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Valuation Report: Craft Market Site

For Director of Lands & Survey

6th May 2011

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Mr. Uche Obi
Senior Valuation Officer
Lands & Survey Department
P.O. Box 1089GT
Grand Cayman
Cayman Islands

6th May 2011

Dear Sir,

Re: Craft Market – Block OPY Parcel 108

I refer to your instructions of the 14th April 2011 regarding the 2 proposals received in respect of the proposed redevelopment of the above property and your request to provide our comments in respect of the following items for each proposal:

1. Plan of proposed redevelopment having regard to the current Planning regulations
2. Rental Income to be received
3. Gross development value
4. Cost of undertaking the redevelopment
5. Timing of construction

In this regard, I am pleased to provide our report as follows and I confirm that this report has been prepared in accordance with the internationally accepted valuation guidelines of The Royal Institution of Chartered Surveyors (RICS) Valuation Standards - Global (7th Edition) and the International Valuation Standards (8th Edition).

Thank you for your instructions and please do not hesitate to contact me directly should you have any questions or comments, or indeed should you require any further assistance.

Yours faithfully,

Simon J. Watson FRICS
Chartered Valuation Surveyor
PARTNER

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Contents

1. VALUATION DETAILS

Client	Director of Lands & Survey Cayman Islands Government FAO: Uche Obi
Client's Address	PO Box 1089 Grand Cayman Cayman Islands
Client's Telephone	345 244 3420
Client's Email	Uche.obi@gov.ky
Subject of Valuation	Site of the Craft Market, Cardinal Avenue, Grand Cayman Registration Section: George Town Commercial, Block: OPY, Parcel: 108
Interest to be Valued	Ten (10) year lease with an option to renew for two further similar terms
Purpose of Valuation	Provide a Commentary on Two Redevelopment Proposals
Basis of Valuation	Market Rental Value as defined by the RICS Valuation Standards – Global (7th Edition)
Special Assumptions	In accordance with The RICS Valuation Standards we confirm that no 'Special Assumptions' have been requested by the Client in assessing the Market Value of the subject
Highest and Best Use	Commercial Development Site
Currency	Cayman Islands Dollars (CI$)
Valuation Date	4th May 2011
Date of Inspection	4th May 2011
Property Inspected By	Simon J. Watson FRICS
Valuation Prepared By	Simon J. Watson FRICS

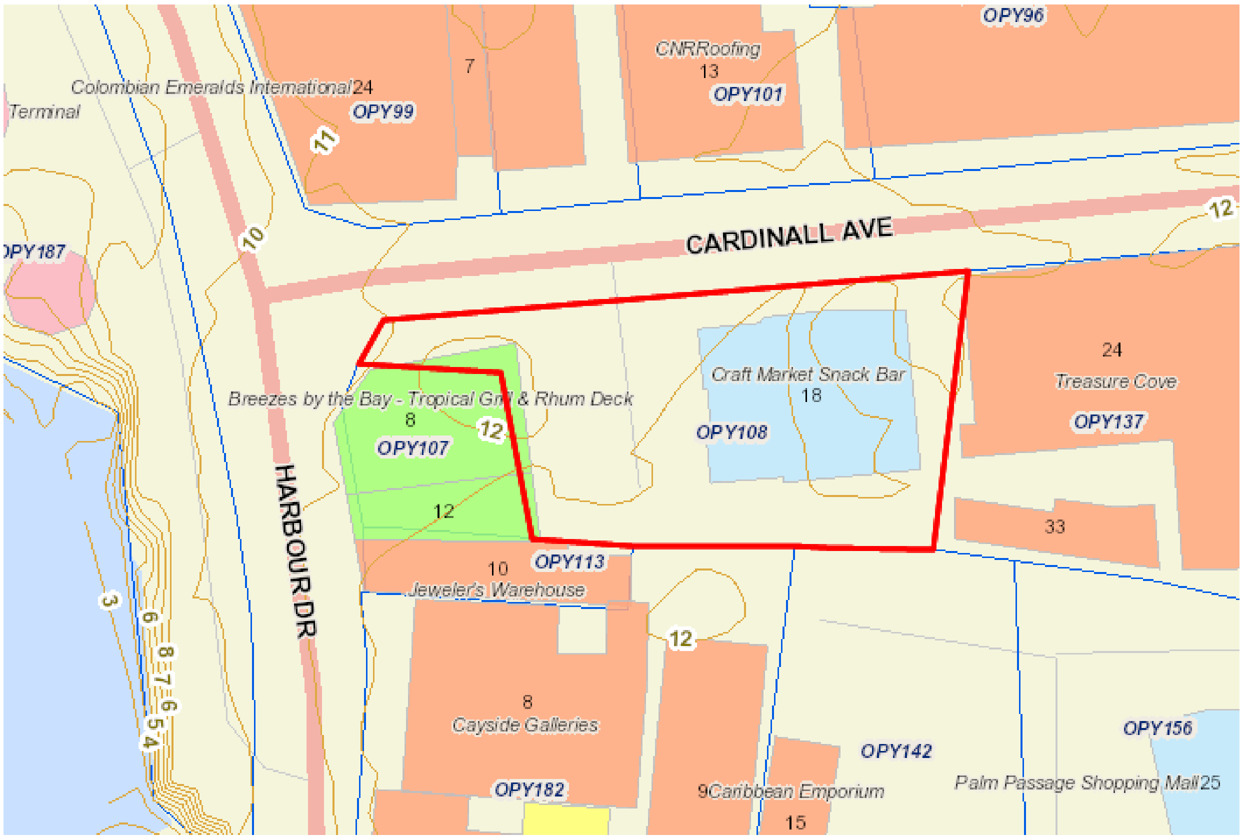
2. Property Location

Address	The subject property is located on the south side of Cardinall Avenue, to the east of the junction with Harbour Drive, in the commercial centre of George Town, Grand Cayman.
District	George Town
Distance From George Town	The site is located in the commercial centre of George Town.
Site Location	

Approximate Location of Subject Property

Type Of Neighbourhood	The subject property is located in the commercial heart of George Town, in close proximity to the cruise ship passenger terminals and on one of the main retail streets in town.
Adjacent Development	The subject parcel is generally bounded to the east and west by developed commercial property, to the south by a commercial building and a parking lot and to the north by the access road.

3. Site Description



Subject Property

Description	The subject property is the site of the 'Craft Market', a single storey commercial building comprising four retail units accessed off a common internal corridor, together with two food outlets and common, covered outdoor dining area and public restrooms. It is understood that this building is to be demolished as part of the redevelopment proposals and so we have considered the subject property as a development site only for the purposes of this report.
Site Area	0.24 acres according to the Land Register.

Approximate Dimensions	The subject property is fairly regular in shape, but with a 'pan handle' in the north-west corner of the parcel, extending the road frontage to the north of the adjacent parcel to the west. This provides the parcel with an overall road frontage of approx. 180 ft, a maximum depth of site along the eastern boundary of approx. 86 ft and a length along the southern boundary of approx. 123 ft, according to measurements taken from the Cayman Islands Government's Land Information System. It should be noted that these approximate measurements are provided for descriptive purposes only and should be verified by a Licensed Land Surveyor in advance of any proposed redevelopment of the site.
Ground Conditions	The subject property is hard and level, comprising compressed soil on bedrock. We would, however, recommend that a soil survey is undertaken by a suitably qualified engineer in advance of any proposed redevelopment of the site in order to establish foundation and structural design requirements.
Elevation	The site has an elevation generally between 11 ft and 12 ft above sea level, according to the Cayman Islands Government's Land Information System.
Access	The property is accessed directly from Cardinall Avenue.
Vegetation	The property has some small trees as landscaping that will probably require clearing in advance of redevelopment.
Contamination	Based on our knowledge of the property and its previous use as a craft market and outdoor cafe, we are not aware of any previous use of the property that would have created any contamination issues with the ground.
Other Comments	We note that a propane gas tank is located on the subject property under an annual licence, in order to service the restaurant located on the adjacent Parcel 107, to which it is connected by an underground pipeline. The presence of this tank will need to be taken into consideration in respect of any proposed redevelopment.

Planning Zoning	The subject property is zoned under the Development And Planning Regulations (2006 Revision) as General Commercial in which the primary use is commercial, including, but not limited to, use for- (i) banks and other financial institutions; (ii) shops for the selling of groceries, books, souvenirs, and pharmaceutical goods and for the selling or repair of jewellery, furniture, hardware, wearing apparel, and radio, television and electrical goods; (iii) restaurants, bars and other catering facilities; (iv) chambers, rooms and offices where professional services are provided including legal, accountancy and real estate offices; (v) the premises of cobblers and seamstresses; (vi) supermarkets; (vii) petrol stations; (viii) motor vehicle, motor cycle and cycle sale rooms and rental offices; (ix) professional premises used by doctors, dentists and other health care providers and medical laboratories; (x) parking facilities provided on a commercial basis; and (xi) recreational facilities including theatres, night clubs, miniature golf links, bowling alleys, dance halls and amusement arcades; Further, according to the Planning Department's A Graphic Guide to the Development & Planning Regulations (2010 Revision), the following Site Development Guidelines apply to properties zoned as General Commercial: a) Minimum Lot Size – 20,000 sq.ft. b) Minimum Setbacks; Road – 20 ft, Rear – 6ft, Side – 6ft c) Site Coverage – max 90% of lot area (includes paved surfaces) d) Density – As deemed suitable by the CPA

	e) Maximum Building Height; General Commercial 1 – 7 storeys or 91 ft Parking Calculations: Commercial Uses in Block OPY – 1 stall per 500 sq.ft. Restaurant/Bars in Block OPY – 1 stall per 200 sq.ft.

4. PROPOSAL ONE

Type of Development	Based upon the information provided in the proposal and released to Charterland as part of this engagement, it would appear that Proposal One comprises a single storey retail building with further accommodation in the attic space.
Gross External Area	We have not been provided with the Gross External Area of the building, or scale architectural plans from which the area can be calculated. However, based on information provided by the Senior Valuation Officer, we understand that the Gross External Area is approx. 3,679 SF
Accommodation	We understand that the proposed accommodation will generally comprise of a main retail unit, together with 5 stalls, an internal access corridor, restrooms and attic space with floor areas as follows: Main Unit: 1,375 SF Stall #1 (Food): 243 SF Stall #2: 243 SF Stall #3: 350 SF Stall #4: 350 SF Stall #5: 243 SF Stall #6 105 SF Passage Ways, and Restrooms: 770 SF Total Floor Area: 3,679 SF It should be noted that these floors areas have been provided from the proposer, by the Lands & Survey Department and, in the absence of any scale architectural drawings, as being correct by Charterland.
Other Improvements	Based on the information provided in the proposal, we understand that further improvements to the site will include asphalt parking complete with parking kerbstones and landscaping.
Services	Assumed all mains services to the development will include power, water, sewage and telephone.

Outline Specification of Works

Foundations & Ground Floor	Reinforced concrete floating slab on compacted grade.
Frame & External Walling	Steel framed building, complete with steel stud, curtain walling clad with concrete board complete with EIFS.
Roofing	Pre-engineered bar joist, with pressure treated plywood sheathing and finished with 0.40 specs metal standing seam roofing over a 'Ice & Water' moisture barrier. Flashing and eaves drip where required. R19 insulation, or Icynene foam, to roof space.
Rain Water Goods	6" white aluminium seamless guttering, surface mounted downspouts.
Eaves & Soffits	½" Dense glass, Gold Board soffits with ventilation grills.
Windows	White, single hung, single glazed PGT Wingaurd type windows.
Doors	Main entrance doors and storefront in white aluminium, similar standard to windows. 6-panel, solid wood, interior doors
Ceiling Finishes	Ground Floor: 5/8" fire-rated, drywall to metal stud dropped ceiling, complete with 'knockdown' and painted finish.
Wall Finishes	Metal stud partitioning with sheetrock and R-11 insulation, complete with smooth painted finish. 5" high profile, colonial baseboards.
Floor Finishes	16" by 16" ceramic or porcelain tile, or stained concrete.
Fixtures & Fittings	Plywood cabinet works with white counter tops.
Electrical Installation	Complete electrical installation throughout in standard supply to power and lighting circuits.
Plumbing Installation	Cold water from mains supply to restrooms.
Drainage	Underground disposal system to central sewage system.

5. COMMENTS – PROPOSAL ONE

1) Plan of Proposed Redevelopment Having Regard to Current Planning Regulations

The current Planning Regulations for the subject property would require minimum setbacks of 20 ft from the road frontage, 6ft from the side boundaries and 6 ft from the rear. The regulations would also require one parking stall for every 500 SF.

However, as far as we can ascertain, the proposed development appears to have been constructed on the same foot print as the existing building and it is therefore assumed that the Planning Regulations may be waived on this basis.

2). Rental Income to be received from Completed Scheme

We note from the information provided that the developer for Proposal One anticipates the following income:

Proposal One - Developer's Opinion of Expected Income

Unit #	Area (SF)	Rental (CI$ per SF)	CAM (CI$ per SF)	Rental Income (CI$ Net PA)
Main Unit	1,375	$ 50.40	$ 4.20	$ 69,300.00
Stall #1 (Food Outlet)	243	$ 33.60	$ 4.20	$ 8,164.80
Stall #2	243	$ 25.20	$ 4.20	$ 6,123.60
Stall #3	350	$ 21.00	$ 4.20	$ 7,350.00
Stall #4	350	$ 21.00	$ 4.20	$ 7,350.00
Stall #5 (Sunrise)	243	$ -	$ 4.20	$ -
Stall #6 (Attic)	105	$ -	$ 4.20	$ -
Total Annual Net Income (CI$)				**$ 98,288.40**

In our opinion, based on our comparable evidence set out in Section 10 of this report, these estimates would appear to be fairly realistic, if not even conservative, particularly in respect of the main retail unit. As the comparables show, a similar sized retail unit in Cardinall Plaza, recently leased on fairly similar terms to those proposed for a rental of **CI$85.00 per SF (Net)** and a further similar size retail unit on Fort Street recently leased for **CI$74.50 per SF (Net).**

Therefore, we have assessed our opinion of the Market Rent for the proposed development on similar assumed lease terms as follows:

Proposal One - Charterland's Assessment of Market Rent					
Unit #	Area (SF)		Market Rent (Net) (CI$ per SF)		Rental Income (CI$ Net PA)
Main Unit	1,375	$	75.00	$	103,125.00
Stall #1 (Food Outlet)	243	$	50.00	$	12,150.00
Stall #2	243	$	30.00	$	7,290.00
Stall #3	350	$	25.00	$	8,750.00
Stall #4	350	$	25.00	$	8,750.00
Stall #5 (Sunrise)	243	$	-	$	-
Stall #6 (Attic)	105	$	10.00	$	1,050.00
Licence for Tank				$	3,500.00
Licence for Access				$	1,500.00
Licence for Parking				$	5,000.00
Total Annual Net Income (CI$)				**$**	**151,115.00**

3). Gross Development Value

Based on our assessment above, of the current Market Rent of the proposed development, we have been asked to assess the Value of the Proposed Leaseholders Interest Upon Completion of the Proposed Development (referred to as the Gross Development Value in the letter of instruction) based on the Investment Method of Valuation. This is a method of estimating the present worth of the rights to future benefits to be derived from the ownership of a specific interest in a specific property under given market conditions.

In property valuation, the future rights can be expressed as the right to receive an income from the property. This income is generally provided by the gross rental achieved by the leasing of the property to appropriate tenants. The net income to the owner of the property must then be assessed by making appropriate deductions to reflect the costs associated with ownership of the building. These will vary in accordance with the specific terms of the lease, age and type of the building etc but may include the cost of insuring the building, repairs and maintenance, services and utilities etc.

The net income must then be capitalized at an appropriate rate to reflect the security of income, expectations of rental growth etc.

Rental Value

We have ascertained the net annual income of the proposed development above to be in the region of say CI$151,115.00 per annum.

Landlord's Expenses

Our assessment of Market Rent is based on a net income ie: the landlords outgoings have already been taken into account. This is normally done in practice by the inclusion of a CAM charge in the proposed leases.

Voids

It is standard practice when a property is leased for a deduction to be made to take into account voids occurring whilst the units are being let, before the tenants initially take up occupation and during a change of tenants. In this case, we have expressed the level of deduction appropriate for voids in the leasing of the proposed development as 5% of the expected income.

Rate of Return

Appropriate rates of return by which to capitalize an income stream from a property can be ascertained from the analysis of the sales of similar properties, where the income passing at the date of sale is known. It is then necessary for the valuer to make adjustments to the rate of return in order to reflect any differences in the security of the income, future growth expectations etc. between the comparables and the subject.

Based on our analysis set out later in this report we have assessed the appropriate rate of return for the net full rental value for the freehold interest at 9.5%. Therefore, we have capitalized the leasehold interest at 10%, with a 3% sinking fund.

In this regard we have assessed the value of the proposed leaseholder's interest upon completion of the proposed development as follows:

Proposal One - Value of LH Interest Upon Completion of Development				
Net Rental Income		CI	$	151,115
Less				
Deduction for Voids	5%	CI	$	7,556
			$	143,559
x Years Purchase	10 % & 3% for 30 Years			8.2631
		CI	$	1,186,244
Gross Development Value		**Say CI**	**$**	**1,186,000**

4). Cost of Undertaking the Redevelopment

Based on the outline specification of construction provided in the proposal and our estimated Gross External Area, we have estimated the cost of undertaking the proposed redevelopment as follows:

Outline Estimate of Development Costs Block OPY, Parcel 108								
Total Development Costs								
Construction Costs	3,679	SF @	$	140	=	$515,060		
Construction Costs (Covered Walkways)	240	SF @	$	55	=	$13,200		
						$528,260		
Demolition Costs					=	$6,000		
Professional Fees @	10%				=	$53,426		
Planning Fee	3,919	SF @	$	0.50	=	$1,960		
Infrastructure Fee	3,919	SF @	$	4.50	=	$17,636		
Planning Fee	3,919	SF @	$	3.00	=	$11,757		
Marketing/Sales Fees @	10%	of Rental Income			=	$14,000		
Contingencies @	5%				=	$30,952		
						$663,990		
Cost of Finance Assumed								
12 month construction period @	6%				=	$19,920		
						$683,910		
Return For Risk & Profit @ 20% of Costs					=	$136,782		
							$	820,692
	Estimated Development Costs				**SAY**	**CI$**	**$**	**820,000**

It should be noted that this estimate is based on cursory, outline information only, without any reference to actual architectural drawings and finish schedules and cannot be considered to be a detailed construction estimate.

5). Timing of Construction

We note from the information provided that the expected timeframe for redevelopment would be in the region of say 12 months.

6. PROPOSAL TWO

Type of Development	Based upon the information provided in the proposal and released to Charterland as part of this engagement, it would appear that Proposal Two comprises a two storey retail building with external covered walk-ways.
Gross External Area	Based on the outline drawings provided, we understand that the Gross External Area is 3,537 SF, excluding ground floor covered walkways.
Accommodation	We understand that the proposed accommodation will generally comprise of 8 stall units on the ground floor, together with restrooms and 6 office/retail units on the upper floor, together with a common central access corridor. It should be noted that these floors areas have been provided from the proposer, by the Lands & Survey Department and, in the absence of any scale architectural drawings, as being correct by Charterland.
Other Improvements	No information was provided in the proposal in respect of any further improvements.
Services	Assumed all mains services to the development will include power, water, sewage and telephone.

Outline Specification of Works

No information was provided in respect of the outline specification of works in respect of the proposed development.

7. COMMENTS – PROPOSAL TWO

1). Plan of Proposed Redevelopment Having Regard to Current Planning Regulations

The current Planning Regulations for the subject property would require minimum setbacks of 20 ft from the road frontage, 6ft from the side boundaries and 6 ft from the rear. The regulations would also require one parking stall for every 500 SF, or seven spaces in respect of the proposed development.

Providing that the above regulations are not waived in respect of this proposed two storey building, since it may have a similar footprint to the existing structure, then it would appear to be in breach of the regulations regarding the set-back from the road.

2). Rental Income to be received from Completed Scheme

We note from the information provided that the proposed developer considers that the following income is achievable from the proposed development.

Proposal Two - Developer's Opinion of Expected Income					
Unit #	Area (SF)	Rental (CI$ per SF)	CAM (CI$ per SF)	Rental Income (CI$ PA)	
Ground Floor - 7 units				$	151,200.00
Upper Floor - 5 units				$	72,000.00
Licences for Tank & Access				$	7,000.00
Licences for Parking				$	6,000.00
Total Annual Net Income (CI$)				**$**	**236,200.00**

The developer does not provide a breakdown of the expected income on a per unit basis, however, based on the comparable evidence available, we are of the opinion that the proposed developer's expectations are decidedly optimistic. The two units located on the eastern side of the building will be particularly hard to lease, as indeed will be the upper floor units, especially without adequate parking. Current examples, such as the office space on the upper floor of the Fort Street Building and DMS Place which have both been vacant for several years illustrate the difficulty of leasing upper floor office space in central George Town with inadequate parking.

Our own opinion of Market Rent for the proposed development is set out below:

Proposal Two - Charterland's Assessment of Market Rent			
Unit #	**Area (SF)**	**Market Rent (Net) (CI$ per SF)**	**Rental Income (CI$ Net PA)**
Ground Floor			
Road Front Units			
Unit #1	181	$ 75.00	$ 13,575.00
Unit #2	264	$ 75.00	$ 19,800.00
Unit #3	181	$ 75.00	$ 13,575.00
Parking Lot Front Units			
Unit #4	181	$ 60.00	$ 10,860.00
Unit #5	181	$ 50.00	$ 9,050.00
East Side Units			
Unit #6	181	$ 30.00	$ 5,430.00
Unit #7 (Sunrise)	97	$ -	$ -
Unit #8	97	$ 36.00	$ 3,492.00
Upper Floor			
Unit #9	226	$ 25.00	$ 5,650.00
Unit #10	226	$ 25.00	$ 5,650.00
Unit #11	226	$ 25.00	$ 5,650.00
Unit #12	226	$ 25.00	$ 5,650.00
Unit #13	226	$ 25.00	$ 5,650.00
Unit #14	226	$ 25.00	$ 5,650.00
Licence for Tank			$ 3,500.00
Licence for Access			$ 1,500.00
Licence for Parking			$ -
Total Annual Net Income (CI$)			**$ 114,682.00**

NB: We have not allowed for any additional income from a parking license as we are of the opinion that should planning allow the proposed development, all available parking will be required by the subject development.

3). Gross Development Value

Based on our assessment above, of the current Market Rent of the proposed development, we have been asked to assess the Value of the Proposed Leaseholders Interest Upon Completion of the Proposed Development (referred to as the Gross Development Value in the letter of instruction), as per Proposal One.

Rental Value

We have ascertained the net annual income of the proposed development above to be in the region of say CI$114,682 per annum.

Landlord's Expenses

Our assessment of Market Rent is based on a net income ie: the landlords outgoings have already been taken into account. This is normally done in practice by the inclusion of a CAM charge in the proposed leases.

Voids

It is standard practice when a property is leased for a deduction to be made to take into account voids occurring whilst the units are being let, before the tenants initially take up occupation and during a change of tenants. In this case we have expressed the level of deduction appropriate for voids in the leasing of the proposed development as 5% of the expected income in respect of the ground floor units and 20% in respect of the upper floor units.

Rate of Return

Appropriate rates of return by which to capitalize an income stream from a property can be ascertained from the analysis of the sales of similar properties, where the income passing at the date of sale is known. It is then necessary for the valuer to make adjustments to the rate of return in order to reflect any differences in the security of the income, future growth expectations etc. between the comparables and the subject.

Based on our analysis set out later in this report we have assessed the appropriate rate of return for the net full rental value for the freehold interest at 9.5%. Therefore, we have capitalized the leasehold interest at 10% with a 3% sinking fund.

In this regard we have assessed the value of the proposed leaseholder's interest upon completion of the proposed development as follows:

Proposal Two - Value of LH Interest Upon Completion of Development							
Ground Floor							
Net Rental Income		CI	$	75,782			
Less							
Deduction for Voids	5%	CI	$	3,789			
						$	71,993
Upper Floor							
Net Rental Income		CI	$	33,900			
Less							
Deduction for Voids	20%	CI	$	6,780			
						$	27,120
Licence For Tank						$	3,500
Licence For Access						$	1,500
						$	104,113
x Years Purchase	10 % & 3% for 30 Years						8.2631
					CI	$	860,295
Gross Development Value					**Say CI**	**$**	**860,000**

It is our opinion that, with reference to the above, Proposal Two does not appear to be the highest and best use of the subject site, when compared with Proposal One.

4). Cost of Undertaking the Redevelopment

Based on the limited information provided in the proposal, we have assessed the cost of undertaking the proposed redevelopment to be in the region of the following:

Outline Estimate of Development Costs Block OPY, Parcel 108									
Total Development Costs									
Construction Costs (Ground Floor)	1,764	SF @	$	140	=	$246,960			
Construction Costs (Upper Floor)	1,773	SF @	$	110	=	$195,030			
						$441,990			
Demolition Costs					=	$6,000			
Professional Fees @	10%				=	$44,799			
Planning Fee	3,537	SF @	$	0.50	=	$1,769			
Infrastructure Fee	3,537	SF @	$	4.50	=	$15,917			
Planning Fee	3,537	SF @	$	3.00	=	$10,611			
Marketing/Sales Fees @	10%	of Rental Income			=	$14,000			
Contingencies @	5%				=	$26,054			
						$561,139			
Cost of Finance Assumed									
12 month construction period @	6%				=	$16,834			
						$577,973			
Return For Risk & Profit @ 20% of Costs					=	$115,595			
								$	693,568
	Estimated Development Costs				**SAY**		**CI$**	**$**	**695,000**

5). Timing of Construction

We estimate, from the information provided, that the development period would be in the region of say 12 months.

8. OPINION OF GROUND RENT OF SITE

In order to establish the Market Rent for the subject site, one would normally have regard to comparable ground rents for similar properties. However, in respect of the subject site, we are of the opinion that no such comparable ground rents exist. We have, however, been asked by the Valuation Office to assess a proposed ground rent for each proposal based on the de-capitalised difference between the Cost to Develop and the Value of the Leaseholder' Interest upon Completion of the Proposed Development, at an appropriate rate of return in order to reflect the perceived security of a ground rent and also the proposed lease terms of a ten year term with the option to renew for a further two terms of ten years each, as follows:

Proposal One - Assessment of Ground Rent (Based on Instructions)					
Gross Development Value				$	1,186,000
Total Development Costs				$	820,000
				$	366,000.00
Rate of Return over 30 years at say	7 % and	3 %			10.9867
				$	33,313.01
	Estimated Ground Rent	**SAY**	**CI**	**$**	**33,313.00**

We have also been instructed to undertake a similar exercise in respect of Proposal Two, as follows:

Proposal Two - Assessment of Ground Rent (Based on Instructions)					
Gross Development Value				$	860,000
Total Development Costs				$	695,000
				$	165,000.00
Rate of Return over 30 years at say	7 % and	3 %			10.9867
				$	15,018.16
	Estimated Ground Rent	**SAY**	**CI**	**$**	**15,000.00**

NB: It is our opinion, however, that the above does not represent the Market Rent for the undeveloped subject site on the proposed lease terms.

9. COMPARABLE EVIDENCE

For the ease of the reader, rather than repeat the same comparable evidence for each of the two proposals, we have set out the comparable evidence relied upon for each element of the valuations in this report as follows:

Comparable Rental Evidence

In order to arrive at our opinion of the Market Rent for the proposed developments, we have examined current leases of similar rental units in the locality, including the following;

Cardinal Plaza 	**Unit B - Jewellery Factory (Ground Floor Retail)** Term 5 years w.e.f. 1st Sep 2010 for US$150,000.00 pa 1,315 SF equates to US$114 per SF NB: No CAM charge in lease, therefore outgoings estimated at approx. US$12.50. Market Rent (Net) equates to approx. **CI$85.00 per SF** **3rd Floor – PT Bank Mandiri** Term 5 years w.e.f. 1st Feb 2010 for US$110,180 pa 3,321 SF equates to US$33 per SF NB: CAM charge in lease, only US$9,444 pa, therefore additional outgoings estimated at approx. US$9.65. Market Rent (Net) equates to approx. **CI$19.50 per SF**
Palm Passage 	**Unit # 4 – ABS Trade & Commerce (Interior Space)** Term 2 years w.e.f. 1st April 2010 for US$14,634 pa 360 SF equates to US$41 per SF NB: No CAM charge in lease, therefore outgoings estimated at approx. US$9.50. Market Rent (Net) equates to approx. **CI$26.50 per SF**

Fort Street Building 	**Unit #3 – Blue Bay Group Ltd.** Term 5 year w.e.f. 1st April 2009 for US$90,000 pa 1,017 SF equates to US$88.50 per SF Lease provides for CAM charge at US$10.60 per SF. Market Rent (Net) equates to approx. **CI$74.50 per SF** **Unit #4 – Café Del Sol** Term 5 year w.e.f. 1st May 2009 for US$60,000 pa 995 SF equates to US$60.30 per SF Lease provides for CAM charge at US$10.00 per SF. Market Rent (Net) equates to approx. **CI$50.65 per SF**

Analysis of Rate of Return

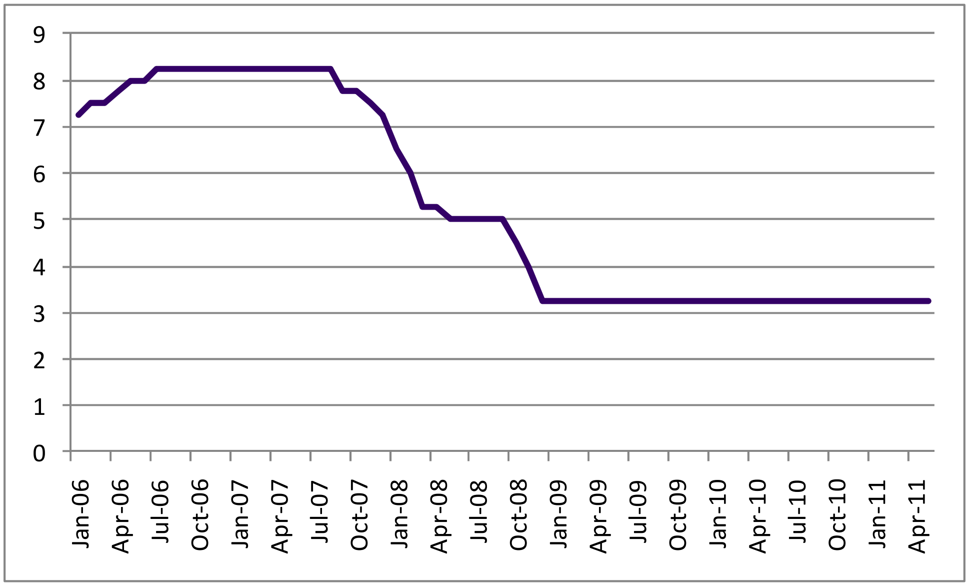
The assessment of the appropriate rates of return has been based on our analysis of recent sales of commercial property within the George Town area, as follows:

Aall Building 	Sold July 2008 for **US$6,142,857** The Aall Building is a four storey building, comprising three floors of offices at 2,914 SF each and a small retail unit and office area on the ground floor with an annual rental roll of **US$538,750** at the time of the sale resulting in a rate of return of **8.7%.**
Harbour Centre 	Sold May 2008 for **US$8,300,000** The Harbour Centre is a five storey commercial office building, off North Church Street, with an annual rental roll of **US$740,285** at the time of the sale resulting in a rate of return of **8.9%.**
Madison Place 	Sold January 2006 for **US$4,550,000** Three storey commercial building, with retail on ground floor, located on Fort Street near to the North Cruise Ship Terminal, with an annual rental roll estimated to be **US$500,000** at the time of the sale resulting in a rate of return of **11%.**

The valuer has previously been involved in either the valuation, management or leasing of all of the above properties, on or around the date of sale, and so had access to detailed information on rental income and outgoings upon which to base the above analysis.

In considering an appropriate rate of return for the subject property, we have also had regard to the Bank Base Rates in recent years, particularly in respect of the time between the sale of the comparables used in the above analysis and the valuation date, as follows:

KYD Prime Base Rate %



10. PHOTOGRAPHS

	
Road (North) Frontage	**Side (East) Elevation**
	
Rear (South) Elevation	**Parking Area**

11. GENERAL NOTES

1. "Market Value" is defined by the Royal Institution Of Chartered Surveyors and the International Valuation Standards Committee as;

   "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

2. The opinion of market value does not include any furniture, chattels or possessions on the property, as of the valuation date, unless otherwise stated in the report.

3. The opinions stated in this report are based on information obtained from sources considered reliable and believed to be true and correct, however no guarantees are offered on the accuracy of the information.

4. We reserve the right to review all calculations included or referred to in our report and, if we consider it necessary, to revise our valuation in the light of any information existing at the valuation date, which becomes known to us after the date of the valuation report.

5. The valuation has been prepared solely for the addressee only and should only be used for the purposes stated in the report.

6. The whole, or any part of this valuation report, or any reference hereto, should not be included in any published document, circular or statement, or published in any way, without the valuer's prior written approval.

7. We have not carried out a survey to establish boundaries or accuracy of land area and the opinion of value is subject to verification of boundaries and land areas by a Chartered Land Surveyor. It is assumed that there are no encroachments and that any improvements to the property are within the legal boundaries, unless stated otherwise in the report.

8. We have not carried out a soil survey and assume that there are no hidden or unapparent conditions that would render the property more or less valuable, unless stated otherwise in the report.

9. We have assumed that any areas of the property that were not accessible at the time of inspection are assumed to be similar to the areas which were inspected, unless stated otherwise in the report.

10. We have not carried out an investigation of the sub-strata or service installation to the property and this opinion is subject to the ability of the land to accept the required development and the adequacy of the service installations without incurring additional expense.

11. We have not carried out testing for hazardous materials and assume that the property does not have any contamination issues, unless stated otherwise in the report.

12. The valuation is not a structural survey thus no warranty on structural integrity is offered. The values stated in this report are based on the assumption that there are no concealed, latent or design defects, unless otherwise stated in the report.

13. It is assumed that no incumbrances, appurtenances or charges are registered which could affect the sale of the property on the open market, unless otherwise stated in the report.

14. The valuation assumes that all relevant laws and regulations relating to the property have been complied with, unless stated otherwise in the report.

15. The valuation represents the market value of the property as of the valuation date stated in the report only. It should be noted that the values change over time and that a valuation given on a particular date may not be valid on an earlier or later date.

16. The valuer has no interest in the subject property, either present or prospective, direct or indirect, financial or otherwise and is not associated with the party with whom the Bank is dealing or any agent.

17. The valuer's fees are not contingent upon an action or event resulting from the analyses, opinions or conclusions in, or the use of, the valuation.

18. The valuation assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan or investment, nor was the compensation contingent upon the amount of the value reported.

19. Conversion between United States Dollars and Cayman Islands Dollars is undertaken at the Cayman Islands Government’s rate for property transactions of 0.84.

12. VALUER'S QUALIFICATIONS

Simon J. Watson FRICS
PARTNER

Simon has been practising as a Chartered Valuation Surveyor for over twenty years, more than fifteen of those in the Caribbean region. Originally from England, he now considers the Cayman Islands his permanent home. Prior to founding Charterland in 2009, Simon was employed by Deloitte & Touche for nine years, where he was employed as the Director responsible for their Deloitte Property Consulting division in the Caribbean region. Simon also previously worked from 1995, until he was recruited by Deloitte in 2000, as a Valuation Officer in the Cayman Islands Government's Valuation Office.

With a broad background in property consulting, Simon has specialised in preparing valuations and feasibility studies for a wide gamut of properties throughout the Caribbean and Central America; including engagements in Antigua & Barbuda, The Bahamas, Barbados, the Cayman Islands, Costa Rica, Grenada, Jamaica, Panama, St. Kitts & Nevis, St. Lucia and Trinidad & Tobago. He has also advised clients on property related matters ranging from property development, property management, construction, sales and lease consulting services.

Simon is a founding Board Member of the regional chapter of The Royal Institution of Chartered Surveyors, RICS Caribbean, and is the first accredited RICS Assessor in Valuations in the region. He currently serves on the Board of RICS Caribbean.

Professional Designations

- Fellow of The Royal Institution of Chartered Surveyors (Valuation & Commercial Property Faculties)
- Member of The Cayman Society of Architects, Surveyors and Engineers
- Member of The Institute of Revenues Rating & Valuation

Professional Qualifications

- 1989 Bachelor of Science in Urban Estate Management
- 1991 Associate of the Incorporated Society of Valuers and Auctioneers
- 1992 Member of the Royal Institution of Chartered Surveyors (General Practice)
- 2004 Fellowship by Achievement of The Royal Institution of Chartered Surveyors

Charterland Ltd.
Chartered Surveyors
Property Consultants

charterland

Report by Simon J. Watson FRICS

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