

Brinn Consulting, 9 Birch Knolls, Cape Elizabeth, Me. 04107 712-8237

Mr. Tom Hall
Scarborough Town Manager
259 US Route One
Scarborough Me 04074

September 19, 2018

Dear Mr. Hall,

As you requested, I have completed my review of the March 15th, 2018 Scarborough Downs Site: Real Estate Market Analysis prepared by Camoin Associates of Saratoga Springs, NY for Cross Roads Holdings LLC in Scarborough ME. As we agreed, my review included the following major components:

- A. Meeting with Camoin Associates to thoroughly review their market analysis focusing on the underlying assumptions made and their relevance.
- B. Determine and evaluate the methodology of the analysis and its appropriateness.
- C. Evaluate the resulting conclusions regarding build out plans to determine if said conclusions follow logically from sound analysis, and are based on underlying assumptions.

Here are my findings :

A. Underlying Assumptions

Camoin's assumptions are generally based on a thorough analysis of historical socioeconomic data and trends (primarily regarding population growth, housing unit and type of growth, demographic profile including age and income, employment data, and economic/employment by industry data), for several geographic sectors including the Town of Scarborough, the State of Maine, Cumberland and York Counties, the Portland Combined Statistical Area (CSA). The sources of this data are highly respected national leaders in

the industry including ESRI Business Analyst, CoStar, The American Community Survey (ACS), the US Census Bureau, The Bureau of Labor Statistics (BLS), The US Dept of Housing and Urban Development (HUD), and Economic Modeling Specialists International (EMSI). The study also uses local data sources such as the CBRE: the Bouslog Company, the Town of Scarborough, SEDCO, Maine Properties, LLC, State of Maine Office of Policy and Management, and the US Report for local areas.

Based on my meeting with Jim Damicis (Principal at Camoin Associates) and subsequent communications with Jim, I concluded that the trend data and projections they reviewed are very relevant and form a solid basis for their subsequent analysis of each sector evaluated.

B. Analysis of Methodology Used

The Market Analysis is quite normal for this type of developer driven assignment. They do a good job of taking a snapshot of Scarborough demographically, economically, and mobility wise, and comparing it to the surrounding geographies, to obtain a good perspective of how Scarborough fits into the region and its role in it. They effectively provide historical trend data and projections or forecasts and extrapolate those to result in logical outcomes and findings.

Using the residential housing sector analysis as an example, which includes 21 pages of the 82 page report, the consultants analyzed what has occurred in the recent past in regard to residential housing units built within the Housing Market Area(HMA) which includes 11 Towns in close proximity to Scarborough. They compared that to what has occurred in Scarborough over the same time period for all types of housing units, ie; single family, multi family, condo, elderly, etc, and also analyzed migration and mobility data, housing value data, age of households, population change and components of it, rental vs owned data and vacancy/absorption rates for the same geographies. They then looked at residential projects in the pipeline both within Scarborough and the HMA, and considered projections of housing growth from ESRI to result in the finding that Scarborough is expected to see a growth of 851 Households in the \$50,000 plus income category through

2022 and to account for 10% of all housing growth in the HMA over the same time period.

Additionally, they find that the largest target segments for new housing units in Scarborough and for this site are young adults (25-34 years of age) and seniors (age 55+). Using this very solid data as a basis, and combining it with discussions with Risbara Construction, CBRE and others at the local level, their analysis concludes that the Scarborough Downs Site can support a mix of 1000 new housing units in Years 1-5, 300 in years 6-10, and 1700 units in years 11+. While there is not a direct analysis line to follow of how the 1000 units are derived from all the trend data, the analysis seems logical given what has occurred in the past and I'm really not sure if a better methodology exists to project demand for housing units either within the Town of Scarborough or at the specific site in question.

They employed similar methodologies for the other sectors of development including Senior Living, but added more emphasis on vacancy rates and job growth projections as the main drivers of future demand for office, industrial, and medical office. They looked carefully at occupancy rates and pipeline projects to evaluate Hotel/Motel demand.

The only sector with analyses not based on an extrapolation of historical trend data is the Retail sector, in which a well done Gap Analysis based on supply and demand, basically showed very little support for additional significant retail development in the Town of Scarborough or at this site.

Overall, the methodologies employed are sound ones and the trend data they collected and evaluated were appropriate to use in the ways they did.

C. Evaluation of Conclusions

The study conclusions and recommendations are primarily based on an extrapolation of regional and local trend data and assume Scarborough continues to get its fair share or more of future regional growth in each sector. While the historical growth trends point in a positive direction, there is a fair amount of subjectivity applied to the forecasts that arise from it. However, the subjectivity in the recommendations was informed not only by the

thorough evaluation of historical trend data, pipeline supply, and vacancy rates, but also by in-depth discussions with many local, state and regional development and market real estate professionals. So it is hard to argue with the specific Findings and Recommendations, particularly in years 0-10. They are logically thought out and not on the aggressive side aside from the retail caveat below.

While the Retail Gap Analysis they performed, results in very little opportunity for new retail development in the Town of Scarborough over the next 10+ years, as highlighted in the report, if certain anchor tenants can be attracted that don't rely on convenience driven supply /demand functions, the assumed retail square footage in years 0-5 (145,000 - 170,000 sq ft) could be achieved.

From my perspective, unique retail tenants could be viable possibilities, because they can draw business past more conveniently located competitors to the Scarborough Downs Site, which is a regionally based site with excellent access and a strong regional road network. Otherwise this amount and type of retail is a long shot, of which this site has seen plenty.

Even if the retail component gets built as proposed, it raises another issue. Whereas the entire project is being marketed as downtown Scarborough and as a pedestrian friendly walk able, bike able, safe environment for kids, young families and elderly, should the regionally based retail get built, it could change and conflict with the pedestrian environment desired. It will be crucial for the retail component to be segregated enough so that it has easy regional access and parking for the retailers, while not threatening the overall nature of the downtown pedestrian character of the development. The corollary to that is the housing component should also be segregated enough from the regional retail sector to provide enough privacy and quietness to make it attractive as a residential address.

The other concern that flows out of the Study recommendations is that Years 11+ or Phase III, account for the lion's share of the build out in the Recommendations in most every sector, and in many cases assume larger footprints built in years 11+ than in years 0-10 combined. If the Town's net present value (NPV) in the preferred scenario only becomes highly positive because of the build out assumptions in years 11 onward, it becomes more

uncertain for the Town because the trend data and extrapolations become less predictable that far out in time. Having said that, if Phases I and II get built as proposed in years 0-10 and are doing well, the likelihood is good that a Phase III will also be built, even if it isn't the exact magnitude of the phase III contained in the report. Nonetheless if the Town derives the majority of its NPV from the out years after year 10, it adds a level of uncertainty.

In conclusion, in my opinion, the Scarborough Downs Site Real Estate Market Analysis completed by Camoin Associates is based on relevant assumptions, sound methodology and analysis, and the resulting recommendations and conclusions, with my concerns noted above, are logical and supportable particularly in Years 0-10 of the study period. Camoin Associates has a firm grasp on what has occurred locally and regionally over the past 5-10 years from a development perspective and understand what is in the current pipeline. They draw logical and generally conservative conclusions about the future from this understanding.

Thanks very much for the opportunity to work on this very interesting and significant project.

If I can be of further help in the future, please don't hesitate to contact me.

Steven Brinn, Principal
Brinn Consulting

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