

# **Is Portsmouth's Condominium Market Being Overbuilt?**

Presented to

**City of Portsmouth  
Economic Development Commission**

Presented by

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## I. There is plenty of demand for housing in Portsmouth

Before we talk about supply we need to understand demand. Let's start by estimating how much demand there is for housing in Portsmouth right now. This is actually fairly easy to calculate if you know where to look for the numbers.

|   |               |                                      |
|---|---------------|--------------------------------------|
| Forecasted Population 2010 <sup>1</sup>           | 22,200        |                                      |
| Minus Estimated 2003 Population <sup>2</sup>      | <u>21,051</u> |                                      |
| Equals Forecast Growth                            | +1,149        | <i>Additional Residents</i>          |
| Estimated 2003 Population                         | 21,051        |                                      |
| Divided by Estimated 2003 Households <sup>3</sup> | <u>9,981</u>  |                                      |
| Equals Average Household Size                     | 2.11          | <i>Residents per household</i>       |
| Forecasted Population 2010                        | 22,200        |                                      |
| Divided by Average Household Size                 | <u>2.11</u>   |                                      |
| Equals Forecast Households                        | 10,521        | <i>Households</i>                    |
| Forecasted Households                             | 10,521        |                                      |
| Divided by estimated occupancy rate <sup>4</sup>  | <u>96.5%</u>  |                                      |
| Equals Required Housing Units                     | 10,903        | <i>Required Total Housing Units</i>  |
| Required Housing Units                            | 10,903        |                                      |
| Minus 2003 Housing Units <sup>5</sup>             | <u>10,363</u> |                                      |
| Equals Additional Units Required                  | 540           | <i>Required Addt'l Housing Units</i> |

All other things being equal, unless an average of 90 units per year is built in Portsmouth from 2004 to 2009 (540 units divided by six years), there will continue to be a shortage of housing.

In fact, Portsmouth has only averaged 44 new housing units per year from 2000 to 2003<sup>6</sup>.

In each of Rockingham and Strafford County's eight other large municipalities (having more than 5,000 housing units) an average of 116 units per year were added from 2000 to 2003<sup>7</sup>.

Therefore, unless a dramatic shift in Portsmouth's housing policies occurs, supply will remain tight. In fact, if all other things remain the same, vacancies will likely stay low, price

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<sup>1</sup> *Municipal Population Projections 2005 to 2025*, Prepared by NH Office of Energy & Planning (OEP) Jan 2005

<sup>2</sup> *2003 Population Estimates of New Hampshire Cities and Towns*, Prepared by NH OEP, July 2004

<sup>3</sup> *Household Estimates for New Hampshire Cities and Towns*, Prepared by NH OEP, March 2005

<sup>4</sup> Per 2000 Census, vacancy in Portsmouth was 2.3%. I have assumed a 50% increase and forecast vacancy to be 3.5%. Therefore, occupancy is forecast at 96.5%. The nationwide average for vacancy in 2000 was 5%±.

<sup>5</sup> *Current Estimates and Trends in New Hampshire's Housing Supply: 2003*, NH OEP, November 2004

<sup>6</sup> Based upon the net of building permits and demolition permits, the State estimates that 38 units were added in 2000, 30, in 2001, 41, in 2002 and 68 were added in 2003

<sup>7</sup> Derry averaged 68 units per year; Dover, 182/year; Exeter, 60/year; Hampton, 80/year; Londonderry, 107/year; Rochester, 204/year; Salem, 193/year; and Somersworth, 41/year.

levels will not likely retreat substantially, properly priced property should continue to be readily absorbed and, regrettably, Portsmouth will likely continue to be the subsidized housing capital of the region. The threat of seeing Portsmouth “overbuilt” in the next five or so years, by any type of property remains remote (assuming competent marketing). But, keep in mind that simply because there is demand for 540 housing units does not mean that they must be built now. To do so *would* likely result in an oversupply.

## II. Demand Continues to Contribute to Price Increases

The tables below summarize 154 houses and 184 condominiums that each sold twice between 1999 and 2004. The average annual rate of appreciation is calculated for each set of resales based upon the year they were first bought.

### Average Annual Appreciation Rate Based Upon Year Bought & Year Sold Portsmouth, NH (1999 thru 2004)

#### Condominiums

|             |      | Year Sold |       |       |       |       |
|-------------|------|-----------|-------|-------|-------|-------|
|             |      | 2000      | 2001  | 2002  | 2003  | 2004  |
| Year Bought | 1999 | 19.9%     | 18.9% | 20.0% | 22.9% | 16.2% |
|             | 2000 | --        | 18.8% | 19.9% | 14.3% | 14.6% |
|             | 2001 | --        | --    | 13.1% | 14.0% | 17.6% |
|             | 2002 | --        | --    | --    | 9.3%  | 15.4% |
|             | 2003 | --        | --    | --    | --    | 11.5% |

Overall Average: 17.5%

#### Single Families

|             |      | Year Sold |       |       |       |       |
|-------------|------|-----------|-------|-------|-------|-------|
|             |      | 2000      | 2001  | 2002  | 2003  | 2004  |
| Year Bought | 1999 | 12.0%     | 14.8% | 17.4% | 14.1% | 14.8% |
|             | 2000 | --        | 11.3% | 13.1% | 18.7% | 15.5% |
|             | 2001 | --        | --    | 13.5% | 15.5% | 14.0% |
|             | 2002 | --        | --    | --    | 13.2% | 15.5% |
|             | 2003 | --        | --    | --    | --    | 10.8% |

Overall Average: 15.1%

Working backwards from 2004, the charts show that the prices of houses and condos continued to rise during 2004, but it was at a slower pace than years before. The rate of increase is still impressive, at four times the rate of inflation. If the demand for condominiums in Portsmouth was significantly softening, prices would not have risen 11.5% from 2003 to 2004.

## III. The Condominium Market is Not Experiencing an Oversupply

Properly priced condominiums continue to sell and do so briskly. Tables on the next page break down condominium sales by price range. Comparing 2003 to 2004, a similar number of condos sold and did so at a similar ratio of sale price to list price. They also sold at a similar median

price but did so at a somewhat faster pace. Although it is quite early in the new year, year-to-date results are similar.

| <b>2003 Sales</b>         | <b>Number of Sales</b> | <b>Median List Price</b> | <b>Median Sell Price</b> | <b>Ratio of Sell / List</b> | <b>Days on Market</b> |
|---------------------------|------------------------|--------------------------|--------------------------|-----------------------------|-----------------------|
| \$0 to \$100,000          | 4                      | \$79,900                 | \$72,500                 | 90.7%                       | 83                    |
| \$100,000 to \$200,000    | 72                     | \$161,950                | \$159,900                | 98.7%                       | 55                    |
| \$200,000 to \$300,000    | 62                     | \$249,900                | \$237,000                | 94.8%                       | 55                    |
| \$300,000 to \$400,000    | 17                     | \$339,000                | \$326,535                | 96.3%                       | 144                   |
| \$400,000 to \$500,000    | 8                      | \$454,450                | \$439,025                | 96.6%                       | 67                    |
| \$500,000 to \$1,000,000  | 6                      | \$582,200                | \$572,125                | 98.3%                       | 86                    |
| <b>\$0 to \$1,000,000</b> | <b>169</b>             | <b>\$214,900</b>         | <b>\$212,000</b>         | <b>98.7%</b>                | <b>67</b>             |

| <b>2004 Sales</b>         | <b>Number of Sales</b> | <b>Median List Price</b> | <b>Median Sell Price</b> | <b>Ratio of Sell / List</b> | <b>Days on Market</b> |
|---------------------------|------------------------|--------------------------|--------------------------|-----------------------------|-----------------------|
| \$0 to \$100,000          | 0                      | --                       | --                       | --                          | --                    |
| \$100,000 to \$200,000    | 75                     | \$169,900                | \$168,000                | 98.9%                       | 42                    |
| \$200,000 to \$300,000    | 53                     | \$249,900                | \$247,500                | 99.0%                       | 57                    |
| \$300,000 to \$400,000    | 15                     | \$349,900                | \$343,000                | 98.0%                       | 80                    |
| \$400,000 to \$500,000    | 9                      | \$469,900                | \$450,000                | 95.8%                       | 21                    |
| \$500,000 to \$1,000,000  | 3                      | \$587,900                | \$575,500                | 97.9%                       | 31                    |
| <b>\$0 to \$1,000,000</b> | <b>154</b>             | <b>\$209,000</b>         | <b>\$205,500</b>         | <b>98.3%</b>                | <b>50</b>             |

| <b>1/1/05 - 3/19/05</b> | <b>Number</b> | <b>Median List Price</b> | <b>Median Sell Price</b> | <b>Ratio of Sell / List</b> | <b>Days on Market</b> |
|-------------------------|---------------|--------------------------|--------------------------|-----------------------------|-----------------------|
| YTD Sales               | 25            | \$249,900                | \$249,900                | 100.0%                      | 72                    |
| Currently Listed        | 91            | \$399,000                | --                       | --                          | 139                   |
| Currently Pending       | 26            | \$250,000                | --                       | --                          | 68                    |

Addressing the question of a possible oversupply of condominiums: there are no interesting trends that can be seen when comparing 2003, 2004 and YTD 2005. Everything looks fine on this page. Frankly, I appreciate the opportunity to speak to you today, but there really is not much to tell you ... things are pretty much the same, they are doing ok and there is not much new to report.

#### **IV. Why does it seem like there are so many condominiums on the market?**

Return to the tables above. You can see that the strongest segment of the market is condominiums priced under \$300,000. Here is where there is the largest volume of sales, the shortest marketing times and the highest ratio of sale price to asking price. Demand is the least strong (notice how I didn't say "weakest") for condominiums priced from \$300,000 to \$400,000. In both years, the number of units sold is fairly small, their ratio of sold price to asking price is below average, and their marketing time is longer than average.

The median sale price of a single family home in Portsmouth during 2004 was \$327,000. Generally speaking, condos are supposed to be a more affordable alternative to houses. With few exceptions, most market segments prefer a house to a condominium. Therefore, if

a condo is going to be priced higher than detached homes, it must offer something more – it must have some attribute that makes it more desirable than the competing houses.

Also, and this is purely speculation, but I would guess that this price range is where the most families can be found. Families of all shapes and sizes tend to require features such as yards, basements or garages (at least more so than young urban professionals do).

Downtown living, in a one story apartment, in a multistory building, is probably less appealing to a large enough segment of the \$300,000 to \$450,000 crowd that the impact on marketing is noticeable. Again, this is pure speculation, but it seems reasonable to me.

Therefore, I would expect to see condos that are priced between the low \$300,000s and the mid \$400,000s will be harder to sell because they are in a price range where demand is lighter.

In fact ... a review of the condos that are now listed for sale show this to be true. Of roughly 90 units now listed for sale, one-half are priced between \$300,000 and \$450,000 and they have been listed for an average of 181 days (as of 3/19/05). The other half, those priced below \$300,000 or above \$450,000, have been on the market for an average of only 97 days! (If 97 days seems long to you, remember that we are just coming out of an awful winter, so even properly priced properties have languished a little.)

It appears that there are more sellers competing in a price range that does not have very high demand in the first place. If I were a developer, I would avoid the \$300,000 to \$450,000 market unless my property offered something truly unique. (Keep in mind also that I am arbitrarily drawing lines at \$100,000 intervals; it is likely that a more detailed analysis would better delineate where the caution zone lies.)

This is sound advice, but it seems some developers have a different strategy. Below are some examples of current projects that you probably know... because they are directly on our most heavily traveled streets, we seem to notice them more.

| #  | Location      | DOM             | Original  | Current   | Avg Size | \$/SF |
|----|---------------|-----------------|-----------|-----------|----------|-------|
| 5  | 126 STATE     | 112             | \$615,000 | \$615,000 | 2,050    | \$311 |
| 8  | 159 STATE     | 33 <sup>8</sup> | \$435,000 | \$435,000 | 890      | \$484 |
| 14 | 871 ISLINGTON | 380             | \$425,000 | \$397,000 | 1,219    | \$327 |
| 1  | 237 ISLINGTON | 135             | \$439,900 | \$399,900 | 1,238    | \$323 |
| 7  | 133 ISLINGTON | 166             | \$424,900 | \$424,900 | 1,400    | \$304 |
| 35 |               | 213             | \$425,000 | \$424,900 | 1,238    | \$341 |

This table highlights another important point: when asking why some condominiums are not selling, we need to be aware of the asking prices. The units now listed for sale below \$300,000 and above \$450,000 are listed at an average price of \$293/SF. So far this year, 25 condominiums have sold at an average price of \$214 per square foot (ranging from \$144 to \$319). Of the 26 units that are pending, their average list price was \$278/SF. But look again at the prices above; the average asking price is \$341 per square foot and they range from \$300 to \$600 per square foot. Ultimately the marketplace will decide if these units are properly priced. But right now, they are not selling and there has to be a reason. To

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<sup>8</sup> Note that 159 State Street has been “officially” listed for 33 days, but the sign has been on the front of the building for nearly one year.

give you some idea of what is selling and for how much, I have attached a list of all of the condos that sold during 2004 (through a Realtor).

As an aside, I must warn you about getting bogged down in studying prices per square foot. The new condos on Islington Street, next to Hovey's, have an asking between \$350,000 and \$360,000 for roughly 1,000 SF of living space. At \$350 or so per square foot, that sounds high, but smaller properties sell for more per square foot. Remember when I suggested that the products priced in this range should have some characteristic that makes them stand out. Well these units are townhouses, they are lower priced, they have garages and they have a different location than the others. Whatever that certain something is, the listing agent tells me that she has four non-binding offers already, so it would seem that \$350/SF is right for these units. More importantly, overall, condominiums are selling.

Many of you may also be aware of a number of projects due to come on-line whose asking prices are in this same "caution zone". It would not be unreasonable to wonder what will happen to those units. All I can say is that I hope all of these developers know something that we do not. Maybe some actually do, but it seems more likely that a few developers have forged forward without the correct knowledge of the marketplace. Like lemmings, other developers are assuming that this first group must know what they are doing, so they are going to do the same thing. And so on.

The concern I express is for the well being of the developers though; not for the marketplace at large, or the near term economic vitality of Portsmouth. No harm is done having these condos sitting unsold. All the others are still selling and from all observable signs, the condo market is generally quite healthy. What you are witnessing is simply a small but highly visible segment of the market. Remember, these condos will eventually sell, although it remains to be seen what their final price will be. These units may simply require a longer absorption time, the market may eventually catch up to them, or their developers will be forced to sell at prices where demand is greater.

## **V. Please remain calm**

Remember that at the beginning of this discussion I reported that Portsmouth is not allowing homes to be built fast enough? Although we are a very long way from doing our part to house working families, we can look at the glass as being half full rather than half empty: Strict policies preclude over-development. I wish we could strike more of a balance, but we are so far from the conditions that lead to an oversupply of condominiums, I urge you not to worry ... There are no signs at this time to suggest that any segment of the housing market is at risk of suffering due to an over supply.

| Address         | DOM | Sale Date  | Sale Price | Size  | \$/SF    | Address          | DOM | Sale Date  | Sale Price | Size  | \$/SF    |
|-----------------|-----|------------|------------|-------|----------|------------------|-----|------------|------------|-------|----------|
| 159 AUSTIN      | 217 | 3/26/2004  | \$150,000  | 782   | \$191.82 | 38 SOUTH         | 26  | 5/25/2004  | \$309,000  | 1,050 | \$294.29 |
| 121 BOW         | 83  | 4/15/2004  | \$465,000  |       |          | 50 SOUTH         | 12  | 4/20/2004  | \$556,000  | 2,420 | \$229.75 |
| 158 CABOT       | 108 | 3/5/2004   | \$270,000  |       |          | 673 SOUTH        | 24  | 6/18/2004  | \$205,000  | 842   | \$243.47 |
| 158 CABOT       | 141 | 3/15/2004  | \$254,900  |       |          | 889 SOUTH        | 160 | 3/22/2004  | \$245,000  |       |          |
| 175 CABOT       | 92  | 12/6/2004  | \$240,000  |       |          | 889 SOUTH        | 17  | 6/15/2004  | \$492,500  | 1,680 | \$293.15 |
| 67-69 CABOT     | 18  | 6/14/2004  | \$247,500  |       |          | 5-7 SOUTH        | 322 | 8/23/2004  | \$206,000  |       |          |
| 12 CENTRAL      | 132 | 7/1/2004   | \$140,000  | 595   | \$235.29 | 139D SOUTH       | 78  | 10/21/2004 | \$655,500  | 2,000 | \$327.75 |
| 46 COLUMBIA     | 63  | 6/2/2004   | \$248,000  | 1,030 | \$240.78 | 9 SPINNAKER      | 10  | 8/19/2004  | \$246,000  | 1,108 | \$222.02 |
| 55 CONGRESS     | 60  | 2/19/2004  | \$187,500  | 550   | \$340.91 | 11 SPINNAKER     | 23  | 9/27/2004  | \$250,000  | 1,047 | \$238.78 |
| 55 CONGRESS     | 45  | 6/3/2004   | \$182,000  | 742   | \$245.28 | 13 SPINNAKER     | 252 | 4/16/2004  | \$210,000  | 1,047 | \$200.57 |
| 55 CONGRESS     | 41  | 8/30/2004  | \$237,000  | 928   | \$255.39 | 17 SPINNAKER     | 14  | 7/21/2004  | \$229,900  | 1,100 | \$209.00 |
| 110 COURT       | 27  | 4/8/2004   | \$255,000  | 921   | \$276.87 | 21 SPINNAKER     | 64  | 6/18/2004  | \$239,900  | 1,440 | \$166.60 |
| 59 DEER         | 8   | 4/28/2004  | \$275,000  | 1,436 | \$191.50 | 23 SPINNAKER     | 16  | 3/5/2004   | \$225,000  | 1,010 | \$222.77 |
| 130 DENNETT     | 26  | 5/4/2004   | \$450,000  |       |          | 27 SPINNAKER     | 19  | 9/30/2004  | \$252,900  | 1,444 | \$175.14 |
| 155 ECHO        | 33  | 4/15/2004  | \$210,000  |       |          | 37 SPINNAKER     | 35  | 4/15/2004  | \$239,000  | 1,140 | \$209.65 |
| 80 FLEET        | 175 | 4/2/2004   | \$210,000  | 880   | \$238.64 | 53 SPINNAKER     | 6   | 12/17/2004 | \$284,500  | 1,430 | \$198.95 |
| 90 FLEET        | 40  | 7/28/2004  | \$154,000  | 579   | \$265.98 | 127 SPINNAKER    | 76  | 3/1/2004   | \$293,000  | 1,435 | \$204.18 |
| 83 GATES        | 18  | 5/28/2004  | \$410,000  |       |          | 128 SPINNAKER    | 15  | 6/25/2004  | \$248,000  | 1,140 | \$217.54 |
| 93 HIGH         | 129 | 12/1/2004  | \$185,000  |       |          | 101 SPRINGBROOK  | 78  | 8/30/2004  | \$168,000  | 1,071 | \$156.86 |
| 100 ISLINGTON   | 28  | 12/10/2004 | \$162,000  | 671   | \$241.43 | 203 SPRINGBROOK  | 3   | 2/3/2004   | \$168,000  | 1,071 | \$156.86 |
| 314 ISLINGTON   | 7   | 11/29/2004 | \$185,000  | 750   | \$246.67 | 209 SPRINGBROOK  | 2   | 4/29/2004  | \$172,900  | 1,071 | \$161.44 |
| 314 ISLINGTON   | 15  | 12/22/2004 | \$185,000  | 750   | \$246.67 | 210 SPRINGBROOK  | 30  | 7/29/2004  | \$169,900  | 1,071 | \$158.64 |
| 314 ISLINGTON   | 1   | 12/22/2004 | \$198,375  | 750   | \$264.50 | 211 SPRINGBROOK  | 6   | 6/11/2004  | \$174,900  | 1,071 | \$163.31 |
| 737 ISLINGTON   | 53  | 5/5/2004   | \$170,000  | 1,050 | \$161.90 | 306 SPRINGBROOK  | 4   | 2/27/2004  | \$168,000  | 1,071 | \$156.86 |
| 737 ISLINGTON   | 165 | 5/3/2004   | \$194,000  | 1,338 | \$144.99 | 307 SPRINGBROOK  | 29  | 12/16/2004 | \$180,000  | 1,071 | \$168.07 |
| 86-4 ISLINGTON  | 213 | 6/29/2004  | \$269,900  | 700   | \$385.57 | 309 SPRINGBROOK  | 18  | 3/22/2004  | \$168,000  | 1,071 | \$156.86 |
| 86-5 ISLINGTON  | 140 | 5/21/2004  | \$269,500  | 700   | \$385.00 | 313 SPRINGBROOK  | 10  | 9/28/2004  | \$175,500  | 1,071 | \$163.87 |
| 86-6 ISLINGTON  | 200 | 7/21/2004  | \$279,900  | 700   | \$399.86 | 410 SPRINGBROOK  | 3   | 4/24/2004  | \$169,900  | 1,071 | \$158.64 |
| 3370 LAFAYETTE  | 10  | 12/3/2004  | \$210,000  | 1,080 | \$194.44 | 501 SPRINGBROOK  | 9   | 3/31/2004  | \$164,900  | 1,071 | \$153.97 |
| 76 LAWRENCE     | 257 | 2/5/2004   | \$343,000  | 2,050 | \$167.32 | 504 SPRINGBROOK  | 8   | 4/30/2004  | \$163,000  | 1,071 | \$152.19 |
| 189 LINCOLN     | 38  | 7/7/2004   | \$292,500  | 1,316 | \$222.26 | 603 SPRINGBROOK  | 11  | 8/12/2004  | \$171,500  | 1,071 | \$160.13 |
| 199 LINCOLN     | 6   | 6/11/2004  | \$290,000  |       |          | 708 SPRINGBROOK  | 9   | 6/21/2004  | \$173,900  | 1,071 | \$162.37 |
| 185 MADISON     | 83  | 9/24/2004  | \$168,500  |       |          | 801 SPRINGBROOK  | 15  | 9/15/2004  | \$175,000  | 1,071 | \$163.40 |
| 197 MADISON     | 4   | 6/10/2004  | \$150,000  | 682   | \$219.94 | 808 SPRINGBROOK  | 7   | 6/30/2004  | \$173,900  | 1,071 | \$162.37 |
| 197 MADISON     | 5   | 7/1/2004   | \$158,000  | 678   | \$233.04 | 812 SPRINGBROOK  | 7   | 5/14/2004  | \$169,900  | 1,071 | \$158.64 |
| 197 MADISON     | 67  | 9/22/2004  | \$197,500  | 850   | \$232.35 | 903 SPRINGBROOK  | 29  | 11/12/2004 | \$180,000  | 1,071 | \$168.07 |
| 306 MARCY       | 8   | 11/16/2004 | \$395,000  |       |          | 910 SPRINGBROOK  | 4   | 11/10/2004 | \$178,000  | 1,071 | \$166.20 |
| 500 MARKET, 13R | 5   | 7/16/2004  | \$284,000  | 1,300 | \$218.46 | 911 SPRINGBROOK  | 5   | 12/6/2004  | \$183,500  | 1,071 | \$171.34 |
| 500 MARKET, 5L  | 40  | 12/13/2004 | \$304,000  | 1,300 | \$233.85 | 912 SPRINGBROOK  | 3   | 6/28/2004  | \$168,000  | 1,071 | \$156.86 |
| 40 MERRIMAC     | 104 | 6/11/2004  | \$399,000  | 1,295 | \$308.11 | 126 STATE        | 66  | 1/23/2004  | \$200,000  |       |          |
| 77 MERRIMAC     | 5   | 6/24/2004  | \$253,500  |       |          | 126 STATE        | 46  | 1/20/2004  | \$325,000  |       |          |
| 622 MIDDLE      | 36  | 10/29/2004 | \$399,000  | 2,100 | \$190.00 | 126 STATE        | 11  | 12/27/2004 | \$309,900  | 1,230 | \$251.95 |
| 774 MIDDLE      | 11  | 4/26/2004  | \$449,000  | 2,392 | \$187.71 | 147 STATE        | 0   | 3/10/2004  | \$168,000  |       |          |
| 774 MIDDLE      | 197 | 6/24/2004  | \$333,000  | 1,624 | \$205.05 | 147 STATE        | 68  | 6/15/2004  | \$168,000  |       |          |
| 777 MIDDLE      | 55  | 2/5/2004   | \$170,000  | 966   | \$175.98 | 147 STATE        | 70  | 12/23/2004 | \$167,000  |       |          |
| 777 MIDDLE      | 16  | 8/2/2004   | \$197,500  | 1,074 | \$183.89 | 242 STATE        | 38  | 5/3/2004   | \$265,000  | 975   | \$271.79 |
| 777 MIDDLE      | 5   | 8/2/2004   | \$206,000  | 1,074 | \$191.81 | 401 STATE        | 6   | 10/21/2004 | \$175,000  | 728   | \$240.38 |
| 777 MIDDLE      | 1   | 9/2/2004   | \$194,000  | 1,055 | \$183.89 | 414 STATE        | 104 | 10/22/2004 | \$160,000  |       |          |
| 777 MIDDLE      | 6   | 11/4/2004  | \$212,000  | 1,074 | \$197.39 | 414 STATE        | 70  | 11/19/2004 | \$350,000  | 1,274 | \$274.73 |
| 777 MIDDLE      | 5   | 8/6/2004   | \$196,000  | 1,074 | \$182.50 | 609 STATE        | 11  | 3/25/2004  | \$269,000  | 1,142 | \$235.55 |
| 212 MILLER      | 5   | 7/29/2004  | \$253,000  | 583   | \$433.96 | 728 STATE        | 13  | 2/25/2004  | \$218,500  | 897   | \$243.59 |
| 352 MILLER      | 5   | 6/16/2004  | \$293,334  | 1,298 | \$225.99 | 2 STAYSAIL       | 13  | 7/19/2004  | \$239,000  | 1,028 | \$232.49 |
| 354 MILLER      | 100 | 11/3/2004  | \$294,000  |       |          | 16 STAYSAIL      | 20  | 12/28/2004 | \$240,000  | 1,064 | \$225.56 |
| 380 OCEAN       | 39  | 5/13/2004  | \$275,000  |       |          | 31 STAYSAIL      | 26  | 11/24/2004 | \$188,000  | 638   | \$294.67 |
| 445 OCEAN       | 21  | 5/21/2004  | \$244,000  | 1,360 | \$179.41 | 110 UNION        | 44  | 11/30/2004 | \$229,000  | 654   | \$350.15 |
| 445 OCEAN       | 18  | 5/22/2004  | \$309,900  | 1,800 | \$172.17 | 102 WHITE CEDAR  | 19  | 3/8/2004   | \$134,000  | 804   | \$166.67 |
| 19 PEARL        | 90  | 6/21/2004  | \$265,900  |       |          | 202 WHITE CEDAR  | 17  | 1/17/2004  | \$117,000  | 804   | \$145.52 |
| 248 PEVERLY     | 120 | 12/13/2004 | \$357,000  |       |          | 203 WHITE CEDAR  | 82  | 11/23/2004 | \$127,800  | 804   | \$158.96 |
| 229 PLEASANT    | 4   | 10/8/2004  | \$515,000  | 1,607 | \$320.47 | 209 WHITE CEDAR  | 115 | 2/20/2004  | \$133,000  | 804   | \$165.42 |
| 290 PLEASANT    | 11  | 5/20/2004  | \$420,000  |       |          | 412 WHITE CEDAR  | 17  | 4/8/2004   | \$140,000  | 804   | \$174.13 |
| 290 PLEASANT    | 104 | 1/26/2004  | \$213,000  | 785   | \$271.34 | 502 WHITE CEDAR  | 96  | 7/15/2004  | \$118,000  | 804   | \$146.77 |
| 290 PLEASANT    | 12  | 6/30/2004  | \$234,000  |       |          | 508 WHITE CEDAR  | 11  | 8/13/2004  | \$134,000  | 804   | \$166.67 |
| 290 PLEASANT    | 9   | 12/3/2004  | \$200,000  |       |          | 605 WHITE CEDAR  | 148 | 12/13/2004 | \$134,200  | 804   | \$166.92 |
| 284 RICHARD     | 46  | 4/30/2004  | \$209,000  | 720   | \$290.28 | 612 WHITE CEDAR  | 35  | 2/13/2004  | \$133,000  | 804   | \$165.42 |
| 284 RICHARD     | 4   | 6/30/2004  | \$249,000  | 1,000 | \$249.00 | 701 WHITE CEDAR  | 39  | 12/29/2004 | \$125,000  | 804   | \$155.47 |
| 264 ROCKLAND    | 24  | 7/15/2004  | \$269,000  | 985   | \$273.10 | 703 WHITE CEDAR  | 111 | 12/15/2004 | \$118,000  | 804   | \$146.77 |
| 557 SAGAMORE    | 15  | 3/25/2004  | \$127,000  | 750   | \$169.33 | 707 WHITE CEDAR  | 18  | 8/10/2004  | \$133,000  | 804   | \$165.42 |
| 557 SAGAMORE    | 120 | 12/12/2004 | \$128,000  | 718   | \$178.27 | 709 WHITE CEDAR  | 22  | 10/1/2004  | \$134,400  | 804   | \$167.16 |
| 559 SAGAMORE    | 6   | 9/14/2004  | \$137,400  | 913   | \$150.49 | 803 WHITE CEDAR  | 57  | 5/7/2004   | \$132,900  | 804   | \$165.30 |
| 565 SAGAMORE    | 45  | 11/12/2004 | \$130,000  | 913   | \$142.39 | 806 WHITE CEDAR  | 110 | 8/5/2004   | \$134,000  | 804   | \$166.67 |
| 579 SAGAMORE    | 116 | 2/6/2004   | \$346,000  | 1,950 | \$177.44 | 810 WHITE CEDAR  | 86  | 12/13/2004 | \$136,500  | 804   | \$169.78 |
| 579 SAGAMORE    | 20  | 3/30/2004  | \$330,000  | 2,020 | \$163.37 | 1103 WHITE CEDAR | 65  | 8/26/2004  | \$127,500  | 804   | \$158.58 |
| 579 SAGAMORE    | 5   | 4/5/2004   | \$470,000  | 2,417 | \$194.46 | 1307 WHITE CEDAR | 67  | 11/1/2004  | \$135,000  | 804   | \$167.91 |
| 579 SAGAMORE    | 5   | 6/25/2004  | \$480,000  |       |          | 1310 WHITE CEDAR | 52  | 11/1/2004  | \$139,000  | 804   | \$172.89 |
| 579 SAGAMORE    | 19  | 3/8/2004   | \$420,000  |       |          | 1412 WHITE CEDAR | 11  | 6/7/2004   | \$140,000  | 804   | \$174.13 |
| 579 SAGAMORE    | 132 | 11/4/2004  | \$365,000  | 2,193 | \$166.44 | 1603 WHITE CEDAR | 10  | 6/25/2004  | \$139,900  | 804   | \$174.00 |
|                 |     |            |            |       |          | 1902 WHITE CEDAR | 63  | 9/30/2004  | \$123,700  | 804   | \$153.86 |

# QUALIFICATIONS OF STEVEN H. BERG, MAI, SRA

## EXPERIENCE OVERVIEW

Mr. Berg has been providing advisory, valuation and litigation support services, full-time, since 1986. His experience addresses most property types, geographically concentrating in the New Hampshire Seacoast area. Services have been provided for acquisition, easements, estate, financing, workout, tax abatement, foreclosure and litigation, as well as development feasibility, investment and highest & best use. He has extensive experience providing litigation support in civil and zoning issues, including pre-trial support, appraisal review and expert witness testimony. Areas of specialization include market analysis and providing consulting services in litigation where a diminution in value is alleged. Additional responsibilities during his career have involved internal review appraising, appraiser training, office management, business development, client relations and supervising residential appraisal operations in Northern New England & Massachusetts. Clients include lenders, attorneys, litigants, property owners, buyers & government agencies. Mr. Berg is a qualified expert witness in Federal Bankruptcy Court (Manchester, NH) and Rockingham & Strafford County, NH Superior Courts.

## PROFESSIONAL DESIGNATIONS, AFFILIATIONS AND CERTIFICATIONS

Appraisal Institute; RM Member #2646 (awarded 1990), Converted to SRA, 1998  
Appraisal Institute; MAI Member #11414 (awarded 1998)  
Member, New Hampshire Real Estate Appraiser Board  
Member, Appraisal Foundation State Regulators Advisory Group  
Member, Appraisal Institute Residential Experience Review Committee  
Affiliate Member, Strafford County Board of Realtors®  
Associate Instructor, Appraisal Institute  
State Certified General Appraiser (All licenses are current)

|               |        |               |
|---------------|--------|---------------|
| New Hampshire | Maine  | Massachusetts |
| NHCG-40       | CG-641 | 3048          |

## EMPLOYMENT

1994 - Pres. SARGENT CONSULTING, LTD. Portsmouth, NH  
President & Founder  
Real Estate Consultant; Commercial and Residential Real Estate Appraiser

1989 - 1993 GOODWIN, BRAGG & BERG, INC. Portsmouth, NH  
Principal & Co-Founder; Manager, Portsmouth Office  
Director, Residential Appraisal Services  
Commercial and Residential Real Estate Appraiser

1985 - 1989 PROPERTY FINANCIAL APPRAISAL SERVICES.  
Office manager and review appraiser, Greenland, NH (1987-1989)  
Residential Fee Appraiser, Providence, RI (1985-1987)

1985 - 1991 REAL ESTATE SALES AGENT, MA and RI  
Licensed Real Estate Salesperson.

1984 - 1985 BAYBANK NORFOLK COUNTY TRUST COMPANY, Dedham, MA  
Commercial Credit Analyst.

## PERSONAL AFFILIATIONS AND VOLUNTEER EFFORTS

City of Portsmouth Zoning Board of Appeals (Alternate Member)  
Greater Portsmouth Chamber of Commerce (Member)  
Portsmouth Housing Endowment Fund Advisory Committee (Member)  
City of Portsmouth Assessor's Advisory Committee (Member)  
Portsmouth Economic Development Loan Committee (Member).  
Workforce Housing Coalition (Member)  
Exchange City of New England Advisory Board (Member)  
Seacoast Big Brothers Big Sisters of New Hampshire (Volunteer).  
NH Society for the Prevention of Cruelty to Animals (Volunteer)

## GENERAL EDUCATION

1980 - 1984 CONNECTICUT COLLEGE, New London, CT  
B.A. Economics/Sociology, Cum Laude

1976 - 1980 SOMERSET HIGH SCHOOL, Somerset, MA  
College Preparatory Program

## QUALIFICATIONS OF S.H. BERG, MAI, SRA CONTINUED

### PROFESSIONAL EDUCATION *(Total accredited education exceeds 500 classroom hours)*

- 1988 - 2005 APPRAISAL INSTITUTE *(formerly AMERICAN INSTITUTE OF REAL ESTATE APPRAISERS)*  
Experience Review Training Session  
Evaluating Commercial Construction  
Condemnation Appraisal: Principles and Applications  
Real Estate Fraud  
Valuation of Divided Partial Interests  
Residential Consulting  
Advanced Applications  
Appraisal Procedures  
Report Writing and Valuation Analysis  
Uniform Standards of Professional Appraisal Practice  
Uniform Standards of Professional Appraisal Practice Update 2004  
Appraising Apartments  
General & Residential State Certification Seminars  
Appraisal Principles  
Residential Valuation  
Demonstration Narrative Writing Workshop (both Residential and Non-residential)  
Capitalization Theory & Techniques (both Part A and Part B)
- 1985 - 1987 MASSACHUSETTS BOARD OF REAL ESTATE APPRAISERS  
Introduction to Real Estate Appraisal  
Introduction to Income Property Appraisal
- 1994 - 2000 APPRAISAL INSTITUTE AND MASS BOARD - JOINT SEMINARS  
Practical Applications of Discounted Cash Flows  
Capitalization Rates and Today's Markets  
Proper Accounting for Replacement Reserves and Capital Expenditures  
The Evaluation And Limited Restricted Reports  
Issues in the Appraisal of Properties Affected by Hazardous Materials  
Valuation Impact of Contract versus Market Rent  
Proper Application of Direct Capitalization and Discounted Cash Flow  
Technology and the Real Estate Appraiser's Office  
Appraisers, Assessors, Attorneys and the Appellate Process

#### *Other Organizations*

- |  |  |
|--|--|
| AMERICAN INSTITUTE OF BANKING:         | Financial Statement Analysis (1984)  |
| AMERICAN REAL ESTATE ACADEMY:          | Preparation for Massachusetts Salesperson's License (1985)   |
| AMERICAN SOCIETY OF APPRAISERS:        | The Expert Witness (1996)  |
| CENTURY 21:                            | Basic Effective Financing (1986)<br>2 & 1 Sales Training (1986)  |
| INSTITUTE OF R. E. TECHNOLOGIES:       | The Cost Approach (1993)   |
| NATIONAL BUSINESS INSTITUTE:           | Land Use Planning & Eminent Domain in NH (1997)<br>NH Land Use Law Update (2000)                       |
| NAT'L ASSOC. OF INDEP. FEE APPRAISERS: | Historic Appraising (2003)   |
| McKISSOCK, Inc.                        | Residential Construction: Details and Trends (2004)  |
| TED WHITMER, MAI, CCIM:                | The Comprehensive Appraisal Workshop (1998)<br>Attacking & Defending an Appraisal in Litigation (2000) |

### CONFERENCES ATTENDED

- |   |   |
|---|---|
| NH PLANNING AND ZONING CONFERENCE                                 | Concord, NH (2003); Manchester, NH (2004) |
| APPRAISAL INST. INSTRUCTOR LEADERSHIP<br>& DEVELOPMENT CONFERENCE | New York City, NY (2004)                  |
| APPRAISER'S REGULATORY NETWORK                                    | Oklahoma City, OK (2004)                  |