



Tidewater Properties Appraisers LLC

123 CLAY DRIVE
QUEENSTOWN, MARYLAND 21658

W. FITZHUGH TURNER,
Certified General Appraiser 4-298

410-827-8878
FAX 410-827-5018
email: FITZ@FITZTURNER.COM

April 4, 2014

Gregg A. Todd, County Administrator
Queen Anne's County Government
107 N. Liberty Street
Centreville, Maryland 21617

Re: Southern Kent Island Sanitary Project: value differential: improved properties with private septic systems versus public sewer and between residential buildable and non-buildable lots.

Dear Mr. Todd:

You have asked that I determine the difference in fair market value, if any, between a vacant approved building lot and a vacant non-buildable lot in the South Kent Island area or "Study Area." The purpose of this analysis is to assist the County Commissioners of Queen Anne's County in determining an economic benefit premium to non-buildable lots, if any, that results from the County's extension of public sewer to the South Kent Island area of the County. In performing this analysis, I have conducted a qualitative examination and evaluation of vacant land sales in the Study Area in the last ten years and the competitive market area. I have excluded sales after November, 2012 because at that point the County began publishing the fact that public sewer would be extended. The sales after that time thus may have been influenced by the perception that non-buildable lots would become buildable in the foreseeable future.

Additionally, you have asked me to determine the difference in fair market value, if any, between improved properties with public sewer and those on septic. The purpose of this analysis is to assist the County Commissioners in determining the amount of benefit (increase in fair market value) to improved properties, if any, resulting from the extension of public sewer service. In performing this analysis, I have conducted a paired sales analysis of improved properties on public sewer to improved properties utilizing a septic system.

Unimproved Residential Properties that are Buildable and Non-Buildable.

Non-Buildable Lots

In an analysis of 117 lots sold during the period January 1, 2003 to December 31, 2012, I concluded to a reasonable degree of professional certainty that the Non-Buildable lots on Kent Island had a value range of \$500 to \$47,000 per lot. The average lot price was \$16,098, the price that

occurred most often was \$15,000 per lot and the median price was \$15,000 for a non-buildable lot.

Buildable Lots

In an analysis of lots of record that may be built upon either because they have obtained septic disposal approval from the Maryland Environmental Health Department, or have access to public sewer, there were 196 transferred lots of record during the period January 1, 2003 to December 31, 2012. I concluded that the comparable lot sales in the Kent Island Study Area: Matapeake Estates, Normans, Sunny Isle of Kent, Chesapeake Estates, Kentmorr, Queen Anne's Colony, Kent Island Estates, Romancoke on the Bay and Tower Gardens, had a value range of \$47,000 to \$255,000 per lot. The average price of a buildable lot was \$137,382, the price that occurred most often was \$130,000 and the median price was \$135,000.

Annualized Adjustment for Annual Changes in the Market

It is reasoned that the values of properties have changed over the past decade and therefore consideration should be given to the inflation of property values over that time period and the sales prices should be adjusted accordingly. As will be explained below the HPI for the Baltimore MSA was chosen because this MSA includes Queen Anne's County and because Kent Island has been subject to similar market pressures and trends as those in Anne Arundel County, also part of the Baltimore MSA. The Sale prices have been adjusted according to the annual change over the past decade.

2003	1.30
2004	1.10
2005	0.91
2006	0.81
2007	0.79
2008	0.83
2009	0.90
2010	0.95
2011	0.99
2012	1.00

Adjusting the sales prices resulted in the following changes to the prices.

Unimproved Residential Properties that are Buildable and Non-Buildable.

Non-Buildable Lots

In an analysis of 117 lots sold during the period January 1, 2003 to December 31, 2012, I concluded to a reasonable degree of professional certainty that the Non-Buildable lots on Kent Island had a value range of \$495 to \$42,300 for a lot. The average lot price was \$15,899, the price that occurred most often was \$10,800 per lot and the median price was \$14,300 for a non-buildable lot.

Buildable Lots

In an analysis of lots of record that may be built upon either because they have obtained septic disposal approval from the Maryland Environmental Health Department, or have access to public sewer, there were 196 transferred lots of record during the period January 1, 2003 to

December 31, 2012. I concluded that the comparable lot sales in the Kent Island Study Area: Matapeake Estates, Normans, Sunny Isle of Kent, Chesapeake Estates, Kentmorr, Queen Anne's Colony, Kent Island Estates, Romancoke on the Bay and Tower Gardens, had a value range of \$47,000 to \$247,000 for a lot. The average price of a buildable lot was \$130,625, the price that occurred most often was \$123,500 and the median price was \$128,700.

The analysis and explanation of the process will follow below.

Improved Properties with and without public sewer.

The question was to determine the difference in property value between improved properties with and without public sewer. The purpose of this analysis is to assist the County Commissioners in determining the amount of benefit (increase in fair market value) to improved properties, if any, resulting from the extension of public sewer service. In performing this analysis, I have conducted a paired sales analysis of improved properties on public sewer to improved properties utilizing a septic system. I have compared houses that were built during the period 1970 to 1988 throughout Kent Island, as explained further below. The study included 134 sales in the Stevensville and Chester market area that transferred between January 1, 2003 to December 31, 2012 with a sale price from \$150,000 to \$600,000. This analysis included sales within subdivisions and those that were not in subdivisions.

The result of the comparison to a reasonable degree of professional certainty was:

No measurable difference for a detached single family dwelling with private septic system versus a single family detached dwelling with public sewer.

Improved Properties Analysis

The selection of comparable sales to examine: The analysis considers the influence of septic disposal on the values of properties that are located in the part of Kent Island that is identified as the Southern Kent Island Sanitary Project. The area is located on either side of Route 8, south of Matapeake Park and the Study Area refers to the subdivisions as: Matapeake Estates, Normans, Sunny Isle of Kent, Chesapeake Estates, Kentmorr, Queen Anne's Colony, Kent Island Estates, Romancoke on the Bay and Tower Gardens. These eight subdivisions and Normans comprise the project Study Area in this report.

Data Research

For the analysis of the Improved Property Sales I have used the Metropolitan Regional Information Systems, Inc. Multiple Listing Service for Queen Anne's County. The service has been used because it includes photographs of the improved properties, exterior as well as interior pictures. The listing information includes comments as to the condition, as well as a list of the interior and exterior features of the site and improvement. It is a primary tool used by Licensed Real Estate Brokers and Agents in marketing their properties. The system includes the information that has been imputed into the system by Licensed Realtors who certify the information and have been trained to use the system. I have also compared the data with the Tax Information provided by the Maryland Tax Assessment Office. For the purpose of comparing dwellings sold and the impact of septic systems on each property, I believe that the information is adequate to come to a reasonable conclusion.

Comparative Study - Kent Island

For the purpose of the study of improved residential properties, I have limited the study area to properties on Kent Island, as being in the Postal Districts 21666- Stevensville, and 21619 - Chester. This is the Queen Anne's County Election District 4, it is an island, with bridges that separate it from other land masses. For the most part it is served by three elementary schools, two middle schools and a single high school. There are some students from Grasonville who attend the Kent Island middle and high schools, but I have not included Grasonville or Queenstown postal areas in the comparative studies.

Settlement Date: January 2010 to December 2012.

For the improvement analysis I have looked at the most recent sales, 1/1/2010 to 12/31/2012 as current sales. I also look at earlier periods 01/01/2006 to 12/31/2007, 01/01/2003 to 12/31/2005. The results of the earlier periods were comparable to what I learned in the most recent analysis.

Settled Price Range - \$150,000 to \$600,000

I have chosen a closed price range of \$150,000 to \$600,000 in the comparison analysis. The upper end included some waterfront residences, I found that a house that had been totally upgraded on an inland lot could sell for more than one of lesser condition on the waterfront. By increasing the sales range up to \$800,000 added waterfront houses in Bay City, Cove Creek Club and Queen Anne Colony, and did not appear to indicate any different result. I reviewed the higher results but did not include them. I did not go higher in the range because the differences became quite exaggerated due to the waterfront qualities, long expansive views versus marsh front with quite different houses. The lower end of the range was chosen because in many cases at the lower end the buyers have in many cases bulldozed the house and the actual value was the lot not the house. At the lower end of the range the house had little contribution to the value. The advantage of a house, to be razed, over a vacant lot is due to the ability to build/replace or expand a house on the lot, lower cost for permitting, the ability to build without some of the permits required, and the savings for connection fees.

Houses built between 1970 and 1988

Because there are few new houses built after 1988 in the Study Area, my comparison of houses has been limited to the study of houses built from 1970 to 1988. In 1986 the State of Maryland Legislature revised septic disposal regulations which resulted in new limits on building houses on lots of record. The result of the Health Department changes were that most existing unimproved lots located on Kent Island were deemed to be unsuitable for on site septic disposal. Some lots, previously approved as building sites were required to have new soil studies in order to be built upon. There were a few lots which had more recent septic test and they were granted the right to build a house within a limited period of time, and there are several lots that continue to be suitable for new house construction in Queen Anne's Colony and Kent Island Estates. The number of lots in the Study Area that have been permitted to build new houses is quite small, and all have not been built upon. The result is that most of the houses in the Study Area were built prior to 1988.

The non waterfront houses built from 1970 to 1988 are generally similar in design, style and size. The differences among these houses are due to upgrades and living area size and not for design or style.

Housing Type: Detached Single Family

All of the houses in the Study Area are detached single family residential. The Neighborhood Conservation District zoning permits higher density houses but to the best of my knowledge with

the exception of some in-law apartments, there are no multi-family residences in the Study Area. Therefore, for the comparison of improved residential properties with septic disposal versus public sewer, I have only considered the properties with detached single family residential units.

Foreclosure/Short Sale/ REO Bank Owned - not included

Any listing that was identified by the listing agent as a foreclosure, a short sale, a potential short sale, an REO or bank owned property was dropped from the analysis.

Results: No measurable difference for a detached single family dwelling in a subdivision with private septic system versus a single family detached dwelling in a subdivision with public sewer.

My analysis includes 134 sales from \$150,000 to \$600,000 of detached single family residential dwellings, in the Chester and Stevensville area from January 2010 to December 2012. The properties were sorted on the basis of sale price from highest to lowest price. They were nearly evenly split with 64 having public sewer and 70 having private septic fields. As I have gone down through the list of sales, it became apparent that there was no difference in the sale price due to the public sewer versus those with private septic fields. No matter where you stop in the list it would appear that the buyers are looking throughout the area and sewer is not a factor. In the addendum to the report is a brief complete list of the properties considered. The following is a sampling of the Sales considered.

The following Sales, this page and the next are all that settled in the price range \$290,000 to \$305,000 as taken from the MLS service. They range in age, built between 1970 and 1988. I have included the complete listing worksheet, photos and tax records for these sales. It was interesting to note that several of the houses with public sewer also had swimming pools. But, there was no apparent

Address	Price	Year	MLS#	Drive	Description	Area	Pool	Remarks	Price
1342 Calvert Rd Chester, MD 21619	\$305,000	1971	21619	Public Sewer	Septic Fields	151.89 sq ft		none indicated	\$305,000
210 Larch Place Stevensville, MD 21666	\$303,000	1971	21666	Public Sewer	Public Sewer	225.45 sq ft		none indicated	\$303,000
103 Monroe Manore Rd Stevensville, MD 21666	\$302,000	1971	21666	Public Sewer	Public Sewer	198.68 sq ft		none indicated	\$302,000
122 Cecil Rd Stevensville, MD 21666	\$300,000	1971	21666	Public Sewer	Public Sewer	149.85 sq ft		none indicated	\$300,000
407 Skipper Lane Chester, MD 21619	\$300,000	1971	21619	Public Sewer	Public Sewer	170.62 sq ft		none indicated	\$300,000
335 Queen Anne Road Stevensville, MD 21666	\$300,000	1971	21666	Public Sewer	Public Sewer	240.38 sq ft		none indicated	\$300,000
135 North Lake Dr Stevensville, MD 21666	\$299,900	1971	21666	Public Sewer	Public Sewer	188.85 sq ft		none indicated	\$299,900
1342 Calvert Rd	\$305,000	1971	21619	Public Sewer	Septic Fields	151.89 sq ft		none indicated	\$305,000
210 Larch Place	\$303,000	1971	21666	Public Sewer	Public Sewer	225.45 sq ft		none indicated	\$303,000
103 Monroe Manore Rd	\$302,000	1971	21666	Public Sewer	Public Sewer	198.68 sq ft		none indicated	\$302,000
122 Cecil Rd	\$300,000	1971	21666	Public Sewer	Public Sewer	149.85 sq ft		none indicated	\$300,000
407 Skipper Lane	\$300,000	1971	21619	Public Sewer	Public Sewer	170.62 sq ft		none indicated	\$300,000
335 Queen Anne Road	\$300,000	1971	21666	Public Sewer	Public Sewer	240.38 sq ft		none indicated	\$300,000
135 North Lake Dr	\$299,900	1971	21666	Public Sewer	Public Sewer	188.85 sq ft		none indicated	\$299,900

advantage or disadvantage in the price due to the presence of the pool. The is the second page of Sales in the \$290,000 to \$305,000 price settled price range. There were several sales in this group for which the selling agent indicated that there was a concession paid by the seller. My research I have found this to be incorrectly applied more than 50% of the time. It is typical with the sale of a house under FHA or VA loans for the seller to pay points and portions of closing costs. This does not change the sale price and some times its is listed by the Real Estate Agent, in the listing and sometimes it is not listed. I have applied a \$5000 downward adjustment to the sales when it was

Comparable #10	Comparable #11	Comparable #12	Comparable #13	Comparable #14	Comparable #15
1810 Harbor Drive Price: \$235,000 Sq Ft: 3 Lot: 3,255 sq ft Weight: 3.55 Public Sewer	214 McKay Rd Price: \$285,000 Sq Ft: 3 Lot: 3,255 sq ft Weight: 3.55 Public Sewer	336 Oregon Rd Price: \$285,000 Sq Ft: 3 Lot: 3,255 sq ft Weight: 3.55 Septic Field	123 North Lake Drive Price: \$283,000 Sq Ft: 3 Lot: 3,255 sq ft Weight: 4.55 Septic Field	702 Victoria Dr Price: \$290,000 Sq Ft: 3 Lot: 3,255 sq ft Weight: 4.58 Public Sewer	1623 Bayside Drive Price: \$295,000 Sq Ft: 3 Lot: 3,255 sq ft Weight: 4.58 Public Sewer
1810 Harbor Drive Chester, MD 21619 \$ 204.86/sq ft \$ 295,000	214 McKay Rd Stevensville, MD 21666 \$ 184.26/sq ft \$ 295,000	336 Oregon Rd Stevensville, MD 21666 \$ 172.72/sq ft \$ 295,000	123 North Lake Drive Stevensville, MD 21666 \$ 189.28/sq ft \$ 293,000	702 Victoria Dr Stevensville, MD 21666 \$ 172.62/sq ft \$ 290,000	1623 Bayside Drive Stevensville, MD 21666 \$ 134.26/sq ft \$ 290,000
none Indicated 6/1/2012 Fee Harbor View 0.28 ac water view bungalow Vinyl siding/avg 38 Good/ upgrades Total Brms Baths 5 3 2 1,440 sq ft none good Central AC typical 448 sf shed 200 sf encl porch 120 sf deck	FHA loan 4/29/11 Fee Bay City 0.96 ac houses ranch Vinyl siding/avg 38 Good Total Brms Baths 7 3 2 1,601 sq ft none good EBB & Central AC typical 1048 sf garage 280 screened p Brk fireplace	seller loan help 9/6/2012 Fee Kent Island Estate 0.82 ac marsh and creek split foyer wood siding 28 Good Total Brms Baths 6 3 2 1,708 sq ft none good HP typical 826 sf deck	seller loan help 8/25/2011 Fee Tower Gardens 1.05 ac water view ranch Vinyl siding/avg 39 Good Total Brms Baths 6 3 2 1,548 sq ft none good HP typical 176 sf deck	seller loan help 3/17/2011 Fee Bay City 0.59 ac houses ranch Vinyl siding/avg 42 Good Total Brms Baths 7 3 2 1,680 sq ft none good HP typical 400 sf garage 240 sf deck	seller loan help 10/21/2011 Fee Bay City 0.33 ac water view split foyer Vinyl/brick/block 36 Good/ upgrades Total Brms Baths 7 4 3 2,160 sq ft Full walk out living area included in sf good HP typical none granite kitchen, many upgrades
<input type="checkbox"/> + <input type="checkbox"/> - \$ Net 1.7 Gross 1.7 \$ -5,000 \$ 295,000	<input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ Net 1.7 Gross 1.7 \$ -5,000 \$ 290,000	<input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ Net 1.7 Gross 1.7 \$ -5,000 \$ 283,000	<input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ Net 1.7 Gross 1.7 \$ -5,000 \$ 285,000	<input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ Net 1.7 Gross 1.7 \$ -5,000 \$ 285,000	<input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ Net 1.7 Gross 1.7 \$ -5,000 \$ 285,000

indicated that there is a seller concession. I do not consider this adjustment to be sufficient to change the outcome of the analysis and it is equally applied to properties with public sewer and those with private septic systems.

On this page, I have included four sales from a lower priced range. They are taken from the same subdivisions, but the quality of the houses are inferior. Two have about 1100 sf living area and two have about 1600 sf living area and the all sold in the same price range of \$208,000 to \$210,000.

Address	Price	Sq Ft	Living Area	Weight	Subdivision	Year	Fee	Description	Adjustment	Total	Terms	Baths	sq ft	Quality	Remarks	Final Price	Final Area
220 Baltimore Road Stevensville, MD 21666	\$210,000	2,4	1,100	4.5	Septic Field	1/28/2011	-5,000	seller loan help	-5,000	1,080	2	1	1,080	good	EBB & Central AC	205,000	2.4
109 Calvert Road Stevensville, MD 21666	\$210,000	2	1,100	3.5	Septic Field	9/30/11	-5,000	none	-5,000	1,680	3	2	1,680	good	EBB & Window AC	210,000	2.4
2734 Cox Neck road Chester, MD 21619	\$209,000	2.4	1,600	4.5	Public Sewer	9/21/2012	-5,000	seller loan help	-5,000	1,560	3	1	1,560	good	EBB & Window AC	204,000	2.4
913 Cloverfields Stevensville, MD 21666	\$208,000	2.1	1,600	4.5	Public Sewer	2/19/2010	-5,000	seller loan help	-5,000	1,140	5	2	1,140	good	EBB & Window AC	203,000	2.4

In my opinion, there is no significance difference as a result of the sales, to indicate that the properties with public sewer have any added value over the properties with private septic systems.

UNIMPROVED RESIDENTIAL LOTS -

the value differential of the residential lots: with approved septic systems or public sewer versus those that have failed septic tests or have never been tested.

The purpose of this analysis is to assist the County Commissioners of Queen Anne's County in determining an economic benefit premium to non-buildable lots, if any, that results from the County's extension of public sewer to the South Kent Island area of the County. In performing this analysis, I have conducted a qualitative examination and evaluation of vacant land sales in the Study Area in the last ten years and the competitive market area. This report is similar in scope and magnitude to the study that I completed for the Queen Anne's County Commissioners in 1991 and 1992 for the service area Cloverfields and Bay City.

Competitive Market Area - Kent Island, Election District 4, Postal Area 21666 - Stevensville and 21619 - Chester, Maryland.

For this analysis I have used the Hill Report, a compendium of sales transactions of transferred properties. Tidewater Properties Appraisers has maintained a data base of all transactions compiled from this report since 1983 for Queen Anne's County. The State of Maryland Assessment Office deleted all transactions from their data base for sales prior to 2008 and although the local MLS service does have access to older tax information, their data base for residential lot listings contains less than half the transactions.

The Hill Report provides limited information, but the information has proved to be quite accurate. The report provides: Grantor, Grantee, Sale Price, Deed Reference, Date of Sale, Address, Tax Map Block Parcel, and Improved or Vacant. In all of Queen Anne's County our records indicate 11,424 transfers of real estate in the County, from January 1, 2003 to December 31, 2012. On Kent Island there were 5,268 transfers of real estate during this period. 681 transactions were indicated to be Vacant, (no improvements on the land), and the transfer included a purchase transaction with a dollar amount paid. It is this last figure, 681 "Vacant" lot transactions that I have completed a qualitative analysis of each sale to determine its status as of the settlement date.

Of the 681 transactions I learned that 290 transfers were Commercial land, Boat Slips, Non arms length transactions and transactions that included improvements either as a second or third parcel in the sale, or a house under construction, but not complete and the purchase price included the improvement.

There were 12 lots with environmental conditions including several purchased as building sites but were determined to be wetlands, some purchased by the County to be used for park land or in flood zones. There were three lots in Benton's Pleasure that were land locked and did not have access to sewer when purchased and the buyer had to go through a development process to access them and run sewer to them. These sales were not included.

There were 62 waterfront lots sold, 37 suitable for building on, with a price range of \$1,850,000 down to \$200,000 with an average price of \$571,324. There were 9 lots never tested for

septic disposal and 16 that have fail septic disposal tests. The non-buildable waterfront group ranged from \$10,000 to \$100,000 with an average price of \$32,356.

There were three lots with replacement houses, the one on Lots Road next to Cloverfields sold for \$90,000 and then the house was added, a lot was purchased with house in Sunny Isle of Kent for \$95,000 in 2007 and the old house was razed and replaced. A mobile home on Batts Neck Road, Normans was purchase for \$20,000 and the buyer put a replacement mobile home on it.

117 Non-buildable Lots

After eliminating the above transactions I was left with 63 lots that have never been tested, 54 lots that have been tested and failed septic disposal tests. A lot is not buildable unless it has passed septic disposal tests. I have combined the 63 untested and 54 failed septic test lots as my study for the non-buildable lots.

197 Buildable Lots.

14 lots passed septic disposal tests prior to sale and were deemed by the Environmental Health Department as suitable for building a dwelling. 183 Lots had public sewer available.

The Research

Queen Anne's County Zoning - permits

I obtained a complete list of new permits issued by the Queen Anne's County Zoning Department for the period 2002 through 2012, all new building permits were listed by tax map, this list was compared with each of the transactions.

I reviewed Deeds for each of the properties through MDLANDREC.NET which is provided by the Maryland Judiciary.

I researched each of the transactions in the MLS, Metropolitan Regional Information Systems, records to determine if the property was sold through the service, or listed, and reviewed what was included in the transaction.

I reviewed the current Maryland Tax Assessment Records for each transaction.

Maryland Environmental Health Department records.

Each of the final lots in the study that did not have public sewer at the time of the transaction was researched in the Maryland Environmental Health Department records to determine if: the lot is on record with the department, has it been tested, as well as any changes, such as, through the addition of lots to meet septic disposal requirements.

Use of Buildable Lots with Public Sewer.

The analysis of the improved properties demonstrated that Bay City, Cloverfields, Harbor View, Stevensville, Castle Haven versus the sales of improved houses in the Study Area on with septic disposal, demonstrated that there was no difference from one development to another. I went on to compare new houses in Bay City with new houses in Gibson's Grant, Ellendale, and other new developments, and there was no difference. The developments with the greater amenities will command the highest prices. The houses in Bay City, and building lot prices in Bay City are competitive with Gibson's Grant. There are multiple lots in Ellendale which sold for town houses.

The Neighborhood Conservation Zoning Districts which include the Study Area, permit multi-family housing and therefore, I have included the sale of duplex and townhouse lots in Gibson's Grant and Ellendale. The multi-family lots are smaller and typically sell for less than a detached dwelling site, and this factor has resulted in the lower range for buildable lots and has lowered the average lot price of the buildable lots.

Outliers

I have paid particular attention to outliers, those sales of non-buildable lots that sold for more than \$30,000 and sales of buildable lots that sold for less than \$100,000.

Buildable lots under \$85,000 fell in two categories. The sales that were not in a recognized subdivision such as lots on Price Lane off of Dominion Road, or on New Road off of Dominion Road and along Cox Neck Road south of Benton's Pleasure. These sales were surrounded by low cost housing, mobile homes, and in some cases derelict properties. The Sale on Price Lane, was surrounded by some derelict houses, but it was also interesting in that the seller picked it up for \$9,000 in a Real Estate Tax Sale and sold it to Davidson Developers for \$47,000 within a year. The other sales included one at \$60,000 one at \$62,000 and a mobile home site \$75,000. These sales have cause the overall price range of buildable lots to be lower.

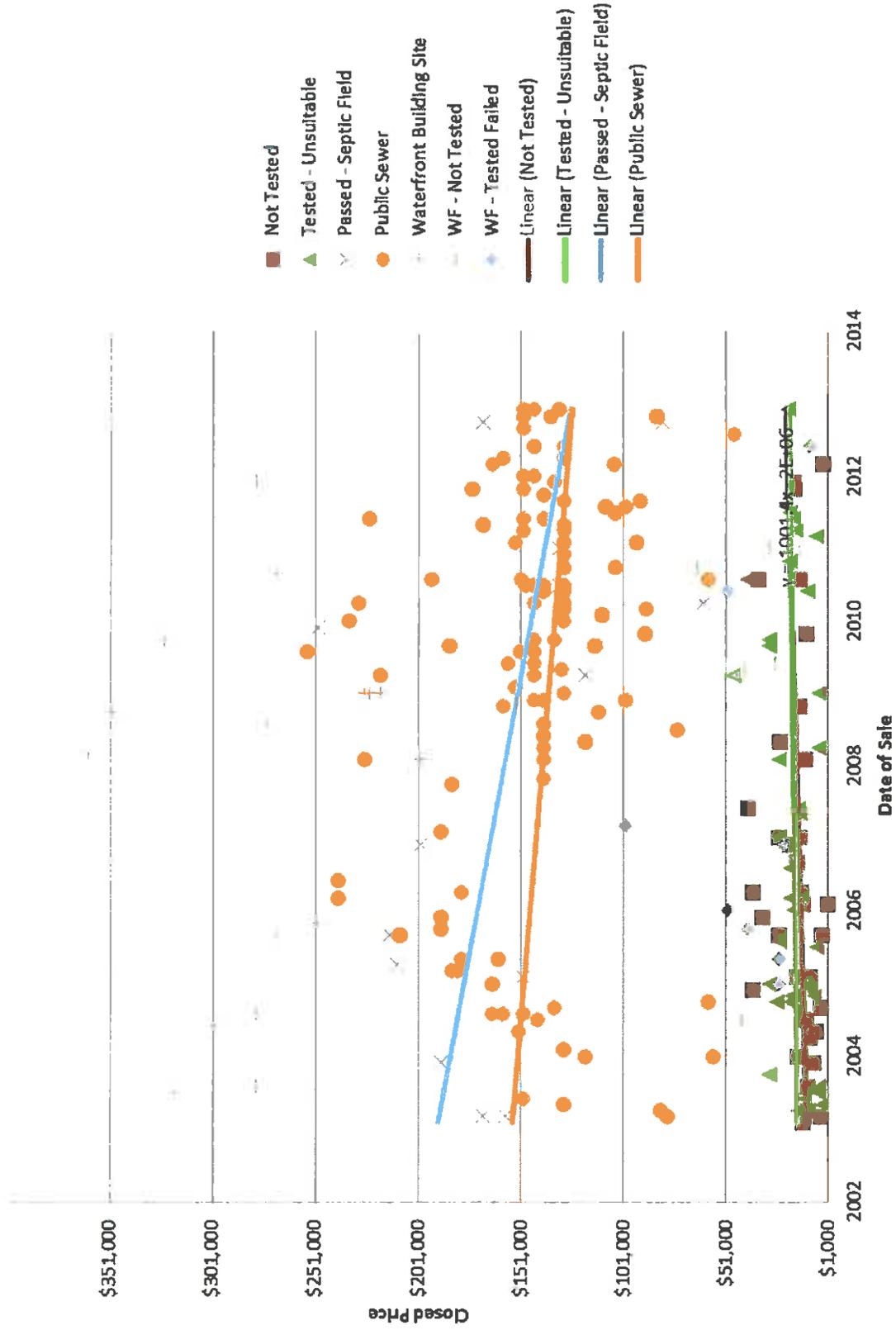
The second group of sales are to developers who are looking for specials. There was the 30,056 sf lot on Lots Road, north of Cloverfields, with 57 feet on Old Love Point Road that was a derelict site and sold to Lacrosse Homes for \$57,000 in 2004. The lot was cleaned up and a new house added on the street. Davidson Developers purchased two lots from the Lutheran Church in Harbor View at, in my opinion, below market at \$59,000 each.

Mike Foster, Esq, sold two lots in 2010, from Foster Land at the same time, for \$35,000 each, and he continues to manage the lots under the buyers names.

Several failed or not tested lots sold in the range of \$38,000 to \$47,000 to buyers who already owned adjoining lots with houses on them. The transactions were arms length but the buyer, as an adjoining lot owner will have the added privacy and they would have a special interest as adjoining lot owners, so excluded these.

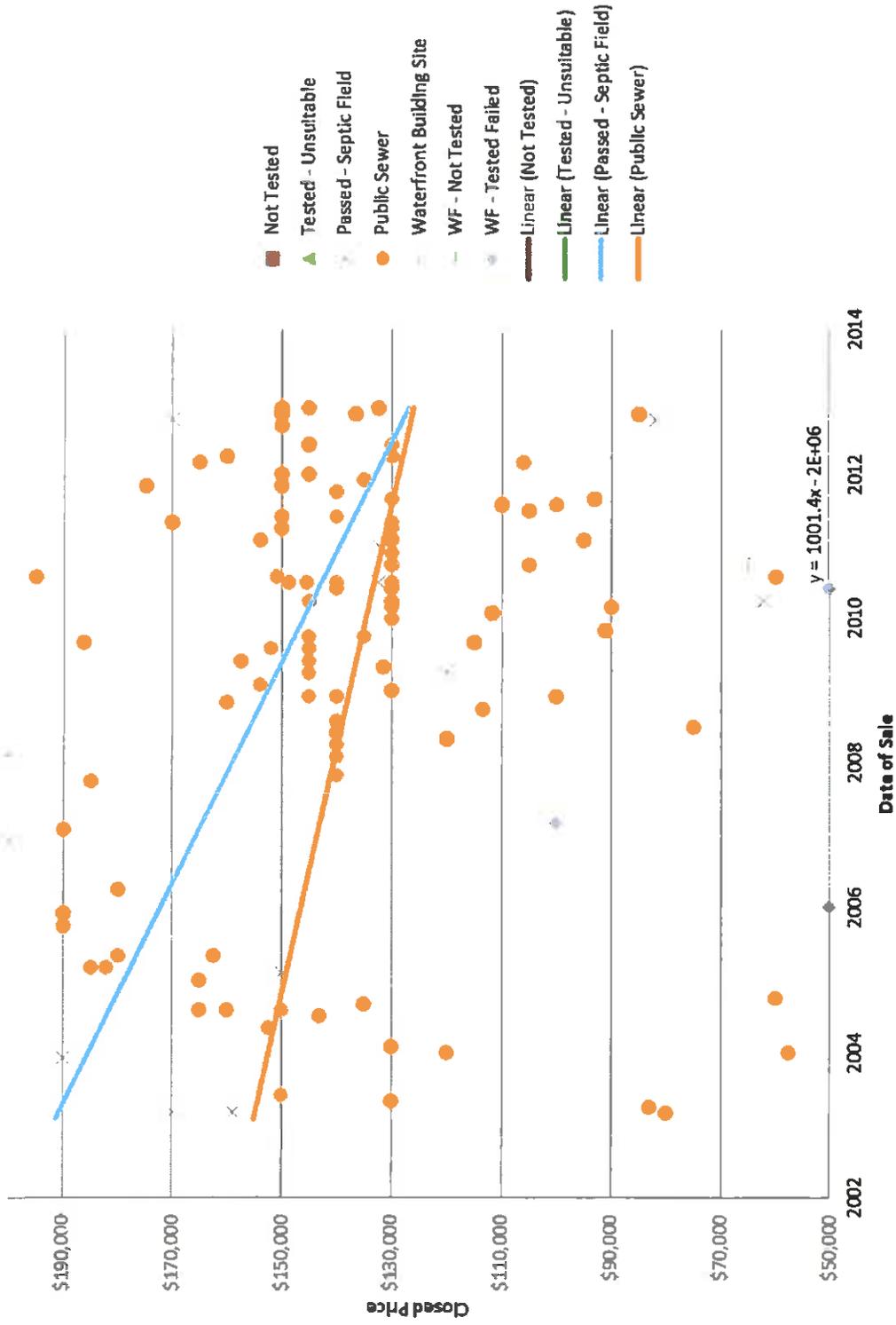
I have two outliers of untested lots. Timothy and Kelly Champion of 922 Kimberly Way Cloverfields purchased lot 12, block L of Romancoke on the Bay for \$33,000 in November 2005 and Leane & John Paveleck of 918 Kimberly Way, Cloverfields purchased Lot 6, Block F Section 2 of Romancoke on the Bay for \$38,000 in March 2006. Neighbors in Cloverfields I have not given these two sales any weight.

Unimproved Sales - District 4 - Kent Island - Queen Anne's County



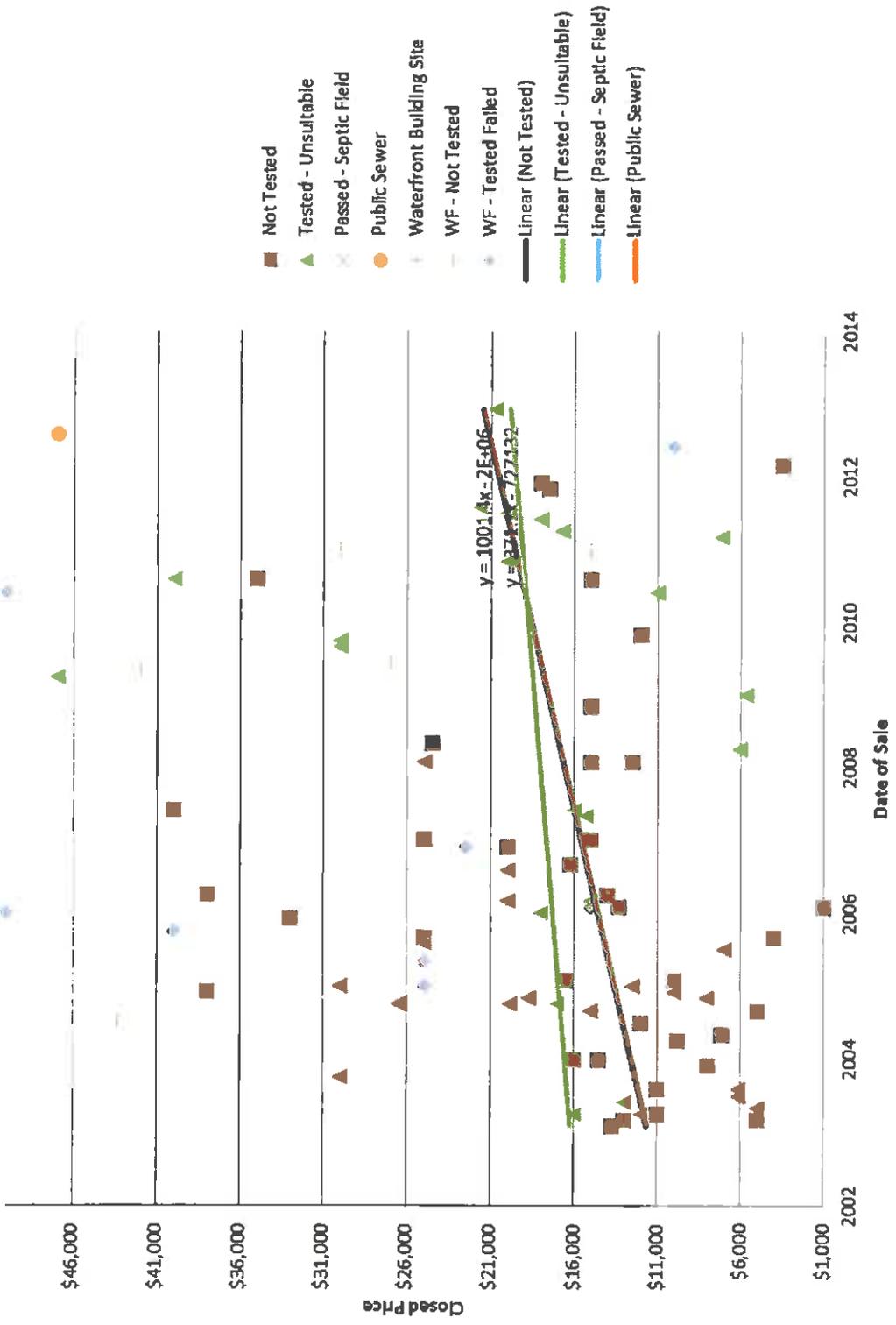
On the following pages I have expanded this chart.

Unimproved Sales - District 4 - Kent Island - Queen Anne's County



In this chart the price range is \$50,000 to \$190,000 providing better visualization of the price points.

Unimproved Sales - District 4 - Kent Island - Queen Anne's County



In this chart the price range is \$0 to \$50,000.

Annualized Adjustment for Annual Changes in the Market

It is reasoned that the values of properties have changed over the past decade and therefore consideration should be given to the inflation of property values over that time period and the sales prices should be adjusted accordingly. The Federal Housing Finance Agency provides an adjustment factor based upon the changes in the market in the Baltimore Washington Regional Area of which Queen Anne' County is included. The market prices collected cover a period of extraordinary price fluctuation in the real estate market. Prices rose sharply up to 2007-2008, then dropped even more sharply, only to begin some tentative recovery at the very end of the period. To adjust for the changes over time the annualized change for this region was used to adjust each of the sales. House Price Index (HPI) series published by the Federal Housing Finance Agency (FHFA) for the Baltimore MSA (including Queen Anne's County). This is an "All-Transactions" index, meaning that it reflects settled prices on home sales plus any appraisals submitted to Fannie Mae or Freddie Mac in connection with refinancing or other transactions. The HPI is a "constant quality" house price index, derived from repeat transactions on single-family detached residences that have been re-sold or re-appraised at least once¹. Although the index pertains specifically to improved property, it is used here to normalize prices of unimproved property, based on the observation that the prices of such properties track the general real estate market. The HPI for the Baltimore MSA was chosen because this MSA includes Queen Anne's County and because Kent Island has been subject to similar market pressures and trends as Anne Arundel County, also part of the Baltimore MSA.

2003	1.30
2004	1.10
2005	0.91
2006	0.81
2007	0.79
2008	0.83
2009	0.90
2010	0.95
2011	0.99
2012	1.00

Adjusting the sales prices resulted in the following changes to the prices.

¹Calhoun, Charles A., "OFHEO House Price Indexes: HPI Technical Description," Office of Federal Housing Enterprise Oversight, Washington, March 1996.

Unimproved Residential Properties that are Buildable and Non-Buildable.

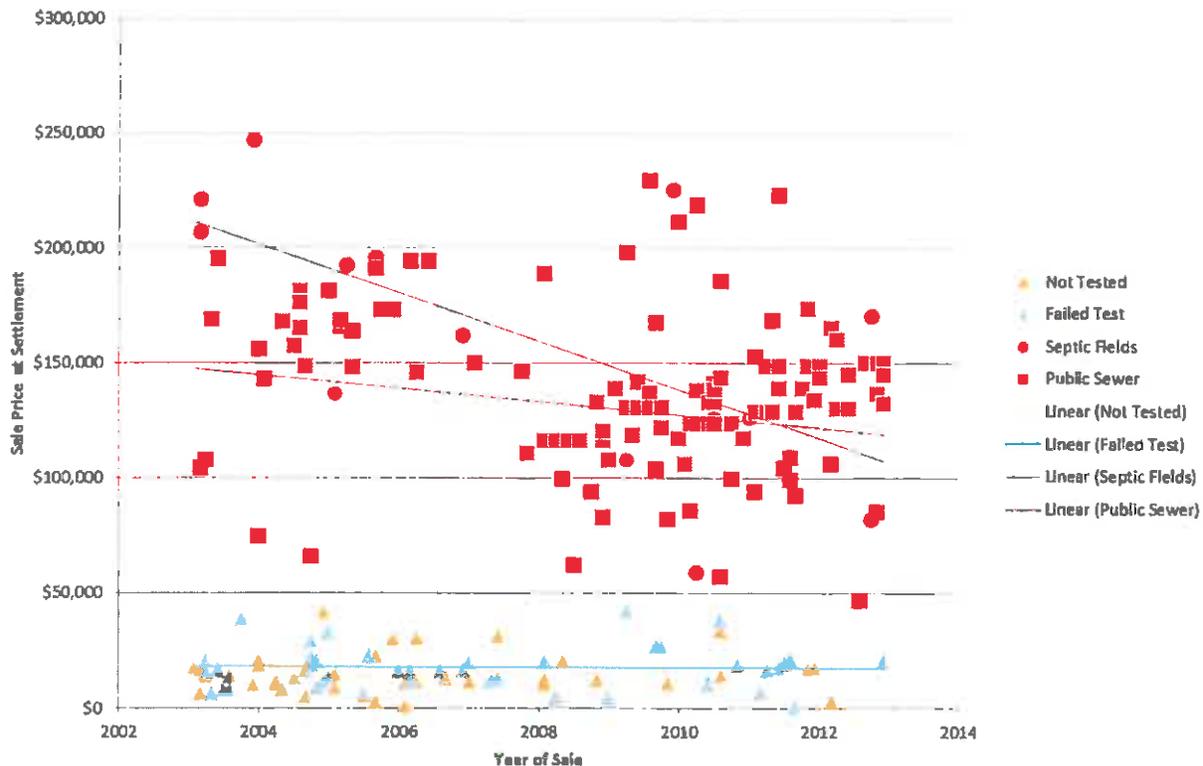
Non-Buildable Lots

In an analysis of 117 lots sold during the period January 1, 2003 to December 31, 2012, I concluded to a reasonable degree of professional certainty that the Non-Buildable lots on Kent Island had a value range of \$495 to \$42,300 for a lot. The average lot price was \$15,899, the price that occurred most often was \$10,800 per lot and the median price was \$14,300 for a non-buildable lot.

Buildable Lots

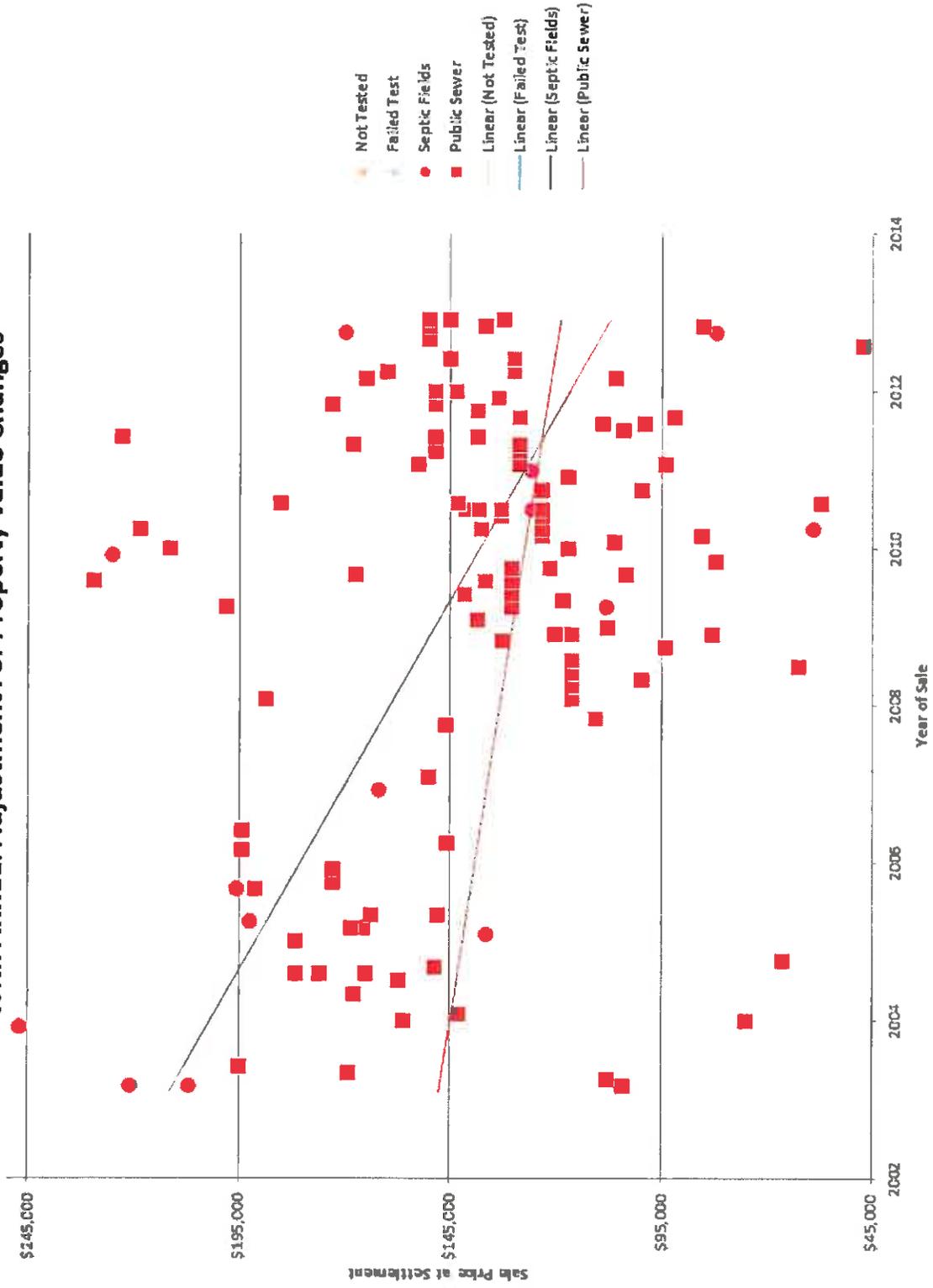
In an analysis of lots of record that may be built upon either because they have obtained septic disposal approval from the Maryland Environmental Health Department, or have access to public sewer, there were 196 transferred lots of record during the period January 1, 2003 to December 31, 2012. I concluded that the comparable lot sales in the Kent Island Study Area: Matapeake Estates, Normans, Sunny Isle of Kent, Chesapeake Estates, Kentmorr, Queen Anne's Colony, Kent Island Estates, Romancoke on the Bay and Tower Gardens, had a value range of \$47,000 to \$247,000 for a lot. The average price of a buildable lot was \$130,625, the price that occurred most often was \$123,500 and the median price was \$128,700.

**Unimproved Sales - District 4 - Kent Island - Queen Anne's County
With Annual Adjustment For Property Value Changes**



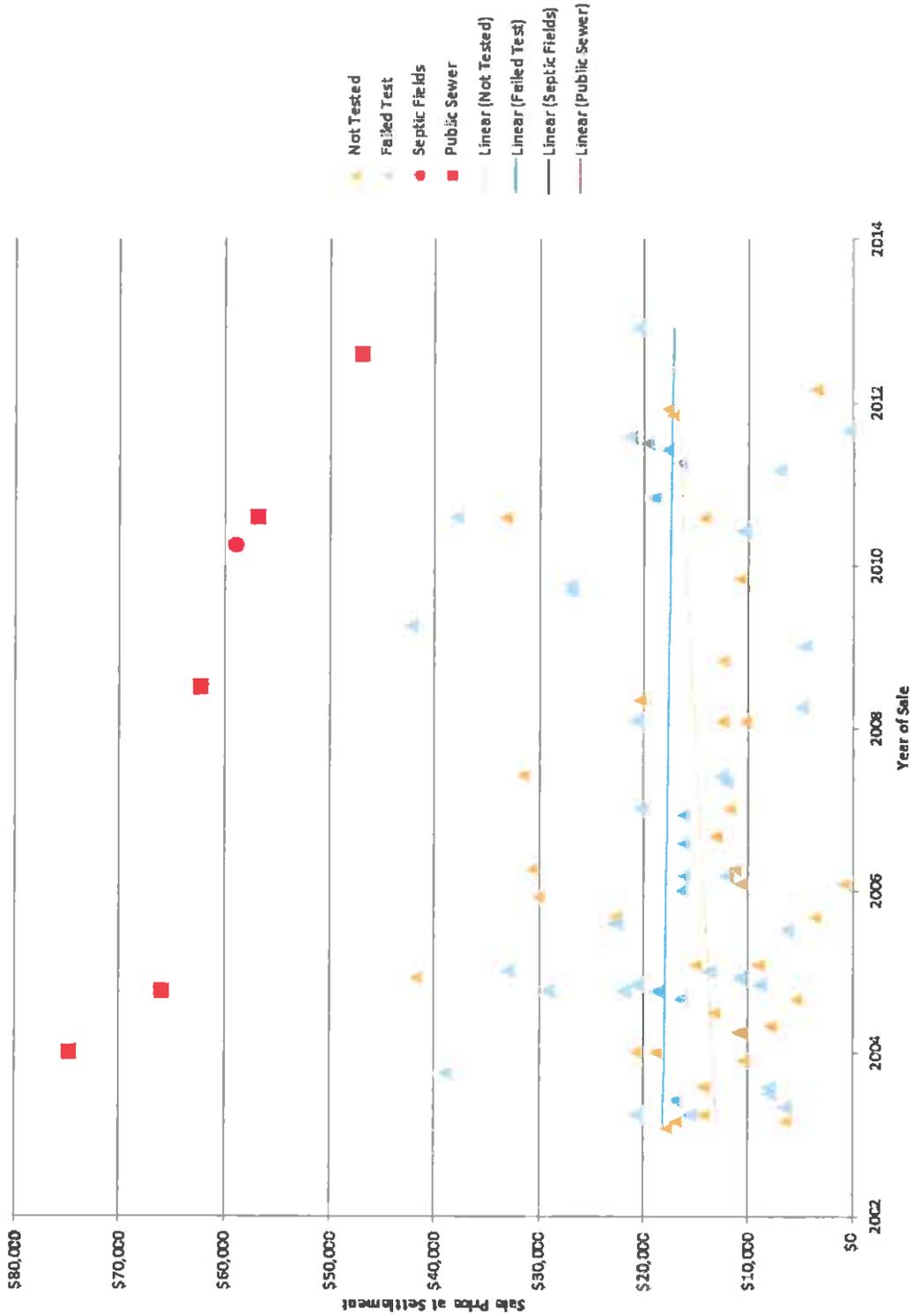
In this chart the price range is \$45,000 to \$245,000 providing better visualization of the price points.

Unimproved Sales - District 4 - Kent Island - Queen Anne's County With Annual Adjustment For Property Value Changes



In this chart the price range is \$0 to \$80,000.

Unimproved Sales - District 4 - Kent Island - Queen Anne's County With Annual Adjustment For Property Value Changes



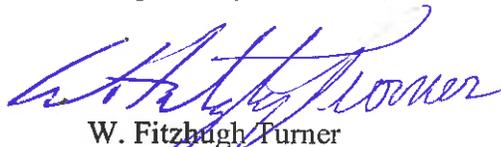
CERTIFICATE OF APPRAISAL

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

- 1) The statements of fact contained in this report are true and correct.
- 2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- 3) I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- 4) A Required Statement under the Uniform Standards of Professional Appraisal Practice, I have performed services, as an appraiser, regarding properties on Kent Island including parcels within the Study Area that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- 4) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 6) My compensation for completing this assignment is not contingent upon the developing 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.
- 7) My analyses, opinions, and conclusions were developed, and this Appraisal Report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- 8) I have made a personal inspection of the property that is the subject of this report.
- 9) No one provided significant professional assistance to the person signing this report.
- 10) I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives and Maryland Commission of Real Estate Appraisers, Appraisal Management Companies and Home Inspectors .
- 11) As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute and Maryland Commission of Real Estate Appraisers, Appraisal Management Companies and Home Inspectors .

After weighing the factors reported herein to the best of my knowledge and ability, it is my opinion that the value of the properties are as reflected above.

Respectfully submitted,



W. Fitzhugh Turner
Cert Gen Appraiser
MD License No. 298

APPENDICES

- Pages 1 - 72 - Improved Properties - value range \$150,000 to \$600,000- with septic fields versus public sewer
- Pages 73 - 187 Comparable Data - MLS full information sheet, photo pages and tax worksheet for the paired sales included in the charts in the report.
- Pages 188-194 Buildable Sites versus Un-Buildable Sites - Spread sheet of sales considered and included in the final analysis.