

December 15, 2017

Nancy Colbert Puff
Finance/Purchasing Department, City Hall
One Junkins Avenue
Portsmouth, NH 03801

Re: RFP 18-18: Development Partnership with the City of Portsmouth for the Federal McIntyre Property,
Follow-Up Questions for Proposers

Dear Nancy,

Redgate and The Kane Company are pleased to respond to the City of Portsmouth's Follow-Up Questions for Proposers as it relates to our Proposal for a development partnership with the City of Portsmouth for reuse & redevelopment of the Thomas J. McIntyre Federal Property at 80 Daniel Street.

In the document that follows we have addressed the questions posed, and as requested, we are attaching our financial analysis in excel format. This type of analysis is vital for the City's process and we believe that selecting a qualified developer will help the City and the Community make this important decision.

Again, we'd like to reiterate that we believe that the McIntyre site is a unique development opportunity and are excited about partnering with the City of Portsmouth on such a challenging and transformative project.

Sincerely,



Ralph Cox, Principal
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Michael Kane, CEO
The Kane Company
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Cc: John Kane, Steve Perdue

1. PROPOSED USES

We are intrigued by the council's suggestion to incorporate cultural, arts, community, business innovation/office uses. We agree that a variety of non-standard real estate uses can be incorporated into this development while still maintaining financial feasibility and that they have the potential to enrich our originally proposed development and create a more desirable outcome for the City. District Hall® in Boston, MA is one such use and has become a cherished addition to the highly desirable Boston Seaport neighborhood. We recommend a similar "gathering" space at McIntyre. As such, we have evaluated the inclusion of 10,000 square feet of gathering space in the McIntyre building and 10% workforce/affordable housing, both of which are outlined below.

Option a) There is a cost associated with providing community space initially, but the operating expenses for the space are commensurate with market and reasonable for a non-profit entity to operate. The financial tradeoff of including this non-revenue producing space is a decreased ground lease payment to the City. As outlined further in the section 1 table below, if the 10,000 square feet of community use space were to be placed on the 2nd floor of the McIntyre Building, replacing space that would otherwise be office use, the resulting ground lease payment would go from \$360,000 per year down to \$125,000 per year. In addition, if the 10,000 square feet of community use space were to be placed on the 1st floor of the McIntyre Building, replacing space that would otherwise be retail use, no resulting ground lease payment would be possible, but the project would still be viable. It should be noted that if it is a priority for the City to locate this space at the ground floor, we are confident that if the space were smaller than 10,000SF, it could serve the community's needs and produce a net positive ground payment. Our underwriting assumes "warm-white" core-shell conditions that the market typically expects and provides for a \$50/SF tenant improvement (TI) allowance which is slightly discounted from the office TI of \$60/SF. This allowance should provide for high quality finishes for the gathering space which is typically a lower-density open floor plan. Overall, we feel that it provides year-round vibrancy to the project, and complements the expansive public realm our original proposal envisioned for the City.

Option e) Additionally, we evaluated the inclusion of workforce/affordable housing in the development as another alternative use, since we understand that the inclusion of 10% affordable units would be of great benefit to the community. We analyzed these units being added in both our originally proposed condo scenario, as well as a new rental unit scenario. As outlined in further in question 1a below, the resulting ground lease payment in the condo scenario goes from \$360,000 per year down to \$150,000 per year. The resulting ground lease payment in the multifamily scenario (Direct Question B) goes from \$300,000 per year down to \$175,000 per year. These scenarios were calculated assuming 80% AMI, and the ground lease payments could increase or decrease based on affordability guidelines and percentage of affordable units included in the project.

To facilitate the City's ability to fairly evaluate proposers' responses on an apples-to-apples basis, we have provided the following underwriting scenarios:

- a. (Scenario 1) - 10,000 square feet of space for a community "gathering" place located at the **second floor** of the McIntyre Building (office), assuming such space would be provided in finished, turn-key condition, including high quality level finishes at no rent and with pro-rata operating expenses.

- a. (Scenario 2) - 10,000 square feet of space for a community “gathering” place located at the **ground floor** of the McIntyre Building (retail), assuming such space would be provided in finished, turn-key condition, including high quality level finishes at no rent and with pro-rata operating expenses.
- b. Not Applicable.
- c. Redevelopment of McIntyre Building for office/retail with no other major new development on site and an approx. 12,000 SF public open space oriented to Bow Street. Retains garage and plaza parking, eliminates at-grade parking. See [Appendix A](#) for diagram.
- d. Not Applicable.
- e. 10% of the proposed condominium units as affordable to families earning 80% of area median income (max. price for one bedrooms \$150,000 and two bedrooms \$200,000 at the same unit mix and size as market rate units).
- f. Redgate/Kane Question #2 – 63 Apartment units instead of 50 condominiums
- g. Redgate/Kane Question #2 – 63 Apartment units instead of 50 condominiums with 10% of the proposed apartments as affordable to families earning 80% of the area median income (max rent for studio is \$1,190; 1BR is \$1,275; 2BR is \$1,530) at the same unit mix and size as market rate units.

Please see [Appendix B](#) for Financial Detail by Scenario, also provided to Abramson & Associates in excel format. Please note that the first page in Appendix B includes a scenario comparison chart for your convenience.

2. SCALE, OPEN SPACE & STEEPLE VIEW

The location, footprint and height of our proposed 50-unit residential building optimizes the relationship between the desire for smaller scale at Bow St, the desire for a view corridor to St John’s and the desire for all ground level program to front open space and provide retail opportunities. In our proposed design, only 65 feet of frontage along Bow Street is three stories in height. The remainder of it is either zero or 1 story in height. Even though only a portion of the Bow Street frontage is multi-story, we have stepped the floors back significantly at the upper levels to eliminate the “street-wall” effect prevalent in the other proposals.

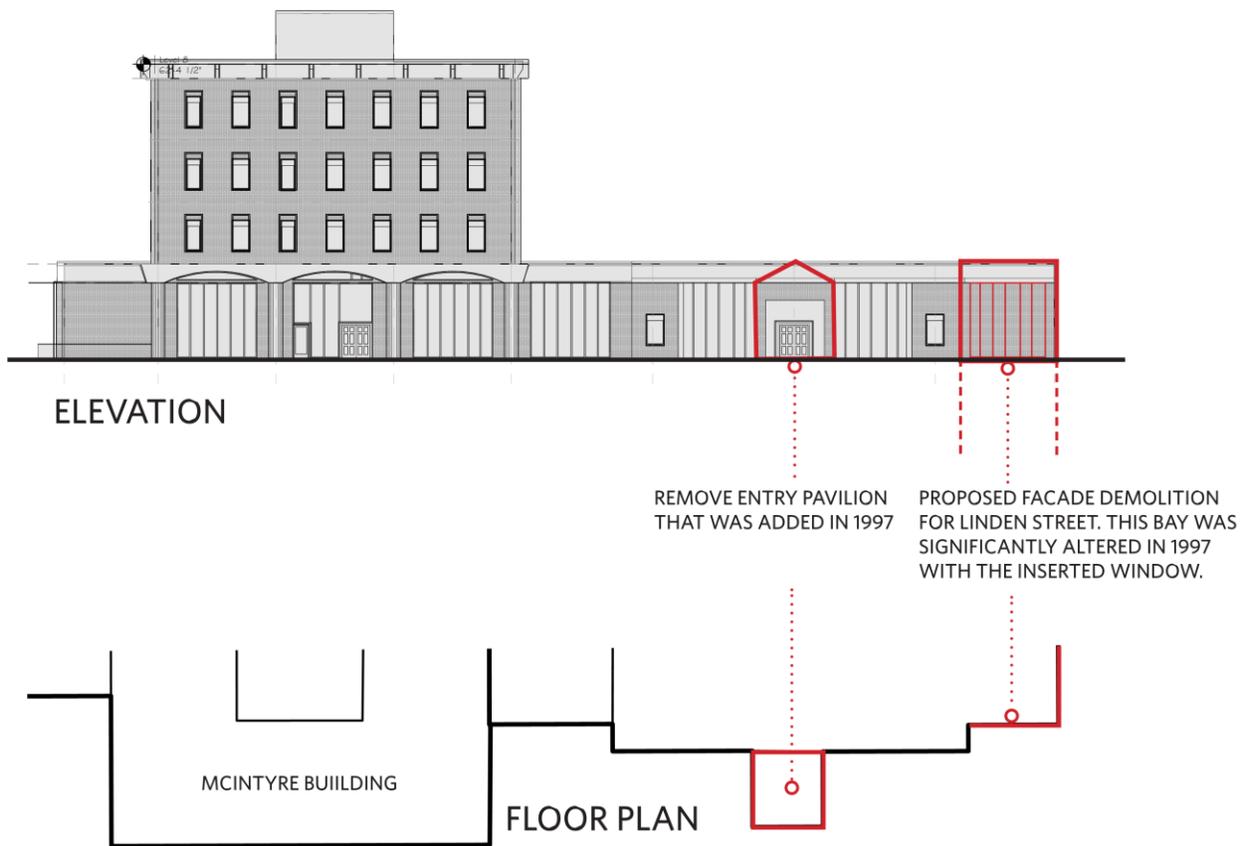
Our proposal frames St. John’s Church between the McIntyre building and the residential building and is accessible via a new “grand stair” leading up to Chapel Court and out onto Chapel Street. To specifically accommodate a view of St John’s from the corner of Bow Street and Penhallow Street would require stepping back the upper floors of the residential building further than we already have and it would significantly reduce the number of units. The tradeoff would require relocating these displaced units to the one-story post office space which would require that the post office be demolished. Given the current desire to preserve the one-story post office space, we feel that the tradeoff may not be as feasible, but we are willing to explore this further if we are selected.

3. HISTORIC MONUMENT PROGRAM

Our proposal assumes a limited and selective approach to the demolition of the one-story post office space. We thought it was important to retain the majority of the façade of this space along Daniel

Street, but there are elements of this portion of the structure that are less significant than others. The proposal removes only the eastern most end of the Daniel Street elevation and the 1997 brick vestibule. The portion of wall to be removed was altered in 1997 by the introduction of a full-height bay window. Under our proposal, the projecting concrete window surround and original full-height tripartite windows remain intact. The loss of this altered bay of the façade should be acceptable within the framework of values established by the Secretary of the Interior’s *Standards for Rehabilitation*. The diagram below demonstrates our approach graphically:

PROPOSED DEMOLITION TO THE EXISTING FACADE | ALONG DANIEL ST



Removal of the end bay and approximately 5,000 SF of space behind it allows for the reconstruction of Linden Street. Otherwise a connection from Daniel Street to the interior of the site is not feasible. Reduction of the plan area at the rear of the single-story east wing makes space for additional retail and/or townhouse units. It also facilitates retail service and residential parking access to the interior of the site. While it could be argued that it reduces the square footage of McIntyre building and negatively impacts the underwriting by eliminating valuable retail space, we believe that the space we are proposing to demolish is the least valuable area in the McIntyre building because it has not connection

to street frontage. We have replaced it with more valuable retail space at the base of the new townhouse buildings.

We think that the reintroduction of Linden St is such an important aspect of the development that it far outweighs the loss of this less significant area. However, if the City elects to leave the post office space as-is, we can balance the financial impacts by increasing the density of the residential building either through a modest increase to its footprint or by exploring the feasibility of some additional height. These alternatives will modestly impact the scale of the public realm and we will work with the City and the GSA to optimize this relationship.

4. ENVIRONMENTAL REMEDIATION

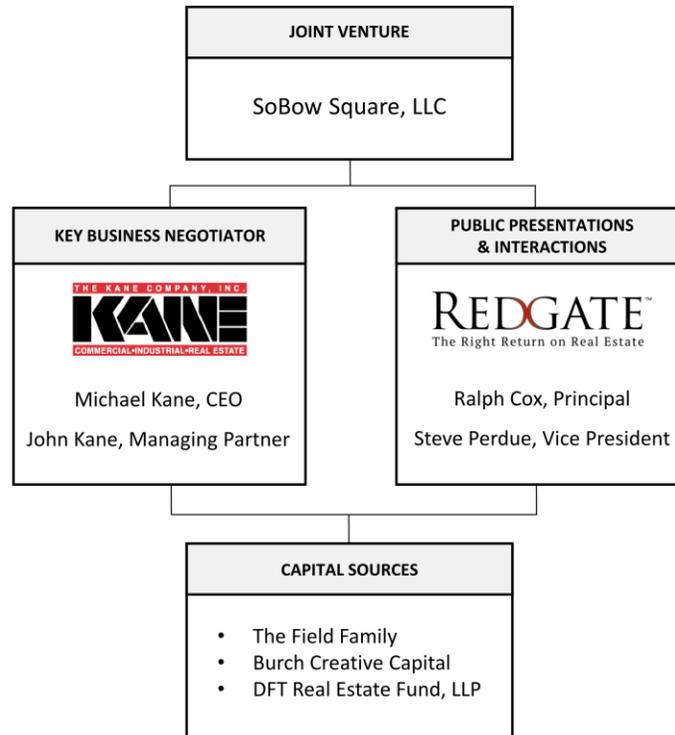
As mentioned in our presentation on November 29th, demolition and abatement costs for the proposed project are approximately \$4.3M. Of the \$4.3M, \$1.6M is attributable to demolition and \$2.7M to abatement. The abatement costs were estimated by the contractor using a report from our environmental consultant, hired to assess the City's available environmental reports (See Appendix D). Approximately \$1.2M in scope was identified in the reports. The contractor estimated an additional \$1.5M in potential issues: ACM in the roofing, PCB's in the window caulking which may have impregnated the concrete window frame/sills, UST's and the potential for additional ACM abatement in the post office space as well as the waterproof topping at the parking lot above the garage. Until we are given full access to the building and the ability to perform full due diligence, this estimate represents our best estimate based on what is known today.

5. ROLES IN DEVELOPMENT AND LONG-TERM INVOLVEMENT

As previously stated in our original proposal, a special purpose entity, SoBow Square, LLC (South of Bow Street) has been formed to act as project owner and to be lessee under a ground lease with the City of Portsmouth. Redgate and The Kane Company are joint venture partners in SoBow Square, LLC with the intent to own and manage the property long-term. SoBow Square, LLC will have outside capital sources, including The Field Family, Burch Creative Capital and DFT Real Estate Fund, LLP.

Michael Kane and Ralph Cox will be responsible for business negotiation; Ralph Cox and Steve Perdue will be responsible for public presentations and community interactions; Steve Perdue and other Redgate staff will be responsible for the execution of the project through delivery. Dan Fallon of The Kane Company will be responsible for asset and property management.

We also have a talented team of design professionals who will assist in the presentations and community interactions, including Henry Moss and Lawrence Cheng of Bruner/Cott Architects and Lisa DeStefano and Joseph Almeida of DeStefano Architects who have extensive experience with project entitlements, historic preservation and community interface.



6. PUBLIC PARTICIPATION

Strategies for public participation:

- Engage residents, businesses, neighborhood organizations, and municipal entities immediately utilizing online community engagement platforms like coUrbanize (<https://courbanize.com/>), and Typeform.
- Conduct Charrette-style design meetings with the community to build consensus, sharing complex information back and forth between the developer, City officials and the community.
- Ensure that discussions about public space involve grassroots participation and include discussions of social values to achieve proposals that are supported by the community.
- Address concerns about traffic, shadow and construction impacts through engagement and education.
- Community engagement will not end with the permitting process, but will continue through the construction period and beyond.

Examples of Community Workshops:

- Urban Design and Open Space
- Traffic and Parking
- Infrastructure and storm water management
- Other impacts, Fiscal impacts

7. MARKET ANALYSIS

Office:

The office market in Portsmouth is thriving and viable for development, and we have compiled data to support this belief. Per the Portsmouth office supply table below, property vacancy is at 1.7%

Existing Downtown Portsmouth Office Market Summary:

Building Address	Year Built	Building Class	Rentable SF	Total Available SF	Percent Leased
195 Hanover St	2011	A	10,000		100%
99 Bow St	2011	A	21,679		100%
111 Bridge St	1978	C	32,000		100%
40 Congress St	1878	C	11,092		100%
126 Daniel St	1800	B	14,800		100%
28 Deer St	1999	B	12,554	1,391	89%
361 Hanover St	1850	C	29,106		100%
1 Harbour Pl	1986	B	69,055		100%
501 Islington St	1986	B	26,107	3,350	100%
25 Maplewood Ave	1974	B	12,802		100%
100 Market St	1999	B	51,999		100%
500 Market St	1980	B	10,500		100%
127 Parrott Ave	1952	C	13,490		100%
40 Pleasant St	1880	C	16,632		100%
117 Bow St	1890	B	25,494	1,699	100%
121 Bow St	1981	C	10,251		100%
82-86 Congress St	1920	C	26,228		100%
142-154 Congress St	1920	C	15,497		100%
127 Daniel St	1850	B	12,500		100%
155 Fleet St	1920	B	60,245		100%
53-55 Green St	1920	B	18,997		100%
56 Islington St	1954	B	17,135		100%
767 Islington St	1986	B	16,000	4,263	100%
855 Islington St	1880	C	45,000		100%
865 Islington St	1880	C	12,643		100%
865-871 Islington St	1880	C	31,126		100%
871 Islington St		C	20,000		100%
11 Jewell Ct	1900	C	30,000		100%
33 Jewell Ct	1800	B	18,000		100%
20-22 Ladd St	1895	C	13,739		100%
111 Maplewood Ave	1972	B	13,163		100%
30 Penhallow St	1891	B	28,635		100%
134 Pleasant St	1955	C	20,219		100%
1 Raynes Ave	1955	C	22,588		100%
31 Raynes Ave	1940	C	10,775		100%
325 State St	1994	C	11,040		100%
600 State St	1953	B	20,265	3,302	84%
			831,356	14,005	
			Total Available SF	1.7%	

When looking more granularly at the current office supply located within the downtown Portsmouth office market, there exist very few options for tenants desiring space larger than 3,500 SF, and there is a clear trend towards tenants requesting to be immersed in the live, work, play atmosphere that downtown affords them. Even with the addition of buildings such as 99 Bow Street, One Portwalk Place, 51 Islington Street, 30 Maplewood and 233 Vaughn Street, there is very limited vacancy in the downtown market today, and given that the McIntyre site is located at what we consider to be main and main, we feel that it would be in high demand.

The healthy downtown Portsmouth office market is further supported by the CBRE 2017 New Hampshire Market Outlook report indicating Portsmouth overall office vacancy was 4.3% heading into this year, which can be seen in [Appendix C](#). Additionally, we believe we have underwritten office assumptions that are supportable by the below lease comparables.

Lastly, we believe we have underwritten office assumptions that are supportable by recent lease transactions in the market. Our rental rate of \$27 NNN per square foot with \$60 per square foot in tenant improvements over a ten-year term equates to an effective rental rate of \$21 NNN per square foot. This is in line with the lease comparables listed in [Appendix D](#), which range from \$20.54 NNN per square foot up to \$27 NNN and \$35 gross, with tenant improvements ranging from \$0 to \$55 per square foot.

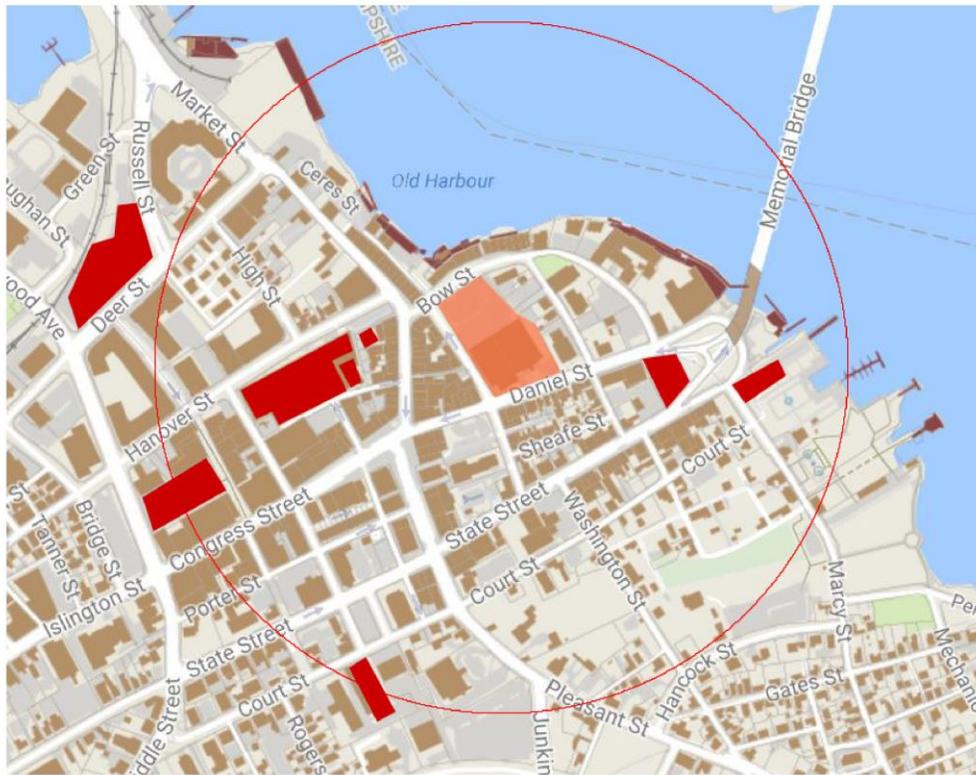
Pre-Leasing Requirements and Financial Impact:

Based on the above-mentioned strong economic fundamentals and prime location of the project, at this time, we believe that approx. 50% preleasing of office and retail may be required given that the underwriting assumes an 8.0% yield and an exit cap rate of 6.5% in today's capital markets.

Parking:

Given the location of the project and close proximity of available municipal and private parking, we do not believe that lack of proposed parking for the office and retail space poses a challenge to leasing at the underwritten rental rates.

PARKING LOTS WITHIN A .25 MILE RADIUS



PARKING LOTS AVAILABLE WITHIN A .25 MILE RADIUS(5 MIN WALKING DISTANCE) FROM THE SITE

Retail:

Please see below for recent retail lease transactions which support our retail underwriting assumptions. Our rental rate of \$45 NNN per square foot with \$90 per square foot in tenant improvements over a ten year term equates to an effective rental rate of \$36 NNN per square foot. This is in line with the lease comparables listed in [Appendix E](#), which range from \$32 NNN per square foot up to \$40 NNN and \$50.40 Gross, with no tenant improvements offered.

Condo:

Please see [Appendix F](#) for sales comparables supporting our condominium underwriting assumptions. Our sales price of \$782,000, or \$753 per square foot is well in line with the sales comparables listed, which range from \$742 to \$802 per square foot. Additionally, our unit mix, which includes one bedroom/one bathroom units, two bedroom/two bathroom units, and two bedroom/two and a half bathroom town homes allows for a lower price point than competing properties given the creation of smaller sized unit offering.

Multifamily Rental:

Please see Appendix G for a summary of Portwalk Place's rental rates as support for our multifamily rental scenario underwriting assumptions. Our rental rates average \$2,829 per month, which are below Portwalk Place's rents which average \$3,225 per month. This is primarily due to the fact that we have smaller units, designed efficiently and purposefully smaller to generate a lower price point for the market.

Please see Appendix B for more of the detailed underwriting assumptions used in our multifamily rental scenario.

8. MINIMUM LEASE TERM

75-99 years is the minimum lease term that would be required to finance the project.

QUESTIONS SPECIFIC TO REDGATE/KANE

As stated in our presentation on November 29th, if fee simple ownership of land cannot be accommodated and the proposed condominiums would be required to remain on a ground lease, given the desirability of this market, we believe there is likely to be a discount on the sales prices of the condominium units which would need to be evaluated in greater depth.

If the residential component were to be switched from condominiums to rental for the above reason or due to City preference, we would propose to provide 63 market-rate apartments within the same volume of space originally proposed consisting of 13% Studios (450 SF), 48% One Bedrooms (695 SF), 8% One Bedroom + Den (775 SF), 31% Two Bedrooms (1,050 SF). We will provide a 1.5 parking ratio in the garage for a total of 95 spaces by utilizing 10 car stackers.

Unlike condominiums which targeted a 30% gross profit margin, the apartments would target a 6.3% un-trended yield on cost with a 65% LTC to be feasible. We anticipate average apartment rents of \$2,829 per month and a ground lease payment of \$300,000 per year.

APPENDIX A: SCENARIO C DIAGRAM

Redevelopment of McIntyre Building for office/retail with no other major new development on site and an approx. 12,000 SF public open space oriented to Bow Street. Retains garage and plaza parking, eliminates at-grade parking.



APPENDIX B: FINANCIAL DETAIL BY SCENARIO

APPENDIX C: CBRE 2017 NEW HAMPSHIRE MARKET OUTLOOK REPORT

APPENDIX D: PORTSMOUTH DOWNTOWN OFFICE LEASE COMPARABLES

Office Lease Comparables

Status	Address	Submarket	Deal SF	Lease Commenceme	Term (months)	Year 1 Rent	Escalation	Rent Type	Tenant Improvements
Redgate/Kane Underwriting	McIntyre Building	Downtown	N/A	N/A	120	\$21.00	3.0%	NNN	\$27 face rate with \$60/SF in TIs
Signed	1 Harbour Place	Downtown	1,805	September-14	24	\$26.00	Fixed	NNN	\$0
Signed	18 Congress Street	Downtown	1,095	January-16	24	\$27.40	Fixed	Modified Gross	\$0
Signed	195 Hanover Street	Downtown	2,489	September-14	60	\$27.00	2.50%	NNN	\$55
Signed	111 Maplewood Ave	Downtown	2,777	N/A	N/A	\$26.20	Fixed	NNN	N/A
Signed	111 Maplewood Ave	Downtown	3,780	N/A	N/A	\$24.04	Fixed	NNN	N/A
Signed	111 Maplewood Ave	Downtown	4,760	N/A	N/A	\$23.20	Fixed	NNN	N/A
Signed	100 Market Street	Downtown	3,228	December-15	63	\$23.00	Fixed	NNN	New Paint & Carpet
Signed	111 Maplewood Ave	Downtown	3,214	N/A	N/A	\$23.00	Fixed	NNN	N/A
Signed	111 Maplewood Ave	Downtown	3,239	N/A	N/A	\$21.63	Fixed	NNN	N/A
Signed	111 Maplewood Ave	Downtown	2,116	N/A	N/A	\$20.54	Fixed	NNN	N/A
Asking	195 Hanover Street	Downtown	10,000	June-16	N/A	\$35.00	N/A	Gross	N/A
Asking	22 Deer Street	Downtown	2,556	August-17	N/A	\$30.50	N/A	Modified Gross	N/A
Asking	99 Bow Street	Downtown	5,675	January-17	N/A	\$25.00	N/A	NNN	N/A
Asking	104 Congress Street	Downtown	2,717	August-17	N/A	\$24.50	N/A	Modified Gross	N/A

Note that tenant names have not been provided due to confidentiality.

APPENDIX E: PORTSMOUTH DOWNTOWN RETAIL LEASE COMPARABLES

Retail Lease Comparables

Status	Address	Submarket	Deal SF	Lease Commencement	Term (months)	Year 1 Rent	Escalation	Rent Type	Tenant Improvements
Redgate/Kane Underwriting	McIntyre Building	Downtown	12,667	N/A	120	\$36.00	3.00%	NNN	\$45 face rate with \$90/SF in Tis
Asking	15-21 Congress Street	Downtown	3,160	January-18	Not Available	\$40.00	N/A	NNN	N/A
Signed	15-21 Congress Street	Downtown	2,630	September-15	120	\$38.00	Fixed Step	NNN	Not Available
Asking	99 Bow Street	Downtown	3,043	November-16	Not Available	\$32.00	N/A	NNN	N/A
Asking	143 Daniel Street	Downtown	3,600	July-16	24	\$33.00	N/A	N/A	N/A
Asking	77 State Street	Downtown	1,100	N/A	N/A	\$36.00	N/A	NNN	N/A
Asking	40 Bridge Street	Downtown	3,727	November-17	N/A	\$40.00	N/A	NNN	N/A
Asking	28 Deer Street	Downtown	1,391	N/A	N/A	\$32.50	N/A	NNN	N/A
Signed	24 Congress Street	Downtown	1,192	October-16	N/A	\$50.34	NA	Modified Gross	Not Available

Note that tenant names have not been provided due to confidentiality.

APPENDIX F: PORTSMOUTH DOWNTOWN CONDO SALES COMPARABLES

Condo Comps

Address	Price	Year Built	Bedrooms	Baths	Date Closed	SF	Price/SF	Garage Type
Redgate/Kane Underwriting	\$782,000	TBD	1-2	1-2.5 (2.5 in townhomes)	NA	1,039	\$753	Adjacent
143 Daniel Street	\$2,289,000	2015	3	4.0	8/10/2017	3,086	\$742	Under
143 Daniel Street	\$1,389,000	2015	2	2.0	6/21/2016	1,733	\$802	Under
143 Daniel Street	\$1,289,000	2015	2	3.0	10/6/2016	1,637	\$787	Under
135 Bow Street	\$1,250,000	1987	2	2.0	10/3/2015	1,632	\$766	Under

APPENDIX G: PORTSMOUTH DOWNTOWN MULTIFAMILY RENT COMPARABLES

Expanded							Actual Rent	
Unit Type	Phase	No. of Units	% of Total	Unit Size	Total Size	Rent per Unit	Rent Per SqFt	
One Bedroom/Alcove	II	1	0.67%	561	561	\$2,022	\$3.80	
One Bedroom/Alcove	II	3	2.01%	634	1,902	\$2,183	\$3.44	
One Bedroom/Alcove	II	3	2.01%	656	1,968	\$2,468	\$3.76	
One Bedroom/Alcove	II	4	2.68%	684	2,736	\$2,027	\$2.96	
One Bedroom	I	4	2.68%	720	2,880	\$2,198	\$3.05	
One Bedroom	I	12	8.05%	765	9,180	\$2,903	\$3.79	
One Bedroom	II	4	2.68%	677	2,708	\$2,201	\$3.25	
One Bedroom	II	3	2.01%	709	2,127	\$2,203	\$3.11	
One Bedroom	II	4	2.68%	732	2,928	\$2,813	\$3.84	
One Bedroom	II	3	2.01%	742	2,226	\$2,568	\$3.46	
One Bedroom	II	3	2.01%	746	2,238	\$2,653	\$3.58	
One Bedroom	II	3	2.01%	768	2,304	\$2,568	\$3.34	
One Bedroom	II	4	2.68%	810	3,240	\$2,592	\$3.20	
One Bedroom	II	4	2.68%	818	3,272	\$3,172	\$3.88	
One Bedroom	II	4	2.68%	864	3,456	\$2,702	\$3.13	
One Bedroom/Den/One Bath	II	4	2.68%	975	3,900	\$3,193	\$3.27	
One Bedroom/Den/One Bath	II	3	2.01%	985	2,955	\$3,003	\$3.05	
One Bedroom/Den/One Bath	II	4	2.68%	1,002	4,008	\$3,024	\$3.02	
One Bedroom/Den/One Bath	II	4	2.68%	1,194	4,776	\$3,269	\$2.74	
Two Bedroom/Two Bath	I	4	2.68%	1,015	4,060	\$3,004	\$2.96	
Two Bedroom/Two Bath	I	4	2.68%	1,055	4,220	\$3,493	\$3.31	
Two Bedroom/Two Bath	I	4	2.68%	1,085	4,340	\$3,404	\$3.14	
Two Bedroom/Two Bath	I	4	2.68%	1,130	4,520	\$3,685	\$3.28	
Two Bedroom/Two Bath	I	4	2.68%	1,170	4,680	\$3,352	\$2.88	
Two Bedroom/Two Bath	II	4	2.68%	1,034	4,136	\$3,269	\$3.16	
Two Bedroom/Two Bath	II	4	2.68%	1,075	4,300	\$3,570	\$3.32	
Two Bedroom/Two Bath	II	3	2.01%	1,087	3,261	\$3,603	\$3.31	
Two Bedroom/Two Bath	II	4	2.68%	1,118	4,472	\$3,655	\$3.27	
Two Bedroom/Two Bath	II	16	10.74%	1,127	18,032	\$4,295	\$3.81	
Two Bedroom/Two Bath	II	4	2.68%	1,138	4,552	\$3,695	\$3.25	
Two Bedroom/Two Bath	II	4	2.68%	1,176	4,704	\$3,694	\$3.14	
Two Bedroom/Two Bath	II	1	0.67%	1,201	1,201	\$3,794	\$3.16	
Two Bedroom/Two Bath	II	5	3.36%	1,248	6,240	\$3,469	\$2.78	
Two Bedroom/Two Bath	II	1	0.67%	1,289	1,289	\$3,694	\$2.87	
Two Bedroom/Two Bath	II	1	0.67%	1,389	1,389	\$3,994	\$2.88	
Three Bedroom/Two Bath	II	1	0.67%	1,476	1,476	\$4,220	\$2.86	
Three Bedroom/Two Bath	II	4	2.68%	1,515	6,060	\$4,306	\$2.84	
Three Bedroom/Two Bath	II	3	2.01%	1,528	4,584	\$4,331	\$2.83	
		149	100.00%	986	146,881	\$3,225	\$3.27	

Scenario # Description

Scenario #	Description	
0	Basecase	
1.a	Office/Retail w/ 10K community space (office/2nd floor), Condo	*Basecase Condo Pro Forma
1.a	Office/Retail w/ 10K community space (retail/1st floor), Condo	*Basecase Condo Pro Forma
1.c	McIntyre Office Only	
1.e	Office/Retail, Condo with affordable	
1.f	Office/Retail, Multifamily	
1.g	Office/Retail, Multifamily with affordable	

Portsmouth Scenario Summary

12/15/2017

Description	Original Proposal	1.ao	1.ar	1.c	1.e	1.f	1.g
	Condo and Office w/Retail addition	Condo and Office w/Retail addition Includes 10k SF of \$0 rent community space(office/2nd floor)	Condo and Office w/Retail addition Includes 10k SF of \$0 rent community space(office/1st floor)	Office Only Redevelopment of McIntyre Building for office, no other development on	Condo and Office w/Retail addition 10% of condo units as affordable (80% AMI)	Multifamily Rental and Office/Retail w/Retail addition	Multifamily Rental and Office/Retail w/Retail addition 10% of rental units as affordable
Office GSF	55,575	55,575	55,575	55,575	55,575	55,575	55,575
Retail GSF	45,330	45,330	45,330	30,820	45,330	45,330	45,330
Rental GSF	0	0	0	0	0	61,100	61,100
Condo GSF	61,100	61,100	61,100	0	61,100	0	0
Total GSF	162,005	162,005	162,005	86,395	162,005	162,005	162,005
Units	50	50	50	0	50	63	63
Open Space	30%	30%	30%	60%	30%	30%	30%
Soft Costs (Incl. Closing & Taxes)	\$9,987,139	\$9,948,588	\$9,905,272	\$3,875,767	\$9,987,139	\$9,684,665	\$9,694,558
Tenant Improvements	\$6,664,200	\$6,564,200	\$5,764,200	\$5,158,300	\$6,664,200	\$6,664,200	\$6,664,200
Leasing Commissions	\$1,060,860	\$940,860	\$940,860	\$886,740	\$1,060,860	\$1,060,860	\$1,060,860
Hard Costs	\$45,474,990	\$45,457,060	\$45,391,860	\$15,762,746	\$45,474,990	\$45,614,432	\$45,614,432
Total Project Cost	\$63,187,190*	\$62,910,709	\$62,002,192	\$25,683,553	\$63,187,190	\$63,024,158	\$63,034,050
/GSF	\$390	\$388	\$383	\$297	\$390	\$389	\$389
Construction Cost-Finish	Office Tls=\$60/RSF Retail Tls=\$90/RSF	Office Tls=\$60/RSF Retail Tls=\$90/RSF Community Tls=\$50/RSF	Office Tls=\$60/RSF Retail Tls=\$90/RSF Community Tls=\$50/RSF	Office Tls=\$60/RSF Retail Tls=\$90/RSF	Office Tls=\$60/RSF Retail Tls=\$90/RSF	Office Tls=\$60/RSF Retail Tls=\$90/RSF	Office Tls=\$60/RSF Retail Tls=\$90/RSF
Commercial Rent	Spec Office \$27 NNN Spec Retail \$45 NNN	Spec Office \$27 NNN Spec Retail \$45 NNN Community: \$0 NNN	Spec Office \$27 NNN Spec Retail \$45 NNN Community: \$0 NNN	Spec Office \$24 NNN Spec Retail \$40 NNN	1 Bed: \$150,000 2 Bed: \$200,00	Spec Office \$27 NNN Spec Retail \$45 NNN	Spec Office \$27 NNN Spec Retail \$45 NNN
Residential Sale Price/ Monthly Rent	\$782,000	\$782,000	\$782,000	\$0	\$725,000	\$2,823	\$2,663
Estimated Real Estate Taxes (per annum)	\$1,000,000	\$1,000,000	\$1,000,000	\$400,000	\$950,000	\$589,000	\$589,000
Ground Lease Payment-Annual	\$360,000	\$125,000	\$0	\$75,000	\$125,000	\$300,000	\$100,000
Ground Lease Payment-PSF	\$2.22	\$0.77	\$0.00	\$0.87	\$0.77	\$1.85	\$0.62
Ground Lease Escalation	10% every 5 years	10% every 5 years	10% every 5 years	10% every 5 years	10% every 5 years	10% every 5 years	10% every 5 years
Notes	*Excludes upfront land payment originally proposed and instead incorporates equivalent annual ground lease payment as ongoing cost to project.			Retail reduced by \$5/RSF. Office reduced by \$3/RSF since scope of this project is less comprehensive/presumed less desirable for tenants	Affordable condo prices were assumed based on equating the monthly payments to the BPDA affordable rent/sale table.	Replaced townhouse units with typical rental units. Ground rent is assigned in both multifamily and commercial pro formas.	Replaced townhouse units with typical rental units

2017

New Hampshire

MARKET OUTLOOK



A MESSAGE FROM CBRE/NEW ENGLAND...

Welcome to CBRE/New England's 2017 New Hampshire Market Outlook. This publication seeks to explain the changing dynamics of commercial real estate throughout Southern New Hampshire. It features a summary of annual market performances and future projections and provides clients with accurate, insightful and up-to-date information regarding the New Hampshire commercial real estate market.

We are committed to a strong business climate in New Hampshire by achieving world-class outcomes for our clients each year. Based on strategic insight and real estate expertise, the New Hampshire Market Outlook is one of CBRE/New England's signature publications that showcase our industry-leading data, analysis and foresight.

We are proud of this publication and hope you find it useful as you make your key real estate decisions in the coming year.

We would like to thank all of our clients for our success in 2016 and we look forward to partnering with you in 2017!

Sincerely,



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First Vice President
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Portsmouth

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NEW HAMPSHIRE

2016 SNAPSHOT

VACANCY:



2015: 11.9%

2016: 10.4%

RENTS (NNN):



2015: \$12.52

2016: \$11.31





INTERSTATE 93/ROUTE 3 CORRIDOR OFFICE MARKET

by Roger Dieker, (roger.dieker@cbre-ne.com)

The Interstate 93/Route 3 Office market continued to improve in 2016, as the overall vacancy rate decreased by 150 basis points from 11.9% to 10.4%, which was helped by the redevelopment of several large properties from office to multifamily and the steady expansion of existing office users. The disruption created by the use of mobile technology continues to reshape the 'typical' office configuration. As existing office spaces are reconstructed by relocating tenants, the employee per sq. ft. utilization continues to shrink.

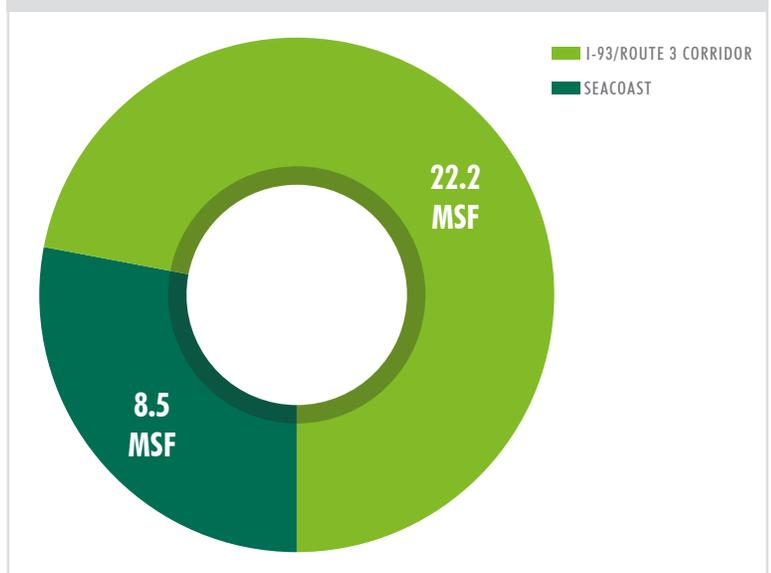
MARKET HIGHLIGHTS:

- Overall vacancy statistics were helped by the conversion of **130,000 sq. ft. of office at 875 Elm Street in Manchester** (Citizens Bank building) to 91 high-end apartment units and first floor retail.
- BAE Systems continued to expand their footprint in Nashua by taking **35,000 sq. ft. at 10 Tara Boulevard** at Exit 1 on the F.E. Everett Turnpike.
- A major financial services firm announced in September that it would relocate 600 jobs from its three-building, 126,000 sq. ft. campus on Northeastern Boulevard in Salem to other facilities in Texas, Florida, Arizona and Delaware. The transition is scheduled to be completed in 2018.
- The continued uncertainty in the health insurance business resulted in **United Healthcare** downsizing from 120,000 sq. ft. to 60,000 sq. ft. at **14 Central Park Drive in Hooksett**.

Vacancy dropped
150 basis points
year-over-year as
the market continued
to strengthen.

NEW HAMPSHIRE

TOTAL OFFICE SQUARE FOOTAGE BY SUBMARKET



Source: CBRE Research

2017 FORECAST

The Southern New Hampshire Office market will remain steady in 2017, as office employment continues to stabilize and the remaining vacant spaces left by consolidating tenants are slowly absorbed in a strengthening economy. Lease rates should experience upward pressure across the board as this vacancy decreases. Lease terms should lengthen as companies gain confidence to lock up attractive rates within an improving economy and spread the amortization of newer efficient office construction over a longer term. Challenged office properties will need to find creative solutions, which may include savvy developers converting them into multifamily properties in order to acclimate themselves in a red-hot residential market.



NEW HAMPSHIRE SEACOAST OFFICE MARKET

by Kent White, (kwhite@cbre-portsmouth.com)

2016 has seen another year of positive absorption, with vacancy rates declining to 8.3%. This is the seventh consecutive year of decreasing vacancy rates from the historically high level of 20.3% in 2009. Unlike previous years when new construction added much-needed available space to the market, the Seacoast did not see any new construction in 2016. This contributed to driving down the vacancy rate even further and putting more pressure on the market.

Although there are submarkets within the Seacoast that continue to be stagnant, **the overall market is extremely healthy**. To illustrate this point, one can look at the Pease Tradeport, which is considered to be the economic engine of the Seacoast. The vacancy rate decreased from 6.9% at the end of 2015 to 4.7% in 4Q 2016. Although there are rumors of various new construction projects, only one 30,000 sq. ft. project at 85 New Hampshire Avenue will be an available option in 2017.

TRENDS & MARKET CONDITIONS

Are vacancy rates too low? Is the New Hampshire Seacoast Office market too healthy? The answer depends on who you ask. Landlords are happy because most buildings are experiencing low vacancy rates and increasing rents. Tenants, however, are frustrated with the lack of quality options and aggressive lease rates and terms.

This lack of supply has placed pressure on office tenants looking for space in the market, particularly large users who require 15,000 sq. ft. or greater. Wheelabrator Industries and Planet Fitness are two examples of this scenario. Both Wheelabrator and Planet Fitness effectively had only one option among existing availability that would accommodate their space needs, and that one option was dependent on the other's move. Wheelabrator decided to relocate their corporate offices from 4 Liberty Lane in Hampton to 100 Arboretum Drive at the Pease Tradeport. Planet Fitness recently leased the building that Wheelabrator vacated, as this was the only existing option in the entire Seacoast to accommodate their expansion.

2016 SNAPSHOT

VACANCY:



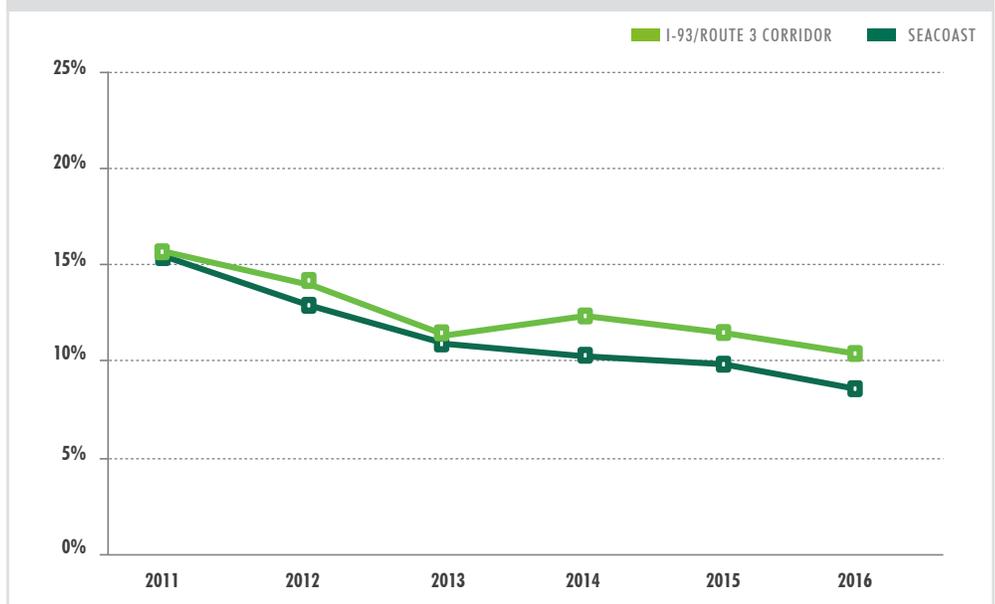
2015: 9.8%
2016: 8.3%

RENTS (NNN):



2015: \$11.42
2016: \$11.92

NEW HAMPSHIRE
HISTORIC OFFICE VACANCY RATE



Source: CBRE Research

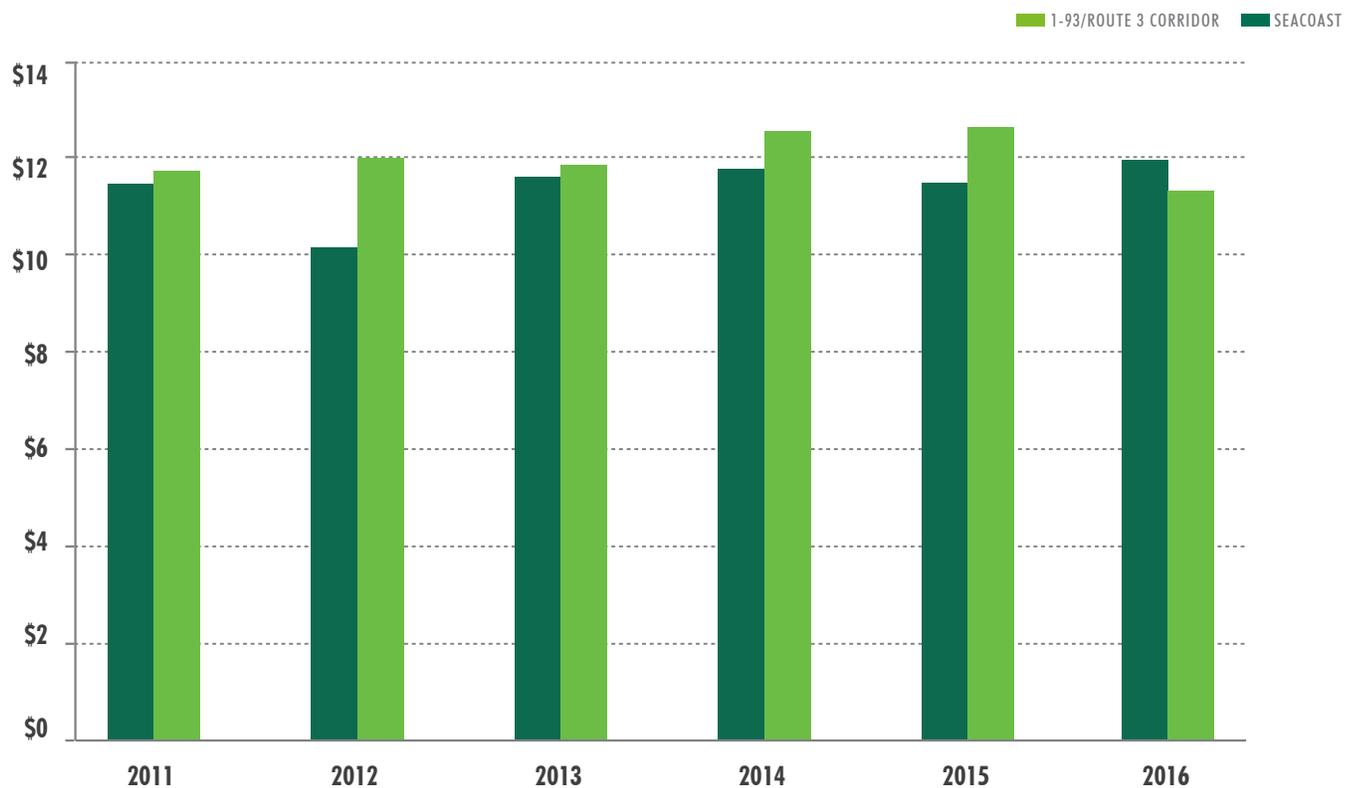
PORTSMOUTH/PEASE VS. THE REST OF THE MARKET

The New Hampshire Seacoast Office market consists of two independent submarkets—Portsmouth/Pease and the rest of the Seacoast. Following are a few facts that emphasize the Portsmouth/Pease market's impact on the overall Seacoast market:

- Portsmouth/Pease comprises 48% of the total Seacoast Office market
- Average asking lease rates in Portsmouth/Pease are \$5.00 per sq. ft. higher than surrounding communities
- NNN expenses are higher, especially property taxes, in Portsmouth/Pease
- Higher rents should spur new construction in Portsmouth/Pease



NEW HAMPSHIRE
HISTORIC OFFICE AVERAGE ASKING RENT (NNN)



Source: CBRE Research

PEASE TRADEPORT... ALMOST FULL?

The New Hampshire Seacoast Office market explosion over the past 20 years can be directly attributed to the growth of the Pease Tradeport. Since the former military base closed in 1991, over **4,000,000 sq. ft. of commercial real estate has been developed, creating more than 9,500 high-paying jobs.** There is the impression that there is an unlimited amount of developable land at Pease to accommodate future demand, however, this is not the case. There are currently nine lots available for commercial/industrial development at Pease. Of those nine, seven are formally under option to developers or abutting businesses looking to protect their future growth needs. Although Pease still has room for growth, this could change in the not-too-distant future as demand continues to increase.

2016 was the seventh consecutive year of decreasing vacancy rates in the Seacoast market.



2017 FORECAST

The Seacoast Office market should remain stable in 2017. Portsmouth/Pease will continue to be the engine of the Seacoast, however, with limited vacancy in existing inventory and minimal new construction planned for 2017, companies that want to be in Portsmouth may be forced to consider surrounding areas. This was the case when Planet Fitness expanded and relocated their corporate headquarters from Portsmouth to Hampton.

Landlords and tenants should consider the following as they plan for 2017 and beyond:

TENANTS

- Tenants will continue to see limited options, increasing lease rates and fewer landlord concessions.
- It is important for tenants to understand their budget. Many tenants may want to lease space in Portsmouth/Pease, but the cost savings can be substantial if they consider surrounding communities.
- Tenants should start looking early. With so few options, a tenant may be forced into making a poor decision if they wait too long.
- Hire a commercial broker to represent the company. Having an experienced broker on call will help prospective tenants navigate the competitive market.

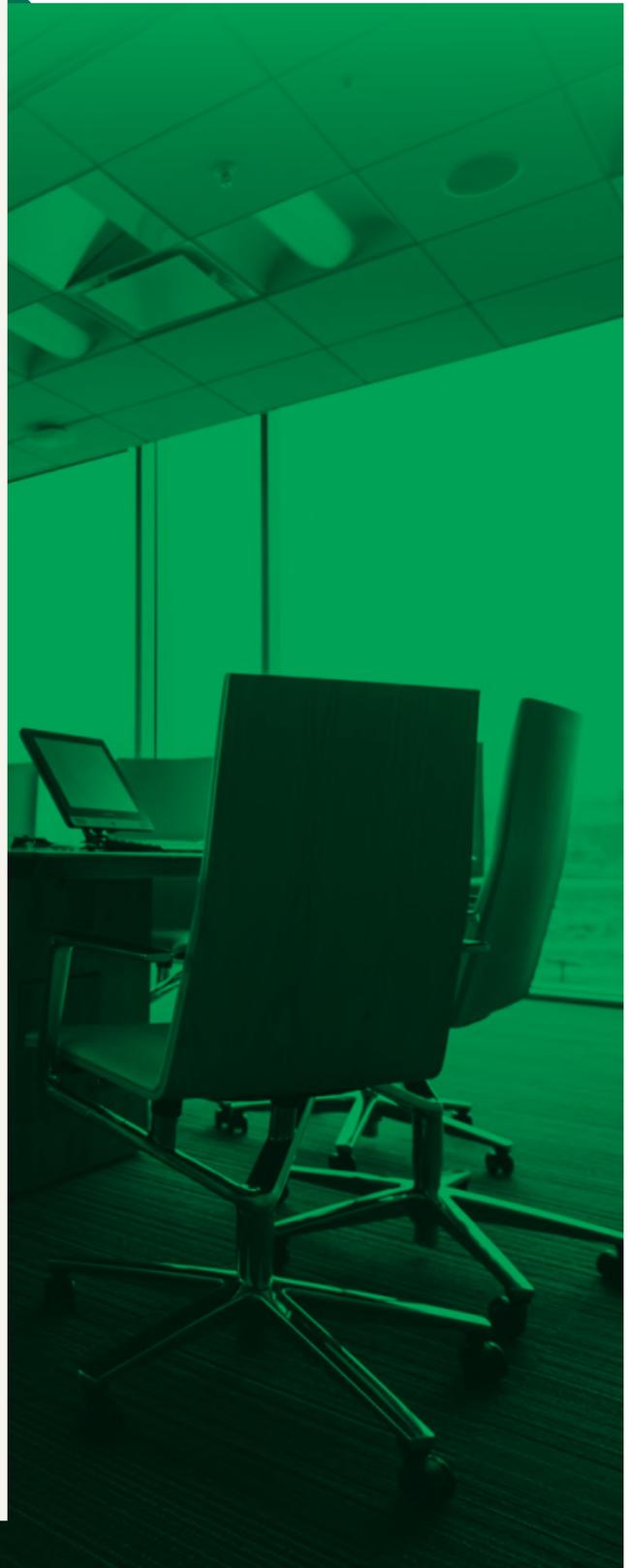
LANDLORDS

- With vacancy rates down and demand high, rents will continue to increase. This is an excellent time for owners to add value to their portfolio.
- It is a landlord's market. The days of landlords offering free rent periods, generous tenant improvement (TI) allowances and other concessions are over.
- Consider selling. The appetite for investment properties is at an all-time high in the Seacoast. If a building is more than 70% occupied, it is a great time to consider putting it on the market.
- Refinance. Commercial interest rates are still at all-time lows, but it is predicted rates will increase in 2017, so now is the time for landlords to refinance their properties.

NEW HAMPSHIRE

NEW HAMPSHIRE OFFICE MARKET SNAPSHOT

Submarket	Total Sq. Ft.	Vacant (Sq. Ft.)	Vacancy (%)	Avg. Asking Rent (NNN)
Amherst	267,263	2,400	0.9	9.75
Auburn	60,600	8,256	13.6	8.60
Bedford	1,898,427	205,362	10.8	13.50
Bow	79,155	25,000	31.6	9.00
Concord	2,442,191	295,771	12.1	13.50
Derry	228,162	54,146	23.7	12.00
Hooksett	321,472	20,868	6.5	9.00
Hudson	41,091	-	0.0	8.50
Londonderry	631,217	25,271	4.0	12.50
Manchester	7,778,168	879,237	11.3	12.75
Merrimack	2,144,014	113,514	5.3	12.25
Nashua	3,937,913	434,101	11.0	12.50
Salem	2,122,148	206,008	9.7	12.50
Windham	232,579	34,493	14.8	12.00
Total I-93/Route 3	22,184,400	2,304,427	10.4	11.31
Dover	1,674,535	137,043	8.2	10.00
Durham	184,688	0	0.0	8.50
Exeter	506,692	32,988	6.5	12.50
Greenland	70,947	3,200	4.5	11.50
Hampton	444,926	35,457	8.0	12.00
Newington	128,196	33,176	25.9	16.00
Newmarket	40,064	800	2.0	8.00
North Hampton	93,459	17,795	19.0	10.50
Pease	1,990,012	93,916	4.7	16.50
Portsmouth	2,142,625	93,107	4.3	18.00
Rochester	582,419	166,545	28.6	7.50
Seabrook	76,149	0	0.0	9.00
Somersworth	213,370	14,400	6.7	8.50
Stratham	393,818	80,000	20.3	11.00
Total Seacoast	8,541,900	708,427	8.3	11.92
Overall NH Office	30,726,300	3,012,854	9.8	11.62





875 Elm Street • Manchester, NH



100 Market Street • Portsmouth, NH



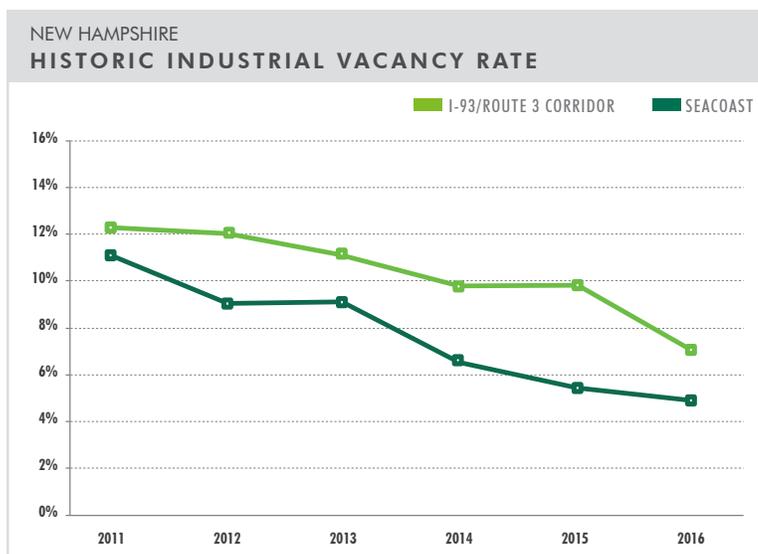
INTERSTATE 93/ROUTE 3 CORRIDOR INDUSTRIAL MARKET

by Chris Healey, (chris.healey@cbre-ne.com)

Clients looking for industrial space in 2016 experienced firsthand the surplus in demand and shortage of on-market opportunities for purchase or lease. For investors, users and tenants alike, securing industrial real estate in southern New Hampshire proved to have its fair share of challenges. A similar story to what was seen in 2015, absorption of existing property progressed and rates further stabilized in response to increased demand and extremely limited supply. The vacancy rate in 2016 was 7.0% which, compared to a rate of 9.9% in both 2014 and 2015, was a decline of 290 basis points. Despite the lack of available inventory in local markets, there was still some notable activity, including the following highlights:

- **200 Perimeter Road**, a 67,500 sq. ft. warehouse located at Manchester-Boston Regional Airport, was acquired by Amber Properties for \$2.6 million.
- The 157,000 sq. ft. General Electric building at **31 Industrial Park Drive** in Hooksett was acquired for \$25.8 million.
- Law Logistics signed a long-term lease and will occupy 132,200 sq. ft. at **59 Daniel Webster Highway** in Merrimack.
- A heavy equipment company sold **780 Route 103 West**, a 50,000 sq. ft. asset located on 90 acres in Warner, NH, to a user for \$2.5 million.

With heightened demand and limited supply, vacancy rates declined significantly from 2015.



Source: CBRE Research



2017 FORECAST

Looking ahead, industrial rates should see continued stabilization—and room for potential increases—with further absorption of existing inventory. Speculators suggest with the election over, there may be improvement with regard to the industrial and manufacturing sectors of our economy, resulting in a demand for more space of that variety.

The Manchester-Boston Regional Airport area has continued to see increased development with notable in-state movement from companies like FW. Webb (relocating from Amherst to Manchester into 1,000,000 sq. ft.) and EFI-Vutek (relocating from Meredith to Manchester into 240,000 sq. ft.) seeking to improve not only their facilities, but their location and access to a larger workforce. This

momentum and commitment to the area will continue to attract more in-state and out-of-state companies as they look for solid, long-term relocation opportunities and modern, state-of-the-art facilities.

Creating new inventory on speculation has not been as economically feasible for developers over the past several years, as the cost of construction has been prohibitive when compared to market rental rates and their return on investment. Inventory will remain tight in the Interstate 93 South corridor through Salem, as well as along Route 3 through Nashua, with less time on market across the region for both existing inventory and newly available industrial space.



VACANCY:

2015: **9.9%**
2016: **7.0%**

RENTS (NNN):

2015: **\$5.98**
2016: **\$6.09**

NEW HAMPSHIRE

INDUSTRIAL AVERAGE ASKING RENT (NNN)



Source: CBRE Research



NEW HAMPSHIRE SEACOAST INDUSTRIAL MARKET

by Christian Stallkamp, (cstallkamp@cbre-portsmouth.com)

For industrial users of all sizes, 2016's lack of quality industrial product continued to edge industrial rents and sale prices higher in the Seacoast market. A good economic bellwether for the Seacoast can be seen at an industrial/flex complex in Greenland that is comprised of 44 units, with sizes ranging from 1,200–2,400 sq. ft. Currently, and over the course of the year, there have been limited to no spaces available. Five years ago, a small industrial user could easily have had close to five or six options. This limited supply

shows the economy's strength in the Seacoast and the growth and confidence of small businesses.

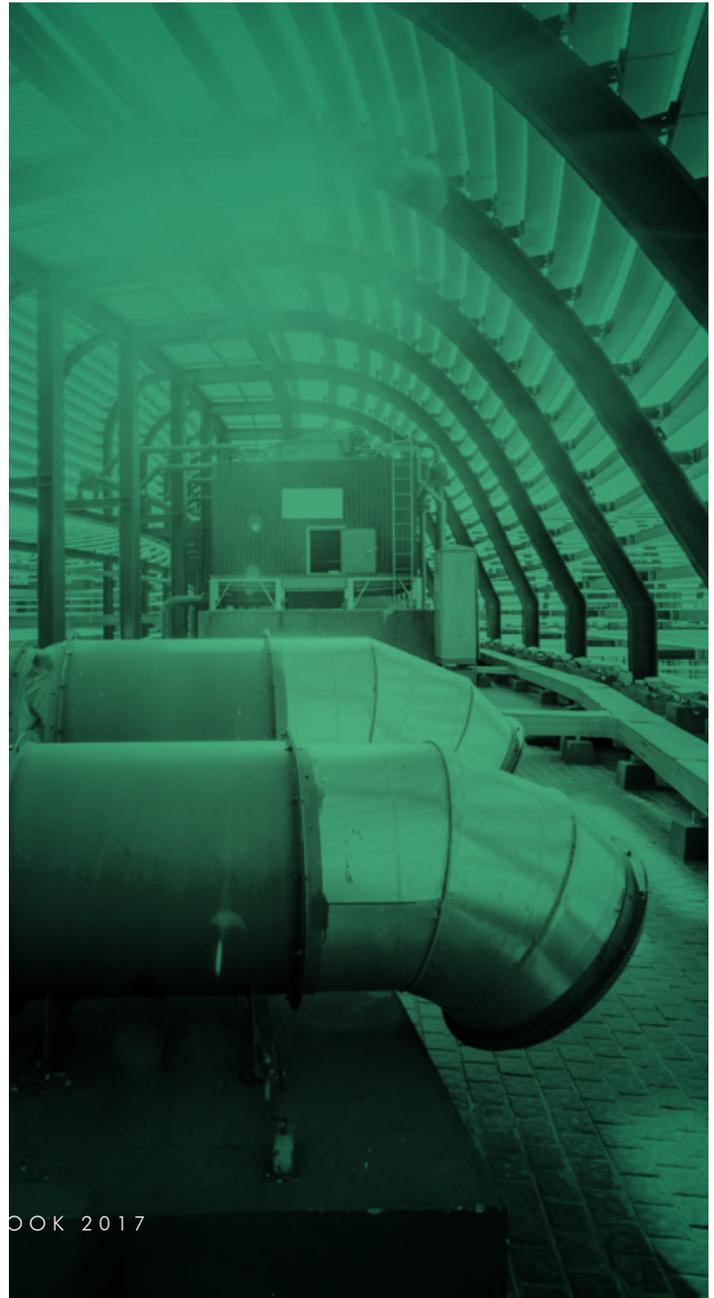
Other key factors affecting the market are the repositioning of some of the larger industrial buildings and the lack of available developable land. In response to these market conditions, the Seacoast has seen growing industrial users looking at new construction or expanding their existing footprints.

TRENDS & MARKET CONDITIONS

NEW CONSTRUCTION/EXPANSION

Over the past year, businesses looking to expand in the Seacoast have had limited options, thus forcing them to consider new construction. In fact, most of the noteworthy moves within the Seacoast Industrial market in 2016 involved new construction:

- **GourmetGiftBaskets.com** will be moving into a new 107,000 sq. ft. warehouse/distribution facility in January. This build-to-suit at 12 Continental Drive in Exeter will allow the growing business to meet customer demand.
- **Insurcomm**, a fire damage and restoration services company, recently moved into a new 35,000 sq. ft. facility in Portsmouth, doubling its size to meet the business's strong growth and support its expansion into other markets.
- **C3i, Inc.**, which has been based in Hampton for over 20 years, is relocating to Exeter to a new state-of-the-art 11,000 sq. ft. facility to create a more efficient workplace.
- Other businesses looking to meet their growing customer demand have looked at on-site expansion, such as **LAARS** and **Eastern Propane**, both located in Rochester, New Hampshire.
- **Stonewall Kitchen** and **Rand Whitney** are examples of large tenants with ground-up deals signed in 2015 that have now occupied their space in 2016. Both companies are located in Dover, with Stonewall Kitchen's new space consisting of 75,000 sq. ft. and Rand Whitney now occupying 129,000 sq. ft.

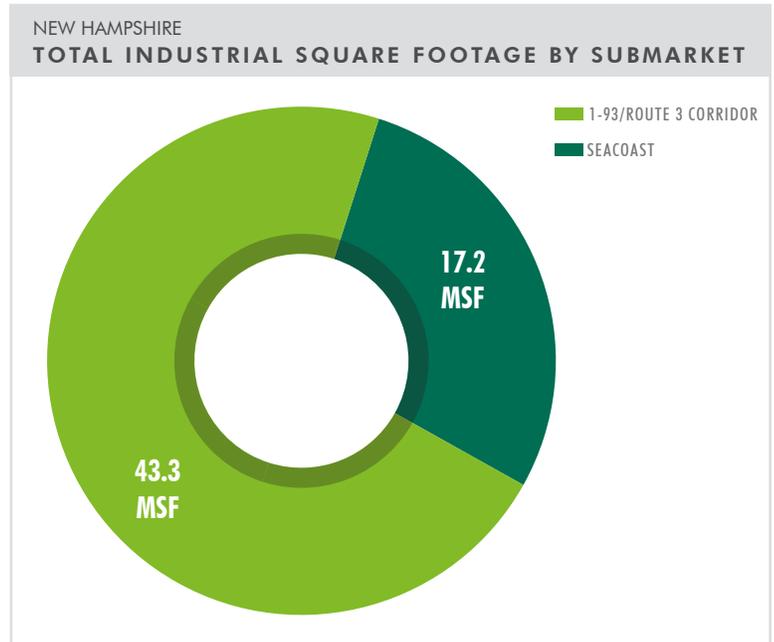




INDUSTRIAL REPOSITIONING

The Seacoast Industrial market is comprised of approximately 17.2 million sq. ft., which is very small when compared to a market such as Boston’s approximately 143 million sq. ft. That means when larger buildings are repositioned in this market, the change in metrics stands out. One trend in repositioning that dramatically affected traditional industrial inventory was the repurposing of industrial warehouses into self-storage facilities. Two industrial buildings—72 New Zealand Road in Seabrook (51,000 sq. ft.) and 125 Ocean Road in Greenland (48,000 sq. ft.)—have both been converted to self-storage facilities, contributing to the unbalanced supply vs. demand issue for industrial users.

High demand and a shrinking amount of available land for new construction has resulted in historically high sale prices.



Source: CBRE Research

2016 SNAPSHOT

VACANCY:



2015: 5.6%
2016: 4.9%

RENTS (NNN):



2015: \$5.04
2016: \$5.26

LACK OF LAND/HIGHER SALE PRICES

Layered on top of the need for new construction is the lack of available industrial land in the Seacoast market. One example of how far the Seacoast market has filled in over the course of time can be seen at the Pease International Tradeport in Portsmouth/Newington. This former U.S. Air Force Base is home to over four million sq. ft., with only two available lots remaining for development (those without existing options). For pricing data points outside of Portsmouth, but still in the Seacoast, historic sale prices would typically be \$55–65 per sq. ft. In 2016, the price range hit \$74 per sq. ft. up to \$94 per sq. ft. for an older 46,000 sq. ft. industrial building with Interstate 95 visibility.

2017 FORECAST

In 2017, we expect industrial vacancy to continue to be tight, with continued pricing increases occurring as a reflection of the lack of product. This trend should continue as long as product remains in short supply in a low interest rate environment. Submarkets outside Portsmouth—such as Exeter, Dover, Rochester and Epping—will continue to see more ground-up deals due to more available land options with lower acquisition costs.

NEW HAMPSHIRE

NEW HAMPSHIRE INDUSTRIAL MARKET SNAPSHOT

Submarket	Total Sq. Ft.	Vacant (Sq. Ft.)	Vacancy (%)	Avg. Asking Rent (NNN)
Amherst	1,183,846	5,547	0.5	5.80
Auburn	247,019	11,200	4.5	5.50
Bedford	962,037	161,836	16.8	6.25
Bow	455,383	14,800	3.3	6.60
Concord	2,750,613	340,606	12.4	6.25
Derry	1,233,117	65,972	5.4	6.00
Hooksett	1,506,687	23,114	1.5	6.00
Hudson	3,828,304	324,452	8.5	6.00
Londonderry	5,579,543	224,342	4.0	6.50
Manchester	8,889,967	408,869	4.6	6.25
Merrimack	3,836,086	184,360	4.8	5.20
Nashua	9,720,865	1,051,407	10.8	5.90
Salem	2,791,986	228,801	8.2	6.50
Windham	348,200	0	0.0	6.50
Total I-93/Route 3	43,333,653	3,045,306	7.0%	6.09
Dover	2,404,252	257,697	10.7	5.25
Durham	310,000	0	0.0	4.75
Exeter	1,060,087	46,482	4.4	5.50
Greenland	820,865	0	0.0	6.00
Hampton	906,170	19,962	2.2	5.50
Newington	1,249,135	96,624	7.7	5.50
Newmarket	140,204	0	0.0	5.25
North Hampton	173,452	0	0.0	5.25
Pease	1,548,849	0	0.0	6.50
Portsmouth	2,080,442	56,643	2.7	6.25
Rochester	2,151,611	124,050	5.8	4.75
Seabrook	1,597,010	69,400	4.3	6.00
Somersworth	1,865,697	137,900	7.4	4.50
Stratham	893,510	33,450	3.7	6.00
Total Seacoast	17,201,284	842,208	4.9	5.26
Overall NH Industrial	60,534,937	3,887,514	6.4	5.68





218 Griffin Road • Portsmouth, NH



780 Route 103 West • Warner, NH

CBRE/NEW ENGLAND PLATFORM

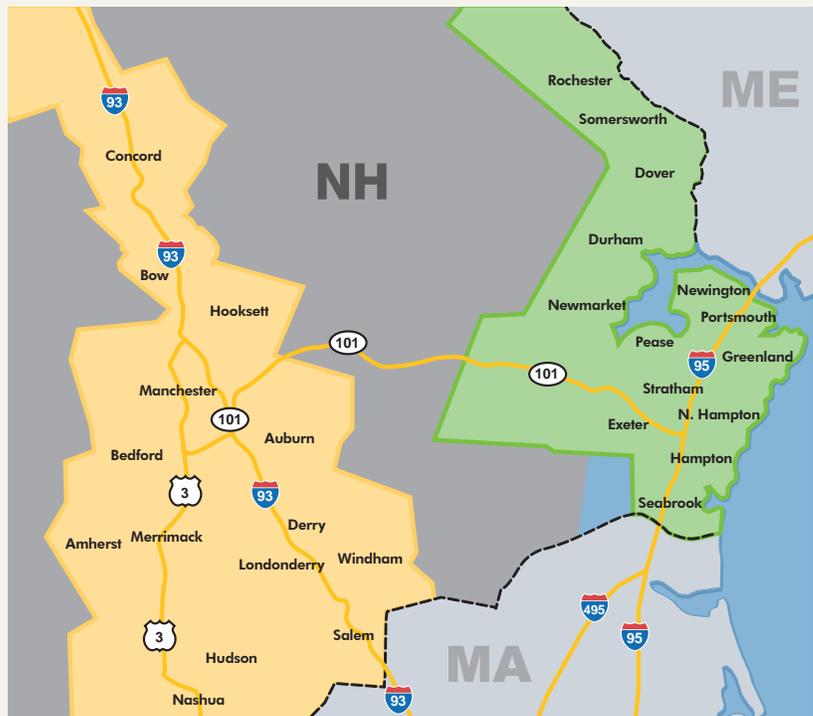
Headquartered in Boston, CBRE/New England covers all of New England's major markets: Boston, Hartford, Manchester, New Haven, Portsmouth, Portland and Providence. The CBRE/NE entity, which has existed in Boston since 1900 with the founding of C.W. Whittier Bro., has evolved and grown by acquisition throughout the New England region. This joint venture with the internationally recognized CBRE, Inc. combines national resources with regional control and ownership to offer our clients a balanced service platform and superior client service.

Today, CBRE/NE sets a new performance benchmark for the commercial real estate industry by offering a complete spectrum of real estate services to our clients. Service lines include Capital Markets, Asset Services, Advisory & Transaction Services, Debt & Structured Finance, Facilities Management and Development. This full complement of services allows our firm to work with our clients through the full life cycle of their real estate needs, adding value at each new phase.

CBRE/NE staffs over 400 employees servicing all of the needs of our ever-changing client base. Our framework combines various perspectives and specialties to field the group of professionals best able to answer the changing needs of every client. The very size and regional intensity of our firm, the largest commercial real estate services company both in the nation and New England, provides clients with the resources necessary to achieve their real estate goals.

METHODOLOGY

To the best of our knowledge we have included all Class A and B office and industrial properties that are greater than 10,000 sq. ft. and are considered investment-grade quality. We do not include retail, hotels, car dealers, churches, municipal buildings or schools in our survey. The total average asking NNN lease rate is the weighted average of the submarket average asking NNN lease rate to the total sq. ft. within each submarket. This survey was completed on December 1, 2016. The represented vacant (sq. ft.) includes both vacant and available space.



For additional information, please contact one of our New Hampshire offices:

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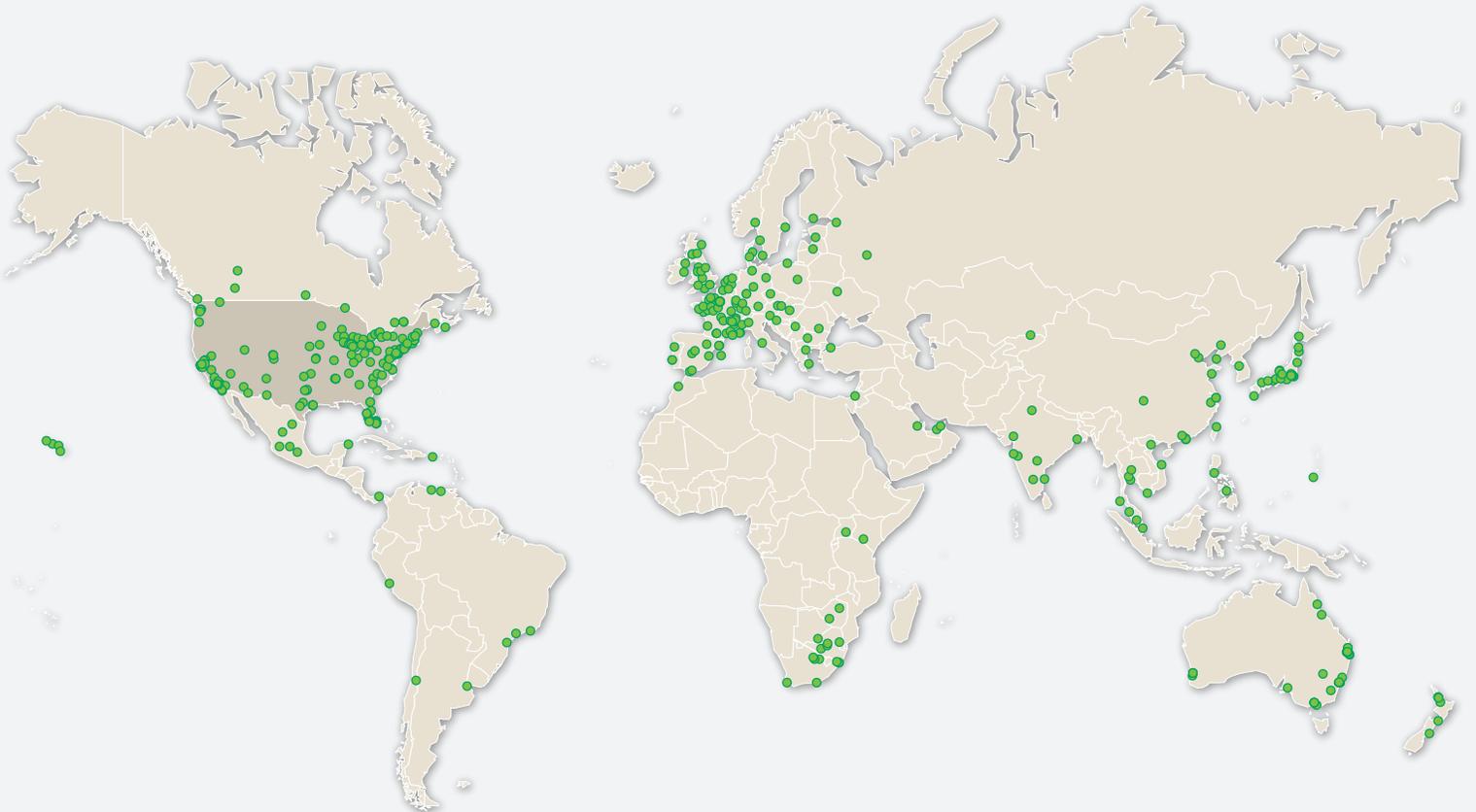
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Consulting
Engineers
and Scientists

October 23, 2017

Project 171.05036

Mr. Michael Kane
The Kane Company
210 Commerce Way, Suite 100
Portsmouth, New Hampshire 03801

Re: Environmental Consulting Services
McIntyre Federal Building
Portsmouth, New Hampshire

Dear Mr. Kane:

Ransom Consulting, Inc. (Ransom) has prepared this correspondence at your request to summarize key findings arising out of our October 16, 2017 review of environmental reports available at the City of Portsmouth (City) Planning office for the Thomas J. McIntyre Federal Building Property (Site, Site Building).

The work was conducted in accordance with our October 16, 2017 Proposed Scope of Work and as authorized in email from Dan Fallon of The Kane Company on the same date.

Please note that due to federal security requirements, no copies or photographs of the review materials could be made by Ransom. City Planners Peter Stith and/or Nick Cracknell were present during Ransom's review of files.

The following reports were viewed at City Hall:

1. Environmental Audit, dated November 2, 2011;
2. Tier II reporting forms for diesel fuel and heating oil, dated 2011;
3. Asbestos Survey Report, dated March 21, 2012;
4. Asbestos Management Plan, dated October 13, 2013;
5. Lead-Based Paint Operation & Management Plan, dated November 4, 2013;
6. Annual Underground Storage Tank (UST) Inspection, dated July 28, 2014 (Lakes Region Environmental);
7. Asbestos Shipment Records, dated March 11, 2015; and
8. Results of potable water sampling and analyses for the presence of lead and copper.

Pease International Tradeport, 112 Corporate Drive, Portsmouth, New Hampshire 03801, Tel (603) 436-1490, Fax (603) 436-6037
400 Commercial Street, Suite 404, Portland, Maine 04101, Tel (207) 772-2891
12 Kent Way, Suite 100, Byfield, Massachusetts 01922-1221, Tel (978) 465-1822
60 Valley Street, Building F, Suite 106, Providence, Rhode Island 02909, Tel (401) 433-2160
2127 Hamilton Avenue, Hamilton, New Jersey 08619, Tel (609) 584-0090

www.ransomenv.com

Mr. Michael Kane
The Kane Company

CITY FILE REVIEW RESULTS

The following summary is provided for each report listed above:

1. Environmental Audit. The focus of the report was evaluating compliance with environmental regulation and policies, namely: the Clean Air Act, the Clean Water Act, the Emergency Planning and Community Right-to-Know Act (EPCRA), Occupational Safety and Health Administration (OSHA), Safe Drinking Water Act, Resource Conservation and Recovery Act (RCRA) Subtitle C (pertaining to Hazardous and Universal Waste, Used Oil), RCRA Subtitle D (pertaining to solid waste and recycling), RCRA Subtitle I (pertaining to USTs), Toxic Substances and Control Act (TSCA; pertaining to polychlorinated biphenyls (PCBs), asbestos, lead, etc.), Executive Order 13423 “Strengthening Federal Environmental, Energy, and Transportation”; and Executive Order 13514 “Federal Leadership in Environmental, Energy, and Economic Performance.”

Key findings:

- a. At the time of the report, building occupants were United States Postal Service, Internal Revenue Service, Social Security, Federal Bureau of Investigation, Homeland Security, and California Analyses Center, Inc. Accessible portions of the building were viewed by the auditor(s).
- b. The General Services Administration (GSA) building maintenance contract was with Done Right Building Services, Inc. and Otis Elevator.
- c. Two USTs: a 1,000 gallon diesel fuel tank (and an associated 50-gallon day tank (an aboveground storage tank (AST)) located in the basement) to fire a 155 KW generator; and a 10,000 gallon heating oil tank as a back-up to natural gas for the two boiler hot water heating system. The report cited no requirement for air permitting. The diesel fuel AST was noted as being out of compliance.
- d. Two chillers with 70 lbs. of hydrochlorofluorocarbon (HCFC) refrigerant; record keeping violation noted.
- e. Asbestos containing materials (ACM) noted, survey report on site and available, quarterly air monitoring conducted, warning signs posted.
- f. Water samples collected annually at each fountain. Lead less than 0.005 milligrams per liter (mg/L) at all samples locations.
- g. Types of Site Operations do not require storm water runoff permit or testing. However, diesel fuel and heating oil UST fill ports in the sidewalk near the front door are unsecured, and piping for the AST and two USTs noted in the basement does not have secondary containment, and a floor drain is present. Risk of release to surface water via the floor drain noted.
- h. PCBs and mercury. Reportedly, there are no transformers or capacitors [no mention of consideration of PCBs if elevator mechanism relies on hydraulic oil (?)]; fluorescent lights have ballasts and most of the fixtures were “re-lamped” in 1993, with the exception of the Post Office and

“some other areas”; the implication being that these older fixtures may contain PCBs. Lamps are temporarily collected and stored and disposed of by Universal Recycling Technologies (violations: need labelling to document lamp storage of less than 1 year; need clean-up plan and training for lamp breakage).

- i. Hazardous wastes and manifests. A North American (NA) ID number was identified; used oil, used antifreeze, batteries generated during maintenance of emergency generator, chillers, boilers, etc. are transported/disposed of by subcontractors after tasks completed. Universal Wastes are temporarily stored and then collected by a disposal contractor. Improper shelf storage of materials and inadequate labelling were noted as violations. Other issues noted: EPCRA Material Safety Data Sheets and reporting deficiencies, need small quantity generator certification every three years, no hazard communication plan.
- j. Solid Waste. No diversion program was noted. A GSA recycling program was noted.
- k. USTs. The regulated diesel fuel and heating oil tanks were noted and were noted to have leak detection and GSA has monitoring and maintenance records.

The report listed a range of violations (including but not limited to: chiller leak rate documentation, need for UST locks, non-compliant diesel fuel AST, reporting requirements for chemical storage under EPCRA, need for heating oil inventory records, and hazard communication deficiencies, and improper flammables storage).

- 2. Tier II reporting forms. These forms list information on the storage of diesel fuel and heating oil, likely in response to Environmental Audit reporting deficiencies.
- 3. Asbestos Survey Report. This March 2012 reported noted that it identified no previous reports pertaining to ACM. A total of 97 samples of suspect ACM were collected for analyses and of these 35 samples tested positive for asbestos. A table of the materials and quantities listed as ACM in the report is attached and included floor tiles, ceiling tiles, carpet mastic, boiler room flue stack insulation, and spray-on fireproofing. [At least some of this asbestos has presumably been abated; see item 7, below].
- 4. Asbestos Management Plan. Plans show the locations, by floor, of the identified ACM. As of the 2013 date of the plan, the condition of the ACM was noted as being in good condition.
- 5. Lead-Based Paint (LBP) Operation & Maintenance (O&M) Plan. The plan states that 109 sample locations were screened “throughout the building”; of these, 14 tested positive (with a concentration above the HUD definition of lead based paint (LBP) of 1 mg/cm² lead) for lead as screened with and x-ray fluorescent analyzer. Detected concentrations of lead in painted surface testing ranged from 1 to 5 gm/cm², with the LBP detections greater than 1 mg/cm² noted for various surfaces including: the parking garage concrete dock, mechanical room floor and handrail, brick wall/south wall of the basement

Mr. Michael Kane
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hallway, door step to the mechanical room B3, plaster walls of rooms 102, 103, 109 115, and the metal garage door.

6. Annual UST Inspection. Passing tightness testing of secondary containment was noted by Lakes Region Environmental as part to the 2014 Annual UST Inspection for the No. 2 heating oil tank and the diesel fuel tanks and 20 foot runs of supply and/or return lines for the tanks. [Recent records of noncompliance for the 50-gallon day tank (an AST) associated with the diesel fuel tank system are noted below in New Hampshire Department of Environmental Services (NH DES) files reviewed.]
7. Asbestos Shipment Records. A March 2015 shipment record was included in the file for 35 bags of ACM waste for materials shipped by EnviroVantage from the McIntyre Building to Turnkey landfill in Rochester, New Hampshire. Ransom contacted EnviroVantage (the shipper) on October 23, 2017 and learned that the scale of asbestos abatement that they have been involved with at the Site Building was limited to small renovation scopes.
8. Potable water sampling. "First draw" water samples, as well as samples after 30 seconds of purging, were collected for lead and/or copper analyses over several years. The only documented exceedance of a drinking water standard was for copper in the Post Office water fountain which was then taken out of service. Samples collected from up to 13 sources (fountains, spigots, etc.) in the McIntyre Building otherwise met drinking water standards for lead and copper for the sample round reports reviewed (2013, 2104, and 2015).

Other reports/plans not specifically reviewed (and reportedly available to be printed by the City) included Architectural Plans, Structural Plans, and Mechanical Plans. These reports were not environmental reports. Ransom did briefly look at boring logs included in the Architectural Plans and these logs did not include any notes relative to environmental observations (such as indications of coal combustion residues, petroleum or chemical odors, staining, sheen, and field screening results); the descriptions appeared to be limited to geotechnical observations and did not include environmental observations. The borings, advanced in 1964, did include the descriptor of "fill" in at least 6 of 23 borings, which, where observed, ranged in thickness from 3 to 13.6 feet.

NH DES ONESTOP DATABASE ON-LINE REVIEW RESULTS

Although not included in the City records, records available on-line at the NH DES OneStop data base indicated past history of UST removal. Specifically, one 1,500 gallon diesel fuel UST and one 15,000 gallon No. 2 heating oil UST were removed in 1992 and replaced with the current Site active, registered USTS in 1993. At the time of removal, petroleum contaminated soils (a total of approximately 140 tons) were excavated from each tank bed and ultimately disposed off-site. Apparently due to contractor payment issues, the closure assessment report was not released by the removal contractor until 1997. The leaking underground storage tank (LUST) Site was then "closed" by the NH DES in correspondence issued in July 1997.

Mr. Michael Kane
The Kane Company

Records of pending administrative fines were contained in the file related to noncompliance with the applicable rules for installation of the tanks in 1993. It is unclear whether these fines were eventually levied.

The 50 gallon day tank that is part of the diesel-fired emergency generator system was stated to be “out of compliance”, based on NH DES records reviewed on line (July 7, 2017 NH DES compliance inspection, as well as in an earlier 2016 inspection report correspondence). In addition, in 2016 the NH DES requested UST facility operator training documentation per the requirements of the applicable rules. No record of response was noted in the files for the noted compliance issues.

DISCUSSION

Based on the above records reviewed, Ransom provides the following discussion relative to potential identified environmental issues as they pertain to redevelopment concerns:

1. Asbestos. It is our understanding that extensive renovations are planned for the building. In response to your request Ransom solicited an order-of magnitude cost estimate from a local abatement contractor, EnviroVantage (attached), for those materials listed in the 2012 asbestos report. Note that neither Ransom nor EnviroVantage has observed the facility to verify the previously documented ACM locations and amounts documented by others. Records reviewed above indicate that at least a portion of the ACM has been abated.

The order-of magnitude cost estimate for abatement and disposal of the ACM listed in the report is as follows:

- Flue Stack: \$13,750
- Flooring and Mastic: \$338,000
- Spray-on Fireproofing: \$617,750
- Ceiling Tile and Grid: \$235,000

2. PCBs. The records reviewed did not reference assessment of PCBs in caulk or paint. During this era of construction (circa 1967), caulk containing PCBs was often used in schools, hospitals, and institutional buildings. The caulk was often used between masonry surfaces such as joints between bricks and concrete, joints between concrete and concrete, and joints between windows and masonry, etc. Abatement of the caulk and of PCBs that may have leached into adjoining materials can be expensive. PCBs leach into masonry and sometimes soils beneath caulked areas; and caulk “dust” can cause indoor air problems. The regulated concentration of PCBs in caulk (or paint) is 50 parts per million (ppm), the clean-up standard for those materials (such as adjoining concrete, for example) impacted by the PCBs is 1 ppm. Removed PCB caulk is “PCB bulk product waste” and can be disposed of at a lesser cost, often at a Subtitled D landfill, but the materials the PCBs leached into, if removed as part of clean-up, are considered “PCB remediation waste” and have to be shipped to specific facilities authorized to accept the waste, typically at a higher unit cost. The affected substrate can be encapsulated rather

Mr. Michael Kane
The Kane Company

than removed, with the tradeoff being the cost of labor and disposal (for the disposal option) vs. the cost of labor and ongoing management (for the encapsulation option). If encapsulation is the selected management approach, then the United States Environmental Protection Agency (U.S. EPA) requires review and approval of a risk-based plan. Review times can exceed 6 months. Either remediation/abatement approach requires significant sampling and analyses to support clean-up outcomes and/or management strategy.

Costs associated with PCB caulk removal and affected media remediation, or caulk removal and media encapsulation, can run into multiple \$100,000s.

At present, Ransom has identified no data to indicate whether PCBs are present in the caulk (or in paint), but if PCBs are present in the caulk they typically are present at high concentrations to meet the purpose of maintaining caulk pliability.

For two publicly accessible building exterior caulk application areas, the caulk bead was observed by Ransom to be pliable to the touch, but it is unclear if the caulk observed was original (dating to 1967), or a replacement caulk.

3. LBP. LBP at fairly low concentrations but above the Housing and Urban Development (HUD) LBP definition of 1 mg/cm² was noted in the building. Appropriate construction practices and precautions will be necessary to mitigate potential lead exposure risks. Pre-disposal characterization may be required by the receiving facility for generated waste, depending on the characteristics of that waste. Wastes determined to have a hazardous characteristic for lead will require disposal as a hazardous waste.
4. Petroleum Storage Tank Systems. The 50 gallon day tank that is part of the diesel-fired generator system is listed as out of compliance, based on NH DES records reviewed on line. Also, the NH DES had requested operator training documentation per rules requirements in 2016 and it is unclear whether that was provided. In addition, the facility was subject to administrative fines due to issues on non-compliance during tank installation in 1993. Non-compliance with the applicable rules jeopardizes petroleum fund eligibility; fund eligibility provides the necessary financial assurance mechanism (\$1,000,000) required to operate a UST facility as well as funds for clean-up in the event of an eligible release. It is unclear whether past or current non-compliance issues have jeopardized the availability of petroleum funds as a financial assurance mechanism.

Please note that this correspondence and our review of these limited available documents ***does not*** fulfill the requirements for a Phase I Environmental Site Assessment conducted in accordance with the requirements provided by the ASTM International Designation: E 1527-13, *Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process, 2013* (ASTM E 1527-13), or the requirements of the U.S. EPA All Appropriate Inquiries (AAI), 40 CFR Part 312. Note that by performing a Phase I ESA prior to property acquisition on a parcel of commercial real estate with respect to the range of contaminants within the scope of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) (42 U.S.C. §9601) and petroleum products, a user satisfies one of the requirements to qualify for the innocent landowner, contiguous property owner, or bona fide

Mr. Michael Kane
The Kane Company

prospective purchaser limitations on CERCLA liability, which also preserves the opportunity to apply for protections afforded through the NH DES Brownfields Program for Sites requiring remediation, and the potential to be eligible of assessment or grant clean-up funds through the U.S. EPA, for eligible Sites and owner entities.

Thank you for the opportunity to be of assistance on this project. If you have any questions regarding this correspondence, please contact Steve Rickerich.

Sincerely,

RANSOM CONSULTING, INC.



John Ouellette
Project Manager

Steven F. Rickerich, P.G.
Vice President

JMO/SFR:jar
Attachments (Table and EnviroVantage Proposal)

ATTACHMENT A

ACM Table

Environmental Consulting Services
McIntyre Federal Building
Portsmouth, New Hampshire

McIntyre Building - Summary of Types of Asbestos-Containing Materials included in 2012 Asbestos Survey (from notes)

ACM	Sample Location	Result	Area
Flue Stack	Boiler room	30-40% Amosite	1,200 SF
9"x9" Floor tile with black mastic	Basement Restrooms (2), B6	4-6%/8-10% Chrysotile	250 SF
12"x12" Gray speckled tile with black mastic	Basement hallway	2-4% / 3-5% Chrysotile	2,400 SF
9"x9" White tile with black mastic	Rm. 107, 116 & 109	4-6% / 8-10% Chrysotile	2,200 SF
Black and tan carpet with mastic	Rm. 103	4-10% Chrysotile	750 SF
1'x2' Black floor tile	Rm. 130, 159 & ???	30-45% Chrysotile	5,250 SF
9"x9" White floor tile with black mastic	2nd floor hallway	4-6% / 8-10% Chrysotile	9,450 SF
Black and tan carpet	3rd floor hallway	10-13% Chrysotile	2,750 SF
9"x9" White floor tile with black mastic	3rd floor hallway	3-5% / 6-8% Chrysotile	7,360 SF
9"x9" White floor tile with black mastic	3rd floor hallway	3-5% / 6-8% Chrysotile	8,500 SF
12"x12" White floor tile with black mastic	Rm. 301	2-3% Chrysotile	410 SF
Spray-on fire proofing	Penthouse	25-30% Chrysotile	4,000 SF
2'x5' White ceiling tile	Rm. 430	3-5% Chrysotile	12,000 SF
Spray-on fire proofing	Rm. 430	25-30% Chrysotile	12,000 SF
2'x5' White ceiling tile	3rd floor outside Rm. 320	3-5% Chrysotile	12,000 SF
Spray-on fire proofing	3rd floor outside Rm. 320	25-30% Chrysotile	12,000 SF
2'x5' White ceiling tile	2nd floor hallway	3-5% Chrysotile	12,000 SF
Spray-on fire proofing	2nd floor main hallway	25-30% Chrysotile	12,000 SF
2'x5' White ceiling tile	1st floor Rm. 130	3-5% Chrysotile	12,000 SF
Spray-on fire proofing	1st floor Rm. 130	25-30% Chrysotile	12,000 SF
2'x5' White ceiling tile	Basement Rm. 32	ND	6,000 SF
Spray-on fire proofing	Basement Rm. 32	ND	12,000 SF

* ND=not detected [not sure why it was included in their survey table]; SF=square feet

ATTACHMENT B

EnviroVantage Proposal

Environmental Consulting Services
McIntyre Federal Building
Portsmouth, New Hampshire



October 20, 2017

Steven F. Rickerich
RANSOM ENVIRONMENTAL CONSULTANTS
400 COMMERCIAL ST.
SUITE 404
PORTLAND, ME 04101

Re: McIntyre Federal Building-Post Office, Portsmouth

Dear Steven,

Thank you for the opportunity to bid on the McIntyre Federal Building-Post Office, Portsmouth project for your firm. Please review the following quote and contact me with any questions you may have.

Our budget proposal is for the abatement identified on McIntire Asbestos Table you sent us. Our pricing is based on the summary quantities as follows:

- Flue Stack: 1,200 SF
- Flooring and Mastic: 39,320 SF
- Spray-on Fireproofing: 64,000 SF
- Ceiling Tile and Grid: 54,000 SF

Our budget value:

Cost of labor, materials, equipment and disposal: \$1,204,500.00

Break out values:

- Flue Stack: \$13,750.00
- Flooring and Mastic: \$338,000.00
- Spray-on Fireproofing: \$617,750.00
- Ceiling Tile and Grid: \$235,000.00

Please note that we have evaluated these items individually. As an economy of scale we believe it would be reasonable to assume that most of these scopes will occur in common space, enabling us to use the same containment for Tile and Mastic, Ceiling Tile and Grid and Fireproofing. This would represent about a 10% savings on each of these items.

Description of work to be performed: Asbestos:

- Send in State Notification (10-day period)
- Supply properly trained and licensed asbestos supervisor and workers with personal protective equipment
- Set up containment barriers and decontamination chambers
- All items will need to be removed from the work area by owner prior to set up
- Place work zone under negative air as necessary using HEPA filtered equipment
- Remove asbestos containing materials as defined in scope
- Double bag and label asbestos waste for proper disposal
- HEPA vac and clean containment for visual and air clearance by Industrial Hygienist



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- Industrial Hygienist to be provided by GC/Owner
- Remove containment and properly dispose of materials generated
- Supply proper documents

Quotation Notes:

- There is a 10 day working day notification period with the state
- Owner/GC responsible for any additional city and town permits
- Owner/GC to supply access to work area, water, and electricity throughout duration of project (20 AMPS per 1,000 SF is minimum requirement)
- All items will need to be removed from the work area by owner prior to start of work
- No entry into work area by persons other than licensed/trained personnel while work is being performed
- Some damage to the paint or finishes may result from the use of tape during the construction or removal of the containment barriers. Please be advised we are not responsible for repainting if such damage occurs
- Excludes all hazardous materials other than asbestos unless otherwise specified
- No put back of any items removed
- All MEP's associated with work to be made safe by appropriate trades
- EnviroVantage carries standard \$6 million pollution insurance
- No performance and payment bond included, Performance and Payment Bonds would add 2.5% to the total contract value
- Not based on Davis Bacon rates
- Work will be scheduled after the 10-day notification is filed
- Lock out tag out by Owner/GC
- Excludes any/all winter conditions

Quotation Exclusions:

- This quote is based on doing our scope of work in one mobilization
- This quote is based on straight time
- If additional mobilizations are required there will be an additional charge of \$1,800.00 per mobilization
- This quote is based on project schedule represented at bid time
- Any project schedule changes made after the date of this proposal will require a review of our estimated cost

General Information

EnviroVantage is an award winning Specialty and licensed Environmental Contractor with over 30 years of experience and success with projects of this nature, including many of New England's most recognizable landmark projects. We've achieved that level of accomplishment through our continued desire to go above and beyond the expectations of our clients with high quality workmanship, teamwork, communication, dedication to safety and environmental responsibility. We are committed to doing what it takes to get the project done right the first time. For further information on the benefits of working with us, I encourage you to visit our website at www.envirovantage.com.

I appreciate your interest in doing business with EnviroVantage and thank you for your consideration. We look forward to working with you and being a valuable part of your project team.

Feel free to contact me with any questions.



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Sincerely,

Vince

Vincent L. Marcisso Jr.

Director of Business Development

& Senior Account Manager



Asbestos-Demolition-Lead-Mold-PCBs

24/7 Emergency Services

Office: 603-679-9682

Cell: 207-749-9393

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vincentm@EnviroVantage.com

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Terms and Conditions:

The above price(s), specifications and conditions are satisfactory and are hereby accepted.

EnviroVantage is authorized to perform the work as of _____, 2017

Payment Terms: Net 30

Overdue payments will bear interest at two (2) percent per month. Costs of collecting overdue invoices, including reasonable attorney's fees will be added to the invoice for collection.

Authorized Signature: _____

*Price quoted is only valid for 30 days after date of proposal. Signature required prior to start of project.

QID: 17701



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