

203 ARLINGTON ST.
WATERTOWN, MA 02472

The
APPRAISERS
Group

(617) 924-1200
FAX: (617) 924-1271

Real Estate Research & Valuation

December 29, 2003

Kyle Salvati
Cambridge Savings Bank
1374 Massachusetts Avenue
Cambridge, MA 02138

Re: Complete Appraisal Summary Report
1093-1101 Chestnut Street
Newton, Massachusetts

Dear Mr. Salvati:

We have prepared the attached summary report of a complete appraisal for the purpose of estimating the market value of the fee simple interest in the above referenced property as of December 22, 2003, the date of inspection and March 1, 2005, the estimated date of completion of the proposed improvements.

The subject consists of two separate, 13,200 square foot lots, each improved with a two family home and both properties are under agreement to a developer for \$1,055,000. The developer plans to raze the existing two-family dwellings, combine the lots and redevelop the site with a Chapter 40B development comprised of 8 townhouse style condominiums, four of which will be market rate, 4 affordable. The developer plans to complete average quality finishes for the affordable units, to be sold at ~~\$265,000~~^{\$270,000} each, and high end finishes for the market rates units. The intended use of the appraisal is to assist the client with a commercial lending decision. The client has requested we estimate only the subject's "as is" value as two family dwellings and the aggregate market value for the market rate units once complete.

The values estimated in this report are subject to the developer obtaining all necessary permits and approvals to complete the proposed improvements in a timely manner as delineated in this report. The developer did not provide the appraiser with any plans or construction specifications. The developer and selling broker provided an outline of the unit sizes and a general idea of the finishes. The units will reportedly be competitive with high end units in the Newton market and will be similar

203 ARLINGTON ST.
WATERTOWN, MA 02472

The
APPRAISERS
Group

(617) 924-1200
FAX: (617) 924-1271

Real Estate Research & Valuation

COMPLETE APPRAISAL SUMMARY REPORT OF:

1093-1101 Chestnut Street
Newton, Massachusetts

PREPARED FOR:

Kyle Salvati
Cambridge Savings Bank
1374 Massachusetts Avenue
Cambridge, MA 02138

PREPARED BY:

Marcus Johnson
Staff Appraiser
and
Lisa Piccarelli
Supervisory Appraiser

Effective Date: December 22, 2003 and March 1, 2005

Appraisal Date: December 29, 2003

Our File No.: 03-5335-new

Client File No.: N/A

1093-1101 Chestnut Street
Newton, Massachusetts

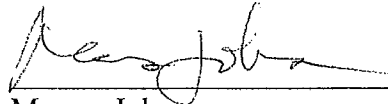
Crossed-out documents
included in part 2 of this
appraisal on the Newton
CPC website.

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
EXECUTIVE SUMMARY	5
DEFINITIONS	12
PROPERTY RIGHTS APPRAISED.....	13
EXTENT OF THE APPRAISAL PROCESS.....	14
PURPOSE, INTENDED USE AND INTENDED USER OF THE APPRAISAL.....	14
LEGAL DESCRIPTION AND RECORD OWNER.....	14
SALES HISTORY.....	15
ZONING AND REGULATORY CONTROLS	16
NATIONAL & REGIONAL ECONOMIC OVERVIEW	17
MARKET AREA DESCRIPTION.....	19
MARKET ANALYSIS.....	23
ESTIMATED MARKETING OR EXPOSURE TIME.....	29
SITE AND IMPROVEMENTS DESCRIPTION.....	29
HIGHEST AND BEST USE.....	36
THE APPRAISAL PROCESS	38
VALUATION RATIONALE.....	38
RECONCILIATION AND FINAL VALUE ESTIMATE	50
ASSUMPTIONS AND LIMITING CONDITIONS	52
CERTIFICATION.....	55
CERTIFICATION.....	55

~~ADDENDUM:~~

- ~~A. Assessor's Cards~~
- ~~B. Comparable Sale Photos~~
- ~~C. Qualifications of the Appraisers~~

1093-1101 Chestnut Street
Newton, Massachusetts



Marcus Johnson
STAFF APPRAISER
MA CERT. GENERAL R.E. APPRAISER LIC. #70246



Lisa Piccarelli
SUPERVISORY APPRAISER
MA CERT. GENERAL R.E. APPRAISER LIC. #4396

**1093-1101 Chestnut Street
Newton, Massachusetts**

to other newly constructed units in the area which are being positioned to take advantage of current market demands. Should the developer decide to construct units that are significantly different than what is assumed in this report, the appraiser reserves the right to amend the values estimated herein.

The analyses and conclusions within the attached report are based upon field research, interviews with market participants, and publicly available data that we have collected. The accompanying report has been prepared in accordance with the *Uniform Standards of Professional Appraisal Practice* (USPAP), as a Complete Appraisal Report in a Summary format; no departures from Standard 1 of the USPAP were invoked in the preparation of this report.

As Is Value

For the aforementioned reasons, it is the opinion of the appraisers that the market value of the fee simple interest in the subject property located at 1093-1101 Chestnut Street in Newton, Massachusetts, as of December 22, 2003, the date of inspection, is estimated to be:

ONE MILLION AND SIXTY THOUSAND DOLLARS

\$1,060,000

As Proposed Value – Market rate units

For the aforementioned reasons, it is the opinion of the appraisers that the market value of the fee simple interest in an individual average market rate townhouse unit in the proposed subject property located at 1093-1101 Chestnut Street in Newton, Massachusetts, as of March 1, 2005, the estimated date of completion of the proposed improvements, is estimated to be:

FIVE HUNDRED AND TWENTY FIVE THOUSAND DOLLARS

\$525,000

and the aggregate value of the four market rate units is estimated to be:

TWO MILLION ONE HUNDRED THOUSAND DOLLARS

\$2,100,000

**1093-1101 Chestnut Street
Newton, Massachusetts**

EXECUTIVE SUMMARY

Property Identification: 1093-1101 Chestnut Street
Newton, Massachusetts
Middlesex County South Registry of Deeds
Bk 9871 pg 174 Assessor ID: 51042 0006 – 1093 Chestnut
Bk 13052 pg 609 Assessor ID: 51042 0007 – 1101 Chestnut

Effective Date of Appraisal: December 22, 2003 and March 1, 2005 (estimated date of completion of all units)

Transmittal Date of Appraisal: December 29, 2003

Interest Appraised: Fee simple interest

Property Data:

Land Area: 13,200 square feet, both lots

Improvements: Each lot is improved with a two-family dwelling

Zoning: MR-1 Multi-residence 1, legal conforming

Assessment/Taxes: 1093 Chestnut 1101 Chestnut
\$438,000/ \$4,468 \$442,200/\$4,510 (FY 2004)

Highest and Best Use

As Vacant: Development for multi-family condominiums as allowed by special permit

As Improved: Redevelopment as multi-family condominiums or rehab as condominiums

Extraordinary Assumptions: The appraiser has assumed that the market rate units, as proposed, will have finishes equal to high end townhouse units in Newton of quality and appeal as to best maximize the appeal in the market and obtain the best possible sale price. Limited information was provided to the appraiser regarding the interior finish and no floor plans were provided. The appraiser has spoken with numerous brokers and reviewed numerous sales in order to best estimate the likely finishes for the subject. These assumptions were necessary to estimate a value for the subject and were based on discussions with the developer who stated the units would be competitive with the high end of the market in Newton. The appraiser has also

**1093-1101 Chestnut Street
Newton, Massachusetts**

assumed that the necessary permits to develop the site with the proposed development will be granted and granted in a timely manner to allow for completion of the improvements close to the estimated date of completion.

Valuation Summary:

Income Approach: considered, not developed

Direct Sales Approach:

As Is – 1093 Chestnut Street:	\$560,000
As Is - 1101 Chestnut Street:	<u>\$500,000</u>
TOTAL:	\$1,060,000

As Complete – Average Market Rate Unit	\$525,000
As Complete – 4 market rate units	\$2,100,000

Cost Approach: considered, not developed

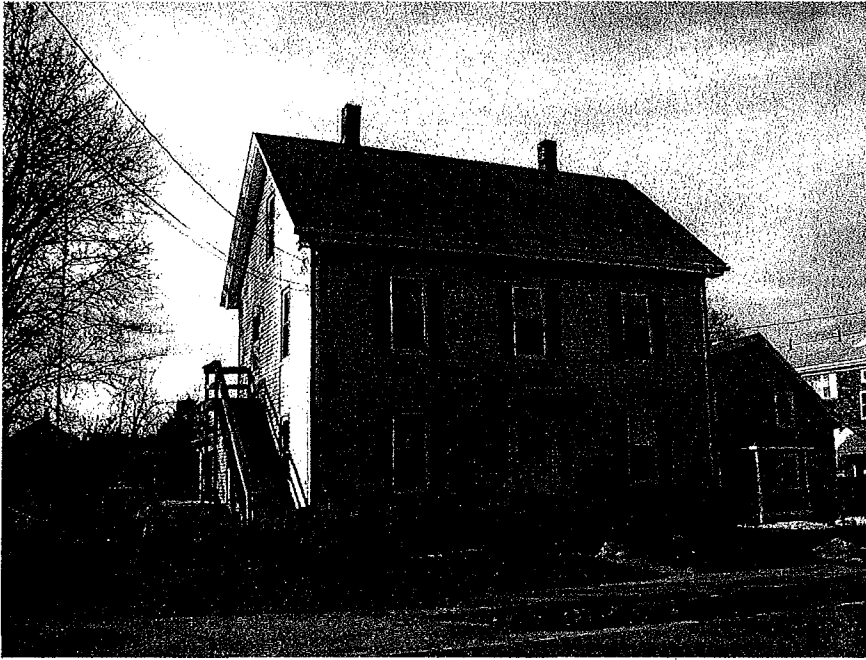
Subject Location Map



File No. 03-5335

Subject Property
1093 Chestnut Street, Newton

Exterior view



Subject Property
1093 Chestnut Street, Newton

Rear view



File No. 03-5335



Subject Property
1093 Chestnut Street, Newton

Typical kitchen



Subject Property
1093 Chestnut Street, Newton

First floor living area

File No. 03-5335



Subject Property
1101 Chestnut Street, Newton

Exterior view



Subject Property
1101 Chestnut Street, Newton

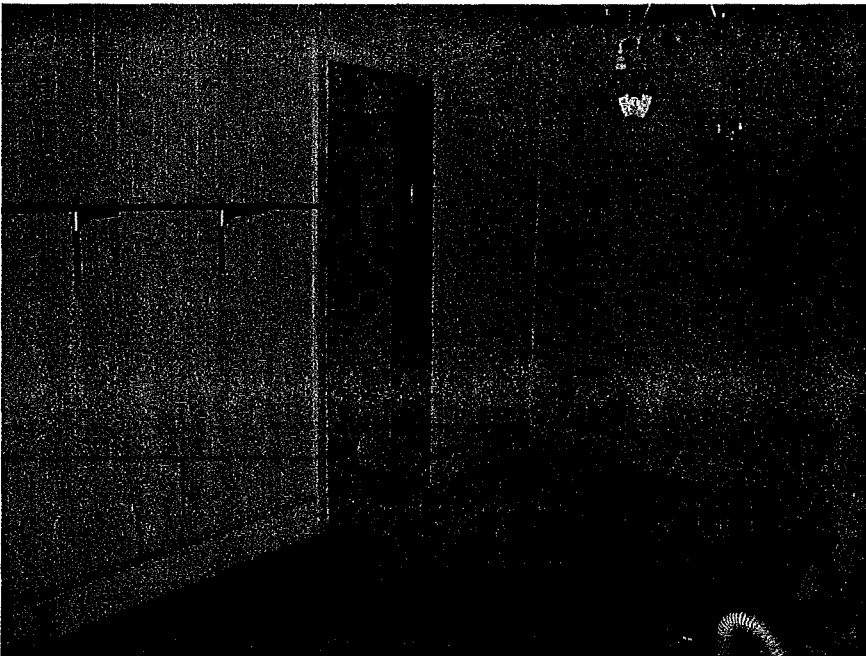
Garage

File No. 03-5335



Subject Property
1101 Chestnut Street, Newton

First floor kitchen



Subject Property
1101 Chestnut Street, Newton

Typical living area

**1093-1101 Chestnut Street
Newton, Massachusetts**

DEFINITIONS

Market Value is defined as:¹

The most probable price which a property should bring in competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Highest and Best Use is defined as:²

That reasonable and probable use that supports the highest present value, as defined, as of the effective date of the appraisal.

Alternatively, that use, from among reasonable probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

The definition immediately above applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue,

¹ *Federal Register*, vol. 55, no. 163, August 22, 1990, pages 34228 and 34229.

² *The Appraisal of Real Estate, Tenth Edition*, Appraisal Institute, 1992, p. 275.

**1093-1101 Chestnut Street
Newton, Massachusetts**

however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

PROPERTY RIGHTS APPRAISED

The effective property rights available to a prospective buyer would be the fee simple interest in the subject property described herein. The rights appraised herein include all benefits to which the fee simple ownership is entitled as of the appraisal date. A fee simple estate is defined by the Appraisal Institute as³:

Absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power, and taxation.

EXTENT OF THE APPRAISAL PROCESS

This valuation assignment is a Complete Appraisal presented in a summary report. The preparation of this Complete Appraisal consisted of:

- An inspection of the subject properties on December 22, 2003.
- Research and collection of market data related to market conditions and market activity.
- An exterior inspection of the comparables.
- A limited degree of due diligence to determine the existence of apparent adverse conditions.
- Zoning analysis
- Development of the sales comparison income approach
- Arriving at a value conclusion and writing this summary report.

³ *The Dictionary of Real Estate Appraisal*, The American Institute of Real Estate Appraisers, 2002, p. 113.

**1093-1101 Chestnut Street
Newton, Massachusetts**

EXTENT OF THE APPRAISAL PROCESS

The appraiser has collected data through discussions with municipal employees, commercial brokers in the immediate and neighboring communities, and with other appraisers. In addition, appropriate Registry of Deeds records, assessors and zoning records, and records of other pertinent government offices are obtained where possible.

An attempt was made to verify all comparable data with the buyer, seller, or broker involved in the transaction. A survey was also made, and confirmed in the same fashion, in an attempt to collect offerings of similar available properties.

Wherever apparent discrepancies in data occur, independent and definitive confirmation is obtained where possible, and where such discrepancies are uncovered, they are delineated in this appraisal report.

PURPOSE, INTENDED USE AND INTENDED USER OF THE APPRAISAL

This report has been requested by Kyle Salvati of Cambridge Savings Bank, for the purpose of estimating the market value of the fee simple interest in 1093-1101 Chestnut Street in Newton, Massachusetts, as of December 22, 2003 and the market value of the market rate units as of March 1, 2005, the estimated date of completion of the proposed improvements. The intended use of the report is to assist the client with a commercial lending decision. The intended user of the report is Kyle Salvati of Cambridge Savings Bank.

LEGAL DESCRIPTION AND RECORD OWNER

According to the assessor's card, title for 1093 Chestnut Street is held in the name of Paul and Eleanor Crowley by way of a deed recorded at the Middlesex South County Registry of Deeds in book 9871, page 174. Title for 1101 Chestnut Street is held in the name of Arthur and Patricia Bosselman by way of a deed recorded at the Middlesex South County Registry of Deeds in book

**1093-1101 Chestnut Street
Newton, Massachusetts**

13052, page 609.

SALES HISTORY

The subject properties have not sold within the last three years. They are currently under agreement to Can Do, a non-profit housing development enterprise. Both properties were marketed for \$579,900 and were originally listed for \$599,900. 1093 Chestnut was on the market for 62 days and 1101 Chestnut for 48 days before going under agreement. The properties are under agreement for a total of \$1,055,000.

The pending sale price appears to be reasonable based on the comparable sale data and the marketing time is believed to have afforded the subjects sufficient market exposure.

No title search has been made and the value incorporated herein has been developed assuming the property to be free of all tax liens and clear of any encumbrances, easements or restrictions detrimental to its market value.

FISCAL YEAR 2004 ASSESSMENTS AND TAXES

Address	Land Area (s.f.)	Building Area (Sf.)	Parcel ID	Assessment	Taxes
1093 Chestnut Street	13,200	2,242	51042006	\$438,000	\$4,467.60
1101 Chestnut Street	<u>13,200</u>	<u>1,908</u>	<u>51042007</u>	<u>\$442,200</u>	<u>\$4,510.44</u>
TOTAL	26,400	4,150		\$880,200	\$8,978.04

The subjects are currently classified as a two family dwellings and will be reclassified as condominiums after the proposed improvements are completed.

**1093-1101 Chestnut Street
Newton, Massachusetts**

ZONING AND REGULATORY CONTROLS

Zoning

The subject property is located within the residentially zoned, MR1 Multi-family Residence district, as designated by the most current municipal Zoning Bylaws. This zone allows for use, or construction for use, of 1- and 2-family dwellings. Uses requiring a special permit include boarding/rooming houses, hospitals, libraries and museums. Multi-family uses with more than 2 units are not cited as allowed uses. *As a condition of our valuation, we have assumed the proposed improvements will be permitted for the proposed use in a timely manner.*

The density and dimensional requirements for property in the MR1 district are:

Minimum Lot Size:	10,000 square feet (1&2 family residences) 7,000 s.f. (lots created before 12/7/53)
Maximum Lot Coverage:	30%
Front Yard Setback:	30' (25' if lot created before 12/7/53)
Side Yard Setback:	10' (7.5' if lot created before 12/7/53)
Rear yard Setback:	15' (15' if lot created before 12/7/53)
Minimum Lot Area/Dwelling Unit:	5,000 square feet
Minimum Open Space Usable:	50% of lot area
Maximum Building Height:	2.5 stories, 30 feet
Maximum FAR:	0.4 x lot area
Parking and Loading: Residential use:	2 spaces per unit

Currently, the subject properties are both improved with a two-family dwelling. The current use appears to be legal, yet non conforming, as the improvements do not appear to meet the setback requirements. The proposed use of the subject, each lot being improved with four units, is not an allowed use. *This appraisal is subject to the developer obtaining the necessary approvals and permits for the proposed use.* Assuming the necessary permits are obtained to improve the lot as proposed, the subject would be a legal, non-conforming use.

**1093-1101 Chestnut Street
Newton, Massachusetts**

Flood Zone

According to the FEMA National Flood Insurance Program rate map number 250208-0003-D, effective date June 4, 1990, the subject property is located within Zone C, an area outside the 100 year flood zone.

NATIONAL & REGIONAL ECONOMIC OVERVIEW

Following national and regional recessions in the late 1980's into the early 1990's, during which real estate prices were restructured downward, the renewal of economic growth in 1993 and pent-up demand along with the perception of increasing job security led to a surge in 1994 that continued through the late 1990's. January 2000 marked the longest U.S. economic expansion, and, through the first two quarters of 2000, economic growth remained steady.

Mid-2000 saw the end of this cycle of growth, and by year-end, the stock market had lost approximately 30% of its value, precipitated by the wholesale failure of "dot-com" companies. March of 2001 marked the beginning of what most economists agreed was a modest recession, exacerbated by the after-effects of September 11th and the collapse of Enron and WorldCom. In response to the recessionary economy, the Federal Reserve lowered its discount rate in a series of reductions to 4.75%, with a further reduction made in early November 2002 to 4.25%, to jump-start the faltering economy. The most recent reduction, made in late June 2003, reduced the rate to 4.00%. Remarks made by the Federal Reserve Board Chairman in early 2002 suggested that the recession might not be as deep as first expected, although current economic conditions, including a precipitous drop in the stock market during the 2nd and 3rd quarters of 2002, and subsequent volatility in market performance, have forestalled much of the earlier optimism. The stock market had a substantial gain in the first quarter of 2003 and gains continued into the second quarter and has been up and down in the third quarter as earnings releases and economic statistics are released; there are mixed opinions regarding the current short term economic outlook.

**1093-1101 Chestnut Street
Newton, Massachusetts**

Economic growth at the national level is starting to pick up with third quarter 2003 growth in the GDP cited at 7.2% and the addition of 286,000 jobs in the three month period from August to October, resulting in a drop in the national unemployment rate from 6.1% to 6.0%. Most of the job gains were in the retail, health care and service industry, while manufacturing sectors reported a loss again, but one which is less than in previous months. These are some of the first serious signs of a recovery in the broader economy.

According to figures published by the Federal Reserve Bank of Boston, the New England regional unemployment rate has been lower than the national average for the past five years, having declined from a 1996 average of 4.8%, to 2.7% in 2000 with September 2003 registering a rate of 5.0%. Comparatively, the national average was 5.4% in 1996, 4.0% in 2000, with a October 2003 rate of 6.0%. The rate for Massachusetts as of November 2003 was reported at 5.1%.

Over the past 36+ months, the New England Consumer Confidence Index fluctuated from 145.9 in January of 2000 to a peak of 150.3 in May of 2000. Levels reported in early 2003 indicate the index fell to a 10-year low of 57.6 in March prior to the start of the war in Iraq, and is currently at 72.8 versus 76.8 for the US.

State Trends

Following a rapid economic expansion in the late 1970's and mid 1980's, when the Massachusetts economic base shifted away from traditional manufacturing industries to an emphasis on high tech production and business and professional services, the region experienced a severe economic downturn lasting from 1989 and 1993. The Massachusetts economy stabilized in the early 1990's and grew through the first half of 2000. The economy was particularly hard hit in 2000 and 2001 because of the high concentration of financial service and high tech firms, whose industries were disproportionately affected in the latest downturn.

A recent article by the Boston Globe ("Analysis Paints Harsher Picture of Mass. Joblessness",

**1093-1101 Chestnut Street
Newton, Massachusetts**

10/30/2003) cites a recent report by Northeastern University which provides statistics that indicate the weakness in the Commonwealth's economy.

- Since 2000 the number of Massachusetts workers losing their jobs has more than tripled to 81,000 from 26,000 in 2000

- The average duration of unemployment has increased from 10.6 weeks in 2000 to 20.8 weeks in 2003 and last, on average, longer than all but two other states.

- By the end of 2005 the University of Massachusetts Donahue Institute predicts that the state is likely to recover less than 2/3 of the jobs lost in the latest recession. Much of the job growth will be in industries other than those that lost the most jobs in the last recession, specifically technology and manufacturing workers.

While national trends appear positive for the economy, New England is expected to lag the US as a whole due to the concentration in technology and financial services. The Federal Reserve, in their most recent report on the New England region, indicated that most retailers and businesses stated that the economy remained stagnant.

Summary Conclusions

In general, the regional economy is still sluggish and while showing some signs of improvement, is still lagging the national recovery. Significant growth is not expected until 2004 or 2005. Despite recent positive indicators, such as a 7.6% GDP growth rate in the third quarter of 2003, the recovery until recently, has been what economists term a "jobless recovery", especially in Massachusetts, in that many of the gains made by companies and much of the positive news have been made without the addition of employees and employment has sustained a net loss of jobs from 2000-2003. The full impact of this situation has not yet been realized and it is not clear to what extent the job market will recover.

MARKET AREA DESCRIPTION

Regional Data - The City of Newton is located just a few miles west of downtown Boston. It is

**1093-1101 Chestnut Street
Newton, Massachusetts**

bounded on the north by Waltham and Watertown, on the east Boston and Brookline, on the south by Needham and Wellesley and on the west by Weston.

Newton is accessed regionally by State Routes 16, 20 and 30 and interstates 90 and 95. East-west access is from the Mass Pike, Route 9, Route 20 and Route 30. The Massachusetts Bay Transportation Authority (MBTA) provides commuter rail service with stops in Newtonville, West Newton and Auburndale. The MBTA's Green Line also provides connections into Boston and Brookline via the D line, with numerous stops in Newton. Air passenger and freight service is available from Logan International Airport in nearby East Boston.

Municipal Data – The City of Newton is located in Middlesex County, approximately 6 miles west of Boston. Newton encompasses 18.22 square miles, 98% of which are land and 2% which are water surfaces. Density ranges from 3.85 to 13.7 persons per acre. Open space comprises 19.6% (2,988 acres) of total land area, 55% of which is publicly owned. Newton is bordered to the north and west by the Charles River and contains 14 lakes and ponds and 22 streams and brooks.

The majority of Newton's residents is employed in service related jobs, or wholesale & retail trade. The largest employers within the city are Boston College, the City itself, Reed Publishing, the Technical Aid Corporation and Newton-Wellesley Hospital. Unemployment has traditionally compared favorably to the state as whole.

The largest employment sectors in 1996 were services (51% of jobs), wholesale and retail trade (24% of jobs), and government (6.9% of jobs). In 1996, service and retail jobs accounted for 70.5% of employment. The 3,167 business establishments in Newton are located primarily in the 13 village centers. Newton's unemployment rate as of November 2003 was 2.9% versus 5.1% for the state.

Newton's population, which peaked at 92,384 in the 1960s, has decreased over the last four decades.

**1093-1101 Chestnut Street
Newton, Massachusetts**

According to the U.S. Census, the population of Newton decreased from 83,622 in 1980 to 82,585 in 1990. It increased slightly to 83,829 in 2000 but still remains below what it was in the 1960s.

Newton's outstanding school system has 15 elementary, 4 middle, and 2 senior high schools. Enrollment is projected to be 11,339 in the year 2000. Nearly 88% of students go on to higher education. In fiscal year 2000, the School Department operating budget from the City is \$101,289,952; pupil teacher ratios are 23:1 at the elementary level, 14.5:1 at the middle schools, and 16:1 at the senior high schools; the average teacher salary is \$53,343 and the approximate per pupil expenditure is \$9,071.

In 2000, there were a total of 32,112 housing units in Newton, 97.1% of them occupied. In 1990, there were a total of 30,497 housing units, 96.6% of which were occupied. In 1980 there were a total of 29,130 housing units (including vacant seasonal and migratory units) in Newton, according to the 1980 Census. Out of 31,201 units that were occupied in 2000, according to U.S Census 2000, 21,692 (69.5%) were owner-occupied and 9,509 (30.5%) were renter-occupied. The average household size of owner occupied units was 2.7 and the average household size of renter-occupied units was 2.08. Of 30,497 housing units identified in the 1990 U.S. Census, 68.9% were owner-occupied. The Census documented 2,280 condominiums in 1990 as compared to 558 in 1980 and 9,158 renter-occupied units in 1990 as compared to 8,949 in 1980. Only 19% of dwellings were built after 1960.

Of the 23,838 residential structures noted in the 1990 U.S. Census, 71.1% are listed as one-unit dwellings, 14.1% as two-unit dwellings, 1.3% as 3 unit dwellings, .7% as dwellings of 4 or more units, 12.3% as condominiums, and .7% as miscellaneous. There were 611 units of housing developed in multi-residential structures in the past five years. Commercial uses occupy 4.1% of land area. Nearly 24% of commercial land parcels are office uses, 21% are small retail uses, and 6% are storage or warehouse uses. Only 1.1% of land area in Newton is industrial. Institutions which saw major development in the past five years included, Temple Emmanuel, Oak Hill Middle School,

**1093-1101 Chestnut Street
Newton, Massachusetts**

Charles River Country Club, Temple Beth Avodah, Newton Wellesley Hospital, Solomon Schechter School, Boston College, Brae Burn Country Club.

The City has a full-time police and fire department, and public school from kindergarten through Grade 12.

Newton is predominantly a residential community, divided up into 13 villages, each with its own identity. The city offers a wide variety of amenities to its residents, including parks and recreation, golf courses, libraries, bike trails, and the Jackson Homestead Museum. Ease of access to major highways such as Route 9, Route 128 and the Massachusetts Turnpike, the availability of local shopping and services, and the proximity to employment centers all make Newton a very desirable place to live. The city's location, proximity to Boston, excellent highway access, educational and institutional components as well as one of the state's best school systems make Newton desirable to residents and employers.

Subject Neighborhood – The subject property is located in Newton Upper Falls, a neighborhood located in the Southwest corner of Newton south of Route 9 and east of Interstate 95. This is a primarily residentially developed area with a mix of older apartment buildings, recently converted condominiums, single family homes, new townhouses and two and three-family homes. Commercial uses include some smaller retail and office users as well as some areas of industrial development. Most of the major office, retail and industrial development is located on Needham Street.

Many of the area properties have been rehabbed as a result of the changing neighborhood dynamic, stemming from increases in real estate prices and the desirability of Newton. Most of the properties in the area appear to be well maintained, fueled by rising housing prices and strong demand from affluent buyers. However, numerous older, less maintained dwellings exist in the area.

**1093-1101 Chestnut Street
Newton, Massachusetts**

Chestnut Street is a two way street that runs from Linden Street, just south of the subject, in a north/south direction terminating at Washington Street. It is developed with a mix of single and multi-family residential with scattered commercial and retail uses at major intersections. The subject is located in an area of mainly residential uses with moderate traffic flow.

MARKET ANALYSIS

The subject properties are currently vacant two-family homes. The client has requested that we estimate an "as is" and "as complete" value of the subject. Therefore, we have focused on the market for condominiums as well as for multi-family housing.

Residential Market

During the past two+ years, with the retraction of the economy, rents have decreased, in some cases significantly as vacancies rose above the low of about 2% throughout most of the Greater Boston area. Contributing to this condition have been weak economic conditions and rising unemployment, and low interest rates making purchasing a home more affordable. A recent report by the Greater Boston Real Estate Board citing vacancy rates of about 7% in the metro-Boston area. Hardest hit have been luxury apartments where some managers and owners of large buildings reporting vacancy rates over 10% despite incentives such as free rent and no brokerage fees.

Conversely, the market for residential condominiums and single family dwellings has remained strong in Newton fueled by a general shortage of housing in the metro Boston area, as well as historically low interest rates that have prompted many renters to purchase property. Demand has been especially strong for lower to mid level condominiums, with high end units (\$1M+) suffering from a reduced demand and increased marketing times.

The strong demand over the last 5+ years has led to numerous conversions of apartments to condominiums, redevelopment of former industrial and commercial uses to residential uses and a seemingly endless demand for new developments. Many new developments are located on lots that

**1093-1101 Chestnut Street
Newton, Massachusetts**

formerly were improved with single and two family homes, but were razed in favor of larger developments.

The appraiser researched sale data from Banker and Tradesman, and Multiple Listing Service (MLS). Banker and Tradesman generally reports all sales over \$100 and presents them based on their use, according to the City in which they occur. Multiple Listing Service provides data for listings, sales and pending sales for a variety of property types in all communities in Massachusetts. For condominiums, they represent most of the sales that take place in Newton, but not all. Some sales are listed without a broker or are listed on a different service. Overall, the statistical data from MLS is believed to be a good representation of the market due to the sample size and the broad range of sale data that encompasses the full range of sale prices, while not listing sales between related parties that may not be representative of a market transaction.

Banker and Tradesman Sale Data

Town Name: NEWTON, MA

Type of Statistic: Median Sales Price

Time Period Selected: Calendar Year

Year	Months	1-Family	Condo	All Sales	% increase
2003	Jan - Oct	\$642,000	\$430,000	\$573,250	7.1%
2002	Jan - Dec	\$575,000	\$396,900	\$535,000	3.8%
2001	Jan - Dec	\$570,000	\$355,000	\$515,450	14.5%
2000	Jan - Dec	\$525,000	\$309,900	\$450,000	17.3%
1999	Jan - Dec	\$438,000	\$275,000	\$383,700	8.2%
1998	Jan - Dec	\$397,000	\$232,500	\$354,500	14.4%
1997	Jan - Dec	\$350,000	\$208,000	\$310,000	9.9%
1996	Jan - Dec	\$332,000	\$185,000	\$282,000	7.8%
1995	Jan - Dec	\$305,000	\$181,500	\$261,500	1.3%
1994	Jan - Dec	\$297,000	\$173,000	\$258,250	5.4%
1993	Jan - Dec	\$271,500	\$185,000	\$245,000	2.7%
1992	Jan - Dec	\$255,000	\$190,000	\$238,500	0.6%
1991	Jan - Dec	\$262,500	\$171,500	\$237,000	-10.6%
1990	Jan - Dec	\$285,000	\$182,000	\$265,000	-0.7%
1989	Jan - Dec	\$278,200	\$210,500	\$267,000	-0.1%
1988	Jan - Dec	\$289,750	\$190,000	\$267,250	

**1093-1101 Chestnut Street
Newton, Massachusetts**

Multiple Listing Service (MLS) Sale Data
Newton
Condominiums

Time Period	# of Sales	Average Listing Price	Average Sale Price	% difference	Marketing Time (days)
10/02-12/02	46	\$529,082	\$516,126	2.51%	64
1/03-3/03	64	\$459,771	\$451,810	1.76%	65
4/03-6/03	76	\$479,499	\$468,535	2.34%	66
7/03-9/03	94	\$466,910	\$450,763	3.58%	65
10/03-12/03	66	\$525,683	\$510,487	2.98%	53

What the Banker and Tradesmen data show is an overall trend of increasing prices for condominiums in Newton over the last few years. MLS statistics indicate fluctuations in the market with a stable marketing time over the last 12 months and only a 3%± difference between the asking price and the sale price. The overall data indicate a strong market with stable demand. Also, there has been substantial sale activity in the past 6 months when compared to the prior 9 month time period. New developments continue in the market indicating that developers believe the strength will continue.

Rental Market

Average market rents for apartment units in Newton's neighborhoods vary according to the size, location and condition of the units. The rental market is generally segmented between an upper tier of the rental range for units that have had some modern renovations completed, with newer fixtures and appliances, and upgrading of building systems and common areas, and the lower tier of the rental range for units that are largely unrenovated, with older fixtures and appliances and older building systems with little or no modern improvements to common areas. In general, the market for the renovated units representing the mid to upper tier of the rental range is geared toward professionals and some families who work in Newton, Boston or nearby communities. This market of renters generally demands a higher level of unit appointments and building features and is able to afford the higher rents commensurate with these features and amenities.

**1093-1101 Chestnut Street
Newton, Massachusetts**

Conversely, the market for the unrenovated units at the mid to lower end of the rental range is driven by single parent households, low income families, students and elderly residents of the city who are on limited or fixed incomes, many of whom live alone. In general, these latter segments of the market are price driven, with greater concern for occupancy costs, and are less particular about unit features or building amenities. In addition, a portion of the multi-person households in this market segment are comprised of unrelated individuals, and can expand or contract more readily as market conditions change.

According to brokers and property managers surveyed in the Newton area, the majority of older renovated or partially renovated buildings have central heating systems and individual units are usually heated by perimeter baseboard or radiators from a central boiler, supplying either hot water or steam. Monthly rents for buildings with central heat typically include the cost of heat and hot water provided by the landlord, with each tenant separately metered for electrical usage that includes any individual unit air conditioners installed by tenants.

Substantial renovations have occurred over the past 10 years as the economy improved and investors have snapped up multi-family property as investment alternatives to other types of real estate and other investment vehicles. Numerous properties have been upgraded and renovated to a varying extent or converted to condominiums.

In the subject's immediate area, the market rents for competing units, inclusive of heat, generally exhibit a range \$800 to \$1,200 for one-bedroom units, with the upper end of the ranges representing nicely renovated units. For two bedroom units the rents range from \$1,200 to \$1,800, with the upper end of the ranges representing nicely renovated units.

Overall, there remains strong demand for two+ family dwellings, either as rental income investment property or for condo conversions.

**1093-1101 Chestnut Street
Newton, Massachusetts**

Chapter 40B Development Information

The subject is slated for redevelopment with a 40B residential development. A discussion of Chapter 40B is provided below based on information obtained from the Commonwealth of Massachusetts website, and from CHAPA's (Citizens Housing and Planning Association) website.

Chapter 40B is a state statute enabling local zoning boards the right to approve affordable housing developments with varying guidelines provided that a minimum of 20% of the units are restricted as affordable for a set time. The statute was initiated in 1969 in order to help alleviate a housing problem that led to a lack of affordable housing. This was accomplished by limiting and eliminating some of the restrictions imposed by local zoning laws and community approval processes. This type of development process enables the market rate units to subsidize the affordable units, allows for denser development of property and enables development of sites that would otherwise have been restricted by existing zoning. Furthermore, many developments are completed with little or no public funding.

Cities and towns have been able to use this statute to increase the number of affordable housing units providing housing to city workers and other individuals and families that cannot afford market rate homes. In contrast to other developments constructed solely as low income housing, 40B developments typically offer the same level of quality in the affordable units as in the market rate units.

CHAPA states: "Since 1970, more than 485 developments have been built in more than 200 communities representing approximately 30,000 units of housing (18,000 of these units are reserved for households below 80% of median income). In recent years, much of this housing was produced with very little local, state or federal monies."

**1093-1101 Chestnut Street
Newton, Massachusetts**

Chapter 40B developments provide both market rate and affordable homes, condominiums and rental units. Affordable units are either sold or rented to individuals and families that earn 80% or less than the median household income for a given MSA.

A minimum of 25% of the units must be sold or rented to a family earning less than 80% of the area median income (or the project can provide 20% of the units to households below 50% of median income) and certain affordability guidelines need to be met. A federal housing program, such as the one being asked to finance the subject, MHIC, needs to approve the developer's proposal. As an incentive to the town in which the development is planned, the town can require that up to 70% of the affordable units be allocated for town residents. Also, the developers must agree to limit their profit to 20% of the sale price of the units.

If a project is eligible for funding, the developer submits an application for a permit to the community, which has the right to fast track the approval process, as well as allow for denser developments and flexibility within the dimensional requirements. The development is not exempt from conservation, wetlands and building requirements. If rejected by the zoning board, the developer has a right of appeal that is overseen at a state level. The State Housing Approval Committee can overturn a rejection unless it is determined that the proposed development will pose a safety or health concern. The developer's right of appeal can be used only in towns that have less than 10% of their housing stock available as low or moderate income housing or where less than 1.5% of the total land area zoned for residential, commercial and industrial uses is used for low or moderate income housing. Because of this right of appeal, most communities prefer to negotiate with developers regarding development size, density and dimensional issues.

Overall, the program has allowed for substantial development of both affordable and market rate units. The subject, as proposed, will create four affordable units and four market rate units on a site that would otherwise have been limited to two two-family homes or two single-family homes.

**1093-1101 Chestnut Street
Newton, Massachusetts**

ESTIMATED MARKETING OR EXPOSURE TIME

Exposure time varies with type of real estate and value range. A reasonable exposure period is a function of price, time and use. Exposure time can be dependent upon the action of the seller as well as market forces, capital availability, degree of exposure and the number of competitive offerings. An unrealistically high asking price may artificially lengthen exposure time. Unique property attributes or weak market conditions may also act to extend exposure periods. Exposure time represents the period of time necessary to sell the entire property in a single transaction. Marketing time represents the period of time necessary to sell the entire property in a single transaction after the valuation date.

The subject as proposed will be 8 townhouse style condominiums. Given current marketing times, we have estimated it will require about 3-4 months to sell individual units, with some overlap between sales. The estimated time to sell the two properties "as is", is estimated at between 2 and 4 months.

SITE AND IMPROVEMENTS DESCRIPTION

Site

The subject properties are separately deeded and assessed adjacent sites. A summary of each site is presented below.

**1093-1101 Chestnut Street
Newton, Massachusetts**

Data	Description - 1093 Chestnut Street, Newton
Land Area	13,200 square feet on one lot
Access	Vehicular access is from a curb cut on Chestnut Street
Shape	Irregular
Topography	The subject is at grade and level.
Flood Zone	Class C Zone, which is identified as an area of "minimal flooding." FEMA Map: Community Panel #250208-0003-D; Effective Date: 6/4/90
Environmental	No Environmental Site Assessment Report was made available to the appraisers regarding the status of existing hazardous waste conditions on site. For appraisal purposes, we assume that the property is in compliance with all community, State and Federal laws governing hazardous waste and that no additional threat of contamination exists on or near the subject property that would have a material impact of the subject's utility, marketability or market value.
Drainage	Generally dry and well drained site.
Wetlands	None.
Soils/Subsoils	Soil reports were not reviewed by the appraisers. It is assumed that the ground is of sufficient load bearing capacity to support the existing improvements. In our judgment, the subject is not located in an earthquake zone that would adversely affect the utility or marketability of the site.
Utilities	Electricity, gas, telephone, water and sewer all available to the site.
Building Improvements:	Two family dwelling
Parking	Adequate
Other Site Improvements:	Fencing, landscaping, in-ground pool, shed
Easements, Restrictions & Encumbrances	A title search is beyond the scope of this report and none was made available to the appraisers. After reviewing the Deeds, Site Plan and Assessor's Map, we are not aware of any rights-of-way or easements that would have any material effect on the subject property. Typical easements for utility lines are assumed. Any easements present, not otherwise accounted for, are all considered to have no extraordinary impact on the value of the subject property.

**1093-1101 Chestnut Street
Newton, Massachusetts**

Data	Description - 1101 Chestnut Street, Newton
Land Area	13,200 square feet on one lot
Access	Vehicular access is from a curb cut on Chestnut Street
Shape	Irregular
Topography	The subject is at grade and level.
Flood Zone	Class C Zone, which is identified as an area of "minimal flooding." FEMA Map: Community Panel #250208-0003-D; Effective Date: 6/4/90
Environmental	No Environmental Site Assessment Report was made available to the appraisers regarding the status of existing hazardous waste conditions on site. For appraisal purposes, we assume that the property is in compliance with all community, State and Federal laws governing hazardous waste and that no additional threat of contamination exists on or near the subject property that would have a material impact of the subject's utility, marketability or market value.
Drainage	Generally dry and well drained site.
Wetlands	None.
Soils/Subsoils	Soil reports were not reviewed by the appraisers. It is assumed that the ground is of sufficient load bearing capacity to support the existing improvements. In our judgment, the subject is not located in an earthquake zone that would adversely affect the utility or marketability of the site.
Utilities	Electricity, gas, telephone, water and sewer all available to the site.
Building Improvements:	Two family dwelling
Parking	Adequate
Other Site Improvements:	Garage, fencing
Easements, Restrictions & Encumbrances	A title search is beyond the scope of this report and none was made available to the appraisers. After reviewing the Deeds, Site Plan and Assessor's Map, we are not aware of any rights-of-way or easements that would have any material effect on the subject property. Typical easements for utility lines are assumed. Any easements present, not otherwise accounted for, are all considered to have no extraordinary impact on the value of the subject property.

The appraiser was not provided with a site plan detailing proposed improvements, nor were we provided with any substantial detail regarding the proposed development. Information provided verbally by the buyer indicated they plan to raze the existing improvements.

**1093-1101 Chestnut Street
Newton, Massachusetts**

Once redeveloped, the sites will be combined and will likely retain the existing location of the driveways. In our analysis we have made certain assumptions regarding the redevelopment of the site in order to make it competitive with similar townhouse developments in Newton. We have assumed that a moderate level of landscaping will be completed, including planting of shrubs, installing a new driveway, capping the in-ground pool and installing new fencing as needed.

Improvements

The subject is improved with two two-family homes in overall poor to below average condition. Details of the existing improvements have been provided below. Plans of the proposed improvements were not provided to the appraiser despite requests to the developer. The appraiser was instructed to value the proposed improvements based on the verbal data provided by the developer.

A summary of the existing improvements is provided on the following pages, followed by a summary of the proposed improvements.

**1093-1101 Chestnut Street
Newton, Massachusetts**

Component	Improvement Description
Address	1093 Chestnut Street
Gross Building Area	2,532+/- square feet
Condition	Below average
Quality	Average
Exterior Finishes	
Structure:	Wood frame, stone foundation.
Basement	Full, unfinished, cement floor. No moisture noted
Roof Cover:	Asphalt shingles
Exterior Amenities	None
Exterior Wall Cover:	Vinyl siding
Windows:	Double pane, double hung older replacements
Interior Finishes	
Overall	Dated finishes, some areas of deferred maintenance, older finishes.
Ceiling:	Plaster or dropped tile
Interior Walls:	Painted sheet rock, faux wood paneling, wallpapered walls
Interior Floors:	Vinyl, carpet, hardwood. Floor cover was generally older.
Other Interior Finishes:	Wall AC units noted, skylights in living room on first floor
Kitchens	Wood cabinets, vinyl flooring, laminate counters, gas stoves, dishwasher (1st floor only). Upper unit has small kitchen. Kitchens were older (20 years or so.)
Baths	One full bath per unit with vinyl flooring and tub shower combination.
Lighting:	Fluorescent and incandescent fixtures
Plumbing/Domestic Hot Water:	One 40 gallon tank noted.
Electrical:	Unknown
Heating System	Oil fired boiler. Appraiser noted a 275 gallon above ground tank in basement.
Other:	First floor unit has a 5/2/1 setup including a poorly finished basement room. The upper floor unit has 6/3/1 setup including two rooms on the third floor finished attic. Attic space comprises about 300 s.f. of gross living area. Rear yard has in ground pool with shed- the condition of the pool and shed is unknown. It is not believed to add or detract value from the dwelling.

**1093-1101 Chestnut Street
Newton, Massachusetts**

Component	Improvement Description
Address	1101 Chestnut Street
Gross Building Area	1,804+/- square feet
Condition	Poor to fair
Quality	N/A
Exterior Finishes	
Structure:	Wood frame, stone foundation.
Basement	Full, unfinished, cement floor. No moisture noted
Roof Cover:	Asphalt shingles
Exterior Amenities	None
Exterior Wall Cover:	Vinyl siding
Windows:	Double pane, double hung replacements
Interior Finishes	
Overall	Dated finishes, many areas of deferred maintenance, older finishes. First floor is in poor condition. 2nd floor in fair condition. Finished attic in poor condition.
Ceiling:	Plaster or dropped tile
Interior Walls:	Painted sheet rock, faux wood paneling, wallpapered walls
Interior Floors:	Vinyl, carpet, pine Floor cover was generally older.
Other Interior Finishes:	Wall AC units noted, skylights in living room on first floor
Kitchens	Wood cabinets, vinyl flooring, laminate counters, gas stoves, dishwasher (1st floor only). Upper unit has small kitchen. Kitchens were older (20 years or so.)
Baths	One full bath per unit with vinyl flooring and tub shower combination.
Lighting:	Fluorescent and incandescent fixtures
Plumbing/Domestic Hot Water:	30 gallon tank and 32.8 gallon tank- gas fired
Electrical:	70 and 100 amps on circuit breakers
Heating System	First floor has newer gas fired FHA furnace. 2nd floor has older forced hot water gas fired boiler located in attic.
Other:	First floor unit has a 4/1+1/1 setup including a one extra room without a closet. The upper floor unit has 7/2/1 setup including three rooms on the third floor finished attic in poor condition. Attic space comprises about 300 s.f. of gross living area. Rear yard has a two car garage in average condition with single overhead door, poured concrete floors, vinyl siding and electrical service. The second floor of the garage is accessible by a drop down ladder and appears to have been used as an apartment, although it has no kitchen or bath. The finishes in this part of the garage were minimal.

**1093-1101 Chestnut Street
Newton, Massachusetts**

Proposed Improvements

The appraiser was not provided with anything but a verbal description for the interior and exterior finishes of the proposed improvements, and even this description was minimal. The appraiser was provided with a breakdown of the units mix and size, but no floor plans. The appraiser has been instructed to estimate the value of the four market rate units assuming the quality and finishes would be high end and competitive with finishes utilized in other high end townhouse developments in Newton.

The affordable units will reportedly have an average quality finish, inferior to the market rate units. If it is learned at a later date that the proposed improvements differ significantly in terms of overall quality and appeal as the subject, the appraiser reserves the right to amend the estimated value contained herein.

The developer plans to build eight townhouse units, four of which will be affordable and sold at prices between \$265,000 (3 units) and \$285,000 (1 unit). The remaining units will be sold at market rates. Each unit will reportedly have 3 bedrooms, 2.5 baths, air conditioning and 1,500 square feet of living area. They will reportedly be similar to other townhouse developments in the area. The developer stated that the units will have hardwood floors, tile bathrooms, kitchens with maple cabinets and granite counters and will have parking for two cars. The units are assumed to be wood frame, with vinyl or wood clapboard siding, asphalt shingle roofs, double hung/double pane windows, forced hot air, gas fired furnaces, central air conditioning, adequate electrical service and a setup and layout similar to new townhouses in the area.

Overall, the quality of the finishes is expected to be good, with a functional layout and good appeal in the market due to the number of baths, quality of finishes and unit size.

The appraisers are not able to comment on the ADA compliance of the existing or proposed building

**1093-1101 Chestnut Street
Newton, Massachusetts**

improvements. While areas directly accessible from grade suggest handicapped accessibility, no analysis or determination was made of specific compliance or non-compliance based upon property-specific or owner-specific performance criteria. The owner is advised to retain the services of an architect or other professional experienced with building and life safety code issues if concerned about the subject's compliance with the ADA.

HIGHEST AND BEST USE

We have thoroughly reviewed the subject neighborhood and nearby land uses in an effort to adequately discuss the four criteria for highest and best use. They are: legally permissible, physically possible, financially feasible and maximally productive. Highest and best use is defined in the Definitions section of this report. The following is a discussion and conclusion of the subject's highest and best use "as if vacant" and "as improved."

As If Vacant

Legally Permissible – The legally permissible uses for the site include detached single and two-family residential uses. Based on the total site area and zoning requirements, we are of the opinion that the most likely legal could include single family residential and two-family residential uses. The subject as proposed would not conform to the legal uses allowed within this zone. However, we have assumed for the purposes of valuation that the appropriate permits would be obtained for the proposed development. Therefore, the proposed development is believed to be a legal use.

Physically Possible – The subject is of sufficient size and has characteristics suitable for development of the legally permissible uses. No soil testing was done, however, both the current improvements on the site and nearby structures suggest that the soils are of sufficient bearing capacity to support residential building improvements suitable for the site and typical of those found in the neighborhood. Therefore, it is assumed that the legally permissible uses are also physically possible.

**1093-1101 Chestnut Street
Newton, Massachusetts**

Financially Feasible – Current market conditions suggest that support for residential uses is sufficient to justify a buyer’s expenditure for new construction. The use or uses from among those that are both physically possible and legally permissible, and that have sufficient support under current market conditions to justify costs of development, are likely to include single-family or multi-family residential uses. Based on our experience appraising in Newton, as well as current market conditions, it appears that residential condominiums offer greater financial return than residential rental units.

Maximally Productive – The maximally productive use of the site “as if vacant” is that use from among the physically, legally and financially feasible uses that provides the highest return to the land. Based on current market conditions, we are of the opinion that the highest and best use of “as if vacant” is for development of a multi-family residential condominium development within the bounds of what is approved and allowed by the planning board under a special permit.

As Improved

The subject’s current use is vacant and in fair condition. Most property similar to the subject in style, location, condition and size are renovated and converted to condominiums. Given our assumption that the subject will be permitted for the proposed development, especially since Newton has been generally receptive to mixed-income developments, and because the proposed development has a good likelihood of happening given the laws regarding Chapter 40B developments.

Other likely uses include renovation of the existing homes for resale as individual condos.

The proposed development appears physically possible based on the surrounding and existing uses, legally possible based on our assumption regarding a special permit and financially feasible based on market conditions. The maximally productive use is believed to be as a multi-family development as

**1093-1101 Chestnut Street
Newton, Massachusetts**

permitted by the planning board.

Therefore, we are of the opinion that the redevelopment as a multi-unit condo development represents the highest and best use of the subject property "as improved".

THE APPRAISAL PROCESS

To estimate the market value of the subject property, the appraiser has available three basic approaches: the Direct Sales Comparison Approach, the Income Approach and the Cost Approach.

VALUATION RATIONALE

The direct sales comparison approach was developed using sales of two family homes in order to estimate the "as is" value, and existing townhouse-style condominium dwellings in order to estimate the value of individual units once complete. The client has instructed the appraiser to estimate the subjects' values "as is", as two family dwellings and to value only the individual values of the market rate condos "as proposed".

The income approach was not developed because two family homes are very rarely purchased based on their income potential, and the overall condition of the two properties, as well as their current vacancy and lack of historic expenses, makes it difficult to generate reliable income and expense information for the property. The income approach was not used to value the individual values of the condominiums as condominiums are rarely rented and given the proposed development and the current market rental conditions, the most likely buyer is expected to be an owner occupant.

The cost approach was considered but not developed for the "as is" value due to the condition and depreciation of the existing improvements and because most buyers do not consider this method when purchasing two family dwellings. The cost approach was not developed for the individual units "as proposed" due to the difficulty in estimating the shared components of condo units and because buyers of individual units generally do not consider this method.

**1093-1101 Chestnut Street
Newton, Massachusetts**

SALES COMPARISON APPROACH

In this approach, the market value of the subject property is estimated by analyzing the economic parameters of recent sales of comparable properties in the market area. The development of this approach involved estimating the value of two-family dwellings as well as the value for the individual subject units as proposed.

Two Family Homes

The subject "as is" consists of two properties, each in below average condition and improved with a two family dwelling on a relatively large (13,200 s.f.) lot. The appraiser focused his research on finding sales of older two-family dwellings in Newton. Emphasis was placed on sales with large lot areas similar to the subject. The appraiser has summarized these sales in the following grid and discussed the adjustments made to the sales used in the final value estimate.

**1093-1101 Chestnut Street
Newton, Massachusetts**

Newton Two Family Home Sales

No.	Address	Sale Date	Sale Price	Rms/BR/Ba	Living Area (sf)	\$/SF	Land Area (S.F.)	Comments
1	293 Cabot Street, Newton	5/29/2003	\$550,000	11/4/2	2,267	\$242.61	5,147	Two family requiring significant work. Property reportedly needed a total overhaul including new kitchens, 1 new bath, new systems and interior cosmetics. Buyer reportedly will complete extensive renovations.
2	294 Cabot Street, Newton	5/6/2003	\$510,000	12/5/2	2,530	\$201.58	7,896	Two family requiring significant renovations. Broker reported that the property required new kitchens, baths, electrical and heating systems. Buyer is reportedly doing a gut rehab and will convert the units to condos.
3	248 Elliot Street, Newton	UAG to close end of Dec.	\$535,000	13/7/3	2,380	\$224.79	17,580	Two family requiring complete gut rehab. Broker reports that the building will require new everything and is essentially a shell. Same buyer as the subject. Reportedly to close at the end of the month for \$535K.
4	8 Murray Terrace, Newton	1/3/2003	\$482,000	9/4/2	1,828	\$263.68	5,000	Small two family with some updates completed at the time of the sale but, according to the broker, required new wiring, new floors, new baths and other cosmetics. Small lot.
5	91 Walker Street, Newton	4/30/2003	\$525,000	12/7/3	2,907	\$180.60	10,302	Former single family home converted to two family in 1950's. First floor was 1+br apt., 2nd floor was 4 rooms and third floor was in law apartment. The buyer will return the Victorian style home to a single family and complete significant renovations. According to the broker the dwelling required substantial renovations, but no a gut rehab. Interior configuration needed to be reworked.
6	3 Crescent Street, Newton	4/4/2003	\$516,000	7/3/2	1,770	\$291.53	13,000	Former single family converted to a two family. Small units reported by the broker to be in poor condition requiring a gut rehab. Had two new heating systems. 2 car garage on property that also needed work.
7	224 Elliot Street, Newton	UAG to close Jan. 7	\$530,000	13/6/2.5	2,136	\$248.13	14,139	1830 antique dwelling with barn. Property has historic designation. Broker reports that the property will require substantial work and buyer will complete a gut rehab on the building. Described as nearly a shell.

HIGH	5/29/2003	\$550,000		2,907	\$291.53	17,580
AVERAGE	4/8/2003	\$521,143		2,260	\$236.13	10,438
LOW	1/3/2003	\$482,000		1,770	\$180.60	5,000

Subject Properties

1093 Chestnut Street, Newton	UAG	\$527,500	11/5/2	2,532		13,200	Subject two family in below average condition.
1101 Chestnut Street, Newton	UAG	\$527,500	11/3/2	1,804		13,200	Subject two family + garage in poor to fair condition.

**1093-1101 Chestnut Street
Newton, Massachusetts**

1093 Chestnut Street Adjustments

For all of the comparable sales, property rights conveyed, financing, and conditions of sale were judged to be without a discernible difference from those indicated for the subject property, and no adjustments to the sales were indicated for these factors. Discussion of the adjustments made to each sale are summarized in the following paragraphs and illustrated in an adjustment grid at the end of this report section.

Market Conditions - The sale dates were from January 2003 to May 2003 as well as two with pending sales. Market conditions are generally believed to have remained stable in the last year and no adjustments were considered necessary.

Location -The subject's location is considered average for residential uses. The sales utilized consist of locations considered to be generally comparable and adjustments were considered necessary only for the two sales on Cabot Street, a less traveled residential street improved with larger homes than the subject's area.

Physical Characteristics (Quality and Condition) - Building construction quality, age and condition were all considered under this heading. Generally, all of the sales required some level of work and some required a gut rehab. Sales 3, 6 and 7 required a gut rehab and are considered to be in inferior condition compared to the subject. These sales were adjusted up while the remaining sales were not adjusted.

Building Size - All sales with more than 150 s.f. difference between the subject and the sales were adjusted at a rate of \$50 per square foot, up for sales with smaller building area and down for sales with larger building area.

Land Area - Brokers indicated that buyers place a small premium on larger lots, therefore small

**1093-1101 Chestnut Street
Newton, Massachusetts**

adjustments were made to sales with significantly different land areas.

All sales were considered in the final estimation of value. The unadjusted sale prices range from \$482,000 to \$550,000 and the adjusted sale prices range from \$506,250 to \$574,100. We have estimated a value near the upper end of the range that accounts for the fact that the subject will not require a gut rehab and has a substantial lot area.

We have estimated a value of \$560,000 for the subject.

1101 Chestnut Street Adjustments

For all of the comparable sales, property rights conveyed, financing, and conditions of sale were judged to be without a discernible difference from those indicated for the subject property, and no adjustments to the sales were indicated for these factors. Discussion of the adjustments made to each sale are summarized in the following paragraphs and illustrated in an adjustment grid at the end of this report section.

Market Conditions - The sale dates were from January 2003 to 2 pending sales. Market conditions are generally believed to have remained stable in the last year and no adjustments were considered necessary.

Location - The subject's location is considered average for residential uses. The sales utilized consist of locations considered to be generally comparable and adjustments were considered necessary only for the two sales on Cabot Street, a less traveled residential street improved with larger homes than the subject's area.

Physical Characteristics (Quality and Condition) - Building construction quality, age and condition were all considered under this heading. Generally, all of the sales required some level of work and

**1093-1101 Chestnut Street
Newton, Massachusetts**

some required a gut rehab. Sales 3, 6 and 7 required a gut rehab and are considered to be in similar condition compared to the subject. The remaining sales were adjusted down to reflect their superior condition.

Building Size - All sales with more than 100 s.f. difference between the subject and the sales were adjusted at a rate of \$50 per square foot, up for sales with smaller building area and down for sales with larger building area.

Land Area - Brokers indicated that buyers place a small premium on larger lots, therefore small adjustments were made to sales with significantly different land areas.

Other Factors - The subject has a substantial garage in the rear of the property believed to have a small amount of value. We have made modest adjustments to each sale for this improvement.

All sales were considered in the final estimation of value. The unadjusted sale prices range from \$482,000 to \$550,000 and the adjusted sale prices range from \$454,850 to \$521,000. We have estimated a value near the upper/middle of the range that accounts for the fact that the subject will require a gut rehab and has a substantial lot area.

We have estimated a value of \$500,000 for the subject.

The estimated value of each subject property is summarized below.

1093 Chestnut Street, Newton	\$560,000
1101 Chestnut Street, Newton	<u>\$500,000</u>
TOTAL	\$1,060,000

**1093-1101 Chestnut Street
Newton, Massachusetts**

Adjustment Grid	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7
	1093 Chestnut St	293 Cabot Street, Newton	294 Cabot Street, Newton	248 Elliot Street, Newton	8 Murray Terrace, Newton	91 Walker Street, Newton	3 Crescent Street, Newton	224 Elliot Street, Newton
Address								
Sale Price	UAG	\$550,000	\$510,000	\$535,000	\$482,000	\$525,000	\$516,000	\$530,000
Sale Date	UAG	5/29/2003	5/6/2003	UAG	1/3/2003	4/30/2003	4/4/2003	UAG
Building Area (s.f.)	2,532	2,267	2,530	2,380	1,828	2,907	1,770	2,136
Land Area (s.f.)	13,200	5,147	7,896	17,580	5,000	10,302	13,000	14,139
Unit Mix (rms/br/ba)	11/5/2	11/4/2	12/5/2	13/7/3	9/4/2	12/7/3	7/3/2	13/6/2.5
Adjustments								
Conditions of Sale Adjustment		None unusual	None unusual	None unusual	None unusual	None unusual	None unusual	None unusual
Adjusted Price		\$550,000	\$510,000	\$535,000	\$482,000	\$525,000	\$516,000	\$530,000
Sale Date		5/29/2003	5/6/2003	UAG	1/3/2003	4/30/2003	4/4/2003	UAG
Market Conditions Adjustment		Similar	Similar	Similar	Similar	Similar	Similar	Similar
Adjusted Price		\$550,000	\$510,000	\$535,000	\$482,000	\$525,000	\$516,000	\$530,000
Overall Location Adjustment		Superior -\$10,000	Superior -\$10,000	Similar \$0	Similar \$0	Similar \$0	Similar \$0	Similar \$0
Building Condition Adjustment		Similar \$0	Similar \$0	Inferior \$20,000	Similar \$0	Similar \$0	Inferior \$20,000	Inferior \$20,000
Building size Adjustment	2,532 s.f.	Smaller \$13,250	Similar \$0	Similar \$0	Smaller \$35,200	Larger -\$18,750	Smaller \$38,100	Smaller \$19,800
Land Area Adjustment	13,200 s.f.	Smaller \$10,000	Smaller \$10,000	Similar \$0	Smaller \$10,000	Similar \$0	Similar \$0	Similar \$0
Other Factors Adjustment	none	None \$0	None \$0	None \$0	None \$0	None \$0	None \$0	None \$0
Total Adjustments (\$)		\$13,250	\$0	\$20,000	\$45,200	-\$18,750	\$58,100	\$39,800
Adjusted Price per Unit		\$563,250	\$510,000	\$555,000	\$527,200	\$506,250	\$574,100	\$569,800

**1093-1101 Chestnut Street
Newton, Massachusetts**

Adjustment Grid	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7
		293 Cabot Street, Newton	294 Cabot Street, Newton	248 Elliot Street, Newton	8 Murray Terrace, Newton	91 Walker Street, Newton	3 Crescent Street, Newton	224 Elliot Street, Newton
Address	1101 Chestnut St, Newton							
Sale Price	UAG	\$550,000	\$510,000	\$535,000	\$482,000	\$525,000	\$516,000	\$530,000
Sale Date	UAG	5/29/2003	5/6/2003	UAG	1/3/2003	4/30/2003	4/4/2003	UAG
Building Area (s.f.)	1,804	2,267	2,530	2,380	1,828	2,907	1,770	2,136
Land Area (s.f.)	13,200	5,147	7,896	17,580	5,000	10,302	13,000	14,139
Unit Mix (rms/br/ba)	11/3/2	11/4/2	12/5/2	13/7/3	9/4/2	12/7/3	7/3/2	13/6/2.5
Adjustments								
Conditions of Sale		None unusual	None unusual	None unusual	None unusual	None unusual	None unusual	None unusual
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted Price		\$550,000	\$510,000	\$535,000	\$482,000	\$525,000	\$516,000	\$530,000
Sale Date		5/29/2003	5/6/2003	UAG	1/3/2003	4/30/2003	4/4/2003	UAG
Market Conditions		Similar	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted Price		\$550,000	\$510,000	\$535,000	\$482,000	\$525,000	\$516,000	\$530,000
Overall Location		Superior	Superior	Similar	Similar	Similar	Similar	Similar
Adjustment		-\$10,000	-\$10,000	\$0	\$0	\$0	\$0	\$0
Building Condition		Superior	Superior	Similar	Superior	Superior	Similar	Similar
Adjustment		-\$20,000	-\$20,000	\$0	-\$20,000	-\$20,000	\$0	\$0
Building size	1,804 s.f.	Larger	Larger	Larger	Similar	Larger	Similar	Larger
Adjustment		-\$23,150	-\$36,300	-\$28,800	\$0	-\$55,150	\$0	-\$16,600
Land Area	13,200 s.f.	Smaller	Smaller	Similar	Smaller	Similar	Similar	Similar
Adjustment		\$10,000	\$10,000	\$0	\$10,000	\$0	\$0	\$0
Other Factors	Garage	None	None	None	None	None	None	None
Adjustment		\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Total Adjustments (\$)		-\$38,150	-\$51,300	-\$23,800	-\$5,000	-\$70,150	\$5,000	-\$11,600
Adjusted Price per Unit		\$511,850	\$458,700	\$511,200	\$477,000	\$454,850	\$521,000	\$518,400

**1093-1101 Chestnut Street
Newton, Massachusetts**

As Improved- Townhouses

As improved, the subject will consist of four market rate townhouses and four affordable townhouses. The four affordable townhouses have predetermined sale prices based on guidelines established by the state. Based on our instructions, we have estimated the value for the four market rate townhouses. We researched good quality, higher end townhouses in Newton in order to estimate the value of the proposed market rate units. Below is a summary of relevant sales researched for this report.

No.	Address	Sale Date	Sale Price	Rms/BR/Ba	Living Area (sf)	\$/SF	Parking	# of Units in development	Comments
1	251D Watertown Street, Newton	4/30/2003	\$627,000	7/2/2.5	2,040	\$307.35	1 garage 2 open	9	New high end construction with high end appliances, granite counters, jacuzzi. Built in 2002.
2	218 Cabot Street, Newton	7/1/2003	\$450,000	6/3/1.5	1,300	\$346.15	1 garage 2 open	2	Good quality renovation of townhouse with central air, granite kitchen, marble bath.
3	45 Elmore Street, Newton	1/6/2003	\$524,000	6/3/2	1,531	\$342.26	2 open	2	3 story duplex with good quality renovations. Large eat in kitchen. No a/c.
4	95 Cabot Street, Newton	12/4/2003	\$550,000	6/2/2	1,600	\$343.75	1 garage 1 open	2	Two story townhome converted in 2000. High end finishes.
5	22 Lothrop Street, Newton	10/16/2003	\$485,000	5/2/2.5	1,410	\$343.97	1 garage 2 open	8	Built in 1988 and renovated since with renovated kitchen, basement, new baths.
6	94A Christina Street, Newton	10/15/2003	\$485,000	6/3/2.5	1,500	\$323.33	2 open	5	New construction of townhouse. Good quality finishes, with hardwood floors in living area, carpet in bedrooms.

HIGH	12/4/2003	\$627,000	2,040	\$346.15	9
AVERAGE	7/22/2003	\$520,167	1,564	\$334.47	5
LOW	1/6/2003	\$450,000	1,300	\$307.35	2

The subject units, once complete, will represent high end finishes with an overall considered to be average for Newton.

For all of the comparable sales, property rights conveyed, financing, and conditions of sale were judged to be without a discernible difference from those indicated for the subject property, and no adjustments to the sales were indicated for these factors. Discussion of the adjustments made to each

**1093-1101 Chestnut Street
Newton, Massachusetts**

sale are summarized in the following paragraphs and illustrated in an adjustment grid at the end of this report section.

Market Conditions - The sale dates were from January 2003 to October 2003. Market conditions are generally believed to have remained stable in the last year and no adjustments were considered necessary.

Location -The subject's location is considered average for residential uses. The sales utilized consist of locations that vary in terms of appeal as dictated by their distance from retail, restaurants and public transportation and the overall neighborhood appeal. Generally, sales 1 and 6 were considered inferior locations in busier, less residential areas, while sales 2, 3 and 4 were considered superior locations closer to Newton Center. They were adjusted as necessary.

Physical Characteristics (Rooms, Bedrooms, Baths) – The number of rooms, bedrooms and baths were all considered under this heading. Adjustments were made to most sales for differences in the number of baths, half baths, bedrooms and rooms based on discussions with brokers.

Physical Characteristics (Quality) – The overall quality of the interior finishes is considered under this heading. The subject was compared to the sales based on information provided by MLS and the brokers involved in the sales. Adjustments were made based on these differences. The only sale requiring an adjustment was sale 6 which the broker reported had an awkward layout and slightly inferior finishes.

Unit Size - All sales with more than 100 s.f. difference between the subject and the sales were adjusted at a rate of \$200 per square foot, up for sales with a smaller unit area and down for sales with a larger unit area.

**1093-1101 Chestnut Street
Newton, Massachusetts**

Parking - The subject has two open spaces, while the sales vary with some having garage spaces. We have made modest adjustment based on discussions with brokers, for differences between the subject and the sales. Sales 1, 2, 4 and 5 have superior parking and were adjusted down.

All sales were considered in the final estimation of value. The unadjusted sale prices range from \$450,000 to \$627,000 and the adjusted sale prices range from \$490,000 to \$547,000. We have estimated a value near the upper middle end of the range that accounts for the fact that the subject units will be new construction.

We have estimated a value of \$525,000 for the subject's market rate units.

**1093-1101 Chestnut Street
Newton, Massachusetts**

Adjustment Grid	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Address	1093-1101 Chestnut St	251D Watertown Street, Watertown	218 Cabot Street, Newton	45 Elmore Street, Newton	95 Cabot Street, Newton	22 Lothrop Street, Newton	94A Christina Street, Newton
Sale Price		\$627,000	\$450,000	\$524,000	\$550,000	\$485,000	\$485,000
Sale Date		4/30/2003	7/1/2003	1/6/2003	12/4/2003	10/16/2003	10/15/2003
Living Area	1,500	2,040	1,300	1,531	1,600	1,410	1,500
Rooms	6/3/2.5	7/2/2.5	6/3/1.5	6/3/2	6/2/2	5/2/2.5	6/3/2.5
Parking	2 open	1 garage 2 open	1 garage 2 open	2 open	1 garage 1 open	1 garage 2 open	2 open
\$/SF of Living area		\$307	\$346	\$342	\$344	\$344	\$323
Adjustments							
Conditions of Sale		None unusual	None unusual	None unusual	None unusual	None unusual	None unusual
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Price per SF		\$627,000	\$450,000	\$524,000	\$550,000	\$485,000	\$485,000
Sale Date		4/30/2003	7/1/2003	1/6/2003	12/4/2003	10/16/2003	10/15/2003
Market Conditions		Similar	Similar	Similar	Similar	Similar	Similar
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Price per SF		\$627,000	\$450,000	\$524,000	\$550,000	\$485,000	\$485,000
Overall Location		Inferior	Superior	Superior	Superior	Similar	Inferior
Adjustment		\$10,000	-\$10,000	-\$10,000	-\$10,000	\$0	\$10,000
Physical Features		Inferior	Inferior	Inferior	Inferior	Inferior	Similar
Adjustment		\$5,000	\$15,000	\$7,500	\$10,000	\$10,000	\$0
Overall Quality		Similar	Similar	Similar	Similar	Similar	Inferior
Adjustment		\$0	\$0	\$0	\$0	\$0	\$10,000
Unit Size		Larger	Smaller	Similar	Similar	Similar	Similar
Adjustment		-\$108,000	\$40,000	\$0	\$0	\$0	\$0
Parking		Superior	Superior	Similar	Superior	Superior	Similar
Adjustment		-\$5,000	-\$5,000	\$0	-\$3,000	-\$5,000	\$0
Total Adjustments (\$/SF)		-\$98,000	\$40,000	-\$2,500	-\$3,000	\$5,000	\$20,000
Adjusted Price per SF		\$529,000	\$490,000	\$521,500	\$547,000	\$490,000	\$505,000

**1093-1101 Chestnut Street
Newton, Massachusetts**

RECONCILIATION AND FINAL VALUE ESTIMATE

The appraisers have considered all three approaches to value to arrive at the estimates of value for the subject property. The sales comparison approach was utilized to estimate the subject's "as is" value and the value of the proposed market rate units "as proposed". The remaining two approaches were not utilized based on the discussion presented earlier.

The subject property consists of two adjacent, separately deeded properties, each improved with a two-family home. Sales of two family dwellings in below average condition were utilized to estimate the "as is" values. Sales of upper end townhouses in Newton were utilized to estimate the value of the proposed market rate units.

The estimated values of the subject "as is" are shown below.

<u>1093 Chestnut Street</u>	<u>1101 Chestnut Street</u>	<u>Total</u>
\$560,000	\$500,000	\$1,060,000

The estimated value of the market rate units for the proposed townhouse condo units is:

\$525,000 per unit, with an aggregate value for the four units of **\$2,100,000**.

**1093-1101 Chestnut Street
Newton, Massachusetts**

As Is Value

For the aforementioned reasons, it is the opinion of the appraisers that the market value of the fee simple interest in the subject property located at 1093-1101 Chestnut Street in Newton, Massachusetts, as of December 22, 2003, the date of inspection, is estimated to be:

ONE MILLION AND SIXTY THOUSAND DOLLARS

\$1,060,000

As Proposed Value – Market rate units

For the aforementioned reasons, it is the opinion of the appraisers that the market value of the fee simple interest in an individual average market rate townhouse unit in the proposed subject property located at 1093-1101 Chestnut Street in Newton, Massachusetts, as of March 1, 2005, the estimated date of completion of the proposed improvements, is estimated to be:

FIVE HUNDRED AND TWENTY FIVE THOUSAND DOLLARS

\$525,000

and the aggregate value of the four market rate units is estimated to be:

TWO MILLION ONE HUNDRED THOUSAND DOLLARS

\$2,100,000