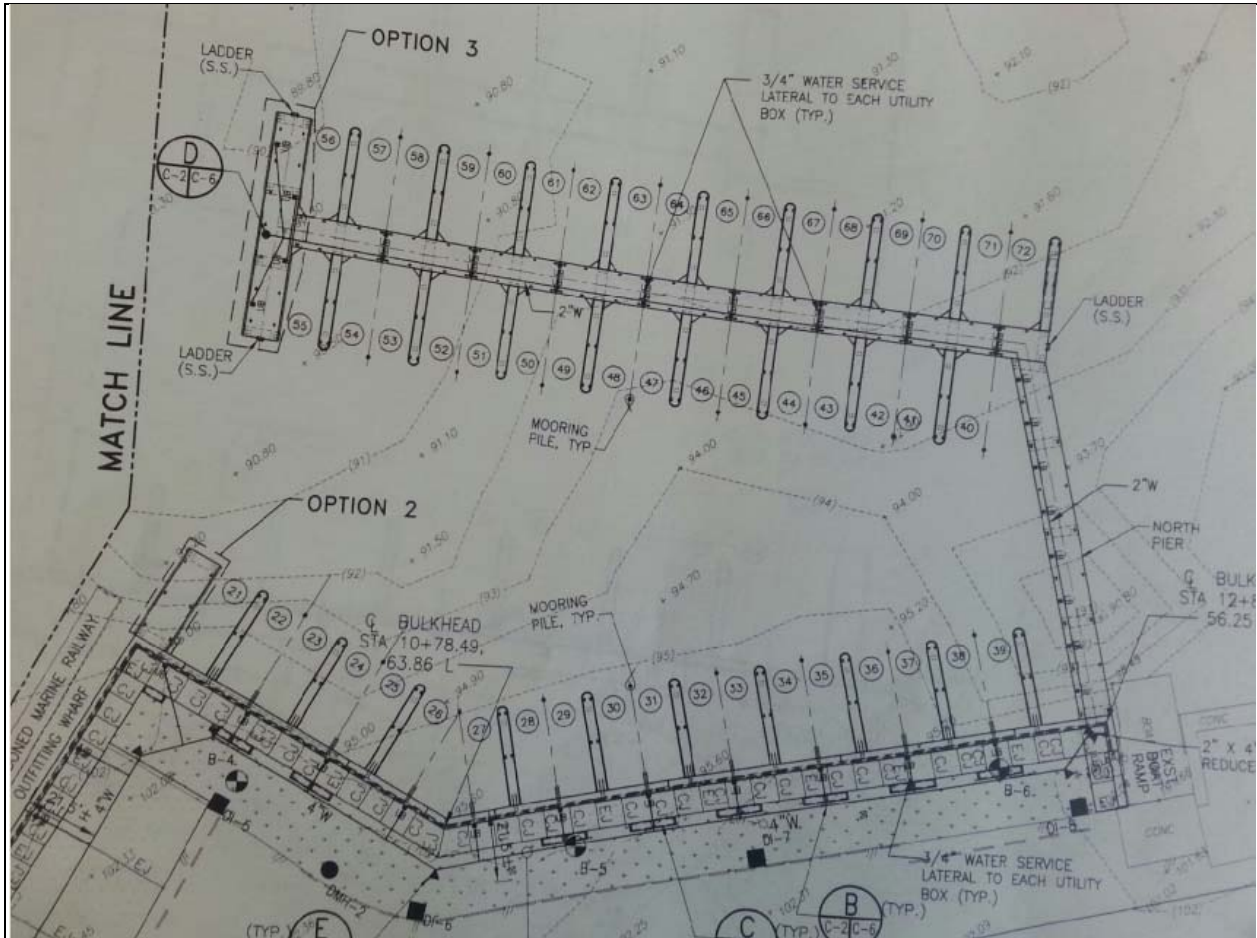
Building Floor Plan



Building Floor Plan



Bulkhead, Out Pier and Boat Slips Plan



Commercial Marina Improvements Photos



Commercial Marina Improvements Photos



Commercial Marina Improvements Photos



Commercial Marina Improvements Photos



Commercial Marina Improvements Photos



Commercial Marina Improvements Photos



Oceanfront Development Land

Description

Improvements to the oceanfront development land section comprise an open asphalted boatyard area covering an area of about 20,000 square feet (about half an acre).

Analysis

Due to its smaller scale in relation to the entire area, the boatyard area represents an interim use but do not contribute to the overall value of this section.

North Development Land

Description

Improvements to the north section comprise the former baseball fields, running track and basketball court, and a 1,600 square feet detached building subject to a lease contract.

Recreational Park Building (1715)

This is a rectangular one-story concrete-wood building with a gross area of 1,600 square feet. This structure was originally constructed in 1972 is currently leased for commercial purposes.

Additional Site Improvements

Other improvements include the former baseball fields (2), running track and basketball court. One of the baseball fields has two (2) covered metal bleacher structures. These structures were constructed in 1972 and were in neglected conditions.

Analysis

Building 1715 was constructed in 1972 for an actual age of 44 years. Its effective age was estimated at 35 years.

The electric and plumbing systems were in place and functional as of the inspection date. Normal wear and tear of the long-lived structures was observed. Incurable physical depreciation was based on the age-life method. Long-live items (LLI) useful life was estimated at 60 years and, therefore, the incurable depreciation for the LLI's was estimated at 58.33%. Short live items (SLI) useful lives range from 5 to 15 years, their estimated actual age is 3 to 10 years and, thus, their incurable physical depreciation varies from 60 to 66.67%.

The baseball fields, running track and basketball courts do not conform to the highest and best use as vacant nor to the ideal improvements, are in complete neglect and, in our opinion, have reached the end of their economic life; therefore are 100% depreciated without any value contribution.

The general economic recession the island has been experiencing since 2006 has decrease the

demand for commercial uses. This has resulted in higher vacancy rates, and a general decline in real estate prices and rents. Since this external condition is general, it is already reflected in land values, building vacancy levels, rents and prices. A summary of the improvements analysis follows.

Condition:	Average-building/neglected-rec fields, track and courts.
Age:	44 years (long lived items); 3 to 10 years (short lived items).
Useful life:	60 years (long lived items); 5-15 years (short lived items).
Curable Physical Depreciation:	None.
Incurable Physical Depreciation:	58.33% for long-lived items at building, 100% for recreational facilities; 60-66.67% for short-lived items.
Curable Functional Obsolescence:	None.
Incurable Functional Obsolescence:	None.
External Obsolescence:	General economic recession already reflected in land values, building vacancy levels, rents and prices.

In conclusion, the existing building is functional for their present use. It was in an overall average-fair physical condition suffering from typical incurable physical depreciation. The former recreational facilities are 100% depreciated and have no value contribution. The external economic obsolescence due to the general economic recession since 2006 is already reflected in property vacancy, rent and price levels.

North Development Land Improvements Photos



North Development Land Improvements Photos



North Development Land Improvements Photos



ASSESSED VALUATION AND TAX DATA

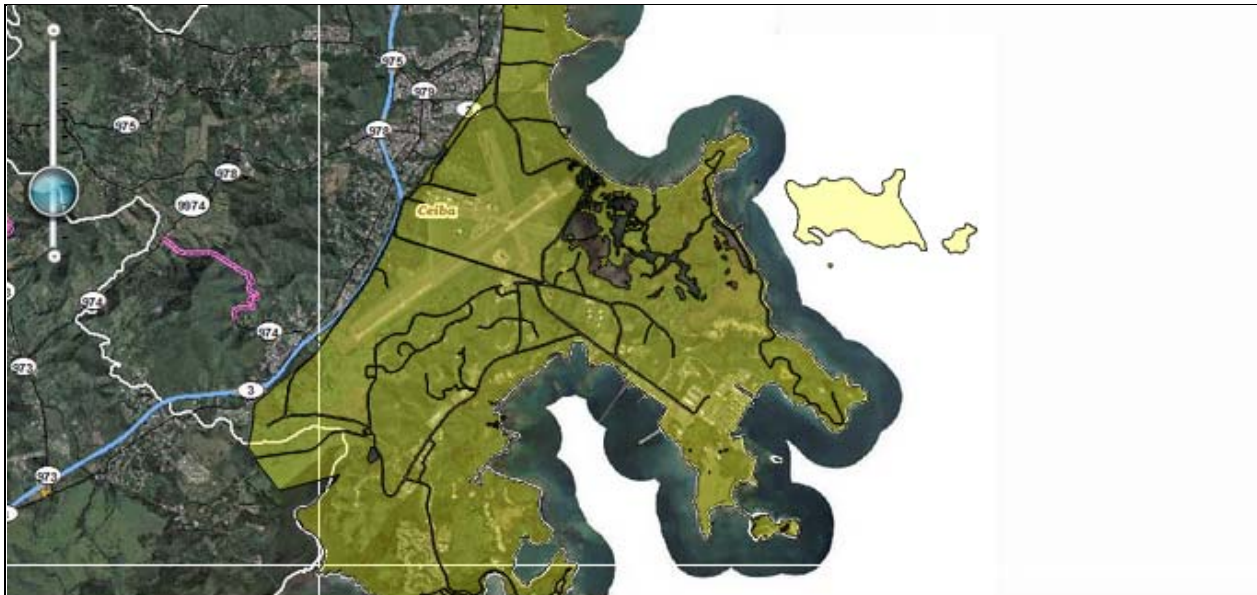
The Municipal Revenue Collecting Center (CRIM for its Spanish acronym) is responsible for assessing property and collecting real estate taxes. The current tax rate for the Ceiba Municipality is 9.33%.

Real estate assessments are made at 1957-58 values based on a cost based mass appraisal methodology. After January 2009, assessments are multiplied by a factor of 10 and the tax rate is divided by 10. The law in Puerto Rico grants property tax exemption for the first \$150,000.00 of assessed valuation on one (1) residence, if owner occupied. In addition, the law also provides for a 10% discount on the property taxes, which are collected in two (2) yearly payments, if these are paid within the 30 days following the mailing of the tax invoice. Special real estate tax exemptions are often granted to some type of commercial properties as an incentive for job creation.

The tax rates of most municipalities are periodically increased.

The entire base is identified with assessor's pin numbers 232-00-001-04. No assessment or annual tax data was provided.

Planning Board Geolocator Map



Ubicación

Catastro 232-000-001-04

Coordenadas Lambert 284618.5491, 244719.4365 (Lat: 18.235702, Lon: -65.63325)
(X, Y)

Area Aprox. (m.c.) 30767428.0095

Municipio [Ceiba](#) [Ceiba (97.5%), Naquabo (2.4%)]

Barrio Machos [Machos (50.1%), Guayacán (36.5%), Quebrada Seca (10.7%), Daquao (2.4%), Barrio Pueblo (0.1%)]

Características Ambientales

Zona Inundabilidad X (50.8%), AE (31.2%), VE (9.1%), A (4.6%), 0.2 PCT (4.3%)

Panel Inundabilidad [72000C1285J](#), [72000C0820J](#), [72000C1305J](#), [72000C0840J](#)

Floodway FLOODWAY

Suelo Geológico Ts (20.2%), Md (17.7%), DeE2 (14.3%), MaB (12.6%), DgF2 (10.6%), RrB (5.1%), JaC2 (5.1%), Co (2.2%), Bc (1.7%), (0.6%), VeB (0.4%), VVa (0.3%), CdB (0.2%), Tt (0.2%), G.P. (0.2%), SaE2 (0.1%), Rs (0.0%), SNS (0.0%)

MARKET ANALYSIS

The Dictionary of Real Estate Appraisal, 6th edition, published by the Appraisal Institute defines market analysis as “the study of the supply and demand in a specific area for a specific type of property”. Similarly, the *Uniform Standards of Professional Appraisal Practice (USPAP)*, 2016 - 2017 edition, published by the Appraisal Standards Board of the Appraisal Foundation defines market analysis as “a study of market conditions for a specific type of property”.

Inferred Market Analysis

Market General Overview

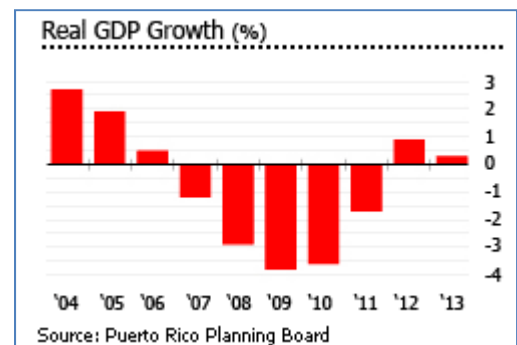
Puerto Rico has suffered an enormous economic crisis in the past five years. There’s been high unemployment, massive emigration, and a near-catastrophic national debt crisis and credit rating downgrades. The crisis has brought many changes, and many new initiatives. It is too early to tell whether these will work - but something is moving.

Puerto Rico’s housing market is at the heart of the crisis. After huge annual house price increases in the early 2000s, the housing market came crashing down in 2008. Prices have dropped 17% (27% in real terms) since Q2 2007.

Prices continue to fall. They fell 8-10% during 2014-2015. Puerto Rico is now a buyer’s market. Many Puerto Ricans have been forced to sell at a loss following the crisis, given the high unemployment rate – nearly 14%. The government is burdened by more than USD70 billion in debt, and its credit rating has been cut to junk. The economic crisis has reduced both consumers’ savings and confidence, with many postponing their home-buying decisions.

The loss of net worth among Puerto Ricans from the drop in real estate prices is close to USD30 billion, said economic consulting firm Estudios Tecnicos’s director, Jose Villamil.

Historically, Puerto Rico’s economy has closely mirrored trends in the United States. However the latest economic downturn has been more intense and has lingered longer in Puerto Rico than in the US. Puerto Rico’s recession began in the fourth quarter of 2006. Over the past eight years, real GDP has grown very little or declined. The economy contracted every fiscal year from 2007 to 2011. It expanded by a meagre 0.9 percent in 2012, and again a meager growth of 0.3 percent in 2013, according to the Puerto Rico Planning Board.



In 2011 and 2012, about 55,000 residents left Puerto Rico for the United States, according to the Census Bureau’s Community Survey. During the decade 2000-2010 about 300,000 locals left, the largest migration wave since the 1950s, when close to 500,000 Puerto Ricans migrated

to the mainland. There are already a million more Puerto Ricans in the mainland United States (4.9 million as of 2011), than in Puerto Rico (3.7 million). Aside from migration, the island suffers from an aging population and a declining birth rate.

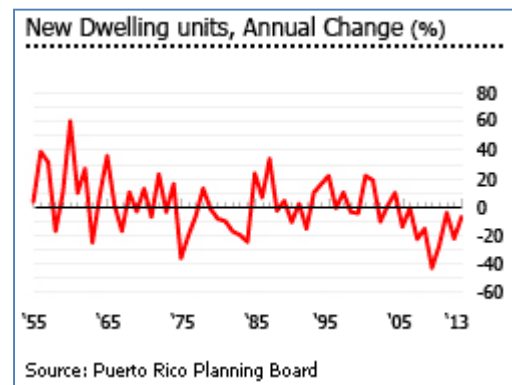
Puerto Rico's banking sector is also in crisis, with banks facing nonperforming loans at elevated levels. Most of the problem is in the housing market, which accounts for about 2/3 of total loans, according to Scotia Bank. At the start of 2006, before the crisis, the prime interest rate was at 7.26%. It fell to only 3.25% in 2009 and it is projected that this rate will hold till 2015. Despite this, around 80,000 families have been unable to refinance their loans, despite the lower interest rates, and many risk losing their homes.

Construction

Construction permits fell by 20.8% y-o-y from July to April of 2014 to only 3,005 permits (-11.8% by value). Permits have declined 63.6% from the 2004 peak, according to Puerto Rico Planning Board.

New dwelling units were 27% down in July-April of fiscal year 2014.

- The top five losing municipalities were Maricao (-100%), Maunabo (-91.9%), Luquillo (-89.7%), Vega Baja (-86.8%), Salinas (-82.6%) and Fajardo (-80%). The capital San Juan (-54.1%) and the city of Bayamón (-63.3%) also saw declines.
- The municipalities of Loíza, Florida, Arroyo, Carolina, Caguas, Mayaguez and Ceiba exhibited growth in housing units construction, ranging from 650% in Loíza, to 100% in Ceiba.



Cement sales, the construction industry's key indicator, fell by 14.6% to 12.72 million bags in July-April 2014, and are now 65.02% down from a decade ago.

Acts 20 and 22

Yet the crisis has brought change. Not least, new measures to attract foreign businesses to Puerto Rico - which seem to be succeeding.

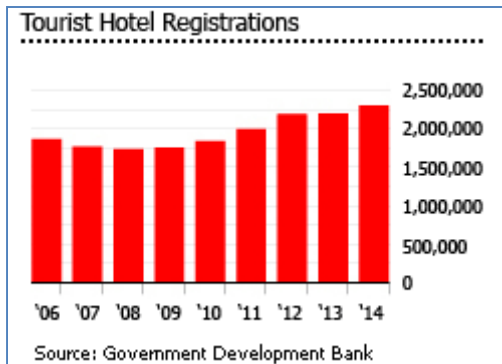
The government signed two laws in early 2012 providing new tax benefits to individuals and businesses.

- The Export Services Act 20 seeks to attract businesses by offering tax incentives on export services.
- The Individual Investors Act 22 hopes to attract new residents to Puerto Rico by providing total exemption from Puerto Rico income taxes on all passive income realized or accrued after becoming bona fide residents of Puerto Rico.

The government forecasts that 500 individual investors will apply under the Act 22 program by 2015.

Tourism Market

The Puerto Rican government plans to boost tourism's share of GDP from 6% to 8% in 2017, an increase of USD1.2 billion. The plan includes adding more than 5,000 new hotel rooms by 2017, new flights, and two new ports for cruise lines.



In 2014, the total number of tourist hotel registrations rose by 4.6% y-o-y to 2.3 million, according to the GDB.

In April 2015, there were about 200,600 tourist hotel registrations in Puerto Rico, up by 5.3% from the same period last year. Over the same period, the occupancy rate in tourist hotels stood at 75.7%, down from 81.7% from the previous month but up from 72.6% a year ago.

Currently, Puerto Rico has air connections with 17 countries and 24 destinations. But the island needs more airline service to accommodate more visitors, Rivera said. The agency is aiming for 10 million annual passengers, up from 8.4 million today. The island has a weekly flight from Frankfurt, Germany as well as several weekly flights from Panama and Colombia, and flights from Madrid, Spain two times a week. But there are no direct service flights from the United Kingdom or Mexico, two countries that, according to Rivera, could send travelers to Puerto Rico by the hundreds.

The government is also working to regain annual cruise ship visitors, which fell by nearly one-third after the 2008 financial crisis, back to 1.5 million. Ponce, on the southern shore, and Mayaguez, on the west coast, both plan to develop infrastructure to support large cruise ship calls.

Local Industrial-Office Real Estate Market

Industrial land sales outside the SJMA in general range from \$20.00 to \$50.00 per square meter, or from \$50,000.00 to \$100,000.00 per *cuerva* varying according to size, location, access and exposure. Land leases for industrial land range from \$5,000.00 to \$10,000.00 per *cuerva* per year.

Improved industrial properties show moderate occupancy levels in the 75-90% range. Prices of improved properties range from \$20.00 to slightly over \$70.00 per square foot varying according to location, size, quality and condition. Rental rates range from \$3.00 per square foot per year to over \$15.00 per square foot per year. The reluctance of local property owners to disclose income and expense information makes it difficult to extract overall capitalization rates and yield-rates from actual transactions. Nonetheless, the small amount of data available

reflects overall capitalization rates for investment grade properties in the 9%-12% range.

Typical marketing time for commercial-industrial real estate could range from 6 to 36 months depending to property size, location and condition. Marketing times of over 36 months for inferior locations are not un-common.

There appears to be an oversupply of office and industrial space within and outside the San Juan Metropolitan Area (SJMA). Our search of active listings in the island eastern region resulted in five (5) investment grade office buildings with prices ranging from \$255,000.00 to \$9,500,000.00, or from \$45.92 to \$105.56 per square foot. We found over a hundred (100) listings of office space for rent in the island's eastern region. Vacancy rates at stabilized multi-tenant properties are in the 5-30% range. However, the availability of space for lease and sales is in line with the observation of many vacant buildings in this market.

The NSRR real estate market is just emerging. Four ground leases are in place and seven leases of industrial commercial office space were analyzed. Ground leases for waterfront industrial land are in the \$10,000.00 per *cuerda* range. Industrial, commercial and office rental rates range from less than \$1.00 per square foot per year, to \$5.00 per square foot per year.

Marinas and Yacht Clubs Industry in Puerto Rico

In Puerto Rico, the main purposes of boatyards, marina and yacht clubs is the storage of pleasure vessels. However, most facilities offer a wide range of services including wet and dry boat storage to retail sales. Larger facilities typically offer a wider range of services.

Historically, commercial marinas have served a relatively small segment of the total number of registered vessels in the island. Development of marinas has been relatively recent and followed the increase of the total number of registered vessels. Approximately 70% of all existing marinas were developed after 1960 with most of them built during 1960 and 1990. The three older marinas are Club Nautico de San Juan, founded in 1930, Ponce Yacht and Fishing Club, founded in 1939, and the Cangrejos Yacht Club, founded in 1952.

Existing Supply of Marina Space

The most comprehensive local studies on marinas were done by the Puerto Rico Department of Natural and Environmental Resources (DNER) on 1988 and by the Marina and Boatyard Association of Puerto Rico. Both confirmed that as of 1988-1990, there were 4,658 slips in Puerto Rico, including wet slips and dry stack spaces. As of that period, there were 41 marinas in 19 coastal municipalities.

There have been no further studies on marinas. However, only two marinas have been developed since; SunBay Marina in Fajardo, constructed in 2007 and Palmas del Mar Yacht Club and Resort Marina, completed in 2008, which combined added 570 slips to the existing inventory. The following table summarizes the current supply of marina space in Puerto Rico as of 2016.

Inventory of Puerto Rico Marinas			
Region	Marinas	Spaces	%
North	9	693	12%
South	15	587	10%
East	10	4520	75%
West	8	187	3%
Total	42	5987	100%

As stands out, the east region comprising the municipalities of Fajardo, Ceiba, Naguabo, Humacao, Yabucoa and Maunabo, has the largest inventory of marina space in the island. Historically, the recreational nautical tourism industry has concentrated on the eastern region due to its proximity to the island municipalities of Vieques and Culebra, the numerous cays and smaller island chain, and the US and British Virgin Islands.

The subject property is within this eastern region sub-market. The following table summarizes the marinas in the region.

Marinas in Eastern Region of Puerto Rico				
Marina	Wet Slips	Dry Stack	Total	%
Puerto Chico	276	359	635	14%
Sea Lovers	117	0	117	3%
SunBay	282	96	378	8%
Villa Marina	280	697	977	22%
Puerto del Rey	1000	600	1600	35%
El Conquistador	35	0	35	1%
Isleta Marina	248	0	248	5%
Palmas del Mar	230	81	311	7%
Palmas del Mar Yacht Club	162	0	162	4%
Roosevelt Roads	72	0	72	2%
Total	2702	1833	4535	100%

A brief description of some of the surveyed marinas follows.

Marina Puerto Chico (Fajardo) – Puerto Chico in Fajardo offers 276 wet slips and 359 dry stack spaces. The Marina is accessible through road 987. Services and amenities include 110 and 220 volt shore power, cable TV and WIFI, fuel dock, ample parking and on-site police maritime unit.

Isleta Marina (Fajardo) – Isleta Marina in Fajardo is an off-shore launching spot for sailing to Culebra, Vieques and the Virgin Islands. The Marina is easily accessible by private ferry departing next to the ferry docks for Culebra and Vieques in Fajardo. It has 248 wet slips.

El Conquistador (Fajardo) - The El Conquistador Resort features a cozy 35-slip private marina in an intimate setting. All services provided by the resort are available to marina users.

SunBay Marina (Fajardo) – Sunbay Marina at Fajardo with 282 wet slips and 96 dry stack spaces provides one of the best protected locations. Providing 282 Slips and 24-Hour Security, Sunbay Marina is easily accessible from Culebra, Vieques, the U.S. Virgin Islands and British Virgin Islands. Open 7-Days per week. Slips include water, 50/30 AMP power electricity, satellite TV, WIFI and dock box. Services include 110 and 220 volt shore power, restrooms and showers, fuel and gas station, ice, laundry facility, convenience store and sewage pump-out.

Puerto del Rey Marina (Fajardo) – Marina Puerto del Rey is the largest full-service marina in the Caribbean. It has 1,000 wet slips and 600 dry stack spaces. Located in Fajardo on the eastern coast of Puerto Rico, it is a major boating gateway to the Virgin Islands and the Lesser Antilles. The marina offers over 1,000 deep water slips from 30' to 300', concierge, cart service to your slip, modern electrical facilities, free water, cable TV and WIFI, fuel dock, 24 hour security, general store and deli, laundry facilities, car rental, waterfront restaurant, heliport and yacht brokerage.

The Yacht Club at Palmas del Mar (Humacao) - The Yacht Club Palmas del Mar is located in the East Region of Puerto Rico. This is the more recently developed marina facility in PR. The marina has 162 slips, with state of the art facilities for vessels up to 175 feet long. Yacht Club amenities include deep-water approach, minimum 10 ft. depth at mean low water for all areas, expert staff, business center and concierge services, dock master and dock hands, slips available up to 175 feet, 120/240 single phase and 208 triple phase electrical service, internet and Cable TV, infinity pool and Jacuzzi, pool lounges and sun deck, observation deck, ATM, 24-hour security, restrooms with showers, laundry service and ice machine, in-dock fueling and fuel dock, in-dock waste water pump out service, marine mechanics and convenience store.

The segment of higher growth in terms of marina space is the dry-stack space as it is very difficult for marinas to expand due to tight Commonwealth and federal regulations.

Again, the most recently developed marina is the Palmas del Mar Yacht Club Resort and Marina. There is only one significant proposed marina development; precisely in the eastern region of Puerto Rico. The proposed Marina Puerto Real project comprises 193 wet slips over 45 *cuerdas* of submerged land at the Fajardo Bay, just south of SunBay Marina and the Vieques and Culebra islands ferry terminal. The upland component of this project is a boatyard site across a municipal road from the Fajardo Bay. This project has substantial opposition from local communities and environmental groups.

Recent Marina Industry Activity and Transactions

Puerto Rico is in economic depression since the last quarter of 2006. Alongside with a continued population decline, these factors have created an environment of weak market conditions for most types of real estate. The recreational nautical tourism sector has been impacted as well.

The positive impact of laws 20/22 should particularly help this sector. Law 22 has brought highly publicized investments in large real estate projects from stateside companies owned by high worth individuals. Two of these transactions involve local marinas from the eastern region.

Puerto del Rey Marina in Fajardo filed for Chapter 11 bankruptcy protection with debts of \$44.3 million dollars. The marina was then purchased on May 30, 2013 through a court assisted transaction by Putnam Bridge, a hedge fund based on Connecticut led by Nicholas Prouty, for \$47.5 million; or . The buyers announced a planned investment of \$400 million in the property including the rehabilitation and expansion of the facilities and new real estate developments.

Encanto Group, a local investment firm funded by New York funds, acquired on January 22, 2014 the existing unsold inventory of Solarea Beach Condominium, a 22.5 acres beachfront development site, and the recently developed Palmas del Mar Yacht Club; in the Palmas del Mar Resort in Humacao. This group announced an investment of \$200 million in the properties.

In conclusion, the local commercial-industrial market has been and seems declining. With the prospect of a continued slow economy, a slower pace in the rental and sale activity persists. No detailed analysis was developed for demand for new facilities, this exercise being beyond the scope of this appraisal. However, as per the availability of space for lease and sale there appears to be an oversupply of space and a slowing of lease and sale activity, both signs of a declining market. Prices and rents are expected to decline and/or to remain stable or to slightly decline only at superior locations.

HIGHEST AND BEST USE ANALYSIS

The *Dictionary of Real Estate Appraisal, 6th edition*, defines highest and best use as follows.

Highest and Best Use

“The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity”.

Economic considerations and market forces as applied to the appraised property dictate its highest and best use. Results of the analysis provide the foundations for selecting and developing applicable appraisal techniques. A property highest and best use indicates its potential market, effective demand, absorption or rent up period and possible obsolescence; and sets the basis for selecting; adequate units of comparison, and comparable sales and rental properties used to estimate market value.

In the case of improved properties, two highest and best use analyses are performed, the highest and best use of land as though vacant, and the highest and best use of property as improved. For vacant land, however, the highest and best use of the parcel in its “as is” vacant condition is the only analysis conducted.

Highest and best use of a property must meet four criteria: *legally permissible, physically possible, financially feasible and maximally productive*. This section of the report selects a highest and best use for the appraised property by adequately supporting these four criteria. The physical, legal and location attributes described in the preceding sections of this report show a limited number of legally permissible and physically possible uses. A *market analysis* supports financial feasibility and maximum productivity and leads to the conclusion of highest and best use.

Highest and best use of the land as though vacant

The subject site is currently within an M-2, central urban district as per the Special Zoning Map for NSRR. The purpose of this district is to promote orderly development and to classify mixed commercial and residential areas. Allowed uses include multi-family residential, hotel, office, commercial including retail and marina, recreational and public.

The site also lies within a Subzone A-3. Allowed uses include small vessel marina with stack storage, nautical-oriented lodging and nautical-oriented commercial and services as per the 2014 Development Zones Master Plan by the LRA. Thus, the legal attributes of the sites point to its development for commercial marina and/or related commercial-industrial purposes.

The previously described physical characteristics of the appraised site including location, size, shape, topography, flooding, accesses and soil conditions suit the legally permissible commercial marina and/or related commercial-industrial development.

As of today, former NSRR presents a special situation. Except for the airport, the appraised marina, and properties still owned and managed by the US Army or other US Agencies, the base is basically unoccupied without maintenance and in a very poor state. Most of the land owned and controlled by the Roosevelt Roads Local Redevelopment Authority is un-occupied and in neglected condition. Then, what we observed is sort of an empty neighborhood with scattered well maintained parcels (those still owned by the US).

Infrastructure at the NSRR was developed in support of specific land uses and zones, and while adequate to support some degree of reuse, it is likely that with reuse of the former NSRR, elements of existing infrastructure will require updating and modification. In particular, the roads, which were not designed to service significant traffic generated by private vehicles, and the piers, which were sized to service naval and tanker vessels rather than passenger ferries or private charter boats, and utilities will need to be addressed.

Nevertheless, the appraised site enjoys a good location within former NSRR. Therefore, the physical and location attributes of the site suit waterfront commercial mixed use development.

Demand for commercial marina within the eastern region has declined over the past five years. In fact, there appears to be a cyclic oversupply of space.

The Roosevelt Roads Local Redevelopment Authority (LRA) has developed a Development Zones Master Plan. The Roosevelt Roads redevelopment project encompasses approximately 3,400 acres of developable lands and facilities of high value for a mixed-use development with opportunities in tourism, commercial, recreational, residential, educational and light industrial projects. In terms of economic and social profiles, the subject's neighborhood will be most probably formed by existing and/or migrating residents to the overall Ceiba Region.

Due to currently weak market conditions, however, commercial marina and/or related commercial-industrial development would not be financially feasible at this time. As of the appraisal date, most of the land owned and controlled by the Roosevelt Roads Local Redevelopment Authority is during the planning stages of the proposed redevelopment. The NSRR 2004 Reuse Plan and, more specifically, the Addendum 2004 Reuse Plan prepared on 2010, entails a 25-years time frame for the project. Many of the projects in the zones where the subject property lies are programmed to be completed between 10 to 20 years after the commencement of the plan. Considering as of the appraisal date the LRA is still in the process of selecting a master developer, we can reasonably assume that notable waterfront development will not be completed until at least 10 years. Nevertheless, the site is already developed with a commercial marina subject to lease contracts and partially occupied.

In terms of profitability, since the commercial marina and/or related use is the one legally permissible and physically possible, it also brings the highest return to the land. Therefore, to hold the site for commercial-industrial-institutional development until market conditions become favorable is the concluded highest and best use of the appraised site as though vacant.

Ideal Improvements

The ideal improvements at the appraised site would conform to the maximum parameters allowed by zoning parameters and market standards. The ideal improvements would be designed and built to conform to the permits granted. Their design should be functional and must be constructed with market-accepted materials. Finally, the ideal improvements would be new constructions based on the commonly accepted perception that new properties are better than older ones.

Highest and Best Use as Improved

The appraised property is Subzone A3 of Parcel 3 as per the 2014 Development Zones Master Plan for former NSRR. Main improvements comprise a commercial marina including 72 wet boat slips for small vessels, four (4) detached buildings with a combined gross construction area of 14,539 square feet, boatyard areas and surface parking areas, on a site with a land area of 50 acres within the waterfront industrial cluster.

The 50 acres are mainly divided into three (3) separate marketable units; an area of 13.24 acres which comprises the commercial marina, three (3) detached buildings totaling 12,939 square feet, boatyard areas and surface parking areas, a contiguous vacant land section with an approximate area of 12.5 acres with frontage to the bay, and a separated mainly unimproved section with a land area of 18.4 acres north of the Forrestal drive road which comprises two (2) former baseball fields, a running track, an open hardcore basketball court and a 1,600 square feet detached building subject to a lease contract. The remaining land area of approximately 5.86 acres comprises the public area occupied by the Forrestal Drive road.

Then, the highest and best use as improved analysis was performed only for the commercial marina and for the north development land parcel; as the oceanfront development land parcel is vacant.

Commercial Marina

The following table compares the existing improvements with the ideal improvements at the subject site based on its characteristics and concluded highest and best use “as though vacant”.

Comparison of Ideal with Existing Improvements		
Parameter	Ideal	Existing
<i>Use</i>	Commercial marina	Commercial marina
<i>Building's zoning compliance</i>	M-2, central urban and A-3 as per master plan by RRLRA.	M-2, central urban and A-3 as per master plan by RRLRA.
<i>Improvements</i>	Functional commercial marina conforming to market accepted design and materials / Concrete/steel construction / Good condition	Commercial marina with 62 wet slips, two detached buildings and boatyard and parking spaces
<i>Age</i>	New	23-56 years

The improvements suffer from physical depreciation due to typical wear and tear. They reflect average condition. The improvements are functional for commercial-marina use and are

consistent with the highest and best use of the site as though vacant. However, we noticed that the wet slips need power and water connection. The cost to correct this condition is estimated at \$35,000.00.

Neither major alteration of the improvements nor the redevelopment of the site would result in a higher return to the land than what is currently being achieved. The existing commercial marina is legally permissible, physically possible, economically feasible, and yield the highest return for the property as improved. Therefore, the concluded highest and best use as improved of the property is the connection of power and water utility service to the ware slips and continued operation of the commercial marina. The most probable buyer for the property is a local investor.

Oceanfront Development Land

Improvements to the oceanfront development land section comprise an open asphalted boatyard area covering an area of about 20,000 square feet (about half an acre).

The following table compares the existing improvements with the ideal improvements at the subject site based on its characteristics and concluded highest and best use “as though vacant”.

Comparison of Ideal with Existing Improvements		
Parameter	Ideal	Existing
<i>Use</i>	Commercial-industrial	½ acre boatyard on a 19 acres parcel
<i>Building's zoning compliance</i>	M-2, central urban and A-3 as per master plan by RRLRA.	M-2, central urban and A-3 as per master plan by RRLRA.
<i>Improvements</i>	Functional commercial marina conforming to market accepted design and materials / Concrete/steel construction / Good condition	½ acre boatyard on a 19 acres parcel / Average condition
<i>Age</i>	New	25 years

The improvements do not conform to the ideal use. They suffer from normal physical depreciation due to typical wear and tear.

However, due to its smaller scale in relation to the entire area, the boatyard area represents an interim use but do not contribute to the overall value of this section.

At this point the redevelopment of the site would result in a higher return to the land than what is currently being achieved. Then, to hold the site for commercial-recreational re-development is legally permissible, physically possible, economically feasible, and yield the highest return for the property as improved. Therefore, the concluded highest and best use as improved of the property is to hold the site for commercial-recreational re-development. The current boartyard use at a ½ acre section represents a partial interim use.

North Development Land

The following table compares the existing improvements with the ideal improvements at the subject site based on its characteristics and concluded highest and best use “as though vacant”.

Comparison of Ideal with Existing Improvements		
Parameter	Ideal	Existing
<i>Use</i>	Institutional-industrial	Recreational sport park
<i>Building's zoning compliance</i>	M-2, central urban and A-3 as per master plan by RRLRA.	M-2, central urban and A-3 as per master plan by RRLRA.
<i>Improvements</i>	Functional commercial marina conforming to market accepted design and materials / Concrete/steel construction / Good condition	Two (2) former baseball fields, a running track, an open hardcore basketball court and a 1,600 square feet detached building / Fields, track and court in neglected condition; building in average condition
<i>Age</i>	New	44 years

The improvements do not conform to the ideal use. They suffer from considerable physical depreciation due to above typical wear and tear. The facilities have an actual age of over 44 years. They were observed in general un-operational neglected condition with numerous missing or broken components. Substantial physical deterioration and total neglect was observed throughout the improvements.

After careful analysis we have concluded the improvements are physically 100% depreciated and have reached the end of their useful and economic lives.

At this point the redevelopment of the site would result in a higher return to the land than what is currently being achieved. Then, to hold the site for commercial-industrial re-development is legally permissible, physically possible, economically feasible, and yield the highest return for the property as improved. Therefore, the concluded highest and best use as improved of the property is to hold the site for commercial-industrial re-development. The current leased building represents a partial interim use.

APPROACHES TO VALUE

The physical, legal and location attributes of the appraised property have been analyzed. The following sections select and develop the appropriate valuation tools and reconcile them into a final value estimate.

The Appraisal Foundation defines Appraisal as *the act or process of estimating value*. There are three (3) basic approaches that may be used by appraisers in the estimation of market value. These approaches provide data from three (3) different areas of the market, when data is available. These three (3) approaches are the **Cost Approach**, the **Sales Comparison Approach** and the **Income Approach**.

Based on factual data, these approaches reflect typical market behavior. Analysis of subject's physical, legal and location attributes contribute to the highest and best use conclusion that in turns determines the approaches applicable to each valuation assignment. Development of these approaches evolves into separate indications later reconciled into a final value estimate. The *13th edition of The Appraisal of Real Estate* defines the three approaches to value as follows:

Cost Approach

"In the cost approach, an estimated reproduction or replacement cost of the building and land improvements as of the date of appraisal is developed together with an estimate of the losses in value that have taken place due to wear and tear, design and plan deficiencies, or neighborhood influences. To the depreciated building cost estimate, entrepreneurial profit and the estimated value of the land are added. The total represents the value indicated by the cost approach".

Income Approach

"In the income capitalization approach, the current rental income to the property is calculated and deductions are made for vacancy and collection loss and expenses. The prospective net operating income of the property is then estimated. To support this estimate, operating statements for the subject property in previous years and for comparable properties are reviewed along with available operating cost estimates. An applicable capitalization method and appropriate capitalization rates are developed and used in computations that result in an indication of value".

Sales Comparison Approach

"In the sales comparison approach, the subject property is compared to similar properties that have sold recently or for which listing prices or offers are known. Data from generally comparable properties are used and comparisons are made to demonstrate a probable price at which the subject property would be sold if offered on the market".

Applying the Value Approaches to the Appraised Property

The highest and best use of the commercial marina is the connection of power and water utility service to the ware slips for the continued operation as a commercial marina. The highest and best use of the oceanfront development land area is to hold for future commercial-recreational development. Similarly, the highest and best use of the mainly unimproved north section is to hold for future commercial-industrial development.

After thorough analysis, it was concluded that to derive a value opinion for the commercial marina in its "as is" condition, the sales comparison and income capitalization approaches to value produce credible results. The cost approach under current weak market conditions is not perceived as a good proxy or indicator for market value and, therefore, was not considered necessary to produce a credible market value opinion.

For the oceanfront and north development land parcels, only the sales comparison approach was applicable.

COMMERCIAL MARINA VALUATION: SALES COMPARISON APPROACH

The *Dictionary of Real Estate Appraisal, 6th edition*, defines the sales comparison approach as “the process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available.”

The sales comparison approach applies to the valuation of all kinds of real property interests as long as there are sufficient transactions to indicate value or market trends. The reliability of this technique depends on the number of recent transactions, adequate means of verifying the data, degree of similarity and absence of non-typical conditions.

Subject property’s concluded highest and best use as improved was to provide power and water service to the water slips and continue the commercial marina use. The Department of Treasure Records Division, the Department of Justice Property Registry and the office appraisal files were searched for sales and the following were selected for analysis.

Marina Sale 1

Location	Marina Puerto Del Rey State Road 3, Quebda Vueltas, Demajaguas & Los Machos Wds, Fajardo-Ceiba, Puerto Rico	Rights	Fee simple
		Financing	Typical
		Shape	Irregular
		Topography	Varied
		Utilities	Available
Seller	Denison M. W Shelley Diaz - Daniel W. Shelley Puerto del Rey, Inc - Inversiones Cacimar - Jose E. Piovaneti	Flood Hazard	X (35.0%), AE (34.1%), VE (30.9%)
		Waterfrotage/Port	Yes
		Marina	Yes
Buyer	PDR Acquisition LLC		
Sales Date	05/30/13	Zoning	CT-L, Commercial-tourist
Sales Price	\$25,082,000.00	HABU	Marina
Land Area (Cds)	115.2904	Registry and/or	
Land Area (SM)	453,136.9962	legal data	40 Deeds before Vanessa Lopez, Esq
Wet Slips	1000		
Sales Price/Cd	\$217,554.97	Tax ID No	178-079-158-05 & others
Sales Price/SM	\$55.35	Verification source	Buyer and appraiser
Sales Price/Slip	\$25,082.00		
Comments:	Improvements include a full service marina facility including 11,426 sf of commercial condo space, a 2,700 sf off building, a 9,871 sf comm building, a 4,930 sf wood building, a 768 sf DNER bldg, a 6,250 sf boatyard bldg, 190 sf fuel dock office, a 1,304 sf ldry/baths bldg, a 3,167 sf dock center bldg, a 600 sf dry stack office, and complementary structures. Site improvements include apprx 508 surface pkg spaces, about 36,759 sf of conc paved areas, graded gravel areas, 8,500 feet of fences, plaza and sidewalks, and an electrical substation. The marina has 1,000 wet slips, 400 dry stack racks, and 4 forklifts.		



Marina Sale 2				
Location	Anchor Village Marina	Rights		Fee simple
	Parcels M-2A and M-2B and 10,	Financing		Typical
	Palmas del Mar,	Shape		Irregular
	Humacao, Puerto Rico	Topography		Varied
		Utilities		Available
Seller	JUAZA, Inc. & Marina Parking Corp.	Flood Hazard		AE (62.5%), VE (37.5%)
				AE (78.8%), X (21.2%)
Buyer	Anchor Village, LLC	Waterfrotage/Port		Yes
		Marina		Yes
Sales Date	06/29/15	Zoning		PDM, Palmas del Mar
Sales Price	\$750,000.00			Marine operational facilities
		HABU		Marina
Land Area (Cds)	2.0039	Registry and/or		
Land Area (SM)	7,876.3114	legal data		Deeds22 & 23 before Jose A.
Wet Slips	20			Diaz Bruguera, Esq
Sales Price/Cd	\$374,270.17	Tax ID No		354-042-451-03 & 06,
Sales Price/SM	\$95.22			354-043-451-07
Sales Price/Slip	\$37,500.00	Verification source		Seller and appraiser
Comments:	Parcel M-2A is improved with commercial concrete-wood structures, paved areas and open and covered seating areas, a concrete-wood bulkhead dock structure with 20 boat slips.			
	Parcel M-2B is improved as a surface parking lot with a small square surrounding a sculpture.			



Marina Sales Location Map



Building Sales Summary Table									
Sale	Date	Price	Area (Cds)	Area (SM)	Slips	Price/Cd	Price/SM	Price/Slip	
1	05/30/13	\$ 25,082,000.00	115.2904	453,136.9962	1000	\$ 217,554.97	\$ 55.35	\$ 25,082.00	
2	06/29/15	\$ 750,000.00	2.0039	7,876.3114	20	\$ 374,270.17	\$ 95.22	\$ 37,500.00	
Subject	10/19/16	-	13.6300	53,560.2150	72	-	-	-	
MIN						\$ 217,554.97	\$ 55.35	\$ 25,082.00	
MAX						\$ 374,270.17	\$ 95.22	\$ 37,500.00	
Average						\$ 295,912.57	\$ 75.29	\$ 31,291.00	
Median						\$ 295,912.57	\$ 75.29	\$ 31,291.00	
Std. Dev.						\$ 110,814.38	\$ 28.19	\$ 8,780.85	
COV						37%	37%	28%	

Unit of Comparison

Only two (2) sales of marinas were available for analysis. The locally accepted units of comparison to analyzed marinas are the sales price per *cuerda*, the sales price per square meter and the sales price per slip. Since the sales price per slip resulted in the lowest coefficient of variation, it was the selected unit of comparison. Apparently, this is the unit of comparison that best reflect seller and buyer’s behavior. The rightmost column of the Building Sales Summary Table shows the sale price per slip for each comparable. Marina sites typically have

improvements other than the slips; the price per slip is only a unit of comparison but refers to prices including all improvements on each marina site. In the analyzed sample unitary prices range from \$25,082.00 to \$37,500.00 per slip with an average of \$31,291.00, and a standard deviation of \$8,780.85.

Sales Description and Analysis

Sale 1 corresponds to the Puerto Del Rey Marina in Fajardo-Ceiba, Puerto Rico. This comparable refers to 40 transactions in total as the marina facility is comprised by several parcels and some of the buildings are condominium units. The 40 transactions total a price of \$25,082,000.00; 39 transactions closed on May 30, 2013 and one of the condominium units was purchased on August 14, 2013. Improvements include a full service marina facility including 11,426 square feet of commercial condo space, a 2,700 square foot office building, a 9,871 square foot commercial building, a 4,930 square foot wood building, a 768 square foot building occupied by the DNER, a 6,250 square foot boatyard building, 190 square foot fuel dock office, a 1,304 square foot laundry-bathrooms building, a 3,167 square foot dock center building, a 600 square foot dry stack office, and complementary structures. Site improvements include approximately 508 surface parking spaces, about 36,759 square feet of concrete paved areas, graded gravel areas, 8,500 feet of fences, plaza and sidewalks, and an electrical substation. The marina has 1,000 wet slips, 400 dry stack racks, and 4 forklifts.

News reports at the time pointed at an overall transaction price of between \$80 and 100 million. However, the recorded real estate transaction sums \$25,082,000.00; or \$25,082.00 per slip. The property appraiser for the transaction understands that the difference was presumably the amount paid for the slip licenses, machinery and equipment, and business intangibles. The site is within a commercial-tourist zoning district; appropriate for marina use. This site was deemed similar to that of the subject in location, but is a smaller site and with superior economic considerations.

The most recent comparable, Sales 2, is a small marina site within Palmas del Mar in Humacao. This is an improved site formed by three adjacent parcels with an area of 7,876.31 square meters with frontage to the Palmas del Mar Inner Harbor. The site is currently improved with commercial facilities, a pier with 20 boat slips, and a surface parking lot. The marina was recently purchased for \$750,000.00; equal to \$37,500.00 per slip.

Adjustments

The 13th edition of *The Appraisal of Real Estate*, published by the *Appraisal Institute*, defines comparative analysis as “the general term used to identify the process in which quantitative and/or qualitative techniques are applied to derive a value indication in the sales comparison approach.” The qualitative analytical technique identifies which elements of comparison require adjustment and compares the subject and the comparable sales without measuring the dollar amount of the adjustments. When the differences can be quantified, a quantitative comparison is made and a monetary adjustment is applied. Both qualitative and quantitative adjustments were necessary.

The elements of comparison included, property rights, financing terms, conditions of sale, market conditions (sale date), location, physical characteristics and economic characteristics. Physical characteristics included construction and condition, and size of marina or number of slips.

Rights Conveyed

The appraised interest in the subject property is the fee simple estate. All sales included the fee simple rights. No adjustments for rights conveyed were deemed necessary.

Financing Terms

All transactions included typical financing terms with the sale prices given all cash to the sellers. No financing terms adjustments were necessary.

Sales Conditions

All sales analyzed included typical sale conditions with well-informed buyers and sellers, and typical market exposure periods. Again, no adjustments for this element were applied.

Market Conditions

The transactions took place from May 2013 to June 2015. Currently market conditions are declining. Paired data analyses with sales held at office files support an annual negative adjustment in the range of 3 to 7% for conventional commercial real estate assets. An annual adjustment of -5% deemed reasonable and applied to the sales. The following table shows the adjustment process.

Market Conditions Adjustment								
Sale	Price/Slip	Sales Date	Appraisal Date	Gap (Yrs)	Adj. Rate	Adjustment %	Adjustment \$	Price/Slip
1	\$ 25,082.00	05/30/13	10/19/2016	3.44	-5.00%	-17.19%	\$ (4,312.71)	\$ 20,769.29
2	\$ 37,500.00	06/29/15	10/19/2016	1.33	-5.00%	-6.64%	\$ (2,489.58)	\$ 35,010.42

Location

The comparable sales are marinas in the eastern region as the subject. All enjoy good exposure to transited roads in the area. No adjustments were deemed justified.

Construction and Condition

All comparables were of similar concrete and/or concrete and steel construction as the subject. Therefore, no construction was necessary. The subject, as the sales, is in average physical condition. No condition adjustment was deemed necessary. The subject has items of repairs but a final lump sum adjustment will be made to the value indication.

Size-Number of Slips

An inverse correlation between the size and unitary prices is often observed. The only two marina sales refer to properties on opposite sides of the size spectrum. Sale 1 refers to one of the largest marina in the Caribbean and Sale 2 refers to a smaller 20-slip property within the Palmas del Mar resort. The typical inverse trend was found in the sample. Although no

monetary adjustments were made due to the small size of the sample, on a qualitative basis the value of the subject should be bracketed between the indications of Sales 1 and 2.

Economic Characteristics

The subject is partially occupied. The sales refer to marinas within stable neighborhoods outside NSRR. As explained in the Neighborhood Analysis Section, NSRR is a neighborhood in transition with an infant or emerging real estate market. Based on paired grouped data analysis using rental rates outside NSRR and the emerging rental rates within NSRR, a negative adjustment of 20% is supported for the three comparable sales. Furthermore, the sales refer to marinas with stabilized occupancy. The operation of the subject marina is subject to a shot term lease contract with the Ceiba Municipality. As of the inspection date, not one of the subject slips was rented. To account for subject’s inferior economic characteristics we deemed reasonable a negative adjustment of 40% to the sales.

Economic Characteristics Adjustment					
Sale	Price/Slip	Economic Characteristics	Adjustment %	Adjustment \$	Price/Slip
1	\$ 20,769.29	Superior	-40%	\$ (8,307.72)	\$ 12,461.57
2	\$ 35,010.42	Superior	-40%	\$ (14,004.17)	\$ 21,006.25
Min					\$ 12,461.57
Max					\$ 21,006.25
Average					\$ 16,733.91

Value Conclusion by the Sales Comparison Approach

Both quantitative and qualitative adjustments were applied. The price range of the sample after the adjustment process is from \$12,461.57 to \$21,006.25 per slip with an average of \$16,733.91. Monetary adjustments were possible to account for market conditions and economic characteristics. Base on the size or number of slips trend, on a qualitative basis the value of the subject should be bracketed between the indications of Sales 1 and 2.

A unitary value of \$17,000.00 per slip is strongly supported by the analyzed sample.

The subject “as is” value indication by the sales comparison approach was calculated as follows. A final lump sum adjustment was made to account for the cost to provide power and water service to the subject slips.

72 slips	@	\$17,000.00/sf	=	\$1,224,000.00
Less cost to provide power and water service to slips				<u>(\$ 35,000.00)</u>
Value Indication				\$1,189,000.00
Rounded to				\$1,190,000.00

Market Value Indication by the Sales Comparison Approach,

---\$1,190,000.00---

(ONE MILLION ONE HUNDRED NINETY THOUSAND DOLLARS)

Building Sales Adjustment Table			
	Subject	Sale 1	Sale 2
Sales Price	-	\$ 25,082,000.00	\$ 750,000.00
Element			
Rights	Fee Simple	Fee Simple	Fee Simple
Financing	Typical	Typical	Typical
Sales Cond.	Typical	Typical	Typical
Buyer's Expenditures	None	None	None
Market Cond.	06/16/16	05/30/13	06/29/15
Location	Average	Similar	Similar
Construction/Condition	Conc./Avg.	Conc./Avg	Conc.-Wood/Avg.
Slips	72	1000	20
Land Area (SM)	53,560.2150	453,136.9962	7,876.3114
Economic Charac.	Poor	Superior	Superior
Lump Sum Adjustments			
Rights		\$ -	\$ -
Financing		\$ -	\$ -
Sales Cond.		\$ -	\$ -
Buyer's Expenditures		\$ -	\$ -
Total Lump Sum Adjustments		\$ -	\$ -
Partially Adjusted Prices		\$ 25,082,000.00	\$ 750,000.00
Adjusted Prices/Slip		\$ 25,082.00	\$ 37,500.00
Unitary Adjustments			
Market Cond.		\$ (4,312.71)	\$ (2,489.58)
Location		\$ -	\$ -
Construction/Condition		\$ -	\$ -
Slips		\$ -	\$ -
Land Area (SM)		\$ -	\$ -
Economic Charac.		\$ (8,307.72)	\$ (14,004.17)
Total Unitary Adjustment		\$ (12,620.43)	\$ (16,493.75)
Adjusted Unitary Price		\$ 12,461.57	\$ 21,006.25
Net Adj. %		-50.32%	-43.98%
MEAN	\$	16,733.91	
MEDIAN	\$	16,733.91	
STDEV	\$	6,042.00	

COMMERCIAL MARINA VALUATION: INCOME CAPITALIZATION APPROACH

The Dictionary of Real Estate Appraisal, 6th edition, defines the income capitalization approach as a “specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.”

Investors purchase income producing real estate based on the property’s income earning power. In essence, the buyer trades present dollars for the expectation of future monetary benefits. The income capitalization approach analyzes and estimates these benefits and converts them into property value. A market oriented analysis results in a property value estimate that reflects the decision making process performed by a typical, well-informed potential buyer. A summary of the income approach to value follows:

- Select the appropriate capitalization technique.
- Estimate the potential gross income (PGI).
- Estimate the effective gross income (EGI). (PGI less a vacancy and collection loss allowance).
- Estimate the operating expenses.
- Estimate the net operating income (NOI). (EGI less the total operating expenses).
- Convert the estimated net operating income into a value indication using either the direct or yield capitalization technique.
- Add or subtract any final lump sum adjustment to the value indication to account for unconsidered factors in the income capitalization analysis.

Selection of the Capitalization Technique

Capitalization is the process of converting income into value. *Direct capitalization* converts a single year’s income while *yield capitalization* discounts forecasted future cash flows over a projection or holding period into present property value. Market characteristics and present or projected rental conditions of a property suggest which process to apply. *Direct capitalization* best suits the appraisal of properties where income is difficult to forecast into the future, or properties with present or expected stabilized income and occupancy. *Yield capitalization* best applies to the appraisal of multi-tenant properties where future cash flows can be accurately forecasted.

The concluded highest and best use as of the appraisal date was to provide power and water service to the slips and continue the commercial marina use. The most probable buyer for the property is a local investor or a partial end-user.

The best approach to derive a market value indication for the property is to develop direct capitalization to an estimate of stabilized occupancy net income. Final adjustments were then made to account for the cost to provide power and water service to the slips and the net

income loss and holding expnses for a reasonable lease-up period until the marina reach stabilized occupancy.

Potential Gross Income

Potential gross income is the total capable income attributable to the real property at full occupancy before vacancy and operating expenses are deducted. Market rent is defined¹ as the rental income that a property most probably command in the open market as indicated by the current rents paid and asked for comparable space as of the date of the appraisal.

The appraised property is a commercial marina including 72 wet boat slips for small vessels, three (3) detached buildings with a combined gross construction area of 12,939 square feet, boatyard areas and surface parking areas.

Marina Revenue Sources

As mentioned, the subject property is subject to two lease agreements that generate rental income and additional interagency occupancy agreements that do not generate income. However, as discussed and agreed with the client, this appraisal addresses the fee simple rights in the property.

For the subject property marina revenue sources are the wet slips, boatyard areas, and the office and warehouse space.

Wet Slips

The main source of income for the subject property should be the wet slip component. The commercial-marina or wet slips are currently under a short term ease agreement with the Ceiba Municipality. Current rental rate is \$5,000.00 per month or \$7,012.05 per *cuerda* per year for an area of 8.56 *cuerdas*. This rental rate seems to be lower than other rental rates for other areas within NSRR. Furthermore, as of the inspection date, no vessels were using the marina and LRA personnel confirmed the municipality has not been successful operating the marina. Therefore, as discussed and agreed with the client, this appraisal addresses the fee simple rights in the property.

In order to be consistent with the concluded highest and best use, we estimated market rent for the projection of revenue for the wet slips. The following table summarizes a rent survey of competitive marinas in the eastern region.

¹ The Dictionary of Real Estate Appraisal, 6th edition. Appraisal Institute.

Rental Rates at Competitive Marinas						
Marina	Seasonal Rate (\$/lf/mo.)	Slips	Rate per	Utilities	Avg Length	
Puerto del Rey, Fajardo	\$12.00	1000	Boat length	Water	46	
Villa Marina, Fajardo	\$11.00-\$15.00	265	Boat length	None	N/A	
Puerto Chico, Fajardo	\$11.50	276	Boat length	Water	33	
Sea Lover's, Fajardo	\$11.50	117	Boat length	All	N/A	
SunBay, Fajardo	\$14.00-\$17.65	164	Slip length	All	38	
Palmas del Mar Yacht Club, Humacao	\$16.50	282	Slip length	None	66	

As the table shows competitive marinas in the eastern region show rental rates ranging from \$11.50 to \$17.65 per lineal feet of boat or slip length per month. Most of the surveyed marinas based the rent on the boat length. Since we lack the information for the subject, we used length of slip as the unit of comparison. The two marinas that calculate the rents based on the length of the slips are the two most recently developed marinas; SunBay and Palmas del Mar Yacht Club. Rental rates at these marinas range from \$14.00 to \$17.65 per lineal feet of slip length. Based on the subject property location, and most importantly, assuming power and water service is provided to the slips, a rental rate lower than the range observed at these two marinas was deemed reasonable. We then have concluded a market rental rate of \$12.00 per lineal feet of slip length per month.

The subject marina has an average slip length of thirty (30) feet. The potential income of the wet slip component was calculated as follows.

Wet Slips Income	
Slips	72
Rental Rate (\$/lf/mo.)	\$12.00
Average Length (f)	30
Monthly Income/Slip	\$ 360.00
Annual Income	\$ 311,040.00

Boatyard Areas

We have identified two areas suitable for boatyard income; an area of 2.5 *cuerdas* formerly occupied by the tennis courts and currently subject to an income generating lease agreement to a boatyard operator, and an area of approximately 4 *cuerdas* northwest from the property main entrance driveway. The aerial picture in the next page illustrates the assumed boatyard areas.

The former tennis courts currently generate a rent of \$9,238.10 per *cuerda* per year for 2.5 *cuerdas*. As of the inspection date we could observe this boatyard area with stabilized occupancy.



Land/Ground Leases within NSRR

Three leases regarding waterfront sites and/or dock facilities and one lease of a non-waterfront but within the port area within NSRR were analyzed. The following table summarizes the analyzed leases.

Market Rent Survey Summary Table - Land Leases

Rental	Location	Landlord	Tenant	Waterfront	Area (Cds)	Improvements	Start Date	Term	Annual Rent/Cuerda	
1	Marina Parcel, NSRR, Ceiba PR	LRA	Municipio de Ceiba	Yes	8.3	Yes	11/1/2014	4 yrs	\$ 7,228.92	
2	Tennis Courts, NSRR, Ceiba PR	LRA	Nautas	No	2.52	Neglected	8/1/2014	4 yrs	\$ 9,531.37 \$ 11,914.21	1-2 yrs 3-4 yrs
3	Dry Dock Parcel, NSRR, Ceiba PR	LRA	Mid Atlantic Shipyards LLC	Yes	37.8	Neglected	12/4/2015	30 yrs	\$ 10,000.00	1-4 yrs
									3.50%	5-10 yrs
									3.50%	11-15 yrs
									5%	16-20 yrs
									6%	21-25 yrs
									7%	26-30 yrs
									8%	31-35 yrs
									9%	36-40 yrs
									10%	41- yrs
4	Pier 3 & Bldgs 1739, 896, 976, 978 & lot, NSRR, ceiba PR	LRA	MER Group Puerto Rico, LLC	Yes/Dock	6.45	Dock	12/15/2015	3 yrs	\$ 13,953.49 \$ 18,604.65 \$ 27,906.98 \$ 37,209.30	0-6 mos 7-12 mos 2 yr 3 yr

Rental 1 is the commercial marina facilities. The lease is for a 4 years term and calls for a rent of \$7,228.92 per cuerda per year. As with rental 1, this is basically a land or master lease, net to

the landlord.

Rental 2 refers to a site across the main port street from the marina facility. The premises comprise tennis courts and a building in neglected conditions. The land lease for a term of 4 years calls for a net annual rent of \$9,531.37 per *cuerva*.

Rental 3 is a 37.8 *cuervas* dry dock site with an extensive bulkhead. Although with numerous buildings and structures, these were in extremely neglected condition and had no alue contribution. The tenant intends to occupy the premises for a shipyard operation. The first term annual rent is \$10,000.00 per *cuerva*. The term is 30 years and the rent had gradual increases ranging from 3.5% to 10%.

Rental 4 refers to a dock facility (Pier 3) and adjacent site with buildings. The land lease for a term of 3 years calls for a net annual rent of \$13,953.49 per *cuerva* increasing to \$37,209.30 per *cuerva*. This property shows the higher rental rate per *cuerva*, but the property comprises a large dock.

Obviously the best comparable to estimate a market rent for boatyard occupancy is comparable rental 2; the current lease of the 2.5 *cuervas* section, formerly the tennis courts, and currently successfully operated as a boatyard. Then, a market rent of \$9,500.00 per *cuerva* per year was concluded for both boatyard areas in the subject. Boatyard potential income was calculated as follows.

Boatyard Income		
Area (Cds)	Rent/Cda	Annual Income
2.5	\$9,500.00	\$ 23,750.00
4	\$9,500.00	\$ 38,000.00
Total		\$ 61,750.00

Office and Warehouse Space

The subject property has office and warehouse space. The marina boathouse building has two office areas under interagency agreements of occupancy that do not generate rent with the Puerto Rico Department of Natural and Environmental Resources and FURA, a Division of the Puerto Rico Police Department. These areas total 7,532 square feet of rentable space; 5,482 square feet of office space and 2,050 square feet of service garage/warehouse space.

In addition, the subject property has a detached warehouse building, the former marine exchange center, with an area of 3,321 square feet.

Industrial, Commercial and Office Space within NSRR

Leases of industrial, commercial and office space within NSRR is limited. We have analyzed seven (7) comparables of leased space within NSRR.

Market Rent Survey Summary Table - Commercial, Industrial & Office Space										
Rental	Location	Landlord	Tenant	Area (SF)	Improvements	Start Date	Term	Annual Rent	Rent/SF	
1	Buildings 31, 1207 & Cold Stge NSRR, Ceiba PR	LRA	Mer Group Puerto Rico LLC	213572.63	Fair	Dec-15	20 yrs	\$ -	\$ -	1 yr
								\$ 150,000.00	\$ 0.70	2-5 yrs
								\$ 180,000.00	\$ 0.84	6 yr
								\$ 198,000.00	\$ 0.93	7 yr
								\$ 216,000.00	\$ 1.01	8 yr
								\$ 228,000.00	\$ 1.07	9 yr
								\$ 240,000.00	\$ 1.12	10 yr
								\$ 264,000.00	\$ 1.24	11 yr
								\$ 300,000.00	\$ 1.40	12-15 yrs
								\$ 360,000.00	\$ 1.69	16 yr
								\$ 420,000.00	\$ 1.97	17 yr
\$ 480,000.00	\$ 2.25	18 yr								
\$ 540,000.00	\$ 2.53	19 yr								
\$ 600,000.00	\$ 2.81	20 yr								
2	Building 2332, NSRR Ceiba PR	LRA	Para La Naturaleza	6240	Average	12/23/2015	20 yrs	\$ 15,600.00	\$ 2.50	1-5 yrs
									10%	5 yrs
3	Building 1205, NSRR, Ceiba PR	LRA	MER Group Puerto Rico LLC	12432	Average	5/16/2016	10 yrs	\$ 37,296.00	\$ 3.00	1-5 yrs
								\$ 49,728.00	\$ 4.00	6-10 yrs
4	Building 2342, NSRR, Ceiba PR	LRA	Global Marine LLC	4000	Average	7/11/2016	5 yrs	\$ 20,400.00	\$ 5.10	1 yr
									5%	each yr
5	Bldgs 2036 & 2036A, NSRR, Ceiba PR	LRA	Black Beard Sports Inc.	3205	Average	11/17/2014	5 years	\$ 16,016.98	\$ 5.00	1 yr
								\$ 24,000.00	\$ 7.49	36 mos
								\$ 36,000.00	\$ 11.23	37-60 mos
6	Building 371, NSRR, Ceiba PR	LRA	Caribbean Fishing Supplies, CRL	4000	Fair	9/30/2014	5 years	\$ 4,500.00	\$ 1.13	1-5 yrs
7	Salgazo Kajak, NSRR, Ceiba PR	LRA	Salgazo Kajak, Bike Rental and Boat Tours	3000	Average	9/30/2014	5 years	\$ 12,660.00	\$ 4.22	1 yr
								\$ 18,000.00	\$ 6.00	2 yr
								\$ 24,000.00	\$ 8.00	3 yr
								\$ 30,000.00	\$ 10.00	4 yr
								\$ 36,000.00	\$ 12.00	5 yr

Rental rates for industrial, commercial and office space range from less than \$1.00 per square foot per year to \$5.10 per square foot per year.

Rental 1 refers to three industrial structures totaling 231,572.63 square feet leased for a term of 20 years. The rental rate ranges from free rent during the first year to \$2.81 per square foot for the last year of the term. The second year rent is \$0.70 per square foot per year.

Rental 2 comprises a Building 2332 with an estimated area of 6,240 square feet along the waterfront road at close proximity from the subject building. The first year annual rental rate is \$2.50 per square foot. The property comprises the building plus surface parking.

Rental 3 is the first floor of an adjacent building. The first year rental rate equals \$3.00 per square foot. A credit applies for the tenant improvements. Then, the rental rate is for the premises as improved.

Rental 4 is a 4,000 square foot building within an ample site also at close proximity from the subject. This structure is close to the main docks. The first term rental rate is \$5.10 per square foot per year. The rent increases 5% each year.

Rental 5 comprises two buildings that total approximately 3,205 square feet within an ample site. The first year rental rate is \$4.00 per square foot for the first three months and \$5.33 per square foot for the remaining 10 months for an annual rental rate of \$5.00 during the first year.

Rental 6 refers to a parcel with a 4,000 square foot structure at the waterfront road very close to the subject. The annual rent is \$1.10 per square foot per year; the lowest of the sample.

Finally, Rental 7 refers to a waterfront parcel with a 3,000 square foot structure. The lease is for

a total term of 5 years. The annual rental rent is \$3.75 per square foot for the first nine months and \$5.63 for the remaining 3 months for an annual rate of \$4.22 per square foot for the first year.

The most relevant comparables for office space are clearly Rentals 4 and 5 from \$4.00 to \$5.00 per square foot per year. A market rent of \$5.00 per square foot per year was concluded for the marine office space.

For the warehouse space the most relevant comparables are Rentals 1, 2 and 6. These range from \$1.00 to \$2.50 per square foot per year. A market rent of \$2.00 per square foot per year was concluded for the warehouse space. Subject’s potential gross income for the office and warehouse areas was calculated as follows.

Office and Warehouse Space Revenue			
Space	Area	Rent/SF	Annual Rent
Office	5,482	\$ 5.00	\$ 27,410.00
Warehouse	5,271	\$ 2.00	\$ 10,542.00
Total			\$ 37,952.00

Total potential gross income is summarized as follows.

Potential Gross Income					
	Slips			\$	311,040.00
	Boatyard			\$	61,750.00
	Office			\$	27,410.00
	Warehouse			\$	10,542.00
Total					\$ 410,742.00

Effective Gross Income

The effective gross income (EGI) is estimated by deducting a vacancy and collection loss allowance from the potential gross income (PGI). This allowance accounts for probable rent loss, vacancy, and unexpected tenant turnovers. The subject property is currently partially occupied by tenants paying rent and tenants on occupancy agreements without paying rent. However, this appraisal addresses the value of the fee simple rights. For small multi-tenant commercial buildings in the Puerto Rico eastern region stabilized occupancy vacancy and collection loss ratios range between 5% to over 30%. Overall vacancy levels have increase in general terms within urban neighborhoods. A vacancy and collection loss allowance of 15% was selected for the office and warehouse space.

Average occupancy levels at surveyed marinas range from 55-80%. With the downturn of the economy, occupancy levels have decreased. Medium sized marinas in the eastern region have shown occupancy levels for 2015-2016 in the 65-75% level. However, the NSRR is currently under transition with new tenants and users just moving in within the past year. Then, we

considered historic occupancy at Isleta Marina, the less accessible of the comparable facilities as the best indicator for a stabilized year for the subject. Isleta Marina has shown an average occupancy for 2014 and 2015 in the 56-63% range. Then, a stabilized occupancy of 60% was deemed reasonable for the slips and boatyard income. A vacancy and collection loss allowance of 40% was selected for the slips and boatyard revenue components.

It should be noted that the subject valuation assumes stabilized occupancy. The EGI was calculated as follows:

Potential Gross Income					
	Slips			\$	311,040.00
	Boatyard			\$	61,750.00
	Office			\$	27,410.00
	Warehouse			\$	10,542.00
Total					\$ 410,742.00
Vacancy & Collection Loss (Slips & Boatyard)		40%			(\$149,116.00)
Vacancy & Collection Loss (Office & Warehouse)		15%			(\$5,692.80)
Effective Gross Income					\$ 255,933.20

Operating Expenses

Operating expenses are periodic expenditures required to maintain the property in conditions capable of producing the effective gross income. Typical leases of industrial, commercial and office space within NSRR is collected on a modified gross basis with tenants paying utilities, maintenance, taxes and insurance, and the landlord paying basically only management and a reserve for replacement allowance for building components that wear out faster than the building structure itself. Each expense category was analyzed as follows.

Wet Slips and Boatyard Operating Expenses: These are all necessary expenses for the successful operation of the slips and boatyard revenue components. Surveyed marinas show overall operating expense ratios in the range of 60 to 70% of collected income. However, when only allocating those expenses related to the slips and boatyard operations; the expenses ratios are in the range of 50 to 60% range. For the subject property wet slips and boatyard operating expenses were estimated at 50% of the collected income from these sources.

Management: Multi-tenant properties command annual management expenses in the 5% of EGI range due to property monitoring and rent collecting efforts. Typical management expenses for multi-tenant properties amount approximately from 3% to 5% of the effective gross income. Annual management expenses were estimated at 5% of the EGI.

Reserve for replacement: This expense item refers to an allowance that provides for the periodic replacement of building components that wear out more rapidly than the building itself and must be replaced during the building's economic life. A replacement allowance amounting 3% of the EGI was considered reasonable. The following table summarizes the operating expenses projected for the subject.

Operating Expenses				
Wet Slips/Boatyard Operating Expenses		50%	(slips/boatyard EGI)	(\$111,837.00)
Management		5%		(\$12,796.66)
Reserve for Replacement		3%		(\$7,678.00)
Total Operating Expenses				(\$132,311.66)

Total annual stabilized operating expenses were estimated at \$132,311.66.

Net Operating Income

The EGI less the operating expenses equals the net operating income (NOI). It was calculated for each property in the following reconstructed operating income statements.

Reconstructed Operating Income Statement

Potential Gross Income				
	Slips			\$ 311,040.00
	Boatyard			\$ 61,750.00
	Office			\$ 27,410.00
	Warehouse			\$ 10,542.00
Total				\$ 410,742.00
Vacancy & Collection Loss (Slips & Boatyard)		40%		(\$149,116.00)
Vacancy & Collection Loss (Office & Warehouse)		15%		(\$5,692.80)
Effective Gross Income				\$ 255,933.20
Operating Expenses				
Wet Slips/Boatyard Operating Expenses		50%	(slips/boatyard EGI)	(\$111,837.00)
Management		5%		(\$12,796.66)
Reserve for Replacement		3%		(\$7,678.00)
Total Operating Expenses				(\$132,311.66)
Net Operating Income				\$123,621.54

Capitalization Rate

The *Dictionary of Real Estate Appraisal*, 6th edition, defines an overall capitalization rate as “the relationship between a single’s year net operating income expectancy and the total property price or value.”

An overall capitalization rate is a ratio that converts the estimated net operating income into value. The market data available allowed the development of the band of investment and debt

coverage ratio techniques to derive a capitalization rate. These techniques were applied after surveying several banking institutions to obtain typical financing terms for this type of property.

No data was available as to extract a capitalization rate from an actual sale (i.e., sales data and the NOI for the year subsequent to the sale). However, sales of conventional commercial-office buildings are in the range from \$25.00 to over \$35.00 per square foot (refer to the Sales Comparison Approach Section). Surveyed comparable rentals range from \$3.00 to \$4.50 per square foot. In this market the net income ratio (NIR) is in the range of 80% of the PGI. Then corresponding net income must range from about \$2.40 to \$3.60. Assuming the lower rental rates correlate to the sales with the lower unitary sales prices and vice versa, it can be inferred that in the central mountain region industrial market overall capitalization rates could range from 9.6 to 10.29%.

The debt coverage ratio technique is commonly known as the underwriters' method. Using this formula, typical financing parameters for similar property type are used. The indicated mortgage constant (R_m) is multiplied by the loan to value ratio (M) and the result multiply by the indicated debt coverage ratio (DCR) to estimate an overall capitalization rate. Local financing institutions were surveyed with the following results.

Typical Financing Terms for Commercial Properties Like Subject					
Institution	Interest Rate	Amortization Term	R_m	M	DCR
Popular	4.00 points over prime	20 years	.0948	.60-.80	1.35 – 1.50
Santander	4.00 point over prime	20 years	.0948	.60-.80	1.35 – 1.50
AVERAGE/Predominant	-	-	.0948	.75	1.40

As of the appraisal date the prime rate was at 3.25%.

Typical commercial mortgage loan components for a property such as the subject ranges from 70% to 80% loan to value ratios, annual interest rate at 4% over the federal prime rate (currently at 3.25%), and an amortization term of 20 years with a balloon payment at the end of the fifth year. The average mortgage constant (R_m) based on terms provided by the surveyed financial institutions was 0.0948. Typical debt coverage ratios for this type of investment grade properties range from 1.35 to 1.50. Using the predominant loan parameters, an overall capitalization rate was calculated as follows.

Debt Coverage Formula					
R_m	x	M	x	DCR	= R_o
0.0948	x	.75	x	1.40	=.09954
Rounded to					.10000

As shown, the derived overall rate using the DCR formula was 10%.

The 3rd quarter of 2016 edition of the RealtyRates.com Investor survey reported average surveyed commercial mortgage loan components for lodging facilities-all type market including a loan to value ratio of 66.6%, an annual interest rate of 5.62%, and an amortization term of 22 years. The average mortgage constant (R_m) based on terms provided by the surveyed financial institutions was 0.078443. The average surveyed debt coverage ratio was 1.57. Using the

predominant loan parameters, overall capitalization rates were calculated. The results are presented in the following table.

RealtyRates.com INVESTOR SURVEY - 3rd Quarter 2016*						
LODGING FACILITIES -ALL TYPES						
Item	Input					OAR
Minimum						
Spread Over 10-Year Treasury	1.26%	DCR Technique	1.00	0.043444	0.80	3.48
Debt Coverage Ratio	1.00	Band of Investment Technique				
Interest Rate	3.07%	Mortgage		80%	0.043444	0.034755
Amortization	40	Equity		20%	0.081468	0.016294
Mortgage Constant	0.043444	OAR				5.10
Loan-to-Value Ratio	80%	Surveyed Rates				4.85
Equity Dividend Rate	8.15%					
Maximum						
Spread Over 10-Year Treasury	11.59%	DCR Technique	2.95	0.155001	0.50	22.86
Debt Coverage Ratio	2.95	Band of Investment Technique				
Interest Rate	13.40%	Mortgage		50%	0.155001	0.077501
Amortization	15	Equity		50%	0.200053	0.100026
Mortgage Constant	0.155001	OAR				17.75
Loan-to-Value Ratio	50%	Surveyed Rates				16.87
Equity Dividend Rate	20.01%					
Average						
Spread Over 10-Year Treasury	3.81%	DCR Technique	1.57	0.078443	0.67	8.20
Debt Coverage Ratio	1.57	Band of Investment Technique				
Interest Rate	5.62%	Mortgage		67%	0.078443	0.052241
Amortization	22	Equity		33%	0.146690	0.048999
Mortgage Constant	0.078443	OAR				10.12
Loan-to-Value Ratio	66.6%	Surveyed Rates				10.93
Equity Dividend Rate	14.7%					

*2nd Quarter 2016 Data

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As can be seen, the derived overall rate using the average surveyed parameters and the DCR formula was 8.20%. Using the band of investment technique the overall rate was 10.12%. The average surveyed rate was 10.93%

Comparison of Derived Rates with Published Surveys

Inferred Rate Range with Sales and Rental Levels	9.6%-10.29%
Derived Rate (DCR Formula)	10.00%
Derived Rate (DCR Formula) – RealtyRates.com	8.20%
Derived Rate (Band of Investment) - RealtyRates.com	10.12%
Derived Rate (Surveyed Rates) - RealtyRates.com	10.93%

Most weight was given to the derived rates since these techniques better reflect local financial and investment conditions. A rounded capitalization rate of 10%, as indicated by the DCR technique using local financing and investment parameters and the band of investment (BOI) technique using the average parameters of realtyrates.com, was concluded for the subject property.

“As Is” Value Indication by the Income Approach

The market value via the direct capitalization method is estimated by dividing the resulting net operating income by the derived capitalization rate. Since the property is not 100% occupied, particularly the wet slips and boatyard components, and the appraisal assumes stabilized occupancy; an additional adjustment was needed to account for the expenses and net income loss during a reasonable lease-up period until the property achieved stabilized occupancy. A year of net income for the slips and boatyard components was considered a reasonable amount to account for a lease-up period adjustment. Using the indicated net income ratio of 30% and the potential gross income for the slips and boatyard sources, we calculated the net income loss for one year at \$110,000.00.

Furthermore, an additional lump sum adjustment is needed for an “as is” value indication to account for the cost to install power and water service to the slips.

For the appraised property, the value indication by the income capitalization approach was calculated as follows.

Net Operating Income					\$123,621.54
Capitalization Rate					10.00%
Unadjusted Value Indication					\$1,236,215.44
Rounded to					\$1,240,000.00
Less Cost to Provide Power and Water to the Slips					(\$35,000.00)
Less Lease-up Period Expenses/Net Income Loss					(\$110,000.00)
Adjusted Value Indication					\$1,095,000.00

**“As Is” Market Value Indication via Income Approach, Fee Simple Rights,
 ---\$1,095,000.00---
 (ONE MILLION NINETY FIVE THOUSAND DOLLARS)**

The income approach is summarized in the following table.

Income Approach Summary Table						
Potential Gross Income						
	Slips				\$	311,040.00
	Boatyard				\$	61,750.00
	Office				\$	27,410.00
	Warehouse				\$	10,542.00
Total						\$ 410,742.00
Vacancy & Collection Loss (Slips & Boatyard)			40%			(\$149,116.00)
Vacancy & Collection Loss (Office & Warehouse)			15%			(\$5,692.80)
Effective Gross Income						\$ 255,933.20
Operating Expenses						
Wet Slips/Boatyard Operating Expenses			50%	(slips/boatyard EGI)		(\$111,837.00)
Management			5%			(\$12,796.66)
Reserve for Replacement			3%			(\$7,678.00)
Total Operating Expenses						(\$132,311.66)
Net Operating Income						\$123,621.54
Capitalization Rate						10.00%
Unadjusted Value Indication						\$1,236,215.44
Rounded to						\$1,240,000.00
Less Cost to Provide Power and Water to the Slips						(\$35,000.00)
Less Lease-up Period Expenses/Net Income Loss						(\$110,000.00)
Adjusted Value Indication						\$1,095,000.00

OCEANFRONT DEVELOPMENT LAND VALUATION: SALES COMPARISON APPROACH

The *Dictionary of Real Estate Appraisal, 6th edition*, defines the sales comparison approach as “the process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available.”

The sales comparison approach applies to the valuation of all kinds of real property interests as long as there are sufficient transactions to indicate value or market trends. The reliability of this technique depends on the number of recent transactions, adequate means of verifying the data, degree of similarity and absence of non-typical conditions.

After thorough analysis, we concluded the present improvements, a small boatyard covering an area of half an acre, represents an interim use and do not contribute to the overall market value of this defined unit. The concluded highest and best use as improved was to hold for redevelopment of the site for commercial/recreational use. Then, an “as is” value opinion was derived by applying the sales comparison approach.

In an effort to obtain the most relevant sales to appraise subject property, the appraisers researched the records at the Property Registry, Treasury Department and office files, and in addition interviewed brokers, property sellers and buyers, and other appraisers. Four (4) land sales transactions and one (1) listing were analyzed. The comparable sales are within similar and competitive industrial subdivisions within the southeastern region. The comparable sales used are presented in a summarized format in the following pages.

Land Sale 1				
Location	South of Km. 15.5, State Road 127, Punta Pepillo Sector, Guayanilla Industrial Port Area, Guayanilla, Puerto Rico	Rights	Fee simple	
		Financing	Typical	
		Shape	Irregular	
		Topography	Varied	
		Utilities	Available	
Seller	Chevron PR, LLC	Flood Hazard	Zone X	
Buyer	Peerless Oil & Chemical Inc.	Waterfrotage/Port	Yes	
Sales Date	11/14/06	Zoning	I-2, heavy Industrial	
Sales Price	\$3,500,000.00	HABU	Port industrial	
Improvements	-\$2,170,000.00			
Land	\$1,330,000.00	Registry and/or legal data	P:12, B:45, T:1568 Deed 23 before Libardo Hernandez Perez, Esq	
Size (Cds)	10.49	Tax ID No	386-000-010-01-001	
Sales Price/Cd \	\$126,787.42	Verification source	Seller and broker	
Comments:	Improvements include a harbor manufacturing facility with bay frontage including 10 buildings and 3 shed structures totaling 51,836 square feet, a private dock with an area of 12,995 square feet, and 8,553 square feet of canopies including a parking carport. Additional site improvements include asphalted areas, loading areas, a gate, and fences.			



Land Sale 2				
Location	State Road 511, Coto Laurel Ward Ponce, Puerto Rico		Rights Financing Shape Topography Utilities	Fee simple Typical Rectangular Level Available
Seller	Martex Farms SE		Flood Hazard	X (89.7%), 0.2 PCT (8.6%), AE (1.7%)
Buyer	Puerto Rico Steel Products		Waterfrontage/Port	No
			Zoning HABU	AP.4 (Agro-industrial) Light-industrial dev
Sales Date	09/15/11			
Sales Price	\$1,315,000.00			
			Registry and/or legal data	P:78, B:1628, T:29883 Deed 127 before Manuel A. Frau Catusus, Esquire
Size (Cds)	15.00			
Sales Price/Cd	\$87,666.67		Tx ID No Verification source	366-000-001-23-000 Seller & buyer



Land Sale 3				
Location	Marina Puerto Del Rey State Road 3, Quebda Vueltas, Demajaguas & Los Machos Wds, Fajardo-Ceiba, Puerto Rico		Rights Financing Shape Topography Utilities	Fee simple Typical Irregular Varied Available
Seller	Denison M. W Shelley Diaz - Daniel W. Shelley Puerto del Rey, Inc - Inversiones Cacimar - Jose E. Piovaneti		Flood Hazard Waterfrotage/Port Marina	X (35.0%), AE (34.1%), VE (30.9%) Yes Yes
Buyer	PDR Acquisition LLC			
Sales Date	05/30/13	*	Zoning	CT-L, Commercial-tourist
Sales Price	\$25,082,000.00		HABU	Marina
Improvements	-\$8,000,000.00			
Land	\$17,082,000.00		Registry and/or legal data	40 Deeds before Vanessa Lopez, Esq
Size (Cds)	115.2904		Tax ID No	178-079-158-05 & others
Sales Price/Cd	\$148,164.98		Verification source	Buyer and appraiser
Comments:	Improvements include a full service marina facility including 11,426 sf of commercial condo space, a 2,700 sf off building, a 9,871 sf comm building, a 4,930 sf wood building, a 768 sf DNER bldg, a 6,250 sf boatyard bldg, 190 sf fuel dock office, a 1,304 sf ldry/baths bldg, a 3,167 sf dock center bldg, a 600 sf dry stack office, and complementary structures. Site improvements include apprx508 surface pkg spaces, about 36,759 sf of conc paved areas, graded gravel areas, 8,500 feet of fences, plaza and sidewalks, and an electrical substation. The marina has 1,000 wet slips, 400 dry stack racks, and 4 forklifts.			



Land Sale 4				
Location	South off State Road 127, Tallaboa Alta Ward, Peñuelas, Puerto Rico		Rights	Fee simple
			Financing	Typical
			Shape	Irregular
			Topography	Level
			Utilities	Available
Seller	Banco Popular de PR		Flood Hazard	Zone AE
Buyer	Re-Synth New Horizons, LLC		Waterfrontage/Port	No
			Zoning	I-P; Heavy industrial
Sales Date	03/27/14		HABU	Port-industrial dev
Sales Price	\$780,000.00			
			Registry and/or legal data	P:1001, D:353 Deed 20/2014 before Ricard Melendez Sauri, Esquire
Size (Cds)	10.00		Tx ID No	410-000-002-11-000
Sales Price/Cd	\$78,000.00		Verification source	Seller & buyer



Land Sale 5				
Location	Anchor Village Marina		Rights	Fee simple
	Parcels M-2A and M-2B and 10,		Financing	Typical
	Palmas del Mar,		Shape	Irregular
	Humacao, Puerto Rico		Topography	Varied
			Utilities	Available
Seller	JUAZA, Inc. & Marina Parking Corp.		Flood Hazard	AE (62.5%), VE (37.5%)
				AE (78.8%), X (21.2%)
Buyer	Anchor Village, LLC		Waterfrotage/Port	Yes
			Marina	Yes
Sales Date	06/29/15		Zoning	PDM, Palmas del Mar
Sales Price	\$750,000.00			Marine operational facilities
Improvements	-\$450,000.00		HABU	Marina
Land	\$300,000.00		Registry and/or	Deeds 22 & 23 before Jose A.
			legal data	Diaz Bruguera, Esq
Size (Cds)	2.0039			354-042-451-03 & 06,
			Tax ID No	354-043-451-07
Sales Price/Cd	\$149,708.07		Verification source	Seller and appraiser
Comments:	Parcel M-2A is improved with commercial concrete-wood structures, paved areas and open and covered seating areas, a concrete-wood bulkhead dock structure with 20 boat slips.			
	Parcel M-2B is improved as a surface parking lot with a small square surrounding a sculpture.			



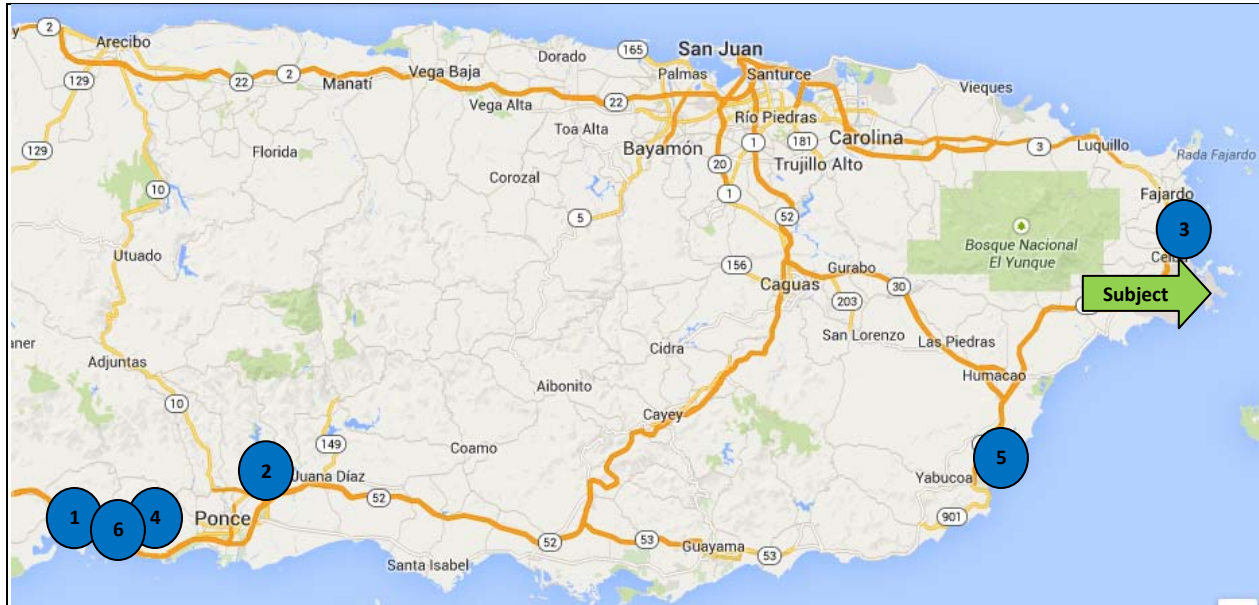
Land Sale 6

Location	Intersection of State Roads 127 and 385, Peñuelas Port Area, Tallaboa Ward, Peñuelas, Puerto Rico	Rights Financing Shape Topography Utilities	Fee simple Typical Irregular Mostly level Available
Seller	Puerto Rico Used Oil	Flood Hazard	A (90.7%), VE (9.3%)
Buyer	PR Terminal Group UL	Waterfrotage/Port	Yes
Sales Date	2/28/2006	Zoning	I-P, heavy Industrial
Sales Price/Cd	\$2,875,000.00	HABU	Port industrial
Improvements	<u>-\$775,000.00 *</u>	Registry and/or legal data	P:183, B:198, T:5704 N/A
Land	\$2,100,000.00	Tax ID No	410-000-002-07
Size (Cds)	16.15	Verification source	Broker (787-778-7000)
Sales Price/Cd	\$130,030.96		

Comments: Improvements include an industrial facility with bay frontage including 4 buildings totaling 10,922 sf, electric substation, 8 storage tanks with a total capacity for 80,000 barrels, and a mixing tank with a capty of 1,785 barrels.



Comparable Sales Map



Description and Analysis of the Land Sales

The following table summarizes the land sales analyzed.

Land Sales Summary Table							
Sale	Date	Sales Price	Improvements	Land	Area (Cds)	Waterfrontage/Port	Price/Cda
1	11/14/2006	\$ 3,500,000.00	\$ (2,170,000.00)	\$ 1,330,000.00	10.49	Yes	\$ 126,787.42
2	9/15/2011	\$ 1,315,000.00	\$ -	\$ 1,315,000.00	15.00	No	\$ 87,666.67
3	5/30/2013	\$ 25,082,000.00	\$ (8,000,000.00)	\$ 17,082,000.00	115.2904	Yes	\$ 148,164.98
4	3/27/2014	\$ 780,000.00	\$ -	\$ 780,000.00	10.0000	No	\$ 78,000.00
5	6/29/2015	\$ 750,000.00	\$ (450,000.00)	\$ 300,000.00	2.0039	Yes	\$ 149,708.07
6	2/28/2016	\$ 2,875,000.00	\$ (775,000.00)	\$ 2,100,000.00	16.15	Yes	\$ 130,030.96
Subject	10/19/2016	-	-	-	12.89	Yes	-
Min							\$ 78,000.00
Max							\$ 149,708.07
Average							\$ 120,059.68
Median							\$ 128,409.19
Std. Deviation							\$ 30,436.65

The locally accepted unit of comparison to analyze vacant oceanfront marina-industrial sites is the sales price per *cuerda*. A *cuerda* is a Spanish unit of comparison that equals .97 acres. The selected sample shows a range of unadjusted prices from \$78,000.00 to \$148,164.98 per *cuerda* with an average of \$115,901.12 and a standard deviation of \$27,096.94. A brief description of each sale follows.

Land sale 1, the oldest of the sample, refers to a an industrial manufacturing facility located south of kilometer 15.5 of State Road 127 in the Guayanilla Bay Industrial Sector of the Municipality of Guayanilla, Puerto Rico. The property comprised a harbor manufacturing facility including ten (10) buildings and three (3) open shed structures totaling 51,836 square feet of

gross area, a private dock with an area of 12,995 square feet and 8,553 square feet of canopies including a parking carport structure standing on a 47,874.31 square meters bay frontage site. Facility storage tanks included a hill-top cluster at the site's north section of 6 tanks with capacities ranging from 50,000 to 1,800,000 gallons, and 25 smaller tanks of varied gallonage. Many of the tanks had been emptied and cleaned. The complex is connected through pipelines to dock facilities at the Guayanilla Bay and to the non-operating Corco complex.

The complex was originally established in the 1950's as a gasoline distribution facility; subsequently it was retrofitted for the former lube blending operation. The facility is strategically located and was functional for the former lube blending operation. It ceased operations during 2005. Many of the on-site tanks and fixtures did not contribute to the overall property market value as some did not conform to applicable environmental quality regulations and, thus, would not have a functional use for any potential buyer.

The facility sold for \$3,500,000.00 on November of 2006. An appraisal was commissioned for establishing the price. The value contribution of the improvements was estimated at \$2,170,000.00 leaving a price allocated for the land of \$1,330,000.00, equal to \$126,787.42 per *cuerda*. This site compares similar in location and water frontage/port amenity to the subject.

Comparable 2 refers to a 15 *cuerdas* agro-industrial site at the Coto Laurel Ward of Ponce, Puerto Rico. The vacant site sold on September, 2011 for \$87,666.67 per *cuerda*. This is not a water frontage/port site. The location is inferior to that of the subject for industrial development.

Sale 3 refers to the Puerto Del Rey Marina in Fajardo-Ceiba, Puerto Rico. This comparable refers to 40 transactions in total as the marina facility is comprised by several parcels and some of the buildings are condominium units. The 40 transactions total a price of \$25,082,000.00. 39 transactions closed on May 30, 2013. One of the condominium units was purchased on August 14, 2013. Improvements include a full service marina facility including 11,426 square feet of commercial condo space, a 2,700 square foot office building, a 9,871 square foot commercial building, a 4,930 square foot wood building, a 768 square foot building occupied by the DNER, a 6,250 square foot boatyard building, 190 square foot fuel dock office, a 1,304 square foot laundry-bathrooms building, a 3,167 square foot dock center building, a 600 square foot dry stack office, and complementary structures. Site improvements include approximately 508 surface parking spaces, about 36,759 square feet of concrete paved areas, graded gravel areas, 8,500 feet of fences, plaza and sidewalks, and an electrical substation. The marina has 1,000 wet slips, 400 dry stack racks, and 4 forklifts.

News reports at the time pointed at an overall transaction price of between \$80 and 100 million. However, the recorded real estate transaction sums \$25,082,000.00. The property appraiser understands that the difference was presumably the amount paid for the slip licenses, machinery and equipment, and business intangibles. With the detailed description of the improvements, we estimated the value contribution of the improvements at \$8,000,000.00; leaving a price allocation for the land of \$17,082,000.00, or \$148,164.98 per *cuerda*. The site is

within a commercial-tourist zoning district; appropriate for marina use. This site was deemed superior to that of the subject in location, use and economic considerations.

Sale 4 is a 10 cuerdas vacant industrial site within the port area of the Tallaboa Ward in Peñuelas. Although within the port industrial area, the site lacks water frontage or direct dock-port access. It was purchased for \$78,000.00 per cuerda on March 27, 2014; the lowest unitary price of the sample. The site is zoned heavy-industrial; appropriate for port industrial development. The site compares inferior for port-industrial development as it lacks water frontage or direct dock-port access. This location compares similar to that of the subject.

The most recent comparable of the sample, Sale 5, is a small marina site within Palmas del Mar in Humacao. This is an improved site formed by three adjacent parcels with an area of 2.0039 cuerdas with frontage to the Palmas del Mar Inner Harbor. The site is currently improved with commercial facilities, a pier with 20 boat slips, and a surface parking lot. The marina was recently purchased for \$750,000.00; equal to \$37,500.00 per slip.

The value contribution of the improvements, the pier bulkhead for 20 boat slips, commercial facilities, surface parking area and sculpture was estimated at \$450,000.00, leaving a residual land price allocation of \$300,000.00, or \$149,708.07 per *cuerda*.

Sale 6, the most recent, refers to an industrial facility with bay frontage including 4 buildings totaling 10,922 square feet, electric substation, 8 storage tanks with a total capacity for 80,000 barrels, a mixing tank with a capacity of 1,785 barrels. The property sold for \$2,875,000.00 on February 28, 2016. The property has been listed for over 2 years. The buyer assigned a value contribution in the range of \$2,100,000.00 to the land; equal to \$130,030.96 per *cuerda*. The site was considered very similar in location, water frontage/dock-port facilities and land area.

Adjustments

The *13th edition of The Appraisal of Real Estate*, published by the *Appraisal Institute*, defines comparative analysis as “the general term used to identify the process in which quantitative and/or qualitative techniques are applied to derive a value indication in the sales comparison approach.” The qualitative analytical technique identifies which elements of comparison require adjustment and compares the subject and the comparable sales without measuring the dollar amount of the adjustments. When the differences can be quantify, a quantitative comparison is made and a monetary adjustment is applied.

The elements of comparison included, property rights, financing terms, sales conditions, market conditions (sale date), location, and physical characteristics. Physical characteristics included utilities, topography, shape, water frontage/port and land area.

Rights conveyed

All transactions included the fee simple rights. No adjustments for rights conveyed were deemed necessary.

Financing terms

All sales reflected typical financing terms. No adjustments were necessary.

Sales conditions

All comparables reflected typical sales conditions. Again no adjustments were necessary.

Improvements contribution

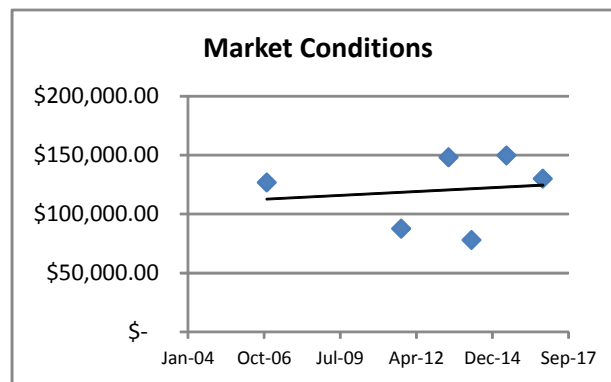
Comparables 1, 3, 5 and 6, refer to improved marina and/or port industrial sites. The value contribution of the improvements was estimated with the help of the properties' appraisers and/or brokers. Refer to the land sales summary table for the improvements contribution adjustments.

Market conditions

The comparable sales cover a span of approximately a little more than a year. As the Market Conditions Table and Graphic shows, which sort the sales in order of occurrence, a decline trend is evident although no significant correlation was found.

Market Conditions		
Sale	Date	Price/Cd
1	11/14/2006	\$ 126,787.42
2	9/15/2011	\$ 87,666.67
3	5/30/2013	\$ 148,164.98
4	3/27/2014	\$ 78,000.00
5	6/29/2015	\$ 149,708.07
6	10/19/2016	\$ 130,030.96

R-square 1.82%



The sales differ in other elements of comparison; most importantly water frontage/port facilities. Nevertheless, there is a general consensus among market participants that marketing times and absorption periods are longer and slower respectively. Nonetheless, the graphic suggests the industrial land market in the south-eastern region has stabilized in terms of prices. No monetary market conditions adjustments were applied. Only qualitative analysis was applied.

Location

All comparable sales lie within the general south-eastern region. In terms of neighborhood economic characteristics Sales 1 and 4, and 6, all from the Guayanilla-Peñuelas port industrial area are the most similar. Sales 3 and 5 were deemed superior in immediate neighborhood amenities and economic characteristics. No monetary adjustments were made. On a qualitative basis, more weight was given to the most similar sales.

Zoning and highest and best use

The appraised property lies within an M-2, central urban district as per the Special Zoning Map for NSRR. The purpose of this district is to promote orderly development and to classify mixed commercial and residential areas. Allowed uses include multi-family residential, hotel, office, commercial including retail and marina, recreational and public.

Sales 1 and 3, and 6, lie within heavy industrial zoning districts allowing for a similar range of port industrial uses. Sale 2 is zoned agro-industrial. Sales 3 and 5 are zoned commercial-tourist. Except Sales 3 and 5, which are suited for marina development as the subject, all share industrial/port development highest and best uses. No adjustments were deemed necessary. On a qualitative basis Sales 3 and 5 compare similar to the subject.

Shape and topography

All sales had functional configurations and leveled or mostly level topography. The subject site has an irregular but functional shape and a leveled topography. No monetary adjustments for these elements were necessary.

Flood condition

The subject lies entirely partially within the FEMA flood prone area. Some of the sales are partially or entirely within the floor prone. However, all are developable and no adjustments were deemed necessary for this element.

Water Frontage/Dock-port Facilities

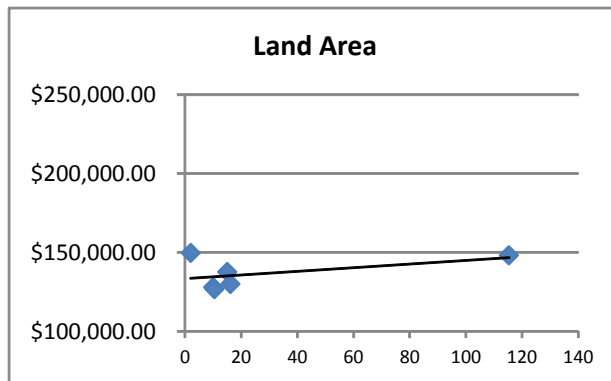
The appraised site bounds to the bay and lies adjacent to the commercial marina. Sales 1, 3, 5 and 6 are waterfront sites with dock-port-marina facilities. In this regard, they are very similar to the subject. Sales 2 and 4 do not have water frontage nor dock-port facilities. A grouped data analysis clearly showed that in average, the comparables with water frontage and/or dock-port facilities sell about \$50,000.00 more per *cuerda* than the sales lacking water frontage and/or dock-port facilities. Then, a positive \$50,000.00 per *cuerda* adjustment was applied to sales 2 and 4.

Water Frontage/Dock-Port Facility Adjustment Table				
Sale	Price/Cd	Water Frontage	Adjustment	Price/Cd
1	\$ 126,787.42	Yes	\$ -	\$ 126,787.42
2	\$ 87,666.67	No	\$ 50,000.00	\$ 137,666.67
3	\$ 148,164.98	Yes	\$ -	\$ 148,164.98
4	\$ 78,000.00	No	\$ 50,000.00	\$ 128,000.00
5	\$ 149,708.07	Yes	\$ -	\$ 149,708.07
6	\$ 130,030.96	Yes	\$ -	\$ 130,030.96

Size-Land Area

Typically a direct correlation exists between the size of the sites and their unitary prices. The larger the parcel, lower the unitary price indication. The sales were sorted from the smaller to the largest in the following table and graphic.

Land Area		
Sale	Area (Cds)	Price/Cd
5	2.00	\$ 149,708.07
4	10.00	\$ 128,000.00
1	10.49	\$ 126,787.42
2	15.00	\$ 137,666.67
6	16.15	\$ 130,030.96
3	115.2904	\$ 148,164.98
Min		\$ 126,787.42
Max		\$ 149,708.07
Average		\$ 136,726.35
Std Dev		\$ 10,198.15
R-square		23.36%



No direct correlation is reflected. A simple lineal regression analysis indicated a correlation factor (R-square) of 23.36%, Sales 3 and 5 have a superior location to the subject and the rest of the sample. No quantitative size adjustments were applied. Only qualitative analysis was applied. More weight was given to the most similar comparables in terms of land area, Sales 1, 2, 4 and 6.

Utilities

Utility connections cost are similar throughout the general south east region. All sales have neighborhood utilities available at typical hook-up costs. Although the LRA has intends to construct new water and wastewater treatment plants, as of the appraisal effective date, the subject lacks utility infrastructure for large scale development. Although no utility adjustments were applied, on a qualitative basis a negative consideration to the indications by the comparables seems reasonable.

Value Conclusion by Sales Comparison Approach

Both quantitative and qualitative comparisons were made. The value range is from \$126,787.42 to \$149,708.07 per *cuerva* with an average of \$136,726.35 and a standard deviation of \$10,198.15.

Sales 3 and 5, both close to \$150,000.00 per *cuerva* at the upper limit of the indicated price range, were deemed superior to the subject in location and economic characteristics. Sale 1 and 6 were deemed the most similar in location, land area and water frontage/dock-port facilities. These had unadjusted indications ranging from \$126,787.42 to \$130,030.96 per *cuerva*.

No monetary adjustments for market conditions were made, but on a qualitative basis, Sale 1 is superior in this regard as 2006 market conditions were superior.

A negative consideration is reasonable considering the comparable sales are all superior in utility infrastructure. A ranking analysis was developed to position the subject site within the range of value indications provided by the sample. The analysis follows.

Ranking Analysis			
Sale	Overall Comparability	Price/Cuerda	Relative Comparison
Subject	-	\$ 100,000.00	Value Level
1	Slightly Superior	\$ 126,787.42	-
4	Slightly Superior	\$ 128,000.00	-
Listing	Superior	\$ 130,030.96	Upper Value Limit
2	Superior	\$ 137,666.67	-
3	Superior	\$ 148,164.98	Higher Value Level
5	Superior	\$ 149,708.07	Higher Value Level

Based on the indication of the most similar comparables in terms of location, water frontage/dock-port facilities and land area, and after a negative consideration to account for subject’s inferior infrastructure support, a rounded value of \$100,000.00 per *cuerda* was concluded.

The value for the oceanfront development land unit as defined was calculated as follows.

$$\begin{array}{rclcl}
 12.89 \text{ cuerdas} & @ & \$100,000.00/\text{cuerda} & = & \$1,289,000.00 \\
 \text{Rounded to} & & & & \$1,290,000.00
 \end{array}$$

Oceanfront Development Land
Market Value Indication by the Sales Comparison Approach
---\$1,290,000.00---
(ONE MILLION TWO HUNDRED NINETY THOUSAND DOLLARS)

Land Sales Adjustment Table							
	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Sales Price	-	\$ 3,500,000.00	\$ 1,315,000.00	\$ 25,082,000.00	\$ 780,000.00	\$ 750,000.00	\$ 2,875,000.00
Element							
Rights	F. simple	F. simple	F. simple	F. simple	F. simple	F. simple	F. simple
Financing	Typical	Typical	Typical	Typical	Typical	Typical	Typical
Sales Cond.	Typical	Typical	Typical	Typical	Typical	Typical	Typical
Improvements	None	Yes	None	Yes	None	Yes	Yes
Market Cond.	10/19/16	11/14/06	09/15/11	05/30/13	03/27/14	06/29/15	Current
Location	Good	Similar	Similar	Superior	Similar	Similar	Similar
Zoning	M2	I-2	AP.4	CT-L	I-P	PDM	I-P
HABU	Marina	Port Industrial	Industrial	Marina	Port Industrial	Marina	Port Industrial
Shape	Irregular	Irregular	Regular	Irregular	Regular	Regular	Irregular
Topography	Leveled	Varied	Level	Leveled	Leveled	Leveled	Leveled
Water Frontage/Port	Yes	Yes	No	Yes	No	No	Yes
Size (Cds)	12.89	10.49	15.00	115.2904	10.00	2.00	16.15
Utilities	Available	Available	Available	Available	Available	Available	Available
Lump Sum Adjustments							
Rights	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Financing	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Cond.	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Improvements Contribution	-	\$ (2,170,000.00)	\$ -	\$ (8,000,000.00)	\$ -	\$ (450,000.00)	\$ (775,000.00)
Buyer's Expenditures	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Lump Sum Adjustments	-	\$ (2,170,000.00)	\$ -	\$ (8,000,000.00)	\$ -	\$ (450,000.00)	\$ (775,000.00)
Partially Adjusted Prices	-	\$ 1,330,000.00	\$ 1,315,000.00	\$ 17,082,000.00	\$ 780,000.00	\$ 300,000.00	\$ 2,100,000.00
Adjusted Prices/\$M	-	\$ 126,787.42	\$ 87,666.67	\$ 148,164.98	\$ 78,000.00	\$ 149,708.07	\$ 130,030.96
Unitary Adjustments							
Market Cond.	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Location / Exposure	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Zoning/HABU	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shape	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Topography	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water Frontage/Port	-	\$ -	\$ 50,000.00	\$ -	\$ 50,000.00	\$ -	\$ -
Size (Cds)	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Unitary Adjustment	-	\$ -	\$ 50,000.00	\$ -	\$ 50,000.00	\$ -	\$ -
Adjusted Unitary Price	-	\$ 126,787.42	\$ 137,666.67	\$ 148,164.98	\$ 128,000.00	\$ 149,708.07	\$ 130,030.96
Net Adj. %	-	0.00%	57.03%	0.00%	64.10%	0.00%	0.00%

NORTH DEVELOPMENT LAND VALUATION: SALES COMPARISON APPROACH

The *Dictionary of Real Estate Appraisal, 6th edition*, defines the sales comparison approach as “the process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available.”

The sales comparison approach applies to the valuation of all kinds of real property interests as long as there are sufficient transactions to indicate value or market trends. The reliability of this technique depends on the number of recent transactions, adequate means of verifying the data, degree of similarity and absence of non-typical conditions.

Subject property’s concluded highest and best use as improved to hold the site for commercial-industrial re-development. The Department of Treasure Records Division, the Department of Justice Property Registry and the office appraisal files were searched for sales and the following were selected for analysis.

Land Sale 1				
Location	South off State Road 127, Tallaboa Alta Ward, Peñuelas, Puerto Rico	Rights	Fee simple	
		Financing	Typical	
		Shape	Irregular	
		Topography	Level	
		Utilities	Available	
Seller	Banco Popular de PR	Flood Hazard	Zone AE	
Buyer	Re-Synth New Horizons, LLC	Waterfrontage/Port	No	
		Zoning	I-P; Heavy industrial	
Sales Date	03/27/14	HABU	Port-industrial dev	
Sales Price	\$780,000.00			
		Registry and/or legal data	P:1001, D:353 Deed 20/2014 before Ricard Melendez Sauri, Esquire	
Area (SM)	39303.966			
Area (Cds)	10.00			
Sales Price/SM	\$19.85	Tx ID No	410-000-002-11-000	
Sales Price/Cd	\$78,000.00	Verification source	Seller & buyer	



Land Sale 2

Location	Southwest of Int. of SR 52 and 506, Coto Laurel Ward Ponce, Puerto Rico	Rights Financing Shape Topography Utilities Flood Hazard	Fee simple Typical Irregular Rolling Available Zone X
Seller	Banco Popular de PR		
Buyer	JCGMB, Inc.		
		Zoning HABU	SREP.A Hold for Inst/Light Industrial Development
Sales Date	12/22/14		
Sales Price	\$2,200,000.00		
		Registry and/or legal data	E:384, D:1031, T:52301 Deed 12/2014 before Juan A. Aquino Barrera, Esquire
Area (SM)	149,131.43		
Area (Cuerdas)	37.9431		
Sales Price/SM	\$14.75	Tx ID No	366-000-006-87
Sales Price/Cd	\$57,981.56	Verification source	Seller



Land Sale 3

Location	Southwest of Int. of SR 52 and 506, Coto Laurel Ward Ponce, Puerto Rico	Rights Financing Shape Topography Utilities Flood Hazard	Fee simple Typical Irregular Rolling Available Zone X
Seller	Banco Popular de PR		
Buyer	JCGMB, Inc.		
Sales Date	12/22/14	Zoning HABU	Industrial (DI.1) & SREP.A Hold for Inst/Light Industrial Development
Sales Price	\$2,800,000.00	Registry and/or legal data	E:384, D:1031, T:52301 Deed 12/2014 before Juan A. Aquino Barrera, Esquire
Area (SM)	199,046.68	Tx ID No	366-000-006-86
Area (Cuerdas)	50.6429	Verification source	Seller
Sales Price/SM	\$14.07		
Sales Price/Cd	\$55,289.09		

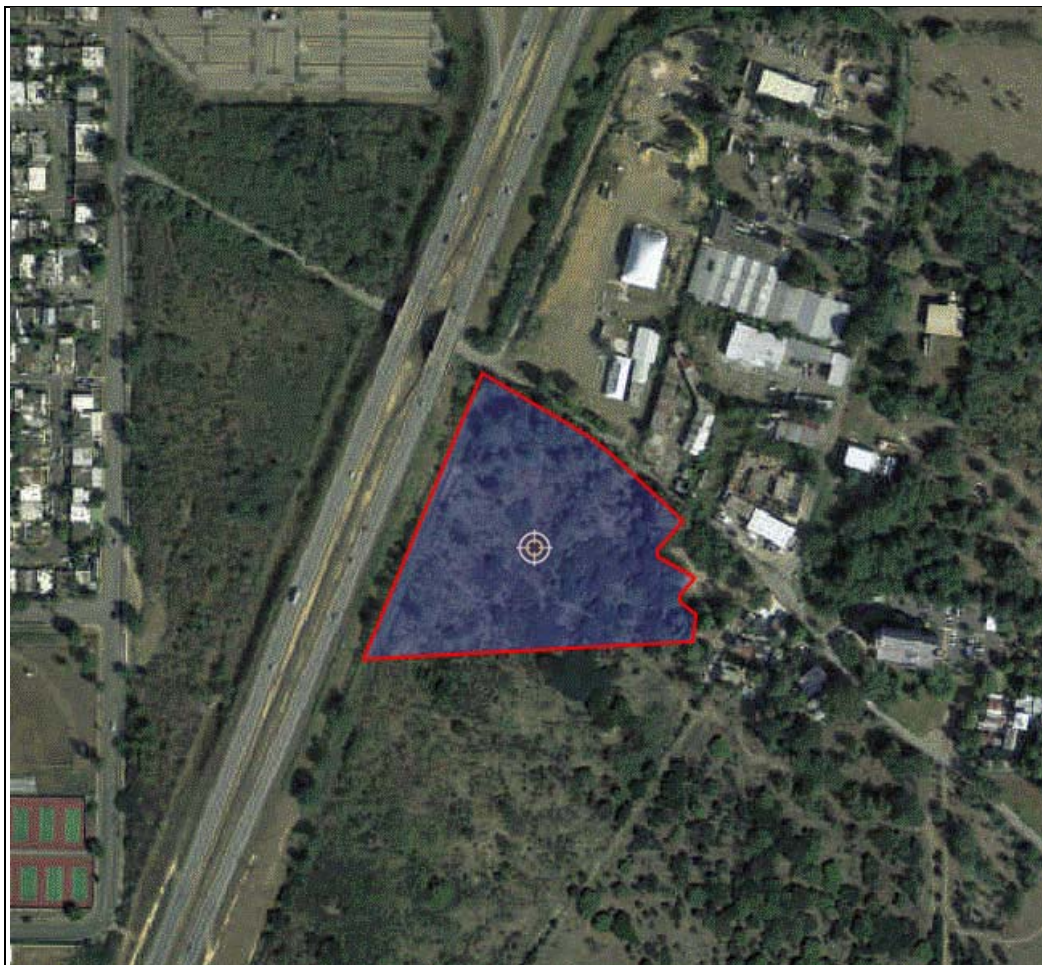


Land Sale 4

Location	Northwest west of Int. of SR 52 and SR 506, Coto Laurel Ward Ponce, Puerto Rico	Rights Financing Shape Topography Utilities Flood Hazard	Fee simple Typical Irregular Rolling Available Zone X
Seller	Banco Popular de PR		
Buyer	D.I.S. Inc.		
Sales Date	04/29/15	Zoning HABU	EH.2, SREPN & EV.4 Hold for Inst/Light Industrial Development
Sales Price	\$900,000.00	Registry and/or legal data	E:681, D:1033, T:63880 Deed 44 before Erika M. Carrasquillo Alvarez, Esquire
Area (SM)	40,543.28	Tx ID No	366-000-006-92
Area (Cuerdas)	10.3153	Verification source	Seller
Sales Price/SM	\$22.20		
Sales Price/Cd	\$87,248.92		



Land Sale 5					
Location	East of SR 52 , Street 1, Vayas Ward Ponce, Puerto Rico	Rights Financing Shape Topography Utilities	Fee simple Typical Irregular Rolling Available		
Seller	Rad-Man Land I, LLC	Flood Hazard	Zone X		
Buyer	Miguel A. Vazquez Gonzalez				
Sales Date	09/03/15	Zoning HABU	Industrial (DI.1) & SRC-AR Hold for Inst/Light Industrial Development		
Sales Price	\$200,000.00	Registry and/or legal data	E:1688, D:1033, T:50756 Deed 49 before Laura Cuevas Bonilla, Esquire		
Area (SM)	21,328.16	Tx ID No	389-000-009-36		
Area (Cuerdas)	5.4265	Verification source	Seller		
Sales Price/SM	\$9.38				
Sales Price/Cd	\$36,856.40				



Land Sale 6

Location	North of SR 52 , El Rincon Street, Coto Laurel Ward Ponce, Puerto Rico	Rights Financing Shape Topography Utilities	Fee simple Typical Regular Mostly level Available
Seller	Oriental Bank and Trust of PR	Flood Hazard	Zone X
Buyer	T&F Investments, LLC		
		Zoning HABU	Vertical structure (EV.4) Hold for Inst/Light Industrial Development
Sales Date	10/30/15		
Sales Price	\$225,000.00	Registry and/or legal data	E:1470, D:1034, T:38337 Deed 03/2015 before Miriam Velez de Montañez, Esquire
Area (SM)	20,438.06	Tx ID No	366-000-007-14
Area (Cuerdas)	5.2000	Verification source	Seller
Sales Price/SM	\$11.01		
Sales Price/Cd	\$43,269.23		



Land Sales Location Map



Description and Analysis of the Land Sales

The following table summarizes the land sales analyzed.

Land Sales Summary Table					
Sale	Date	Sales Price	Area (Cds)	Price/Cd	
1	3/27/2014	\$ 780,000.00	10.00	\$ 78,000.00	
2	12/22/2014	\$ 2,200,000.00	37.94	\$ 57,981.56	
3	12/22/2014	\$ 2,800,000.00	50.64	\$ 55,289.09	
4	4/29/2015	\$ 900,000.00	10.32	\$ 87,249.04	
5	9/3/2015	\$ 200,000.00	5.43	\$ 36,856.17	
6	10/30/2015	\$ 225,000.00	5.20	\$ 43,269.23	
Subject	10/19/2016	-	18.97	-	
Min				\$ 36,856.17	
Max				\$ 87,249.04	
Average				\$ 59,774.18	
Median				\$ 56,635.32	
Std. Deviation				\$ 19,534.72	

The locally accepted unit of comparison to analyze vacant institutional-light industrial sites is the sales price per square meter. The selected sample shows a range of unadjusted prices from \$36,856.17 to \$87,249.04 per square meter with an average of \$59,774.18 and a standard deviation of \$19,534.72.

Sale 1 is a 10 *cuerdas* vacant industrial site within the port area of the Tallaboa Ward in Peñuelas. Although within the port industrial area, the site lacks water frontage or direct dock-port access. It was purchased for \$78,000.00 per cuerda on March 27, 2014; the lowest unitary price of the sample. The site is zoned heavy-industrial; appropriate for port industrial

development. The site compares inferior for port-industrial development as it lacks water frontage or direct dock-port access. This location compares similar to that of the subject.

Sales 2 and 3 refer to two adjacent vacant sites south of the intersection of State Roads 52 and 506 in the Coto Laurel Ward of Ponce. It was purchased on December 22, 2014 for \$57,981.56 and \$55,289.09 per *cuerva*. These are irregular shape sites with a rolling topography with institutional/light-industrial highest and best use.

Sale 4 is a commercial-light industrial site northwest of the intersection of State Roads 52 and 506 in the Coto Laurel Ward of Ponce. The site sold on April 29, 2015 for \$87,248.92 per *cuerva*. This site has an irregular shape and a rolling topography.

Sale 5 lies at Street 1, east of State Road 52, in the Vayas Ward of Ponce. This site was sold for \$36,856.40 per *cuerva* on September 3, 2015; the lowest unitary price of the sample. The site has an institutional/light-industrial highest and best use. It has a rolling topography and an irregular shape.

The most recent, Sale 6, is an institutional-light-industrial site at El Rincón Street, north of State Road 52, in the Coto Laurel Ward of Ponce. This is a rectangular and mostly level site. It was purchased for \$43,269.23 per *cuerva* on October 20, 2015.

Adjustments

The elements of comparison included, property rights, financing terms, sales conditions, market conditions (sale date), location, and physical characteristics. Physical characteristics included utilities, topography, shape and size.

Rights conveyed

All transactions included the fee simple rights. No adjustments for rights conveyed were deemed necessary.

Financing terms

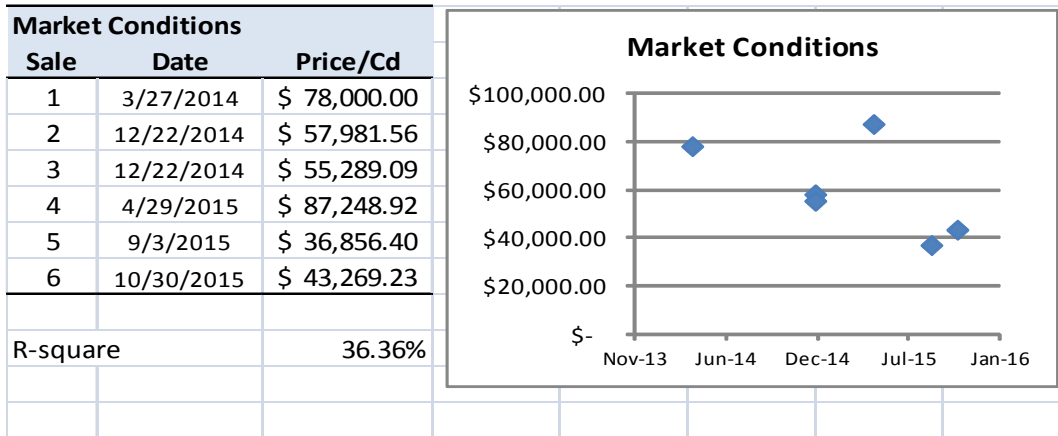
All sales reflected typical financing terms. No adjustments were necessary.

Sales conditions

All comparables reflected typical sales conditions. Again no adjustments were necessary.

Market conditions

The comparable sales cover a span of approximately two years (2) year from the appraisal effective date. As the Market Conditions Table and Graphic shows, which sort the sales in order of occurrence, a decline trend is evident although no significant correlation was found.



Although no definite correlation exists, a trend is apparent and there is a general consensus among market participants that overall land prices are declining, marketing times and absorption periods are longer and slower respectively. The sales differ in other elements of comparison and, nevertheless, are fairly recent. No market conditions adjustments were deemed necessary.

Location

No recent and comparable sales were found or seem to exist from within NSRR or the Ceiba-Fajardo region. All comparable sales lie within the general Peñuelas and Ponce urban region. In terms of neighborhood economic characteristics the Peñuelas-Ponce port industrial area was deemed similar to the NSRR Ceiba-Fajardo area. No location adjustments were deemed necessary.

Zoning and highest and best use

In the appraiser’s opinion, all sales have similar highest and best use; to hold for future institutional or light industrial development.

The sales are within industrial and protected land zoning districts. No adjustments for these elements were deemed necessary.

Shape, topography and frontage

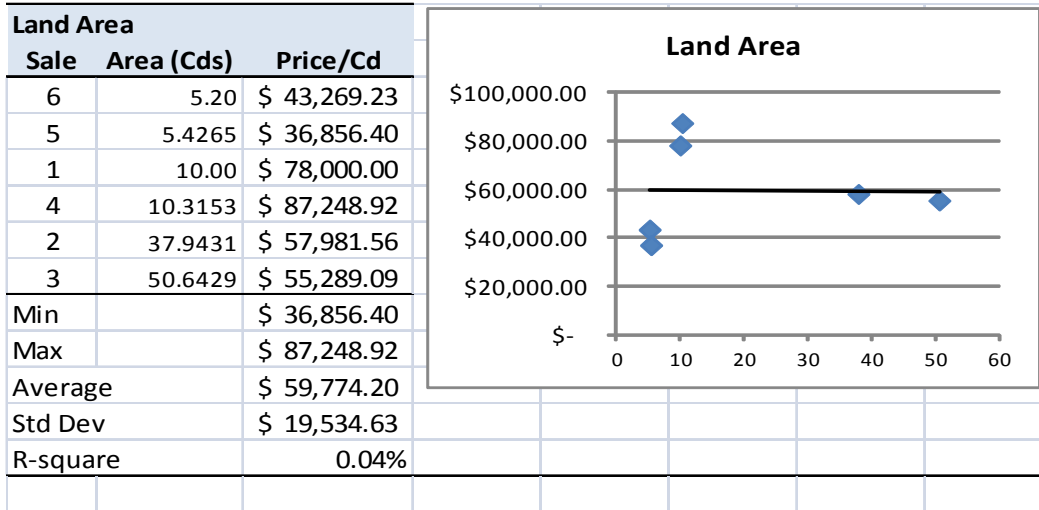
The subject sites have an irregular but functional shape, a varied with mostly level sections topography, and typical institutional-industrial frontage. All sales have irregular but functional configurations, rolling or mostly level topography, and typical institutional-industrial frontages. No monetary adjustments for these elements were necessary.

Flood condition

The subject site is partially within the coastal flood prone area. The comparable sales are completely or mostly outside the FEMA flood prone area. No adjustments were deemed necessary.

Size-Land Area

Typically a direct correlation exists between the size of the sites and their unitary prices. The larger the parcel, lower the unitary price indication. The sales were sorted from the smaller to the largest in the following table and graphic.



As the table and graphic show, no trend was found between the area of the comparable sites and their unitary prices. A simple lineal regression analysis indicated a correlation factor (R-square) of only .04%. No quantitative size adjustments were applied.

Utilities

Utility connections cost are similar throughout the general southeastern urban suburban areas. However, the subject site is within an emerging neighborhood with limited utility infrastructure. RRLRA intends to re-develop the existing water and wastewater plants to serve the area. Although no adjustments could be made, the comparables are superior in this element and a negative consideration is merited.

Value Conclusion by Sales Comparison Approach

Only qualitative comparisons were possible. The value range is from \$36,856.40 to \$87,248.92 per *cuerva* with an average of \$59,774.20 and a standard deviation of \$19,534.63.

The sales were deemed similar in market conditions, location and zoning and highest and best use. However, all are superior in availability of utilities. The subject site is within an emerging neighborhood with limited utility infrastructure. Although no adjustments could be made, the comparables are superior in this element and a negative consideration is merited.

After the relative comparison analysis, rounded unitary value of \$50,000.00 per *cuerva*, as slightly lower than the average of the sample, was concluded for the north development land. The table in the next page summarizes the sales comparison analysis. The north development land value indication was calculated as follows.

18.97 *cuerdas* @ \$50,000.00/*cuerda* = \$948,500.00
Rounded to \$950,000.00

North Development Land
Site Market Value Indication by the Sales Comparison Approach
---\$950,000.00---
(NINE HUNDRED FIFTY THOUSAND DOLLARS)

Land Sales Adjustment Table										
	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6			
Sales Price	-	\$ 780,000.00	\$ 2,200,000.00	\$ 2,800,000.00	\$ 900,000.00	\$ 200,000.00	\$ 225,000.00			
Element										
Rights	F. simple	F. simple	F. simple	F. simple	F. simple	F. simple	F. simple	F. simple	F. simple	F. simple
Financing	Typical	Typical	Typical	Typical	Typical	Typical	Typical	Typical	Typical	Typical
Sales Cond.	Typical	Typical	Typical	Typical	Typical	Typical	Typical	Typical	Typical	Typical
Market Cond.	10/19/16	03/27/14	12/22/14	12/22/14	04/29/15	09/03/15	10/30/15			
Location / Exposure	Good	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Zoning	M2	I-P	SREP.A	DI.1 & SREP.A	EH.2, SREP.N & EV.4	DI.1 & SRC-AR	EV.4			
HABU	Inst./Light Industrial	Inst./Industrial	Inst./Light Industrial	Inst./Light Industrial	Inst./Light Industrial	Inst./Light Industrial	Inst./Light Industrial	Inst./Light Industrial	Inst./Light Industrial	Inst./Light Industrial
Shape	Irregular	Irregular	Irregular	Irregular	Irregular	Irregular	Irregular	Irregular	Irregular	Regular
Topography	Varied/Mostly level sections	Mostly Level	Mostly Level	Mostly Level	Mostly Rolling	Mostly Level	Mostly Level	Mostly Level	Mostly Level	Mostly Level
Area (Cds)	12.8900	10.0000	37.9431	50.6429	10.3153	5.4265	5.2000			
Utilities	Inadequate	Available	Available	Available	Available	Available	Available	Available	Available	Available
Lump Sum Adjustments										
Rights	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Financing	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Cond.	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Lump Sum Adjustments	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Partially Adjusted Prices	-	\$ 780,000.00	\$ 2,200,000.00	\$ 2,800,000.00	\$ 900,000.00	\$ 200,000.00	\$ 225,000.00			
Adjusted Prices/Cd	-	\$ 78,000.00	\$ 57,981.56	\$ 55,289.09	\$ 87,249.04	\$ 36,856.17	\$ 43,269.20			
Unitary Adjustments										
Market Cond.	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Location / Exposure	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Zoning/HABU	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shape	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Topography	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Size (SM)	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Unitary Adjustment	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Unitary Price	-	\$ 78,000.00	\$ 57,981.56	\$ 55,289.09	\$ 87,249.04	\$ 36,856.17	\$ 43,269.20			
Net Adj. %	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			

RECONCILIATION AND FINAL VALUE CONCLUSION

The Dictionary of Real Estate Appraisal, 6th edition, published by the Appraisal Institute, defines reconciliation as “a phase of a valuation assignment in which two or more value indications are processed into a value opinion, which may be a range of value, a single point estimate, or a reference to a benchmark value.” In this appraisal the reconciliation process included a review of the highest and best use analysis and the applied value approaches, the establishment of a reconciliation criteria and a comparative analysis to form a meaningful, defensible conclusion of the defined market value of the leased fee rights in the appraised property.

The purpose of the appraisal was to estimate the market value of the leased fee and fee simple rights in the real estate as of the appraisal effective date. This report will be used to assist the Roosevelt Roads Local Redevelopment Authority in an internal decision making process. Then, intended user of this report is the Roosevelt Roads Local Redevelopment Authority.

The appraised property is Subzone A3 of Parcel 3 as per the 2014 Development Zones Master Plan for former NSRR. Main improvements comprise a commercial marina including 72 wet boat slips for small vessels, four (4) detached buildings with a combined gross construction area of 14,539 square feet, boatyard areas and surface parking areas, on a site with a land area of 50 acres within the waterfront industrial cluster.

The 50 acres are mainly divided into three (3) separate marketable units; an area of 13.24 acres which comprises the commercial marina, three (3) detached buildings totaling 12,939 square feet, boatyard areas and surface parking areas, a contiguous mostly vacant land section with an approximate area of 12.5 acres with frontage to the bay and only improved with a small open boatyard area, and a separated mainly unimproved section with a land area of 18.4 acres north of the Forrestal drive road which comprises two (2) former baseball fields, a running track, an open hardcore basketball court and a 1,600 square feet detached building subject to a lease contract. The remaining land area of approximately 5.86 acres comprises the public area occupied by the Forrestal Drive road.

The highest and best use of the commercial marina is the connection of power and water utility service to the ware slips for the continued operation as a commercial marina. The highest and best use of the oceanfront development land area is to hold for future commercial-recreational development. Similarly, the highest and best use of the mainly unimproved north section is to hold for future commercial-industrial development.

After thorough analysis, it was concluded that to derive a value opinion for the commercial marina in its "as is" condition, the sales comparison and income capitalization approaches to value produce credible results. The cost approach under current weak market conditions is not perceived as a good proxy or indicator for market value and, therefore, was not considered necessary to produce a credible market value opinion.

For the oceanfront and north development land parcels, only the sales comparison approach was applicable.

For the commercial marina the sales comparison approach resulted in a value indication of \$1,190,000.00. The result of the income capitalization approach was \$1,095,000.00. The commercial marina is an income producing property. The most probable buyer for the property is a local investor. Then, the income capitalization approach was deemed the most relevant. Based on the quantity and quality of the data used and the appropriateness of the income capitalization approach, the market value conclusion for the fee simple rights in the commercial marina as of October 19, 2016 was:

Commercial Marina
Market Value, Fee Simple Rights,
---\$1,095,000.00---
(ONE MILLION NINETY FIVE THOUSAND DOLLARS)

The sales comparison approach resulted in value indications of \$1,290,000.00 and \$950,000.00 for the oceanfront and north development land units respectively. Based on the quantity and quality of the data used and the appropriateness of the sales comparison approach, the market value conclusions for the fee simple rights in the oceanfront and north development units as of October 19, 2016 were:

Oceanfront Development Land
Market Value, Fee Simple Rights,
---\$1,290,000.00---
(ONE MILLION TWO HUNDRED NINETY THOUSAND DOLLARS)

North Development Land
Market Value, Fee Simple Rights,
---\$950,000.00---
(NINE HUNDRED FIFTY THOUSAND DOLLARS)

The client also requested a value allocation between the land and improvements. For marketable units 1, the commercial marina on 13.24 acres, the land "as vacant" was valued at \$100,000.00 per *cuerda*; or about \$1,360,000.00. For the commercial marina, the improvements represent interim highest and best use and, therefore, have no overall value contribution with all the market value allocated to the land at this point. Finally, for units 2 and 3, all the market value is allocated to the land as these are vacant sites or improvements have no value contribution.

No land survey plan was submitted. The land area for the subject site was provided by personnel from the Roosevelt Roads Local Redevelopment Authority (RRLRA), and measurements by the appraiser based on aerial photography online services. These areas were assumed correct for appraisal analysis purposes. Then, the appraisal was made with the extraordinary assumption the land areas are correct. If the extraordinary assumption is found to be false or incorrect, the reported value opinion would be invalid.

Estimated Exposure and Marketing Time of the Defined Marketable Units of Subzone A3

Based on the sales of competitive properties, the physical and economic characteristics of the subject property, and current market conditions, both exposure and marketing time were estimated at 36 months at the reported market value.

Market Value of Subzone A3:

Market Value to a Single Purchaser or Bulk Value of Three Defined Marketable Units

This appraisal addresses the market value of Subzone A3. As explained, the three (3) defined marketable units were valued based on the concluded highest and best uses. In order to derive an opinion of the market value to a single purchaser for Subzone A3, a discount was necessary to account for a yield requirement that would consider the profit required to motivate a typical single investor to venture in the acquisition of the property to obtain a reasonable gain and related costs.

The market value opinions of each defined unit and the developed valuation techniques to reach the conclusions are presented in the following table.

Market Value Opinion of Defoned Marketable Units of Subzone A3					
Marketable Unit	HABU	Valuation Techniques			Market Value Opinions
		Cost Approach	Sales Comparison	Income Approach or Subdivision Analysis	
Commercial Marina	Commercial Marina	Not applicable	\$1,190,000.00	\$1,095,000.00	\$ 1,095,000.00
Oceanfront Development Land	Hold for Comm-Rec Re-development	Not applicable	\$1,290,000.00	Not applicable	\$ 1,290,000.00
North Development Land	Hold for Inst-Ind Re-development	Not applicable	\$950,000.00	Not applicable	\$ 950,000.00
Aggregate of Value Opinions					\$ 3,335,000.00

The amount of profit required to persuade an entrepreneur on investing is typically determined by the risk associated with the potential investment, and the investor’s risk tolerance. By this, one can infer that the minimum profit required to invest in real estate will vary from property to property; based on the potential investor’s risk tolerance.

The minimum profit required to invest was calculated by allocating the different risks inherent by each tract. Individual profits requirements were determined for each tract based on their concluded highest and best uses.

After interviewing market participants, it was determined that minimum yield requirements for entrepreneurs to consider investing in the real estate market are in the 12-18% range of the acquired asset potential resale price. By this range consideration minimum yield requirements were assigned to each tract based on the risks associated with their highest and best use.

The market value of each tract, as a percent of the aggregate of values, was weighted against the minimum yield requirements assigned to each tract. The resulting weighted percents were then added to reach an overall yield percent which would reflect the overall minimum profit and cost of sales considerations for the single purchaser of the three units. The following table illustrates the analysis procedures.

Yield Calculation				
		(1)	(2)	(1 x 2)
Marketable Unit	Market Value Opinions	Value as % of Aggregate Value	Minimum Yield Requirement to Invest for Fast Resell	Weighted Percent
Commercial Marina	\$ 1,095,000.00	32.83%	14.00%	4.60%
Oceanfront Development Land	\$ 1,290,000.00	38.68%	12.00%	4.64%
North Development Land	\$ 950,000.00	28.49%	12.00%	3.42%
Total	\$ 3,335,000.00	100.00%		
Minimum Profit + Costs of Sales Weighted Average				12.66%

The analysis reflects an overall annual yield requirement in the 12.7% range. This is the overall discount to reflect a single-purchaser profit and related costs. The estimated marketing time for each unit at the reported values was 36 months. Then, any investor would consider a holding or sales period in the range of 3 years for the units. The market value of Subzone A3 was estimated at \$2,330,000.00 by discounting the aggregate of value opinions for the marketable units by 12.7% for a period of 3 years or 36 months.

Subzone A-3
Market Value to a Single Purchaser, Fee Simple Rights,
---\$2,330,000.00---
(TWO MILLION THREE HUNDRED THIRTY THOUSAND DOLLARS)

The market value to a single purchaser for Subzone A-3 is completely allocated to the land.

Estimated Exposure and Marketing Time of Subzone A3

Based on interviewed brokers, the physical and economic characteristics of Subzone A3, and current market conditions, both exposure and marketing time were estimated at 36 months at the reported market value of the property comprised by Subzone A3.

APPRAISERS' CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have appraised the subject property in the past 3 years.
- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, that amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant professional assistance to the persons signing this report.
- The report analyzes, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute and all applicable laws and regulations of the United States of America and the Commonwealth of Puerto Rico.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the report date, J. Javier Ortiz del Valle, MAI, CCIM has completed the continuing education program of the Appraisal Institute and the CCIM Institute.

Appraisal Report

Subzone A-3: Commercial Marina

Forrestal Drive Road,
Former Naval Station Roosevelt Roads (NSRR),
Machos Ward,
Ceiba, Puerto Rico



J. Javier Ortiz del Valle, MAI, CCIM
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QUALIFICATIONS OF THE APPRAISER

J. Javier Ortiz del Valle, MAI, CCIM

LICENSES

- **Certified General Real Property Appraiser, #151.**
- **Puerto Rico Licensed Professional Appraiser, EPA #688.**
- **Puerto Rico Licensed Professional Planner, #061.**
- **Puerto Rico Licensed Real Estate Broker, #12353.**

PROFESSIONAL DESIGNATIONS AND AFFILIATIONS

- **MAI** Member of the Appraisal Institute.
- **CCIM** Member of the CCIM Institute.
- Member of the Puerto Rican Planning Society.

EDUCATION

Master in Planning 1995

UNIVERSITY OF PUERTO RICO
SAN JUAN, PUERTO RICO

Specialty: Urban and Environmental Planning.

Accomplishments: 4.00 G.P.A. - Selected for the 1995 Who is Who Directory of American Universities and Colleges. Winner of the Marcos A. Tió Award for the most outstanding student in Environmental Planning.

Bachelor in Science 1992

UNIVERSITY OF PUERTO RICO
SAN JUAN, PUERTO RICO

Major: Biology.

EMPLOYMENT

Senior Partner
ODV Appraisal Group

August, 1998 - Present

Specialized in commercial, industrial, vacant land, residential projects, single family residential and special purpose properties.

Associate Real Estate Appraiser**October, 1995-August, 1998**

PEDRO A. PONS, MAI
ENGINEERS & APPRAISERS
SAN JUAN, PUERTO RICO

Specialized in commercial, industrial, vacant land, residential projects, single family residential and special purpose properties.

Assistant Appraiser**1992-October, 1995**

FRANCISCO FRANCO & ASSOCIATES
SAN JUAN, PUERTO RICO

Specialized in commercial and all type of residential properties.

REAL ESTATE APPRAISAL EDUCATION**COURSES**

- 7 Hour National USPAP Equivalent Course – Appraisal Institute, February, 2014
- International Financing Reporting Standards for the Real Property Appraiser – Appraisal Institute, April, 2013
- 7 Hour National USPAP Equivalent Course – Appraisal Institute, March, 2012
- “Leyes y Reglamentos que Rigen la Profesión del Tasador en Puerto Rico” – Appraisal Institute, February 2012
- Fundamentals of Separating Real, Personal Property, and Intangible Business Assets– Appraisal Institute, December 2011.
- Advanced Spreadsheet Modeling for Valuation Applications – Appraisal Institute, August 2011.
- Business Practices & Ethics - Appraisal Institute, August 2010.
- National USPAP Course Update - Appraisal Institute, August 2010.
- ILDC – Advanced Income Approach, Advanced Market Analysis and Highest and Best Use & Advanced Case Studies, Appraisal Institute, August 2010.
- Requirements of UASFLA (Yellow Book)- American Society of Farm Manager’s & Rural Appraisers, May 2010.
- National USPAP Course Update – Appraisal Institute, September 2009.
- Valuation of Conservation Easements – Appraisal Institute, June 2008.

- ILDC – General Appraiser Income Approach I, General Appraiser Income Approach II, General Appraiser Site Valuation and Cost Approach & General Appraiser sales Comparison Approach, Chicago, December 2007.
- National USPAP Course Update – Appraisal Institute, April 2007.
- “Leyes y Reglamentos que Rigen la Profesión del Tasador en Puerto Rico” – Appraisal Institute, March 2007.
- Computer Enhanced Cash Flow Modeling, Course 810 – Appraisal Institute, October 2005.
- Investment Analysis for Commercial Investment Real Estate, Course CI 104 – CCIM Institute, March 2004.
- Market Analysis for Commercial Investment Real Estate, Course CI 102 – CCIM Institute, August 2003.
- User Decision Analysis for Commercial Investment Real Estate, Course CI 103 – CCIM Institute, June 2003.
- Financial Analysis for Commercial Investment Real Estate, Course CI 101 – CCIM Institute, February 2003.
- Apartment Appraisal: Concepts and Applications, Course 330 – Appraisal Institute, June 2002.
- Standards of Professional Practice, Part C, Course 430 – Appraisal Institute, January 2000.
- Condemnation Appraisal: Basic Principles and Applications, Course 710 – Appraisal Institute, May 1999.
- Condemnation Appraisal: Advanced Topics and Applications, Course 720 – Appraisal Institute, May 1999.
- Litigation Valuation Overview, Course 700 – Appraisal Institute, May 1998.
- Advanced Sales Comparison and Cost Approaches, Course 530 – Appraisal Institute, December 1997.
- Advanced Applications, Course No. 550 - Appraisal Institute, August 1997.
- Appraisal Procedures, Course No. 120 - Appraisal Institute, March 2002.
- Appraisal Principles, Course No. 110 - Appraisal Institute, July 1997.
- Report Writing & Valuation Analysis, Course No. 540 - Appraisal Institute, May of 1997.
- Standards of Professional Appraisal Practice, Part A (USPAP), Course No. 410 - Appraisal Institute, June of 1996.
- Standards of Professional Appraisal Practice, Part B (USPAP), Course No. 420 - Appraisal Institute, June of 1996.
- Highest and Best Use and Market Analysis, Course No. 520 - Appraisal Institute, May of 1996.
- Commercial Cost Approach - Marshall and Swift, May of 1996.
- Residential Cost Approach - Marshall and Swift, May of 1996.

- Basic Income Capitalization, Course No. 310 - Appraisal Institute, November of 1995.
- Advanced Income Capitalization, Course No. 510 - Appraisal Institute, August of 1995.
- Condemnation - Evaluators Institute of Puerto Rico, April of 1995.
- Uniform Standards of Professional Appraisal Practice (USPAP) - Evaluators Institute of Puerto Rico, June of 1993.
- Appraisers' Mathematics - University of Puerto Rico, May of 1993.
- Condemnation - University of Puerto Rico, April of 1993.

SEMINARS AND RELATED EDUCATION

- Instructor Webinar – Appraisal Institute, May, 2014
- Financial Analysis Tools for Commercial Real Estate – CCIM Institute, March, 2014
- Instructor Webinar – Appraisal Institute, October, 2013
- Instructor Webinar – Appraisal Institute, April, 2013
- Knowledge Center for Instructors – Appraisal Institute, October, 2012
- The Lending World in Crisis-What Clients Need Their Appraisers to Know Today – Appraisal Institute, May 2011.
- Valuation for Financial Reporting – Appraisal Institute, November 2010.
- Commercial Appraisal Engagement and Review Seminar – Appraisal Institute, December 2009.
- Appraisal of Local Retail Properties (FAST) – Appraisal Institute, October 2008.
- Subdivision Valuation (FAST) – Appraisal Institute, October 2008
- Quality Assurance in Residential Appraisals (FAST) – Appraisal Institute, October 2008.
- Forecasting Revenue (FAST) – Appraisal Institute – Appraisal Institute, October 2008.
- Appraisal Challenges (FAST) – Appraisal Institute, October 2008.
- Office Building Valuation (FAST) – Appraisal Institute, October 2008.
- Valuation of Conservation Easements – Appraisal Institute, June 2008.
- Office Building Valuation: A Contemporary Perspective – Appraisal Institute, September 2007.

- Rates and Ratios: Making Sense of GIMS, OARs, and DCF – Appraisal Institute, July 2007.
- Cool Tools – Appraisal Institute, July 2007.
- What Clients Would Like Their Appraisers to Know – Appraisal Institute, May 2006.
- The Professionals Guide to the Uniform Residential Appraisal Report – Appraisal Institute, June 2005.
- Valuation of Hotels in Puerto Rico – Appraisal Institute, August 2004.
- Analyzing Distressed Real Estate – Appraisal Institute, May 2004.
- Valuation for Financial Reporting: The Emerging Market – Appraisal Institute, May 2004.
- New Technology for the Real Estate Appraiser – Appraisal Institute, May 2004.
- Appraisal Consulting – Appraisal Institute, December 2003.
- Appraisal of Local Retail Properties – Appraisal Institute, March 2003.
- Appraisal Institute Instructor Leadership & Development Conference, February 2002.
- Appraising Environmentally Contaminated Properties – Appraisal Institute, June 2001.
- Subdivision Analysis – Appraisal Institute, June 2001.
- GIS: A powerful tool for the real property appraiser – Appraisal Institute, June 2001.
- Institutional Investment in Real Estate – Appraisal Institute, June 2001.
- FHA Inspection from the Ground Up – Appraisal Institute, October 2000.
- Cased studies in Residential Highest and Best Use – Appraisal Institute, May 2000.
- The FHA and the Appraisal Process – Appraisal Institute, October 1999.
- Appraising from Blueprints and Specifications – Appraisal Institute, August 1999.
- Environmental Risk and the Real Estate Appraisal Process – Appraisal Institute, September 1997.
- Alternative Residential Reporting Forms – Appraisal Institute, September 1997.
- Demo Report Writing Seminar - Appraisal Institute, September 1997.
- Shopping Center Leases - Appraisal Institute, August 1997.
- The Puerto Rico Planning Board's Geographic Information System - Puerto Rico Planning Board, February 1996.
- Puerto Rico's Environmental Laws and Agencies - Environmental Quality Board, March of 1996.

- Appraisal of Retail Properties - Appraisal Institute, February of 1996.
- Dynamics of Office Building Valuation - Appraisal Institute, November of 1995.
- Professional Environmental Management and Auditing - National Registry of Environmental Professionals, February of 1994.

OFFICES HELD AND FACULTY POSITIONS

- Instructor for Appraisal Institute Courses *Basic Appraisal Principles, Basic Appraisal Procedures, Residential Sales Comparison and Income Capitalization Approaches, Residential Site Valuation and Cost Approach and Residential Market Analysis and Highest and Best Use, General Appraiser Site Valuation & Cost Approach, General Appraiser Sales Comparison Approach, General Appraiser Income Capitalization Approach Part I, and General Appraiser Income Capitalization Approach Part II.*
- Instructor for Appraisal Institute Seminars *Appraisal of Local Retail Properties, Subdivision Valuation, Quality Assurance in Residential Appraisals, Forecasting Revenue, Appraisal Challenges, and Office Building Valuation.*
- President of the Puerto Rico & Caribbean Chapter of the Appraisal Institute - 2001.
- Member of the Board of Directors, Puerto Rico & Caribbean Chapter of the Appraisal Institute, 1998-2003.
- Treasurer, Puerto Rico Chapter of the Appraisal Institute – 1999-2000.
- Member of the Young Advisory Council (i.e., now known as Leadership Advisory Council) of the Appraisal Institute 1998-99.

HAS PERFORMED WORK AS AN APPRAISER FOR:

FINANCIAL INSTITUTIONS & ORGANIZATIONS

- Oriental Bank, Doral Bank, Federal Deposit Insurance Corporation (FDIC), Bayview Financial Services, Kennedy Funding, Colliers International-Valuation & Advisory Services, Banco Popular de Puerto Rico, Popular Mortgage, Banco Santander de Puerto Rico, Santander Mortgage Corporation, Eurobank, Euro Mortgage, Scotiabank, Banco Bilbao Vizcaya, First Bank, First Mortgage, R&G-Premier, R&G-Mortgage, Westernbank, Equity Mortgage, First Equity Mortgage, FEMBI Mortgage, Security Mortgage, Pan-American Financial Corp., Master Mortgage, Money House, Mortgage One Group, Mortgage Store, Mortgage House, National Mortgage, Golden Mortgage, Hispania Mortgage, Preferred Mortgage, Professional Mortgage, JT Mortgage, R & D Mortgage, RBS Mortgage, plus other distinguished independent mortgage brokers.

PRIVATE INSTITUTIONS & ORGANIZATIONS

- Wal-Mart Puerto Rico, Inc., Universidad Interamericana de Puerto Rico, Hospital Interamericano de Medicina Avanzada (HIMA Hospitals), Centro Médico del Turabo, Inc., Bella Vista Hospitals, Hyatt Development & Hyatt Resorts, Puerto Rico Telephone, Matsuchita Electric of Puerto Rico (Panasonic), Inmobiliaria Chabemil, Homedical Inc., Multiplazas de Puerto Rico, Inc., Omega Engineering, S.E., Star Management Corporation, Capitol Transportation, Unión de Inversiones I & II, Millenium Properties, Wometco de Puerto Rico Inc., San Juan Star Inc., American Parking Systems, Inc., De Diego Ambulatory Clinic, Tommy Realty Inc., HJ Investment, S.E., New Century Investments, S.E., Texaco de Puerto Rico, Inc., Knight Enterprises Inc., Tropical Distributors Inc., Model Offset Printing, Sanfiorenzo Engineering Group, Land Acquisition & Management Corp., plus other distinguished institutions, corporations and real estate developers.

FEDERAL AND LOCAL GOVERNMENT

- Government Development Bank for Puerto Rico, US General Administration Service, Puerto Rico Industrial Development Company, Puerto Rico Roads Authority (*Autoridad de Carreteras*), Puerto Rico Commerce and Export Corporation (PR Trade), Puerto Rico Housing Finance Bank, U.S. Department of Housing and Urban Development, Puerto Rico Department of Correction, Puerto Rico Department of Justice, State Insurance Fund of Puerto Rico, Puerto Rico Department of Labor and Human Resources, Puerto Rico Department of Education, Office of the Governor of Puerto Rico, US Marshall Service, Municipality of Toa Baja, Municipality of Rincón, Municipality of Manatí and Municipality of San Juan. Registered in the US Central Contractor Registration (D & B DUNS Number 16-892-6843).

EXPERT WITNESS FOR

- Puerto Rico Roads Authority, Puerto Rico Department of Environmental and Natural Resources, Puerto Rico Department of Justice, Puerto Rico Infrastructure Finance Authority, Municipality of Manatí, Municipality of Rincón and United States Army Corps of Engineers.



Renovado
28/Jan/2014

Estado Libre Asociado de Puerto Rico
Commonwealth of Puerto Rico
DEPARTAMENTO DE ESTADO
Department of State

Secretaría Auxiliar de Juntas Examinadoras
Office of the Assistant Secretary of State for Examining Boards

La Junta Examinadora de Evaluadores Profesionales de Bienes Raíces
The Examining Board of Real Estate Appraisers

por la presente certifica que
hereby certifies that

José J Ortiz del Valle

por haber cumplido todos los requisitos de Ley, ha sido inscrito
en el Registro de esta Junta como
having met all the requirements of law, has been registered as:

Evaluador Profesional Certificación General
Certified General Professional Appraiser


En testimonio del cual se expide esta licencia para el ejercicio de dicha profesión bajo el sello de la Junta.
In testimony whereof, this license is issued to practice as a professional, under the seal of the Board of Examiners.

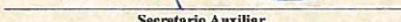
En San Juan, Puerto Rico, efectivo el 28 de enero de 2014.
In San Juan, Puerto Rico, effective on January 28, 2014.

Licencia Número: **151CG**
Certificate Number:

Vencimiento: **27 de enero de 2018**
Expires: January 27, 2018




Presidente
(Board President)


Secretario Auxiliar
Auxiliary Secretary



RENOVACIÓN APROBADA: 02 de febrero, 2016
RENEWAL APPROVED ON: February 02, 2016

Estado Libre Asociado de Puerto Rico
Commonwealth of Puerto Rico
DEPARTAMENTO DE ESTADO
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Secretaría Auxiliar de Juntas Examinadoras
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La Junta Examinadora de Evaluadores Profesionales de Bienes Raíces
The Examining Board of Real Estate Appraisers

por la presente certifica que
hereby certifies that

Jose Javier Ortiz Del Valle

por haber cumplido todos los requisitos de Ley, ha sido inscrito en el Registro de esta Junta como
having met all the requirements of law, has been registered as:

Evaluador Profesional Autorizado Licencia Estatal
State Licensed Professional Appraiser

(Para evaluar todo tipo de propiedad, Gobierno Estatal y/o Municipal donde no exista un Interés Federal)

En testimonio de lo cual se expide este certificado para autorizar el ejercicio de dicha profesión bajo el sello de la Junta Examinadora.
In testimony whereof, this certificate is issued to authorize the practice of this profession, under the seal of the Examining Board.

En San Juan, Puerto Rico, hoy 13 de abril de 2016
In San Juan, Puerto Rico, on April 13, 2016.

Número de Certificado: **688EPA**
Certificate Number

Vencimiento: **12 de abril de 2020**
Expires: April 12, 2020




Presidente
(Board President)


Secretario Auxiliar
Auxiliary Secretary

ADDENDA

PUERTORICO Economic Indicators

updated as of October 4, 2016

LABOR FORCE (thds., n.s.a.) 1/	Aug-16	Jul-16	Aug-15	17 FY Jul - Aug	16 FY Jul - Aug	% Ch.
Civilian Population	2,807.4	2,807.2	2,823.0	2,807.3	2,824.0	-0.6
Labor Force	1,121.1	1,136.1	1,119.0	1,128.6	1,116.3	1.1
Participation Rate	39.9	40.5	39.6	40.2	39.5	1.8
Employment, Total	985.2	993.2	980.2	989.2	984.4	0.5
Non-farm Wage & Salary Employment	811.1	813.3	804.2	812.2	805.9	0.8
Self-Employment 1a/	153.4	159.5	161.0	156.5	165.5	-5.5
Unemployed, Total	135.9	142.9	138.9	139.4	132.0	5.6
Unemployment Rate (%)	12.1	12.6	12.4	12.4	11.8	4.7
Employment Rate	35.1	35.4	34.7	35.2	34.9	1.1

LABOR FORCE (thds., s.a.) 2/	Aug-16	Jul-16	Aug-15	17 FY Jul - Aug	16 FY Jul - Aug	% Ch.
Labor Force	1,132.2	1,137.0	1,128.1	1,134.6	1,126.4	0.7
Employment, Total	1,003.9	1,007.5	993.3	1,005.7	991.7	1.4
Unemployed, Total	128.3	129.5	134.8	128.9	134.7	-4.3
Unemployment Rate (%)	11.3	11.4	12.0	11.4	12.0	-5.4

PAYROLL EMPLOYMENT (thds., n.s.a.) 3/	Aug-16	Jul-16	Aug-15	17 FY Jul - Aug	16 FY Jul - Aug	% Ch.
Total	880.7	877.7	883.7	879.2	881.8	-0.3
Government	227.1	225.8	229.1	226.5	227.4	-0.4
Private	653.6	651.9	654.6	652.8	654.5	-0.3
Construction & Mining	22.6	22.3	24.0	22.5	24.3	-7.4
Trade	158.3	158.2	155.2	158.3	155.6	1.7
Transportation, Warehouse & Utilities	15.2	14.8	14.5	15.0	14.4	4.5
Information	20.1	19.8	20.7	20.0	20.7	-3.4
Finance, Insurance & Real Estate	40.7	41.1	42.0	40.9	42.0	-2.6
Services	324.8	324.1	324.9	324.5	324.1	0.1
Manufacturing	71.9	71.6	73.3	71.8	73.6	-2.4
Durable Goods	30.5	30.4	31.0	30.5	31.3	-2.6
Nonmetallic Mineral Product	1.5	1.5	1.6	1.5	1.6	-6.3
Fabricated Metal Product	3.0	3.0	3.2	3.0	3.2	-6.3
Computer and Electronic Product	5.4	5.5	5.3	5.5	5.4	0.9
Electrical Equipment, Appliance & Components	4.5	4.5	4.7	4.5	4.7	-4.3
Other	16.1	15.9	16.2	16.0	16.4	-2.1
Nondurable goods	41.4	41.2	42.3	41.3	42.3	-2.4
Food	11.1	11.1	11.2	11.1	11.2	-0.9
Apparel	5.7	5.6	5.8	5.7	5.8	-2.6
Chemical	17.1	17.2	17.4	17.2	17.4	-1.2
Other	7.5	7.3	7.9	7.4	8.0	-6.9

PAYROLL EMPLOYMENT (thds., s.a.) 4/	Aug-16	Jul-16	Aug-15	17 FY Jul - Aug	16 FY Jul - Aug	% Ch.
Total	891.8	892.5	899.5	892.2	899.6	-0.8
Government	228.2	228.6	232.1	228.4	231.5	-1.3
Private	663.6	663.9	667.4	663.8	668.1	-0.7
Construction & Mining	22.0	22.3	24.5	22.2	24.7	-10.3
Trade, Transportation & Utilities	176.9	176.1	172.9	176.5	173.1	2.0
Information (n.s.a.) 4a/	20.1	19.8	20.7	20.0	20.7	-3.4
Finance, Insurance & Real Estate	40.8	41.2	42.3	41.0	42.2	-2.8
Services	331.3	332.4	333.0	331.9	333.1	-0.4
Manufacturing	72.5	72.1	74.0	72.3	74.4	-2.8

4a/ After December 2014, the US-BLS did not produce seasonally adjusted data for this sector. The not seasonally adjusted data was used instead.

PUERTORICO Economic Indicators

updated as of October 4, 2016

PROMOTION ACTIVITIES 5/	-PRELIMINARY-			16 FY	15 FY	% Ch.
	Feb-16	Jan-16	Feb-15	Jul - Feb	Jul - Feb	
Number of Projects	5	3	7	56	43	30.2
Employment Committed	556	159	349	2,045	2,156	-5.1
Payroll Committed (\$ thds.)	9,052	5,958	10,732	51,496	63,254	-18.6
Investment Committed (\$ thds.)	2,799	1,171	30,296	63,276	80,565	-21.5
Number of Plant Openings	<i>The data is temporarily unavailable; it is undergoing a revision process. This information will be published as soon as the revision is completed.</i>					
Employment at Beginning Operation						
Plant Shutdowns						
Employment Lost in Shutdowns						

TOURISM (thds.) 6/	Jun-16	May-16	Jun-15	16 FY	15 FY	% Ch.
	Jun-16	May-16	Jun-15	Jul - Jun	Jul - Jun	
Total Hotel Registrations	241.7	198.9	248.1	2,523.6	2,477.6	1.9
Residents	94.3	62.5	93.7	756.5	759.5	-0.4
Nonresidents	147.5	136.5	154.4	1,767.1	1,718.1	2.9
Tourist Hotel Registrations	232.5	190.4	238.3	2,404.0	2,361.9	1.8
Residents	91.2	60.0	90.8	724.2	730.8	-0.9
Nonresidents	141.3	130.4	147.5	1,679.8	1,631.1	3.0
Occupancy Rate Tourist Hotels (%)	75.5	66.8	79.1	72.3	73.0	-1.1

CONSUMER PRICE INDEX (% ch.) 7/	Aug-16	Jul-16	Aug-15	17 FY	16 FY	% Ch.
	Aug-16	Jul-16	Aug-15	Jul - Aug	Jul - Aug	
Index Base: Dec 2006=100						
All Families	-0.1	-0.1	0.0	-1.4	-0.1	
Food and beverage	0.5	-0.1	0.2	-0.9	3.7	
Housing	-0.3	0.0	1.0	-1.1	-2.1	
Apparel	-2.0	-0.2	-2.6	-1.3	0.9	
Transportation	-0.4	-0.6	-1.1	-4.9	-4.9	
Medical care	0.1	0.2	0.5	2.9	3.8	
Recreation	0.1	0.0	0.1	0.4	3.8	
Education and communications	0.1	-0.1	0.0	0.6	3.2	
Others goods and services	0.1	0.0	0.2	0.4	1.2	

GASOLINE	Aug-16	Jul-16	Aug-15	17 FY	16 FY	% Ch.
	Aug-16	Jul-16	Aug-15	Jul - Aug	Jul - Aug	
Average retail price (dollars per gallon) 8/	2.27	2.36	2.74	2.31	2.84	-18.5
Consumption (millions of gallons) 9/	84.9	83.0	83.3	167.9	163.3	2.8

ELECTRIC ENERGY CONSUMPTION (mm kWh) 10/	Aug-16	Jul-16	Aug-15	17 FY	16 FY	% Ch.
	Aug-16	Jul-16	Aug-15	Jul - Aug	Jul - Aug	
Total	1,527	1,584	1,545	3,111	3,094	0.6
Residential	602	619	590	1,221	1,174	4.0
Commercial	687	739	720	1,426	1,448	-1.5
Industrial	205	193	203	397	409	-2.8
Other	34	34	32	67	63	6.5

ELECTRIC ENERGY GENERATION (mm kWh) 10/	Aug-16	Jul-16	Aug-15	17 FY	16 FY	% Ch.
	Aug-16	Jul-16	Aug-15	Jul - Aug	Jul - Aug	
Total	1,883	1,821	1,865	3,704	3,725	-0.6

CEMENT DATA (thds.) 11/	Aug-16	Jul-16	Aug-15	17 FY	16 FY	% Ch.
	Aug-16	Jul-16	Aug-15	Jul - Aug	Jul - Aug	
Domestic Production (94lb. bags)	693	1,085	859	1,778	2,091	-14.9
Total Sales (94lb. bags & bulk)	1,018	921	987	1,939	2,186	-11.3

PUERTORICO Economic Indicators

updated as of October 4, 2016

CONSTRUCTION PERMITS 12/	Jun-15	May-15	Jun-14	15 FY Jul - Jun	14 FY Jul - Jun	% Ch.
Number of Construction Permits	311	330	336	3,623	3,651	-0.8
Private	276	301	310	3,309	3,420	-3.2
Public	35	29	26	314	231	35.9
Value of Construction Permits (thds. \$)	62,786	71,552	64,851	1,143,261	840,009	36.1
Private	52,037	57,036	46,186	926,105	687,126	34.8
Public	10,749	14,516	18,665	217,156	152,883	42.0
Number New Dwelling Units	149	41	298	2,047	2,283	-10.3
Private	146	39	274	2,031	2,189	-7.2
Public	3	2	24	16	94	-83.0

RETAIL SALES (million \$) 13/	May-16	Apr-16	May-15	16 FY Jul - May	15 FY Jul - May	% Ch.
Total	3,098.9	3,083.0	3,188.6	34,243.2	35,106.4	-2.5
Building Materials, Hardware, Garden Supplies & Mobile Home Dealers	146.2	162.1	144.6	1,631.2	1,620.0	0.7
General Merchandise Stores	565.3	541.6	581.1	6,218.5	6,335.8	-1.9
Department Stores	505.3	482.3	522.0	5,503.7	5,634.8	-2.3
Food Stores	457.9	469.7	461.0	5,121.5	5,026.0	1.9
Automobile Dealers, Supplies & Gasoline Service Stations	822.1	858.1	884.9	9,297.2	9,956.7	-6.6
Motor Vehicle Dealers (New & Used)	267.8	304.7	275.2	3,181.2	3,181.0	0.0
Gasoline Service Stations	434.4	430.7	488.8	4,743.2	5,370.0	-11.7
Apparel, Shoe & Accessory Stores	67.7	57.2	71.2	712.0	717.5	-0.8
Home Furniture, Furnishings & Equipment Stores	132.8	121.7	131.2	1,419.7	1,472.3	-3.6
Eating & Drinking Places, (Cafeterias & Restaurants)	360.9	350.7	364.7	3,820.9	3,745.0	2.0
Miscellaneous Retail	351.5	341.1	356.4	3,776.1	3,911.1	-3.5
Drug Stores	315.1	307.7	319.5	3,371.2	3,503.7	-3.8
Jewelry Stores	17.2	12.5	17.3	163.8	170.6	-4.0
Stationery & Toy Stores	19.1	20.9	19.6	222.1	217.2	2.2
Other	194.6	180.9	193.5	2,246.1	2,322.0	-3.3

EXTERNAL TRADE (million \$) 14/	Jun-16	May-16	Jun-15	16 FY Jul - Jun	15 FY Jul - Jun	% Ch.
Exports	6,823	5,651	5,166	71,856	69,391	3.6
United States	5,012	4,464	4,025	54,593	51,433	6.1
Foreign Countries	1,785	1,141	1,116	16,920	17,677	-4.3
Virgin Islands	26	46	26	344	280	22.6
Imports	3,841	4,258	3,526	43,320	43,233	0.2
United States	1,910	2,063	1,830	24,076	22,334	7.8
Foreign Countries	1,930	2,195	1,696	19,243	20,884	-7.9
Virgin Islands	0	0	1	2	15	-90.0
Trade Balance	2,982	1,393	1,640	28,536	26,158	9.1

TRANSPORTATION & CARGO 15/	Jun-16	May-16	Jun-15	16 FY Jul - Jun	15 FY Jul - Jun	% Ch.
Air Passenger Traffic - LMM & Regional (thds.)						
Inbound	473	391	442	4,991	4,711	5.9
Outbound	477	434	458	5,095	4,810	5.9
Net Balance	-5	-43	-16	-104	-99	-5.1
Air Cargo - Regional (thds. of lbs.) 15a/						
Inbound	8,469	7,772	7,637	87,109	89,657	-2.8
Outbound	7,904	7,691	7,782	80,563	87,597	-8.0
Net Balance	564	80	-146	6,546	2,060	217.8

15a/ After June 2013, LMM cargo data is not available.

PUERTORICO Economic Indicators

updated as of October 4, 2016

COMMERCIAL BANKING (million \$) 16/	-QUARTERLY CHANGE-			-OUTSTANDING BALANCE-		% Ch.
	II 16	I 16	II 15	II 16	II 15	
Total assets	416.6	222.1	-22.8	57,162.8	59,027.1	-3.2
Cash & Balances due from Depository Institutions	62.1	601.8	463.7	5,180.7	5,704.0	-9.2
Investment & Securities	699.5	235.9	404.2	8,006.3	6,054.8	32.2
Loans & Leases, Net of Unearned Income & Allowances	-577.2	-514.9	-939.3	35,232.4	37,729.4	-6.6
Other Assets	232.1	-100.6	48.7	8,743.5	9,538.9	-8.3
Total Liabilities and Capital	416.6	222.1	-22.8	57,162.8	59,027.1	-3.2
Total Liabilities	346.3	131.8	-119.7	49,194.4	51,302.7	-4.1
Deposits	457.9	231.6	-517.3	44,757.2	45,444.4	-1.5
Non Interest-bearing	120.4	33.5	51.5	10,333.0	9,977.7	3.6
Interest-bearing	337.5	198.1	-568.9	34,424.1	35,466.7	-2.9
Other Liabilities	-111.6	-99.8	397.6	4,437.2	5,858.3	-24.3
Capital	70.3	90.4	96.9	7,968.5	7,724.4	3.2
Selected Loan Activity						
Real Estate	-425.2	-4.0	-711.3	23,214.8	24,863.0	-6.6
Commercial, Indust. & Agr.	-42.2	-267.6	-309.8	5,119.5	6,723.9	-23.9
Individuals	-64.9	-156.9	-78.0	5,706.3	6,173.2	-7.6
Leases	-5.5	-2.7	-5.2	287.7	302.7	-4.9
Other Loans	-87.2	-81.5	58.7	2,075.3	813.6	155.1

GOVERNMENT REVENUES (million \$) 17/	-PRELIMINARY-			17 FY	16 FY	% Ch.
	Aug-16	Jul-16	Aug-15	Jul - Aug	Jul - Aug	
General Fund Gross Revenues	590.0	705.1	590.0	1,295.1	1,256.5	3.1
Less: Reserve for Tax Refunds	-40.0	-40.0	-40.0	-80.0	-80.0	0.0
General Fund Net Revenues	550.0	665.1	550.0	1,215.1	1,176.5	3.3
Tax Revenues	502.5	633.2	504.9	1,135.7	1,114.0	1.9
Income Taxes	187.3	256.5	202.9	443.8	496.2	-10.6
Individuals	139.9	135.4	130.9	275.3	294.4	-6.5
Corporations & Partnerships	26.2	98.5	41.2	124.7	137.6	-9.3
Withheld to Nonresidents	18.8	20.7	29.7	39.6	60.0	-34.0
Sales & Use Tax	91.2	89.8	82.1	181.0	93.8	93.1
Excise Taxes, Total	222.0	284.9	217.9	506.9	513.6	-1.3
Alcoholic Beverages	23.9	10.3	19.7	34.3	42.5	-19.4
Motor Vehicles	26.9	5.2	14.7	32.1	16.1	99.1
Foreign (Act. 154)	159.1	256.2	178.3	415.3	437.2	-5.0
Licenses, Total	1.4	1.6	1.4	3.0	3.3	-8.6
Nontax Revenues	13.3	8.0	11.0	21.3	28.3	-24.6
From Non-Commonwealth Sources	34.1	23.9	34.2	58.0	34.2	69.8
Excise on Offshore Shipments	34.1	23.9	34.2	58.0	34.2	69.8

ECONOMIC ACTIVITY INDEX 18/	Aug-16	Jul-16	Aug-15	17 FY Jul - Aug	16 FY Jul - Aug	% Ch.
FAFAA Economic Activity Index (Jan 1980=100) 18a/	124.1	123.9	125.4	124.0	125.6	-1.3

18a/ Seasonally adjusted data are computed using seasonal factors derived by the TRAMO-SEATS Seasonal Adjustment Method.

SOURCES: 1/ Dept. of Labor and Human Resources, Household Survey, Not seasonally adjusted. 1a/ Includes self-employment & family without payment. 2/ United States Department of Labor, Bureau of Labor Statistics, Household Survey, Seasonally Adjusted. 3/ Dept. of Labor and Human Resources, Establishment Survey, Industry Classification: NAICS, Not seasonally adjusted. 4/ United States Department of Labor, Bureau of Labor Statistics, Establishment Survey, Industry Classification: NAICS, Seasonally Adjusted. 5/ P.R. Industrial Development Company. 6/ P.R. Tourism Company. 7/ Dept. of Labor and Human Resources. 8/ Department of Consumer Affairs. 9/ P.R. Highways and Transportation Authority. The monthly gasoline consumption is estimated by the FAFAA from the Treasury Department's monthly gasoline excise tax collections paid by importers which are transferred to P.R. Highways and Transportation Authority. These collections fluctuate due to changes in inventories and purchases, which do not necessarily reflect the actual monthly consumption reported by retailers. 10/ P.R. Electric Power Authority. 11/ Production: CEMEX Puerto Rico & ESSROC San Juan. Sales: CEMEX Puerto Rico, ESSROC San Juan & Argos Puerto Rico. 12/ P.R. Planning Board. 13/ Puerto Rico Trade and Export Company. 14/ P.R. Planning Board. 15/ P.R. Ports Authority. 16/ Commissioner of Financial Institutions. 17/ P.R. Department of the Treasury. Sales & Use Tax began in Nov. 2006. 18/ Puerto Rico Fiscal Agency and Financial Advisory Authority. NOTE: percent changes reflect actual values (no rounding). <http://www.gdbpr.com>