

COMMERCIAL
REAL ESTATE
SERVICES

BCWA 1-20 (1)
July 2, 2015

KEYSTONE
CONSULTING GROUP

APPRAISAL:

An Office/Flex Property

LOCATION:

125 DuPont Drive
Providence, RI

DATE OF REPORT:

March 13, 2015

PREPARED FOR:

Mr. Gary P. Marino
Principal Engineer-Project Manager
Providence Water
552 Academy Ave.
Providence, RI 02908

PREPARED BY:

KEYSTONE CONSULTING GROUP

Stephen M. Dylag, Principal

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KEYSTONE CONSULTING GROUP

March 13, 2015

Mr. Gary P. Marino
Principal Engineer-Project Manager
Providence Water
552 Academy Ave.
Providence, RI

RE: Appraisal of the office/flex property located at 125 DuPont Dr.,
Providence, RI.

Dear Mr. Marino:

In accordance with your request, I have prepared this restricted use appraisal report. The purpose of this appraisal is to provide an opinion of the market value of 125 DuPont Dr., Providence, RI.

The purpose or intended use of this assignment is to assist you, Providence Water, its advisors, and any regulatory bodies that oversee Providence Water, with valuation of the subject asset for planning purposes. The intended users are you, Providence Water, its advisors, and any regulatory bodies that oversee Providence Water.

The analysis and conclusions within this letter are based upon field research, interviews with market participants, and publicly available data collected by Keystone Consulting Group. To the best of my ability this letter, my opinions and conclusions have been prepared in accordance with the requirements of the *Code of Professional Ethics* and *Standards of Professional Appraisal Practice* of the Appraisal Institute, and the *Uniform Standards of Professional Appraisal Practice (USPAP)*, as promulgated by the Appraisal Foundation.

The City of Providence identifies the subject as Plat Map 50, Lot 724. The subject site contains 16.53 acres of gross land area, and 175,000 \pm SF of net rentable building area (NRA).

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299 Chestnut Street
North Attleboro, MA 02760

The scope of work included my inspection of the subject property, both interior and exterior, and inspection of the subject neighborhood. I reviewed floor plans and a site plan provided by the client. I reviewed comparable sales data, and comparable rental data. I have relied on the lease terms provided by Hayes & Sherry for the subject property. I spoke with investors and investment sales brokers regarding how they would view an investment in the subject and how they would arrive at a value. Given that the subject has 5± years remaining on its lease with Bank of America I have relied on the income capitalization approach in estimating value. Market participants indicated they would not reply on direct capitalization analysis when valuing the subject given the knowledge that Bank of America would like to vacate the premises. The sales comparison approach was considered but was given secondary emphasis.

My income capitalization approach used both discounted cash flow analysis and direct capitalization analysis. When using direct capitalization, I extracted the cap rate from the sale of Mashapaug Commons at Adelaide Ave. and Reservoir Ave. in Providence, RI. This retail property sold with a vacant Stop & Shop store. Although Stop & Shop had vacated the store, they were still paying rent and there were 9 years left on the Stop & Shop lease at the time of sale. This property sold at a cap rate of 11.29% based on projected first year net operating income.

My sales comparison approach considered sales of comparable properties in the Providence metro area.

I also estimated the present value of the lease with Bank of America, and added the estimated value of a vacant 175,000 SF office/flex property with the subject's Providence location to the present value of the remaining lease payments.

On the following pages I have presented a summary of my valuation methodology.

Conclusion

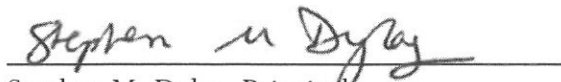
Based on the preceding, and the information in my files, I conclude that the market value of the subject property, as of March 9, 2015, was **\$9,650,000**.

	Schedule Of Prospective Cash Flow In Anticipated Dollars for the Fiscal Year Beginning 3/1/2015								
For the Years Ending	Year 1 Feb-2016	Year 2 Feb-2017	Year 3 Feb-2018	Year 4 Feb-2019	Year 5 Feb-2020	Year 6 Feb-2021	Year 7 Feb-2022	Year 8 Feb-2023	Year 9 Feb-2024
Practical Gross Revenue	\$1,225,000	\$1,225,000	\$1,225,000	\$1,225,000	\$1,225,000	\$1,484,973 (1,484,973)	\$1,522,098	\$1,522,098	\$1,522,098
Base Rental Revenue	1,225,000	1,225,000	1,225,000	1,225,000	1,225,000		1,522,098	1,522,098	1,522,098
Absorption & Turnover Vacancy									
Scheduled Base Rental Revenue	1,225,000	1,225,000	1,225,000	1,225,000	1,225,000		1,522,098	1,522,098	1,522,098
Expense Reimbursement Revenue									
RE Taxes	330,828	339,099	347,576	356,286	365,172		383,659	393,251	403,082
Insurance	61,250	62,781	64,351	65,960	67,609		71,931	72,887	74,827
Maintenance	175,000	179,375	183,859	188,458	193,167		202,946	206,020	213,221
Repairs & Maintenance	87,500	89,688	91,930	94,228	96,584		101,473	104,010	106,610
Utilities	43,750	44,844	45,965	47,114	48,292		50,737	52,005	53,363
Payroll & Admin									
Total Reimbursement Revenue	698,328	715,787	733,681	752,024	770,824		809,846	830,093	850,945
Total Practical Gross Revenue	1,923,328	1,940,787	1,958,681	1,977,024	1,995,824		2,331,944 (233,194)	2,352,191 (236,219)	2,372,943 (237,294)
General Vacancy									
Effective Gross Revenue	1,923,328	1,940,787	1,958,681	1,977,024	1,995,824		2,098,750	2,116,972	2,135,649
Operating Expenses									
RE Taxes	330,828	339,099	347,576	356,286	365,172		383,659	393,251	403,082
Insurance	61,250	62,781	64,351	65,960	67,609		71,931	72,887	74,827
Repairs & Maintenance	175,000	179,375	183,859	188,458	193,167		202,946	206,020	213,221
Utilities	87,500	89,687	91,930	94,228	96,584		101,473	104,010	106,610
Payroll & Admin	43,750	44,844	45,965	47,114	48,292		50,737	52,005	53,363
Professional fees	20,000	20,500	21,012	21,538	22,076		23,184	24,300	25,426
Management fee	57,700	58,224	58,760	59,311	59,875		62,962	63,569	64,169
Reserves	70,000	71,750	73,544	75,382	77,267		81,179	83,208	85,280
Total Operating Expenses	846,828	866,260	886,957	908,255	930,042		977,181	1,000,594	1,024,570
Net Operating Income	1,077,300	1,074,527	1,071,684	1,068,769	1,065,782		1,121,569	1,116,388	1,111,079
Leasing & Capital Costs									
Tenant Improvements							2,829,463		
Leasing Commissions							304,420		
Total Leasing & Capital Costs							2,333,883		
Cash Flow Before Debt Service & Taxes	\$1,077,300	\$1,074,527	\$1,071,684	\$1,068,769	\$1,065,782		(\$89,192)	\$1,116,388	\$1,111,079
RCSale Cap Rate								\$12,345,322	
Commission/Closing costs								\$370,360	
Net Proceeds								\$11,374,963	
Discount Rate									
7.00%	\$1,006,822	\$938,553	\$874,813	\$815,359	\$759,888		- \$642,268	\$546,135	
9.50%								\$5,793,769	
DCF Value	\$9,482,728								
	\$54,24								
Direct Cap Value									
Cap Rate									
11.00%									
PV of B of a cash flow	\$4,395,416								
\$5,250,000									
Value of rental bldg. @ .300/SF	\$9,645,416								

This restricted use appraisal report may not be used or relied upon by anyone other than the referenced intended users for any purpose whatsoever, without the express written consent of Stephen M. Dylag and Keystone Consulting Group.

Respectfully submitted,

KEYSTONE CONSULTING GROUP

A handwritten signature in dark ink, appearing to read "Stephen M. Dylag", is written over a horizontal line.

Stephen M. Dylag, Principal

RI Certified General Real Estate Appraiser # CGA.0A00280

Expires: 10/22/2016

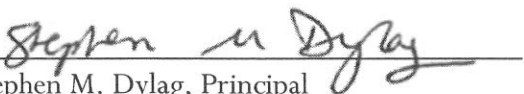
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Keystone File No. 15-074M

CERTIFICATION

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

- The statements of fact reported and used in the valuation process 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, 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 no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- The opinions of value found within were not based upon a requested minimum valuation, a specific valuation, or the approval of a loan;
- No one provided real property appraisal assistance to the undersigned;
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- My analyses, opinions and conclusions were developed, and this report has been prepared, in accordance with the requirements of the *Code of Professional Ethics* and *Standards of Professional Appraisal Practice* of the Appraisal Institute, and the *Uniform Standards of Professional Appraisal Practice (USPAP)*, as promulgated by the Appraisal Foundation;
- As of the date of this report, I have completed the Standards and Ethics Education Requirements of the Appraisal Institute for Associate Members-Candidates for Designation;
- Stephen Dylag's work on this engagement is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- My engagement was not contingent upon developing or reporting pre-determined results;
- I have personally inspected the property that is the subject of this report.
- I have not provided appraisal or any other service regarding this subject in the three years preceding the date of engagement.


Stephen M. Dylag, Principal
RI Certified General Real Estate Appraiser # CGA.0A00280
Expires: 10/22/2016

Statement of General and Limiting Conditions

This report has been prepared under the following assumptions and limiting conditions:

- Information furnished by others is assumed to be true, factually correct, and reliable. No effort has been made to verify such information and no responsibility for its accuracy is assumed by the consultants. *Should there be any material error in the assumptions in this report, the results of this report are subject to review and revision.*
- All mortgages, liens and encumbrances (except lease documents) have been disregarded unless so specified within this report. The subject property is analyzed as though under responsible ownership and competent management. It is assumed in this analysis that there were no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them. No responsibility is assumed for legal matters existing or pending, nor is opinion rendered as to title, which is assumed to be good.
- It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless non-compliance is noted.
- It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the analysis.
- It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- Possession of this report, or a copy thereof, does not carry with it the right of publication.
- The consultants assumed that there is no hazardous waste contaminating the subsoils. The consultants are not qualified to detect such substances on the property or to evaluate the effect of such substances on the value of the property.
- The conclusions apply only to the property specifically identified and described herein.
- The consultants have made no legal survey nor have they commissioned one to be prepared. Therefore, reference to a sketch, plat, diagram or previous survey appearing in the report is only for the purpose of assisting the reader to visualize the property.

- Disclosure of the contents of this report is governed by the Bylaws and Regulations of the Appraisal Institute.
- Stephen M. Dylag is a fully qualified commercial appraiser who has been involved in the valuation and/or review of many similar properties. The education and experience in valuing and reviewing similar properties satisfies the competency provision of USPAP.
- It is assumed that the information provided by the client and by the representatives of the current ownership is true and correct. However, no liability for errors contained in the submitted documents or their verbal representations is accepted by Keystone Consulting Group.

Extraordinary Assumption:

1. It is assumed that the Bank of America lease is for a remaining term of 5 years, and the rent is \$7.00/SF, triple net, for net rentable area of 175,000 SF.

The preceding extraordinary assumption may have affected assignment results.

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QUALIFICATIONS OF THE APPRAISER

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COMMERCIAL
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SERVICES

KEYSTONE

CONSULTING GROUP

STEPHEN M. DYLAG

Principal

EDUCATION

Columbia University Graduate School of Business, MBA, Real Estate
Finance/Accounting

Trinity College, Hartford, Connecticut, B.A. English

REAL ESTATE EDUCATION

Appraisal Institute Courses:

Real Estate Appraisal Principles
Basic Valuation Procedures
Capitalization Theory and Techniques, Parts A & B
Standards of Professional Practice
R. E. Law & the R. E. Appraiser (seminar)
Case Studies in Real Estate Valuation
Report Writing and Valuation Analysis
Various seminars sponsored by the Appraisal Institute and the MBREA

MEMBERSHIPS & LICENSES

Commonwealth of Massachusetts Certified General Appraiser, License #1711
State of Connecticut Certified General Appraiser, License #RCG.0001065
State of New Hampshire Certified General Appraiser, License #NHCG-689
State of Rhode Island Certified General Appraiser, License #CGA.0A00280
Candidate for Designation of the Appraisal Institute
Trustee, The Providence Country Day School

EMPLOYMENT HISTORY

Keystone Consulting Group
North Attleborough, Massachusetts, Principal

Guest Lecturer, Real Estate Finance, Bryant University
Smithfield, RI

Fleet Bank of Massachusetts
Boston, Massachusetts, Assistant Vice President & Team Leader

Bank of New England - Appraisal Department
Boston and Brockton, Massachusetts, Assistant Vice President & Regional Manager

Old Stone Bank - Real Estate Investment Group
Providence, Rhode Island, Appraisal Officer and Loan Analyst

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299 Chestnut Street
North Attleboro, MA 02760

FLORIDA GEORGIA NORTH CAROLINA MASSACHUSETTS VIRGINIA

CURRENT CLIENTS

Lenders

Citizens Bank
Bank of America, N.A.
Sovereign Bank
Rhode Island Housing
Wells Fargo
Bank Rhode Island
Citibank
Webster Bank
Brookline Bank
Washington Trust
Rockland Trust
U.S. Bank
Walpole Cooperative Bank
Wrentham Cooperative Bank
Navigant Credit Union
Bank Newport
TD Banknorth, N.A.
People's United Bank
Bristol County Savings Bank
Massachusetts Housing & Finance
Eastern Bank

Not for Profits/Housing Agencies

U.S. Department of Housing & Urban Development
City of Boston, MA
Town of Brookline, MA
Cumberland RI Housing Authority
South Shore Housing
West Elmwood Housing & Development Corp.
Preservation of Affordable Housing
U.S. Fish & Wildlife
Audubon Society
The Nature Conservancy
Archdiocese of Fall River

Private Residential Developers/Owners

Ranne Warner/Riverlofts LLC
Peregrine Group
Cornish Associates
Ferland
Picerne Real Estate
Struever Brothers Eccles & Rouse
The Property Advisory Group
Guardian Property Management
Walsh Construction

PROJECTS

Partial List of Residential Condominiums:

River Lofts, Pawtucket, RI
Eagle Square, Providence, RI
Monohasset Mills, Providence, RI
The Ocean House, Watch Hill, RI
Royal Mills at River Point, West Warwick, RI
The Grant's Block, Providence, RI
Stone Harbour, Thames Street, Bristol, RI
333 Atwells Avenue, Providence, RI
Laurelwood, North Smithfield, RI
Emerald Court, Tewksbury, MA
Wise Living @ Falmouth, Falmouth, MA
The Lawrence Mills, Lowell, MA
Brown & Howard Wharf, Newport, RI
Red Mill Village, Norton, MA

Partial List of Affordable Housing Projects:

Riverside Gateway, Olneyville/Providence, RI
Smith Hill Visions, Providence, RI
Newport Heights, Newport, RI
Williams Woods, Providence, RI
Driftwood Apartments, Narragansett, RI
Colony House Apartments, Providence, RI
St. Elizabeth Place, Providence, RI
Cherry Hill Apartments, Johnston, RI
Heritage Village, North Kingstown, RI

Partial List of Market Rate Apartment Properties:

River Village, Canton, MA
Royal Crest, Warwick, RI
Briarwood Meadows, Warwick, RI
River Bend Apartments market study, Woonsocket, RI
Wood's Edge Apartments, Attleboro, MA
Granville at the Common Apartments, South Kingstown, RI

Partial List of Mixed Use Properties:

Dynamo House at Providence Point, Providence, RI
Rising Sun Mills, Providence, RI
The Plant, Providence, RI
American Locomotive, Providence, RI
The Alice Building, Providence, RI
The Peerless Building, Providence, RI
Pearl Street Lofts, Providence, RI
Sockanosset Crossroads, Cranston, RI
Thames Street Landing, Bristol, RI

Partial List of Office Properties:

One Citizens Plaza, Providence, RI
56 Exchange Terrace, Providence, RI
321 Fortune Boulevard, Milford, MA
58 & 62 Summer Street, Boston, MA
180 South Main Street, Providence, RI

Partial List of Retail Properties:

7-Eleven portfolio, Rhode Island
Honey Dew Donuts portfolio, New England
Walgreen's Plaza, North Smithfield, RI
Shaw's anchored center, New Bedford, MA

Partial List of Automobile Dealerships:

Columbia Buick/Pontiac/GMC, Hanover, MA
Inskip Auto Corner/AutoMax, Warwick, RI
Inskip Infiniti/Lexus, Warwick, RI
Inskip Mercedes, Middletown, RI
Newport Imports Auto Center/BMW/VW, Middletown, RI
Proposed Jaguar/Land Rover dealership, Norwood, MA

Partial List of Lodging Properties:

Park Plaza Hotel & The Castle, Boston, MA
The Lenox, Boston, MA
Marriott, Providence, RI
Holiday Inn Express, Milford, MA
Hyatt Place, Uncasville, CT
Best Western Atlantic Beach, Middletown, RI
Vanderbilt Hall Hotel, Newport, RI
Water's Edge Resort, Westbrook, CT
Crowne Pointe Inn, Provincetown, MA
Proposed Holiday Inn Express, Warwick, RI
Proposed Hampton Inn, Manchester, CT
Proposed Hampton Inn, Westford, MA
Proposed Hampton Inn, Raynham, MA
Proposed Hampton Inn, Plymouth, MA
Proposed Hampton Inn, Mystic, CT
Proposed Holiday Inn Express, Middletown, RI
Bristol Harbor Inn, Bristol, RI
Daniel Webster Inn, Sandwich, MA
John Carver Inn, Plymouth, MA