

Appraisal of Real Property

Whistling Island

Vacant Island Property

Whistling Island

Cruz Bay Quarter, St. John, Virgin Islands

Prepared For:

Government of the Virgin Islands

Department of Property & Procurement

Effective Date of the Appraisal:

May 24, 2020

Report Format:

Appraisal Report – Standard Format

IRR - Caribbean

File Number: 172-2020-0081





Whistling Island
Whistling Island
Cruz Bay Quarter, Virgin Islands



July 27, 2020

William Harris
Department of Property & Procurement
8201 Sub Base, 3rd Floor
St. Thomas, VI 00802

SUBJECT: Market Value Appraisal
 Whistling Island
 Cruz Bay Quarter, St. John, Virgin Islands
 IRR - Caribbean File No. 172-2020-0081

Dear Mr. Harris:

Integra Realty Resources – Caribbean is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value of the fee simple interest in the property. The client for the assignment is the Government of the Virgin Islands Department of Property & Procurement, and the intended use is for asset valuation purposes.

The subject property is the entirety of Whistling Island (also known as Whistling Cay), located off the northwestern coast of St. John in the U.S. Virgin Islands, comprising an area of 14.00 acres or 609,480 square feet of land. Because the land is owned by the USVI government, the property is zoned P (Public); however, if it were sold to a private buyer it would likely be re-zoned R-1, Residential - Low Density, which permits low density residential development. This assumption is based on the fact that the vast majority of privately owned small islands and Cays in the USVI are zoned R-1; as well as conversations with the Planning Department. The only improvement currently located on the island is the remnants of a small stone cottage located on the southeastern portion of the property. No other improvements or infrastructure is located on the property.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and applicable state appraisal regulations.

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusion*			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value	Fee Simple	May 24, 2020	\$1,400,000

*Values expressed in United States Dollars

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. The subject property is currently owned by the Government of the Virgin Islands and, as such, is zoned P (Public). However, if the property were to be sold from Government ownership to a private owner, it is likely that the zoning would be changed to R-1 (Residential, Low Density). This is supported by the vast majority of other small island cays in the USVI containing an R-1 zoning code, as well as discussions with both the USVI Department of Planning and Natural Resources and Coastal Zone Management. We have assumed that there are no laws or regulations permitting the sale to a private buyer and that the change in zoning could reasonably be obtained.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. No hypothetical conditions were employed in this analysis.

As of the date of value, the economy (globally, nationally, and locally) was in a state of rapid transition with a widespread expectation of the imminent onset of a significant recession. The outbreak of COVID-19 (coronavirus disease of 2019) in China was declared a global pandemic by the World Health Organization (WHO) on March 11, 2020. Some market deterioration had occurred shortly before this date, but the declaration by the WHO soon led to municipal and statewide orders to “shelter in place,” causing widespread closures of businesses and a massive disruption to general commerce. The status of economic conditions is changing rapidly, creating great uncertainty in the markets. Our analysis of these and related issues is presented in the attached report. The value expressed herein represents our opinion based on the best available data reflective as of the date of value. While values are always subject to change over time, we caution the reader that in the current economic climate, market volatility creates the potential for a more significant change in value over a relatively short period of time.



William Harris
Department of Property & Procurement
July 27, 2020
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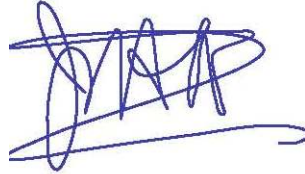
If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

INTEGRA REALTY RESOURCES - CARIBBEAN



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Executive Summary

Property Name	Whistling Island	
Address	Whistling Island Cruz Bay Quarter, St. John, Virgin Islands	
Property Type	Land - Coastal/Island	
Owner of Record	Government of the Virgin Islands	
Parcel ID	3-01701-0101-00	
Legal Description	Whistling Island, Cruz Bay Quarter, St. John, U.S. Virgin Islands	
Land Area - Total	14.00 acres; 609,840 SF	
Zoning Designation	R-1, Residential - Low Density	
Highest and Best Use	Residential use	
Exposure Time; Marketing Period	12-18 months; 12-18 months	
Effective Date of the Appraisal	May 24, 2020	
Date of the Report	July 17, 2020	
Property Interest Appraised	Fee Simple	
Sales Comparison Approach		
Number of Sales	5	
Range of Sale Dates	Jan 16 to May 20	
Range of Prices per Acre (Unadjusted)	\$86,597 - \$157,180	
Market Value Conclusion*	\$1,400,000	(\$100,000/Acre)

*Values expressed in United States Dollars

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than Department of Property & Procurement may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. The subject property is currently owned by the Government of the Virgin Islands and, as such, is zoned P (Public). However, if the property were to be sold from Government ownership to a private owner, it is likely that the zoning would be changed to R-1 (Residential, Low Density). This is supported by the vast majority of other small island cays in the USVI containing an R-1 zoning code, as well as discussions with both the USVI Department of Planning and Natural Resources and Coastal Zone Management. We have assumed that there are no laws or regulations permitting the sale to a private buyer and that the change in zoning could reasonably be obtained.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. No hypothetical conditions were employed in this analysis.

Quality Assurance

Delivering superior value is a top priority at IRR and we place a premium on feedback from our valued clients. By learning more about your experience with IRR, we will be better able to serve your needs – to enhance our products, service offerings, and client communications.

Attached is a short survey applicable to this appraisal report and the service that you received. Please take a few minutes to share your experience of IRR with us. Your feedback will be reviewed by our Quality Control team. If you desire a follow-up telephone call, please provide your contact information and a member of our Quality Control team will contact you.

Access the online survey here: quality.irr.com.

Thank you in advance for assisting us with this important endeavor. Please feel free to contact your Local Office using the contact information provided within the letter of transmittal or our Quality Control team at quality@irr.com, with any questions or suggestions you may have.

General Information

Identification of Subject

The subject property is the entirety of Whistling Island (also known as Whistling Cay), located off the northwestern coast of St. John in the U.S. Virgin Islands, comprising an area of 14.00 acres or 609,480 square feet of land. Because the land is owned by the USVI government, the property is zoned P (Public); however, if it were sold to a private buyer it would likely be re-zoned R-1, Residential - Low Density, which permits low density residential development. This assumption is based on the fact that the vast majority of privately owned small islands and Cays in the USVI are zoned R-1; as well as conversations with the Planning Department. The only improvement currently located on the island is the remnants of a small stone cottage located on the southeastern portion of the property. No other improvements or infrastructure is located on the property. The legal description of the property is shown below.

Property Identification	
Property Name	Whistling Island
Address	Whistling Island Cruz Bay Quarter, St. John, Virgin Islands
Parcel ID's	3-01701-0101-00
Owner of Record	Government of the Virgin Islands
Legal Description	Whistling Island, Cruz Bay Quarter, St. John, U.S. Virgin Islands
Geo Codes	18.370233, -64.756852

Sale History

The owner of record is the Government of the Virgin Islands. We were unable to locate any public records relating to this property. Ownership information was derived from public tax records.

To the best of our knowledge, no sale or transfer of ownership has taken place within a three-year period prior to the effective appraisal date.

Pending Transactions

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date.

Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the market value of the fee simple interest in the property as of the effective date of the appraisal, May 24, 2020. The date of the report is July 27, 2020. The appraisal is valid only as of the stated effective date or dates.

Definition of Market Value

Market value is defined as:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Definition of Property Rights Appraised

Fee simple estate is defined as, “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)

Intended Use and User

The intended use of the appraisal is for asset valuation purposes. The client and intended user is Department of Property & Procurement. The appraisal is not intended for any other use or user. No party or parties other than Department of Property & Procurement (of the Government of the Virgin Islands) may use or rely on the information, opinions, and conclusions contained in this report.

Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010;

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

Valuation Methodology

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. Use of the approaches in this assignment is summarized as follows:

Approaches to Value		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

We use only the sales comparison approach in developing an opinion of value for the subject. This approach is applicable to the subject because there is an active market for similar properties, and sufficient sales data is available for analysis.

The cost approach is not applicable because there are no improvements that contribute value to the property, and the income approach is not applicable because the subject is not likely to generate rental income in its current state.

Research and Analysis

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length

nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

Inspection

Mark J. Weathers conducted an on-site inspection of the property on May 24, 2020. James V. Andrews, MAI, CRE, FRICS, ASA/BV, did not inspect the subject property.

Availability of Information

Although a land survey was requested is pertinent to the assignment, it was not made available to Integra Realty Resources – Caribbean. Our inability to obtain this information and consider it in our analysis may affect our value opinion.

Economic Analysis

Area Analysis

Location

The U.S. Virgin Islands are located in the Caribbean Sea and the Atlantic Ocean, about 90 miles (140 km) east of Puerto Rico and immediately west of the British Virgin Islands.



The territory consists of four main islands: Saint Thomas, Saint John, Saint Croix, and Water Island, as well as several dozen smaller islands. The combined land area of the islands is roughly twice the size of Washington, D.C.



A mild tropical climate, scenic beauty, and status as a U.S. territory make Virgin Islands appealing for vacationers from United States and Europe. The islands host over 2.5 million visitors per year, most of whom arrive by cruise ship, and tourism is the dominant economic engine of the islands, accounting for roughly 70 percent of the total gross territorial product.

Each district has its own distinct landscape, mix and intensity of land uses, cultural identity, and prospects for future development. St Thomas is home to the capital and the territory's largest city, Charlotte Amalie, which has an estimated population of roughly 19,000 persons, is the primary center for resort tourism, government, finance, trade, and commerce, but its rugged landscape limits the land available for agriculture and other types of land-intensive development. Charlotte Amalie is also home to a major deepwater harbor that is along major shipping routes to the Panama Canal, and it is just east of the Cyril E King International Airport – one of the busiest airports in Caribbean. St. Thomas has two cruise ship docks, and is the most frequented cruise ship port in the Caribbean.

The island of St John is just under 3 miles to the east of St Thomas. Cruz Bay is located on the western coast of the island and serves as its primary port and link to St Thomas. Nearly two thirds of St John is owned by the National Park Service and is off-limits to commercial development.

St Croix is largest of the three islands, in both land area and population. It is roughly 45 miles to the south of St Thomas. Its primary towns are Christiansted and Frederiksted. Overall the island is flatter and has more land available for additional agricultural, commercial and residential development than St Thomas. St Croix is also the primary manufacturing center for the Virgin Islands, with rum distilleries, a major watch-assembly plant, and; until February 2012, one of the world's largest petroleum refineries (which has recently begun the reprise of refining operations).

History

The Virgin Islands were originally settled by the Ciboney, Carib, and Arawaks. The islands were named by Christopher Columbus on his second voyage in 1493 for Saint Ursula and her virgin followers. Over the next three hundred years, the islands were held by many European powers, including Spain, England, the Netherlands, France, and Denmark-Norway. The Danes developed the islands with plantation estates, and the estates boundaries are still used in legal descriptions for land to this day.

The U.S. took possession of the islands on March 31, 1917 and the territory was renamed the Virgin Islands of the United States. U.S. citizenship was granted to the inhabitants of the islands in 1927.

Government

The U.S. Virgin Islands are an organized, unincorporated United States territory. Even though they are U.S. citizens, Virgin Islands residents cannot vote in presidential elections. Virgin Islands residents, however, are able to vote in presidential primary elections for delegates to the Democratic National Convention and the Republican National Convention.

The main political parties in the U.S. Virgin Islands are the Democratic Party of the Virgin Islands, the Independent Citizens Movement, and the Republican Party of the Virgin Islands. Additional candidates run as independents.

At the national level, the U.S. Virgin Islands elects a delegate to Congress from its at-large congressional district. However, the elected delegate, while able to vote in committee, cannot participate in floor votes.

At the territorial level, 15 senators—seven from the district of Saint Croix, seven from the district of Saint Thomas and Saint John, and one senator at-large who must be a resident of Saint John—are elected for two-year terms to the unicameral Virgin Islands Legislature. The U.S. Virgin Islands has elected a territorial governor every four years since 1970. Previous governors were appointed by the President of the United States.

Population and Employment

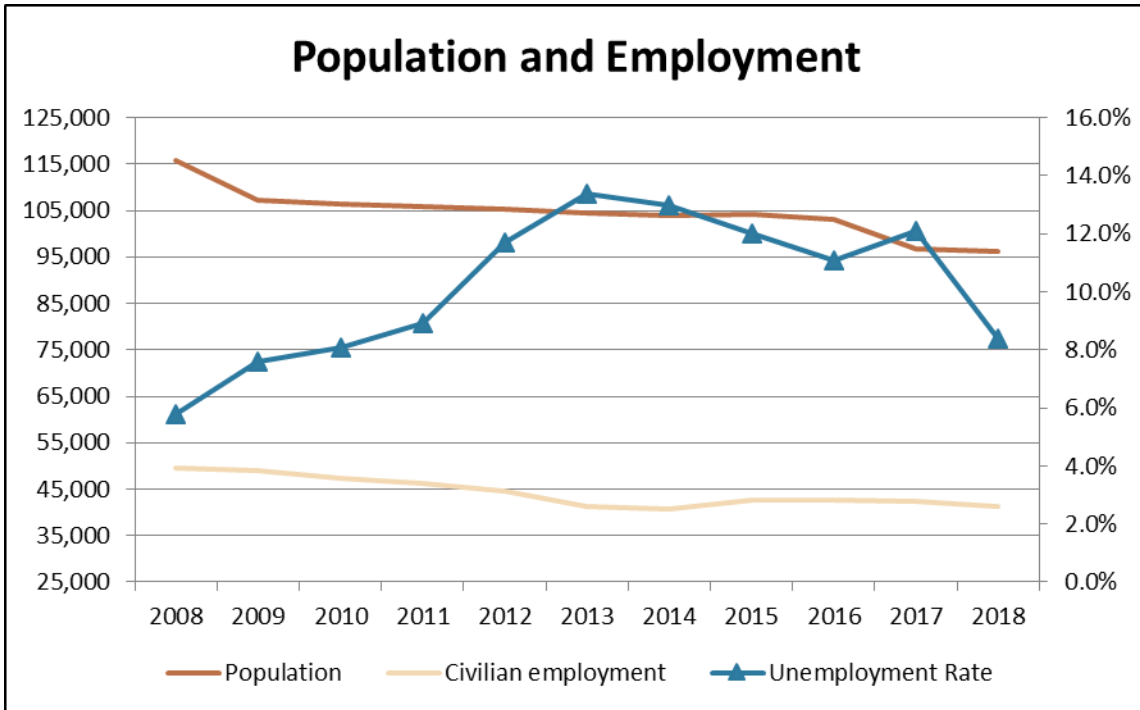
In 2008, the residential population of the Virgin Islands peaked at an estimated 115,852 persons. The subsequent two years showed a sharp decline in population in both St. Thomas and St. Croix. Over the past five years, the population has declined steadily, approximately -1.6% per year, reaching a ten year low in 2017, which is likely the result of residents moving from the islands after Hurricanes Irma and Maria. Population estimates from 2018 remained mostly stable from 2017 estimates.

Among the three islands, St Croix and St Thomas are nearly equally populous with St John having less than 4 percent of the total population of the Virgin Islands.

USVI Economic Indicators												
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	5 Yr Ann Growth
Population	115,852	107,343	106,405	105,784	105,169	104,563	103,961	104,116	103,190	96,815	96,211	-1.6%
St. Croix	56,783	52,612	50,601	50,247	50,005	49,938	49,656	49,687	49,380	46,280	45,980	-1.6%
St. Thomas	54,592	50,583	51,634	51,266	51,051	50,610	50,316	50,153	49,853	46,600	46,321	-1.7%
St. John	4,477	4,148	4,170	4,134	4,113	4,015	3,989	3,980	3,957	3,935	3,910	-0.5%
Civilian labor force	52,630	52,861	51,424	50,729	50,577	47,558	46,784	48,348	48,084	48,245	44,989	-1.1%
Civilian employment	49,589	48,863	47,272	46,121	44,659	41,207	40,687	42,772	42,769	42,418	41,210	0.0%
Unemployment rate (percent)	5.8%	7.6%	8.1%	8.9%	11.7%	13.4%	13.0%	12.0%	11.1%	12.1%	8.4%	-7.5%
Gross Territorial Product (GTP, Millions)	\$4,250	\$4,203	\$4,339	\$4,239	\$4,095	\$3,785	\$3,670	\$3,765	\$3,872	\$3,017		-20.0%
GTP Per Capita	\$36,685	\$39,155	\$40,778	\$40,072	\$38,937	\$36,198	\$35,302	\$36,162	\$37,523	\$31,163		-20.0%
Personal income (PI)	\$2,606	\$2,602	\$2,704	\$2,661	\$2,586	\$2,233	\$2,277	\$2,323	\$2,369			-20.0%
Per capita personal income (\$)	\$22,847	\$23,931	\$25,603	\$25,084	\$23,388	\$21,353	\$21,906	\$22,311	\$22,962			-20.0%
Total Exports (Millions of \$)	\$17,249	\$9,728	\$11,930	\$13,314	\$2,263	\$1,285	\$1,671	\$326	\$296	\$959	\$625	-10.3%
Refined petroleum	\$13,592	\$8,327	\$9,759	\$10,486	\$932	\$32	\$7	\$0	\$170	\$630	\$264	147.1%
Value of construction permits (Millions \$)	\$273.30	\$261.80	\$187.20	\$179.10	\$141.40	\$156.60	\$201.40	\$144.36	\$157.27	\$117.10	\$315.90	20.3%
St. Thomas/St. John	\$183.80	\$79.00	\$80.60	\$87.90	\$85.10	\$114.80	\$142.20	\$98.55	\$96.38	\$48.10	\$118.27	0.6%
St. Croix	\$89.50	\$175.90	\$106.50	\$91.10	\$56.20	\$41.80	\$59.20	\$45.82	\$60.89	\$69.00	\$169.06	60.9%

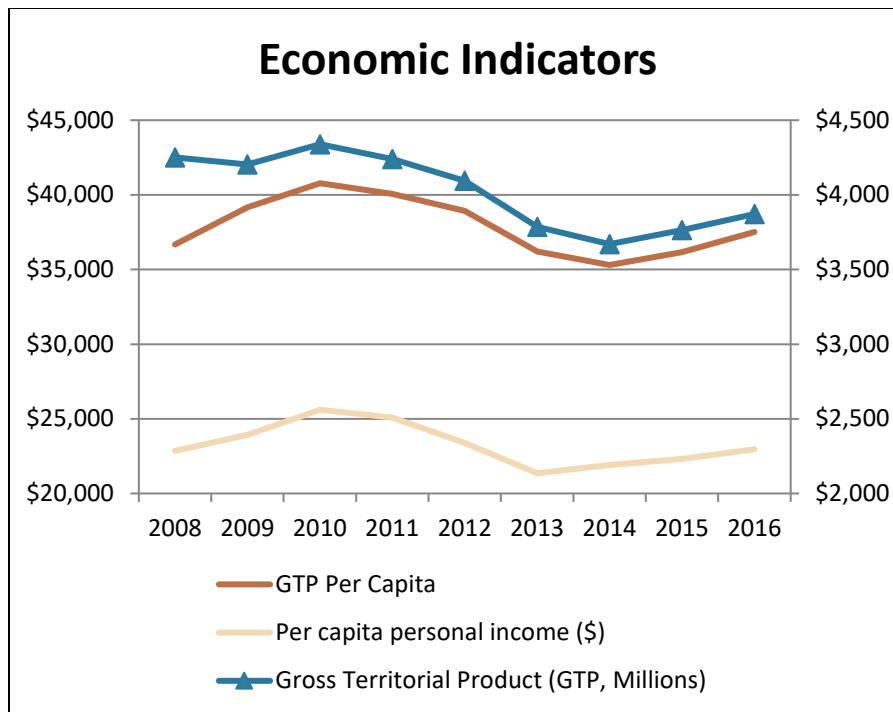
Source: VI Bureau of Economic Research and U.S. Census Bureau

From 2014 to 2015 the territory's Labor Force had an increase for the first time since 2009, but has remained relatively flat since that time until 2018 which saw sharp decline. This is likely due to the aforementioned hurricanes in 2017 which saw many residents moving from the islands.



Industry

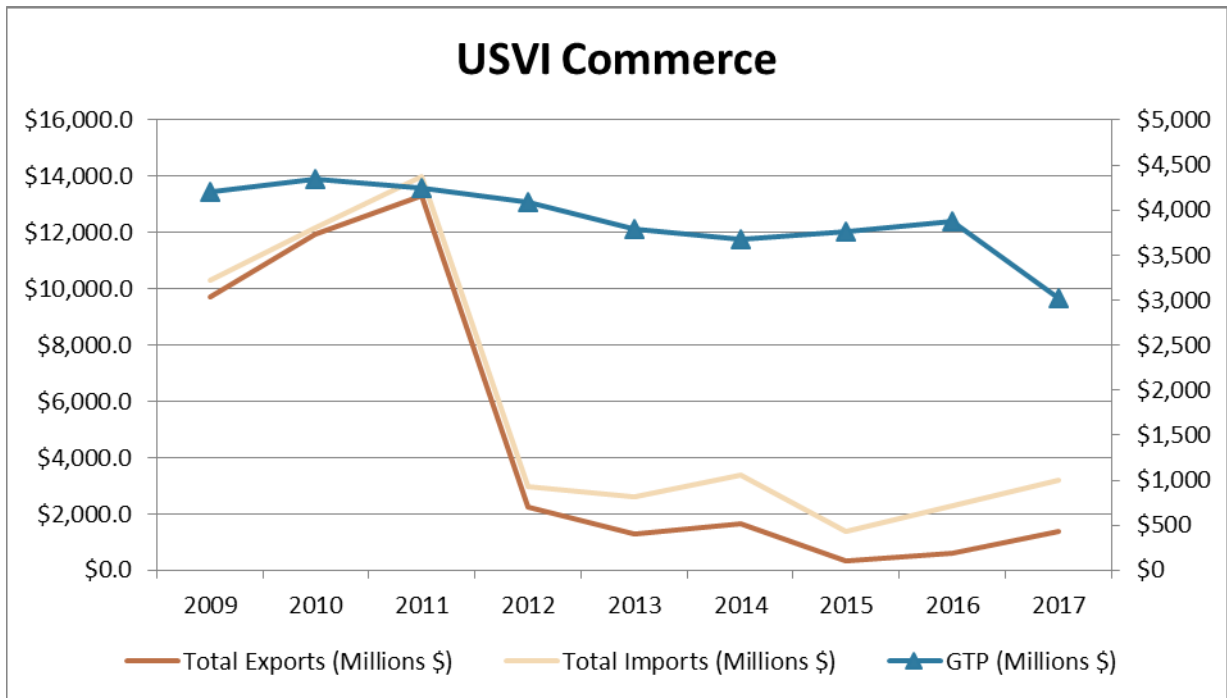
The territory relies heavily on tourism for economic stability. Additional industries include the production and export of rum; and until early 2012, the production of refined petroleum products (the Hovensa Refinery in St. Croix closed in early 2012 although it has been announced to be reopening in the near future). The Gross Domestic Product peaked in 2007 at \$4.85 million, declined to \$3.79 million in 2013, and further declined to \$3.67 million for 2012. However, there was a slight increase to \$3.77 million in 2015. Personal income per capita was also in decline from over \$25,000 in 2010 and 2011 to just over \$21,000 in 2013 but has shown consecutive years of growth in 2014, 2015 and 2016. Data beyond this has not yet been released by the VI Bureau of Economic Research.



The closure of the Hovensa refinery, which was one of the territory’s largest employers, also had a significant impact on exports which were previously dominated by petroleum products. As stated earlier, the refinery was sold in 2018 and refinery operations are in the early stages of resuming. Otherwise, the territory predominantly relies on the tourism industry to support the economy.

Commerce and Trade (Millions of \$ Unless Otherwise Noted)										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	5-Yr Annual Growth
Total exports	\$9,728.3	\$11,929.5	\$13,313.5	\$2,263.2	\$1,284.8	\$1,671.4	\$326.1	\$609.0	\$1,365.0	-7.9%
To U.S.	\$8,495.3	\$9,992.5	\$10,994.8	\$1,377.7	\$265.4	\$225.8	\$194.2	\$283.2	\$369.6	-14.6%
Refined petroleum	\$8,327.3	\$9,759.4	\$10,486.1	\$932.4	\$61.6	\$6.5	\$0.0	\$0.0	\$0.0	-20.0%
Other	\$168.0	\$233.1	\$508.7	\$445.3	\$233.8	\$219.3	\$194.2	\$283.2		-8.9%
To foreign	\$1,233.0	\$1,937.0	\$2,318.7	\$885.5	\$1,019.4	\$1,445.6	\$131.9	\$325.8	\$995.4	2.5%
Total imports	\$10,289.9	\$12,153.9	\$13,972.7	\$2,966.7	\$2,590.1	\$3,391.8	\$1,367.3	\$2,293.2	\$3,217.8	1.7%
From U.S.	\$1,139.3	\$1,548.9	\$1,767.6	\$1,719.4	\$2,119.2	\$2,144.5	\$1,222.4	\$1,725.5	\$2,077.8	4.2%
Crude petroleum	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$23.9	
Other	\$1,139.3	\$1,548.9	\$1,767.6	\$1,719.4	\$2,119.2	\$2,144.5	\$1,222.4	\$1,725.5		-0.5%
From foreign	\$9,150.6	\$10,605.0	\$12,205.1	\$1,247.3	\$470.9	\$1,247.3	\$144.9	\$567.7	\$1,140.0	-1.7%
Crude petroleum	\$7,085.9	\$7,721.7	\$10,340.9	\$660.3	\$0.0	\$660.3	\$0.0	\$0.0	\$256.8	-12.2%
Other	\$2,064.7	\$2,883.3	\$1,864.2	\$587.0	\$470.9	\$1,247.3	\$144.9	\$567.7		-13.9%
Rum exports to U.S. (thous. of P.L.)	\$38,445.3	\$40,045.1	\$35,801.2	\$62,570.0	\$68,335.4	\$59,418.5	\$49,647.3	\$56,179.7	\$0.0	-20.0%
Watch exports to U.S. (thousands)	\$75.0	\$52.0	\$52.7	\$55.6	\$60.0	\$76.8	\$41.4	\$0.0	\$0.0	-20.0%
Ocean freight imports (thousands of tons)	1,065.0	1,091.0	1,157.0	1,975.0	931.0	866.0	948.0	1,046.0	985.0	-10.0%
To St. Thomas/St. John	685.0	612.0	720.0	1,199.0	564.0	558.0	601.0	657.0	627.0	-9.5%
To St. Croix (excluding petroleum)	380.0	479.0	436.0	776.0	367.0	308.0	347.0	389.0	358.0	-10.8%

Source: VI Bureau of Economic Research



Over ninety percent of non-farm jobs are in the service providing industries, with the remaining jobs being in goods producing industries. Government, trade, transportation and utilities, and leisure and hospitality remain the industries with the largest number of jobs.

These three sectors account for 69 percent of all jobs. Professional and business services, construction and financial activities account for approximately 9 percent, 4 percent and 6 percent respectively. Manufacturing and information sectors account for about 2 percent each, while educational and health services account for 6 percent. Other services account for the remainder of jobs.

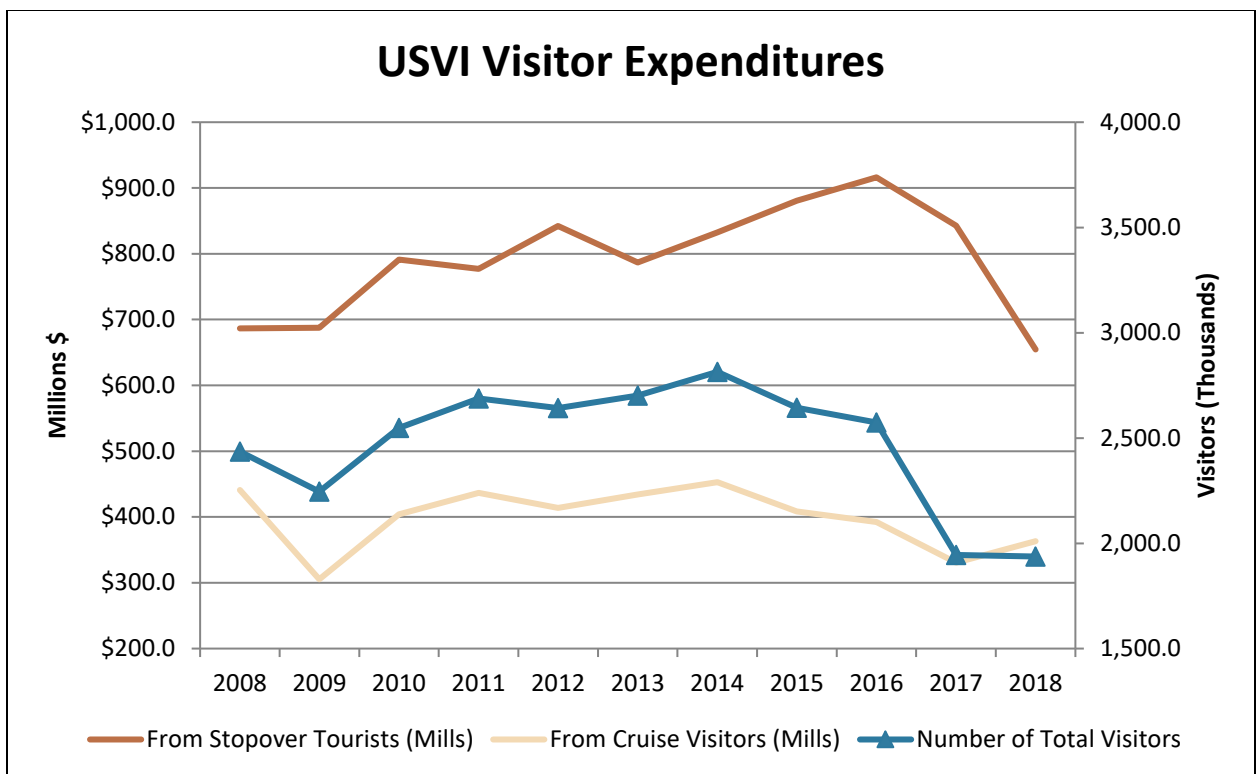
It should be noted that these figures do not account for an influx of temporary government and construction workers in the territory due to the hurricane relief and recovery efforts.

Tourism

The total number of visitor arrivals to the territory reached over 2.8 million in 2014, including both air and cruise ship arrivals. This represented a 4.2% growth over the prior year. There has been a decline each year since, which a substantial decline of 24.5% in 2017 due to Hurricanes Irma and Maria and another slight decline in 2018 as the relief and recovery effort continued.

USVI Visitor Expenditures											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Visitors (Thousands)	2,435.2	2,245.0	2,548.7	2,687.9	2,642.1	2,701.5	2,814.2	\$2,643.0	\$2,573.6	\$1,944.1	\$1,937.2
Growth	-6.6%	-7.8%	13.5%	5.5%	-1.7%	2.2%	4.2%	-6.1%	-2.6%	-24.5%	-0.4%
Total Visitor Expenditures	\$1,157.1	\$1,021.3	\$1,223.3	\$1,121.6	\$1,210.4	\$1,168.0	\$1,319.0	\$1,324.4	\$1,342.9	\$1,202.0	\$1,045.6
Growth	-23.5%	-11.7%	19.8%	-8.3%	7.9%	-3.5%	12.9%	0.4%	1.8%	-9.2%	-22.1%
From Stopover Tourists	\$686.4	\$687.4	\$791.2	\$776.9	\$842.3	\$786.8	\$832.7	\$880.8	\$916.2	\$842.5	\$654.6
Day Trip Excursionists by Air	\$29.7	\$28.6	\$28.0	\$35.4	\$35.4	\$36.1	\$33.4	\$35.2	\$34.5	\$28.9	\$27.7
From Cruise Ship Passengers	\$441.0	\$305.3	\$404.1	\$436.7	\$413.9	\$434.4	\$452.9	\$408.4	\$392.2	\$330.6	\$363.3

Source: VI Bureau of Economic Research



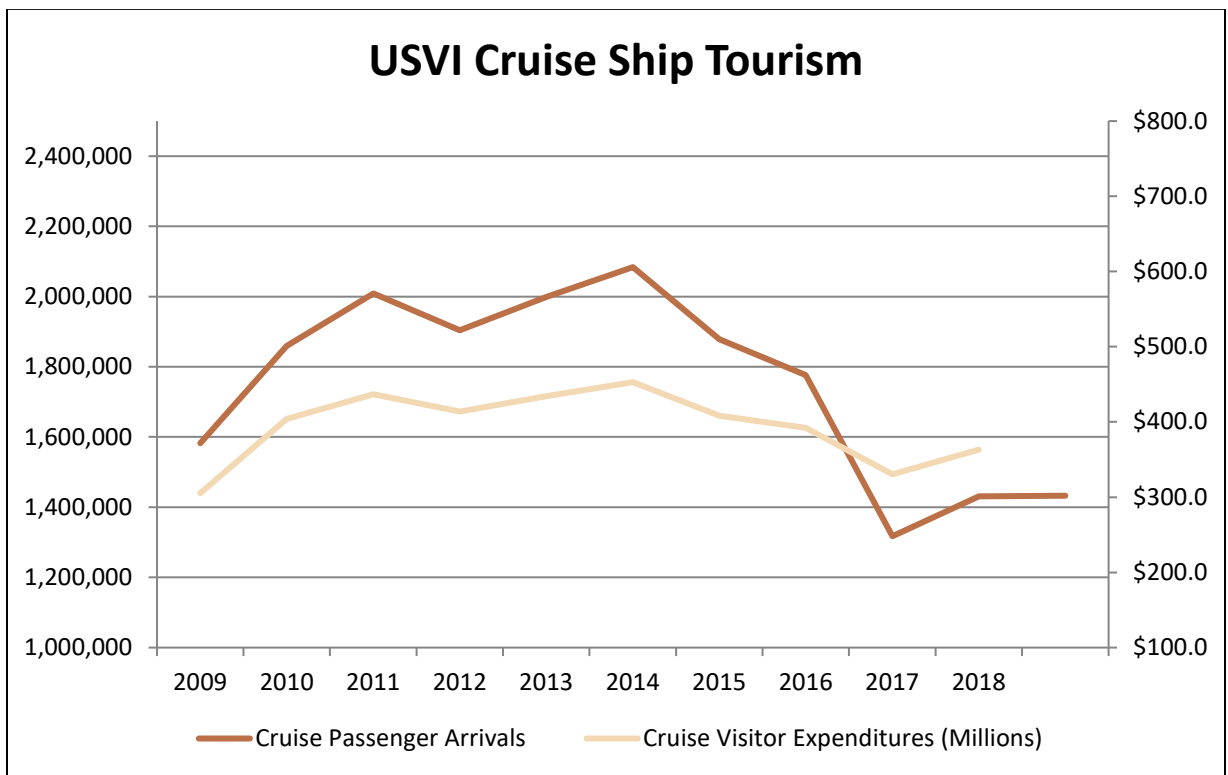
It is apparent, that the amount of visitor expenditures from cruise ship passengers has not increased linearly with arrivals since 2009; whereby the ratio was more linear in prior years. Although 2018 saw a slight increase in this statistic, this is most likely due to an atypical decline in 2017 from the hurricanes that occurred in September 2017. Cruise passenger arrivals declined to 1.88 million in 2015, down 9.84% from its peak in 2014. They further declined 3.07% in 2016 to 1.69 million and then declined significantly in 2017 by 24.79% to 1.25 million, again as a result of the unavailability of the ports from the hurricanes in the fall of 2017. There was an increase in arrivals 2018 over 2017, and early 2019 data reflects an increase of 13.42% in the first and second quarters over the same time period in 2018.

Total expenditures from cruise ship visitors declined in 2015 at a similar rate of 9.83% from the prior year, following consecutive years of growth in 2013 and 2014. In 2016, expenditures continued to

decline, by a margin of 3.97%. A sharper decline of 15.71% was reported in 2017 although this increased 9.89% in 2018. As of this writing, tourist expenditure data was not available for 2019.

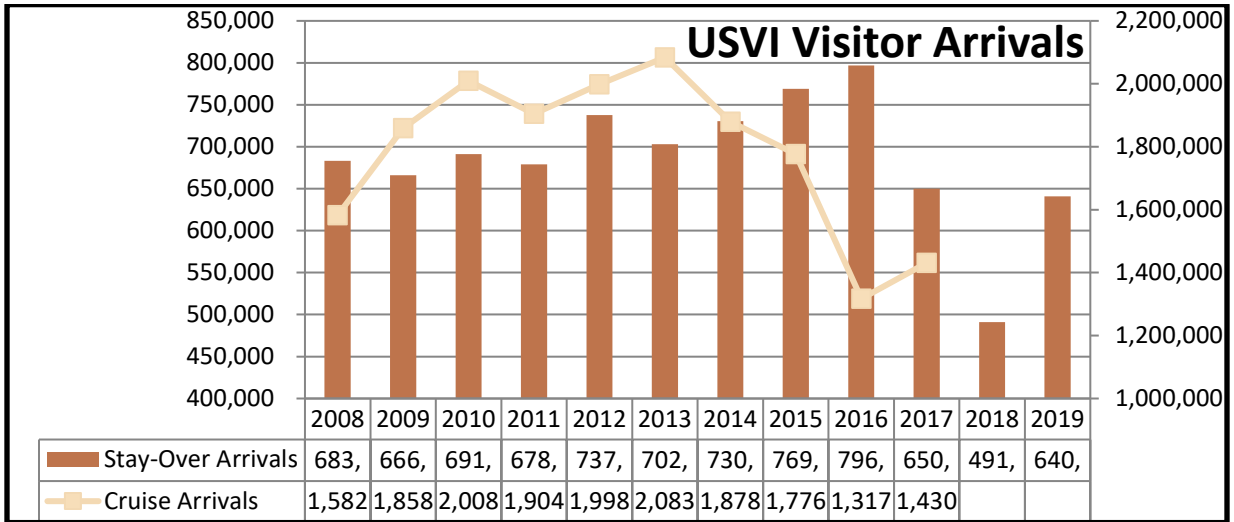
Cruise Ship Passenger Arrivals	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
St. Thomas / St. John	1,507,623	1,751,328	1,887,096	1,790,550	1,886,647	1,979,926	1,747,596	1,694,008	1,284,604	1,366,390	1,391,802
Growth	-14.07%	16.16%	7.75%	-5.12%	5.37%	4.94%	-11.73%	-3.07%	-24.17%	6.37%	1.86%
St. Croix	105,093	149,418	158,186	117,165	116,436	138,055	142,743	99,029	32,634	79,689	55,806
Growth	4086.97%	42.18%	5.87%	-25.93%	-0.62%	18.57%	3.40%	-30.62%	-67.05%	144.19%	-29.97%
Total	1,582,264	1,858,946	2,008,991	1,904,468	1,998,579	2,083,890	1,878,847	1,776,685	1,317,238	1,430,702	1,433,122
Growth	-9.95%	17.49%	8.07%	-5.20%	4.94%	4.27%	-9.84%	-5.44%	-25.86%	8.61%	0.17%
Cruise Visitor Expenditures (Millions)	\$305.3	\$404.1	\$436.7	\$413.9	\$434.4	\$452.9	\$408.4	\$392.2	\$330.6	\$363.3	
	-30.77%	32.36%	8.07%	-5.22%	4.95%	4.26%	-9.83%	-3.97%	-15.71%	9.89%	

Source: VI Bureau of Economic Research
 Totals for each island include 1st and 2nd ports of call; totals for USVI include only 1st port of call

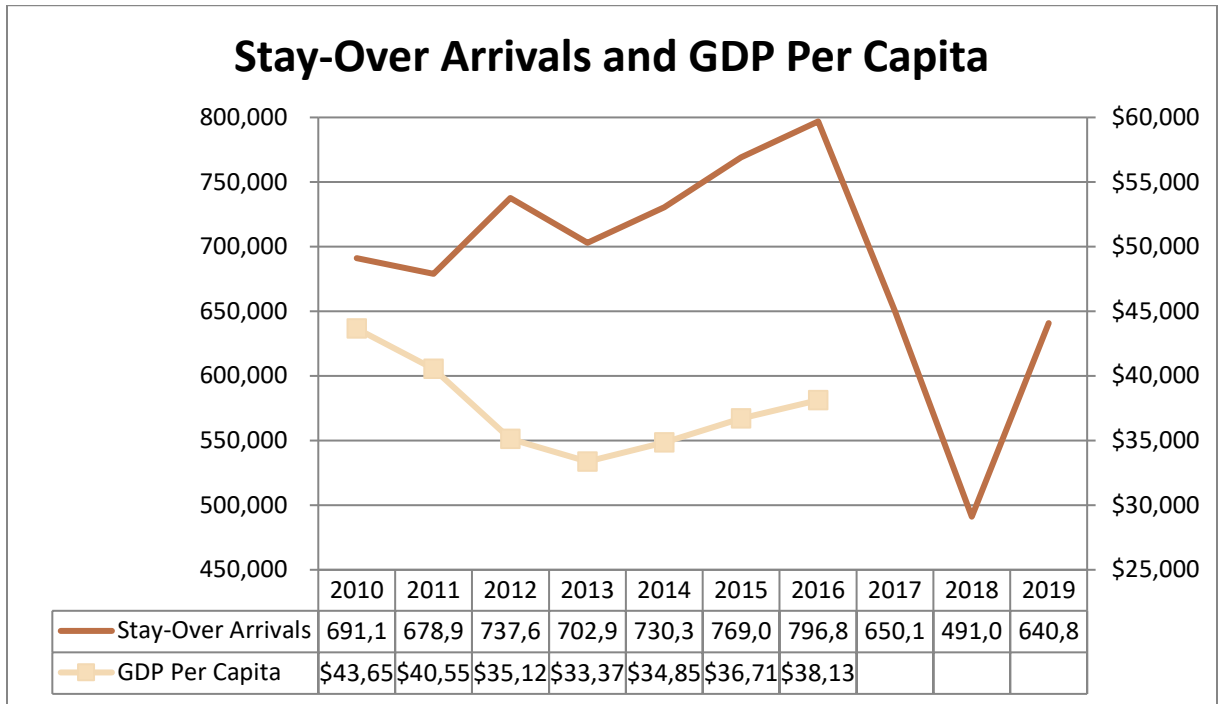


In terms of stopover tourists, the U.S. Virgin Islands ranked 7th in the list of the top tourism markets in the Caribbean, with 2017 stay-over arrivals of about 650,100. This was down significantly from 2016, which saw 797,000 stopover tourist, although again tis was mostly due to the devastating hurricanes which hit the USVI in September 2017. The year 2016 indicated improvement in arrivals, with 3.62% growth over the prior period. The number of stay-over arrivals plummeted in 2018 as the majority of the major hotels in territory remained closed due to hurricane damages, although there has been a 56.2% in the first and second quarters of 2019 over the same time period in 2018. The chart below illustrates the relationship between arrivals and GDP (note that GDP data was only available through 2016). While cruise arrivals had been in decline for the last three years, stayover arrivals showed

consecutive years of increases prior to 2017, and a drastic increase in 2019 while hurricane relief and recovery was ongoing.



Although the largest contributor to GDP is tourism, there is no longer a strong correlation between the two.



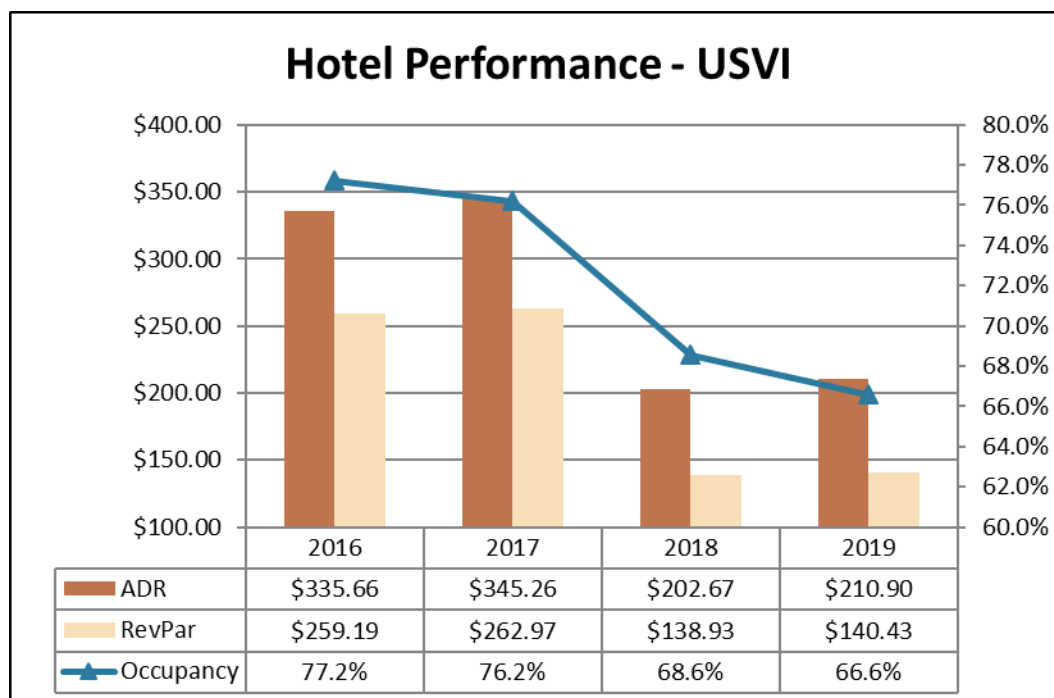
Source: Virgin Islands Bureau of Economic Research, WorldBank, Integra Realty Resources

Hotel Performance



Data from Smith Travel Research indicates 2019 occupancy for reporting hotels of 66.6%, down slightly from 68.6% in 2018. Room Nights Available declined in 2017 and 2018 due to two category 5 hurricanes occurring in September 2017 that made a larger number of hotel properties inoperable. Although the occupancy rate declined 2.87% from 2018 to 2019, all other indicators increased including RNA (3.55%), ADR (4.06%) and RevPar (1.08%). Two of the largest and most upscale hotels in the territory, The Ritz-Carlton St. Thomas and the Marriott Frenchman’s Reef Resort, remained closed throughout 2019. The Ritz recently reopened operations as of beginning of 2020, with the Marriott expected to reopen in 2021. Overall revenue, ADR and RevPar indicators are expected to increase significantly as these properties reopen for full-time operation.

Hotel Performance by Country - USVI					
	2016	2017	2018	2019	Growth (Last Year)
Sample Size (Rooms)	1,176	3,019	3,077	3,192	
Room Nights Available (Supply)	1,716,352	1,533,896	1,085,005	1,123,560	3.55%
Room Nights Sold (Demand)	1,325,354	1,168,303	743,780	748,128	0.58%
Occupancy	77.2%	76.2%	68.6%	66.6%	-2.87%
Room Revenues	\$444,869,324	\$403,362,582	\$150,738,899	\$157,783,474	4.67%
ADR	\$335.66	\$345.26	\$202.67	\$210.90	4.06%
RevPar	\$259.19	\$262.97	\$138.93	\$140.43	1.08%
Rooms in Active Pipeline 12/31					
Note: Values in United States Dollars					
Source: Smith Travel Research; Note: Sample Size reflects the number of rooms within the STR participating hotels					



Source: Smith Travel Research (STR Inc.)



According to STR, there are 225 rooms in the active pipeline, which would add 7.31% to the existing room stock of 3,078 rooms, excluding the Ritz and the Marriott Reef Hotels which were closed in 2018 and 2019 for repairs and renovations after the Hurricanes occurring in 2017. These projects include a 72-room Ascend Hotel Collection property in St. Thomas and a 153-room, proposed Embassy Suites in Mahogany Run. In addition, a hotel project was announced over two years ago on Water Island; however, the developers have not yet announced a brand or number of proposed rooms.

Housing / Property

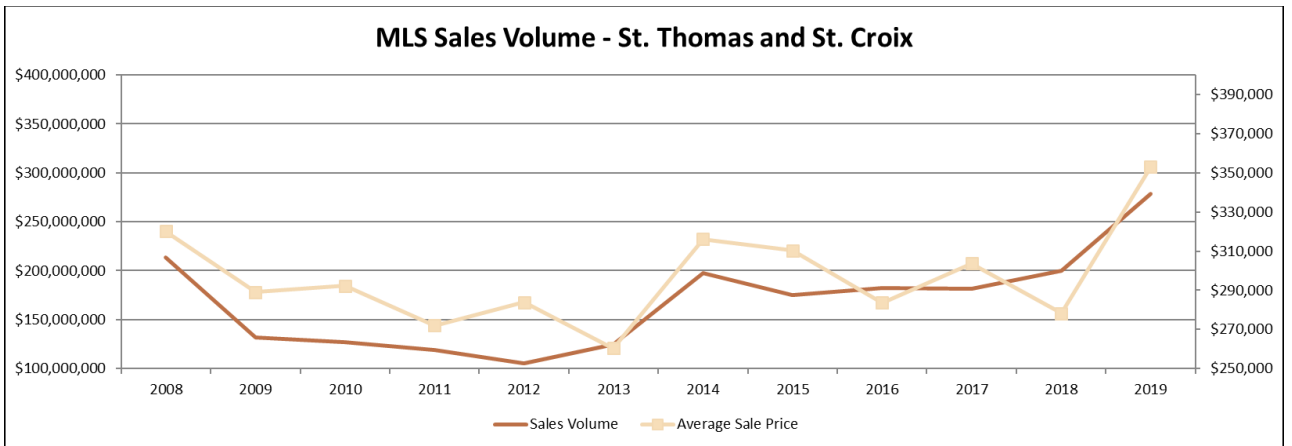
As the supply of housing has increased in the last two decades, homeownership rates have also increased, although only slightly. Rates increased 1.9 percentage points between 2000 and 2010, and increased an additional 3.8 percentage points from 2010 to 2012. Average home prices dropped by 11.8 percent in 2008, but then increased in 2009 and 2010 by 4 percent and 12.3 percent, respectively. In 2012, average home prices fell 17.4% and then rebounded in 2013 with an increase of 22.1% that year, and consecutive increases each year until 2016 where home prices dropped by 14.8% from 2015. The average sales price in 2016 was \$429,340. In 2017, the average home price increased by 12.6% to an average of \$483,500, but then declined -15.4% to \$409,278 in 2018. This decline can partially be explained by the numerous sales of damaged homes subsequent to Hurricanes Irma and Maria in 2017. Over the past decade, housing costs have accelerated at a greater pace than resident incomes, putting home ownership beyond the reach of all but a few relatively wealthy islanders.

In 2017, St. Thomas had an average home sale price of \$627,079, while the average home sale price in St. Croix was \$402,507. In 2018, St. Thomas had an average home sale price of \$533,800, while the average home sale price in St. Croix was \$365,555. Most recently in 2019, St. Thomas had a modest decline in average home sale price of \$617,848 while the average home sale price in St. Croix increase significantly to \$403,314.

In 2019 prices have finally caught up to the previous peak in 2007 after a substantial jump in 2019, which, saw a significant reduction in supply corresponding with a sharp increase in sale prices. This was originally due to an influx in temporary relief workers and reduced supply, which created a huge increase in demand. However, early indications in 2020 are that value will remain steady while a large amount of these workers have been vacating the Virgin Islands.

According to statistical data provided by the Multiple Listing Service, the value of real estate sales in the St. Thomas-St. Croix MLS grew by 58.3% in 2014 to nearly \$200 million on 626 transactions; volume not seen since 2008 and sales pace not seen since 2007. This growth follows 18.3% growth in 2013 which came after six years of declines. Total sales volume declined in 2015 by -11.6%, the first decline since 2012, and was followed by an increase in 2016 of 4.0% and a slight decrease of -0.2% in 2017. In 2018 the total sales volume increased significantly to over \$200 million for the first time since 2008 and continued to increase with a massive 53.2% increase in volume in 2019, representing the peak of sales volume since 2006.

The average sales price surpassed \$300,000 in 2014, a level also not seen since 2008 and remained steady in 2015 but declined -8.6% to under \$300,000 in 2016. In 2017 the average sales price increased by 7.1% back to over \$300,000 but declined -1.9% to \$278,298 in 2018. Similarly with other trends, 2019 saw a substantial increase of 24.5% in 2019 to an average home price of \$353,076.



Source: St. Thomas/St. Croix MLS

Real Estate Ownership and Taxation

Ownership is “fee simple”, under the U.S. flag. There are no restrictions against purchasing solely for investment, and no laws dictating when, if ever, you must build on undeveloped land. It should be noted that for 2006 there was a reassessment, and the tax rate changed to \$3.77 per \$1,000 based on 100% of assessed value (for residential property); however, there was an ongoing court challenge to the reassessment, and a federal injunction blocked tax bills until the issue could be resolved. As of December, 2013, the 2006, 2007, 2008, 2009, 2010, 2011 and 2012 tax bills have all been issued under the old 1999 assessed values and tax rates. This federal court injunction regarding the tax reassessment of VI property values had previously prevented the government from collecting property tax for at least four years, resulting in the government losing US\$25 million a month. New assessed values as well as amended tax rates were released in conjunction with the 2013 tax bills in August, 2014. Subsequent tax bills were issued at a rate of two per year until August 2015 when the 2015 bill were released and the Virgin Islands became current with respect to its property taxes. The 2018 tax bills were released on time in the summer of 2018.

All real estate transactions also require a Government Transfer Tax (stamp tax), which can be paid by the buyer or seller.

- 2% for property valued up to \$350,000
- 2.5% for property valued from \$350,001 to \$1,000,000
- 3% for property valued from \$1,000,001 to \$5,000,000
- 3.5% for property valued over \$5,000,001

Notable News and Developments

Note that the items listed below were up to date prior to the recent hurricanes that devastated the Virgin Islands which will be discussed in greater detail below. Updated statuses on some of these projects are still undetermined as of the effective appraisal date.



- On January 18, 2012, it was announced that the Hovensa refinery would be permanently shut down. This has had a major impact causing an economic downturn on the island, leaving 1,158 former Hovensa workers unemployed and many more employed by the company's contractors according to the United States Department of Labor. Sale of the facility to Limetree Bay Holdings, a partially-owned subsidiary of ArcLight Capital Partners and Freepoint Commodities, was approved in December, 2015. Pending approval by the Virgin Islands legislature, ArcLight's operation of the oil storage facility will create a minimum of 80 jobs, with the possibility of more in the future. In June, 2018 the VI Government announced an agreement with British Petroleum for sale of the refinery. The agreements, of which there are two, call for a total investment of \$1.4 billion by ArcLight Capital Partners, the majority owner of Limetree Bay Terminals, to reopen approximately 25% of the refinery for continued operations. This is estimated to create a potential for up to 1,300 construction jobs and 600 full-time jobs, potentially 1,300 construction, in addition to \$70 million in advanced financing to government coffers and millions in annual payments based on oil production. As of early 2020, refining operations have resumed.
- Both the Senate and the US House of Representatives passed the Coast Guard Reauthorization Act, and former President Obama signed the act into legislation in the fiscal year 2015 which should help level the charter yacht industry playing field. Prior to 1993 and the imposition of a six-passenger limitation on US uninspected vessels, the charter yacht industry in the US Virgin Islands was thriving, contributing over \$100 million in annual revenue and hundreds of jobs to the local economy. A large chunk of the industry moved to the British Virgin Islands after the six-passenger rule limitation was initiated by the US Government. The bill was enacted into law in 2015, and the ability of the USVI to compete in this industry was significantly bolstered. This is further enhanced by the rising costs of fees and taxes incurred by tourists traveling to the BVI on day-trip charters.
- A group of local and regional investors have plans to develop a hotel resort on Water Island, just off of St. Thomas. Discussions with up to eight hotel brands were had back in 2015/2016, but ultimately the plans for the development were "put on hold" according to the developer due to lack of local government support. The developer of the project has renewed efforts in the development with the introduction of a new government administration in January 2019. Most recently, plans included a 100-room hotel and 124 multifamily housing units.
- The Margaritaville (Wyndham) Vacation Club is the most recently completed resort in Water Bay on the East End of the island of St. Thomas. The project is a renovation of the 290-room Renaissance Grand Beach Resort into 274 timeshare-oriented condominium units.
- In 2014 the University of the Virgin Islands announced plans to develop a medical school on St. Thomas, which will be operated in collaboration between the hospitals on St. Thomas and St. Croix. Progress was stalled on this project due to a shortage of available funding but construction of primary buildings on St. Thomas and St. Croix has resumed with an unknown expected completion date.
- In September 2017, two category 5 hurricanes came through the Virgin Islands and caused significant damage to individual properties as well as the island-wide power and water grids,

as well as internet connectivity and infrastructure. Hurricane Irma hit St. John and St. Thomas on September 6, causing massive property devastation and rendering both islands almost entirely without power, public water, cell reception, or internet connectivity. Weeks later, as recovery efforts were underway, hurricane Maria hit the U.S. Virgin Islands on September 19/20, with the eye of the storm scraping through St. Croix, rendering it almost entirely without power, public water, cell reception or internet connectivity. Prior to the , all three islands were in nearing a state of full recovery and the overall market is improving beyond the pre-storm market.

- Approximately 43 acres of Lovango Cay was recently purchased by Lovango island Holdings, a development group principled by Mark Snider. The group has already opened an existing restaurant/clubhouse for operation and plans to construct an additional 70 overnight tents and cottages along with private sales of remaining residential lots. Currently the project is attempting to get approval for rezoning to allow for development which has not yet been approved.

Conclusions

Prior to the COVID-19 pandemic, there appeared to be ongoing resurgence in tourism for the U.S. Virgin Islands after the two aforementioned hurricanes in 2017. Our forecast was for continued improvement in arrivals and hotel statistics, along with continued increases in values of residential and commercial real estate. Our conclusions regarding the economic uncertainty from COVID-19 will be detailed in a separate section of this report.

Surrounding Area Analysis

Location

The subject is located on a “Cay” or small island about 1,000 feet west of the northern coast of St. John. The nearest access point on St. John from the subject is located at Francis Bay and Maho Bay, both are extremely sparsely populated residential areas that contain mostly National Park land, with a small commercial development located in the upland of Maho Bay.

Access and Linkages

Given that the subject is a publicly owned island, it is surrounded on all sides by water and is not accessible via automobile or other vehicles. The only access to the subject is via boat, although there is no marina in close proximity to the subject.

Temporary moorings are available just offshore of the subject and are mostly used for dive and snorkel sites. Moorings are also available in the two nearest Bays on S. John; Francis Bay and Maho Bay. The nearest permanent dock is located in Coral Bay, approximately 4 miles east of the subject, although the nearest commercial marina is located in the East End of St. Thomas at American Yacht Harbor, or the West End of Tortola (British Virgin Islands) at Soper’s Hole Marina.

The only access to St. John is by boat. The most common route is by passenger ferries or car ferries from Red Hook on St. Thomas to Cruz Bay on St. John; a 20-minute trip. The nearest airport is Cyril E. King Airport on St. Thomas. The runway there is adequate to take direct flights from the U.S. and other international destinations. Primary highway access to the area is via Centerline Road, a major arterial that bisects the island of St. John in a northeast/southwest direction and is the most direct route between the towns of Cruz Bay and Coral Bay.

Most visitors to St. John fly into St. Thomas and rent a car at the airport or go by taxi to the ferry terminal at Red Hook to make the short trip to Cruz Bay, St. John. The passenger ferry runs between 7:30 AM and 11:00 PM.

Demand Generators

The biggest tourism draws for St. John are the numerous white, sandy beaches with accompanying reefs and underwater wildlife, and the Virgin Islands National Park that encompasses about 60% of the island. The vast majority of this land is legally protected from private ownership and development. The National Park is home to hundreds of species of indigenous wildlife, historical sites with preserved plantation ruins and hiking trails throughout the island.

Land Use

About 60% of St. John is part of the Virgin Islands National Park and is off-limits to commercial development. Residential development is sparse, limited mostly to Cruz Bay and Coral Bay; and even in these areas, much of the land remains vacant.

The most significant sector of the local St. John economy is tourism. Draws to the island include the world-class beaches, off-shore diving enhanced by the natural coral that encircles much of the island, and the large amount of national park lands.

As discussed, there is no development on Whistling Island other than the remnants of a stone cottage. No utilities or infrastructure exist on the island. The closest points of St. John are mostly comprised of National Park land with very sparse residential development in the area. The nearest commercial area is Coral Bay, located about 3.5 miles east of the aforementioned Maho Bay.

Outlook and Conclusions

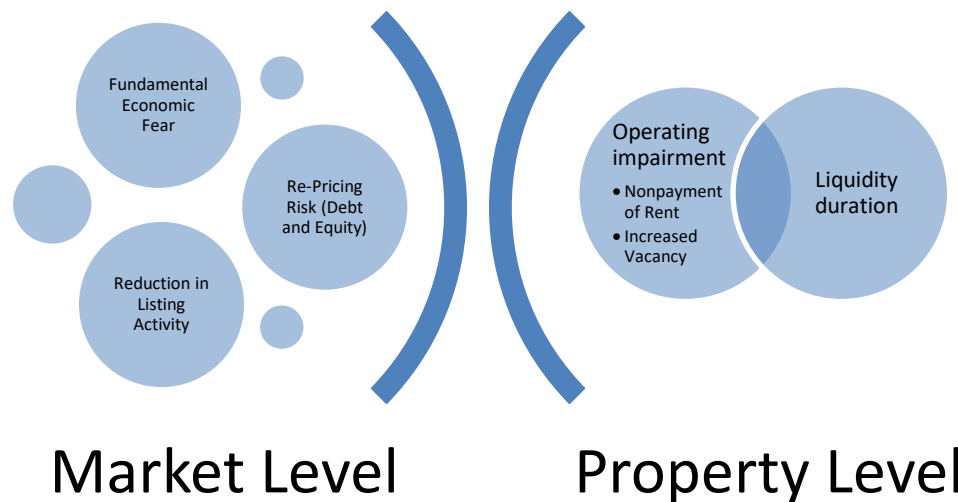
The subject benefits from a secluded location, offering a private lifestyle to those who wish to build in such a location. The area is in the stable stage of its life cycle. We expect values to remain stable or possibly decline slightly in the near future, with acknowledgment of the uncertainty regarding the economic impact of COVID 19.

Surrounding Area Map



COVID-19 Impact on Current Valuations

Transaction indicators are the best measure of any impact on values due to COVID-19. Given the unique nature and recency of this event, minimal activity is evident from which to draw benchmark comparisons based on transactional data. In the absence of transaction data, market and property specific empirical data can be gleaned to assist in estimating current value. In this initial phase of the pandemic, early emerging trends include:



All or some of the above may be shorter-term issues, but others may linger and have a lasting impact on valuations in the commercial real estate (CRE) sector along a continuum of time.

At this juncture, the global question facing market participants is: “How long does this crisis last and how deep will its impact become?” At a minimum, Q2 economic results will prove dismal based upon Shelter-in-Place and Stay-at-Home Executive Orders for most of the U.S. states largely in place into late June. At the direction of State Governors most states have begun a phased “reopening”; however, given the recent spike in positive cases there has been a slowdown in the openings, with some states reverting back to increased levels of restrictions.

Based on discussions and interviews with a wide range of market participants, a variety of factors and concerns are prevalent in the market that will likely have a negative impact broadly on CRE values, depending on property type and region. Essential Service Providers have and will be less impacted (distribution facilities, medical facilities, grocery service) as the performance of these sectors is expected to continue.

However, the broader market will experience a myriad of issues based on survey respondents including:

Uncertainty	Lender Concerns	Publicly Traded Securities	Return Requirements
<ul style="list-style-type: none"> • Restricted access to capital • Unemployment concerns (increasing to 15% in Q2) • GDP decline (-30% in Q2) • Duration of crisis 	<ul style="list-style-type: none"> • DSCR are impacted based on changes in rental revenue and collections • Loan covenants could trigger due to changes in near-term value • Borrowers are concerned about their tenants' ability to pay rent • Borrowers are concerned about their ability to keep their loans current • Lenders are also concerned about the need for loan modifications or work outs 	<ul style="list-style-type: none"> • Stock indexes were down approximately 25% to 30% but have since rebounded • REIT pricing was down approximately 25% but have since rebounded • Crude oil was down approximately 40% but has since partially rebounded 	<ul style="list-style-type: none"> • Interest rates may stay in the 4% - 4.5% range, despite the Federal Reserve's reduction efforts. Banks tightly manage their capital reserves and ratios, and therefore are requiring higher spreads for current risk profile • Durability of Cash Flow forces (new) equity investors to reprice risk. Standby (available, uncommitted) equity now has to be patient until a clearer "path forward" emerges • Impact on cap rates would be upward

Each of the above observations provides empirical evidence that the market has shifted downward and real estate values will likewise be impacted, but to what degree is not certain.

Few experts or economists at this point are willing to state a threshold duration at which point everything will return to normal quickly, versus a duration of limited economic activity that spirals into worldwide recession. At the moment, the prevailing hope of the world is that science miraculously manufactures a cure, while in the meantime, social activity has slowed worldwide.

Integra Current Valuation Framework (June 15 - present)

The preceding property market analysis focuses on recent historic trends before the physical and social impacts of the COVID-19 pandemic were revealed in the U.S. in early March 2020. The property market analysis was current through Q1-2020 with trends and indications for solid growth by most all market indicators. Many current market participants believe the commercial real estate (CRE) markets will return to trend - the lingering question, "How long will it take?" remains uncertain.

What we do know with reasonable certainty:

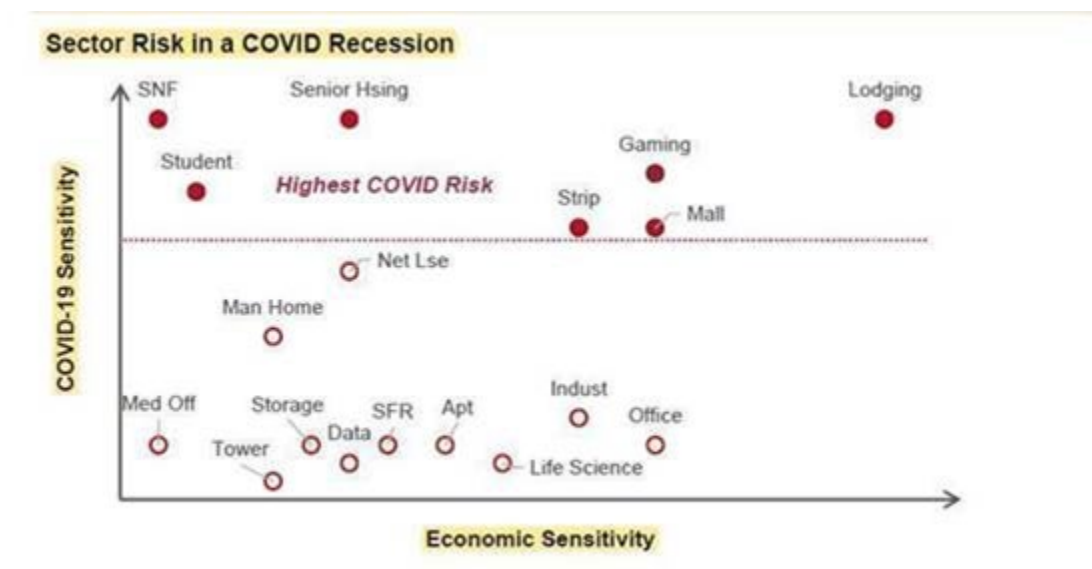
- At a minimum, Q2 economic performance will be dismal.
- Shelter-in-Place and Stay-at-Home executive orders and phased reopening's will have a profound impact on GDP with rising unemployment damaging forward economic performance for six months at a minimum.
- The Federal Reserve's attempt to lower nominal rates was thwarted by lenders setting floors on spreads. Congress subsequently approved a \$2 Trillion stimulus package on March 27, 2020. This provided some economic relief, but businesses, owners, investors, and bankers need to support payroll retention and an aggressive program of economic goodwill throughout all sectors of the economy.

Everything forward beyond those three known factors remains subject to considerable risk/uncertainty. Our recent surveys of market participants indicate a focus in the following areas impacting value:

- Impacts could (should) vary by property type, class, and location
- Cost of capital (both debt and equity) is increasing, but at different rates for different asset classes
- Declines in property operations/forecasts (NOI) vary in duration based on property type, class; location, and tenant durability under potential recessionary pressures
- Increases in cap rates (and normalized yields) will vary by property type, class and location as will the underlying assumptions on stabilized or periodic cash flow
- Marketing times for most assets will increase. To a large extent, deal flow was halted based on the sheer physical constraints imposed on property showings/due diligence, etc. under distancing restrictions. As these restrictions are lifted, the market is showing signs of activity, some pent up demand and increased interest, although commercial property deal flow remains muted.

Impact by Property Type, Class & Location

Below is a graph prepared by Greenstreet Advisors plotting the sensitivity (and risk) associated with various property types with the negative impact on value being greater for those assets with greater sensitivity. Those assets relating to essential business operations (grocery, medical, distribution) are less affected than for example lodging and malls where social distancing is more difficult.



Cost of Capital/Liquidity

The cost of capital, both for debt and equity, had been at near historic lows pre crisis. As lenders are coming to grips with the severity of the economic outlook, many have pulled back while others have reacted by raising interest rates, lowering loan to values, or a combination of both. There are clearly

some lenders who are “out” while others remain in the market. Fewer options are available in the market and those options are more expensive today. The rise in cost varies notably by property type with agency lenders and HUD determined to provide liquidity to the multi-family market, while at the other end of the spectrum, financing a hotel is challenging and land financing is nonexistent. Assets focused on essential business operations (e.g., grocery or last mile industrial) remain in favor as do net leased assets with recession-resistant business profiles.

Equity is less clear at the moment. While large pools of capital were being raised through 2019 and into Q1-2020, the strategy has suddenly shifted. Equity is available, but will be deployed with stricter underwriting criteria and more cautious income growth and exit assumptions.

Declines in Property Operations/Forecasts

The lodging, retail, student housing and senior sectors are generally viewed as expecting to suffer the greatest in the short term. Once again, this varies by location and type. Restaurant retail is generally viewed as having greatest risk but is expected to rebound quickly as pent-up demand is evident as everyone can now leave their homes. Grocery retail is currently performing well with big box stores setting record sales per square foot.

Radical changes in the employment picture will begin to affect the housing sector, both single-family and apartments. Apartments will not be immune or “safe” from lost rent, varying by type and location depending on the tenant base employment and its ability to weather a 6 to 12-month contraction.

Rent projections are being held flat in modeling cash flows going forward with the length of time dependent on the asset type.

Depending upon whether values are based on yield capitalization (DCF) or direct capitalization, care must be given to provide “stabilized” forecasts to capitalize; and to normalize yield levels for projecting variable year yield cap.

Premiums on Capitalization Rates

While many deals have fallen out of contract, other deals are still closing. Some are closing at their pre-crisis contract price levels, while many deals are being re-traded in the market with discounts influenced by property type, location and buyer/seller motivations.

As the transaction market solidifies, the impact on capitalization rates will become more clear. Some market participants believe the answer to market value lies in capitalization rates while others believe rates are not moving, but net operating income in the short run is being impacted. Once again, the answers vary by property type and location.

With a rise in the cost of capital (debt and equity), valuation theory suggests a rise in capitalization rates. A 100 basis point upward movement in interest rates for example, combined with a modest rise in equity returns, can move capitalization rates up over 100 basis points. This analysis is tempered, however with the understanding that it is difficult to settle on the inputs given the wide range of data in the market. In addition, care must be taken not to “double hit” the analysis by modeling

significantly lower net income via lower performance projections and at the same time raising the return requirements.

Normalization of Yields

All yield capitalization is based on forward forecasting of property performance to generate a current cash flow, and future forecasted reversion. Therefore, the timeframe for the market to reach a point of pricing transparency to “return to par” is the critical assumption in the yield cap.

The longer or less likely the assumptions are, the higher the near-term yields. Valuation theory and past downward economic cycles suggest a shortening of the holding period and a normalization of “overall yield” applied over the shorter holding period.

As the transaction market solidifies, the impact on investment rates and relationship of assumption risk to market risk will become clearer.

Marketing and Exposure Time

At the present time, there is consensus of declining market demand in CRE transactions, due to market conditions ensuing from COVID-19. It is natural to assume that exposure time on properties either for sale or lease, will likely be extended. Comparing pre-COVID-19 exposure periods (perhaps the best) to the banking crisis of 2008/2009 (perhaps the worst) can glean some differences that could extrapolate to exposure time going forward, i.e. from peak to trough.

Sector	Months on Market March 2008-09	Months on Market March 2018-19	Change in Months	% Change Peak to Trough
Office	29.6	14.8	14.8	100%
Retail	15	11.4	3.6	32%
Industrial	19.6	6.7	12.9	192%
Average	21.4	11.0	10.4	95%

Source: Costar – data presented in Months

Days on the market increased substantially in the last economic crisis of 2008-2009, with an average of 21 months on market for major property classes. The trailing 12 months preceding the COVID-19 crisis, average days on the market were 11 months.

Based on this historical perspective, marketing time could potentially double from current levels. This would have to be tempered recognizing that the depth and duration of this current economic crisis is tied to a health crisis and may have a conclusion more closely tied to its resolution.

Market Sentiment/Participant Interviews

While transaction data is limited, we look to market participants (developers, investors, lenders, brokers, other appraisers) as a leading indicator of where the market is currently, and where they believe the market is heading. Following is a summary of key interviews undertaken since April 1, 2020:

Role/Title: Owner/Broker **Company:** John Foster Real Estate

A limited buyer pool is anticipated in the next 6-12 months, at least in the residential market and likely in the general commercial market. Approximately 60%-70% of ongoing contracts are in re-negotiation. Estimated decline in property values could be 5-10% but difficult to be sure what ultimately happens.

Conclusion

This heightened uncertainty forms the basis of defined risk. Considering the subject's relative sensitivity to the COVID-19 risks as of the effective date of the valuation, Integra rates the relative risks of the subject property as of the effective date as follows:

Risk Analysis	
Property Type Sensitivity to Risk	Moderate – Undersupply of housing although there will be reduced demand with a shrinking pool of qualified and motivated buyers.
Property Location Sensitivity to Risk	High – Primary industry in the market is tourism, which is among the hardest hit sectors.
Cost of Capital Impact/Risk	Medium

For this appraisal, this asset type, and its relative sensitivity to the COVID-19 pandemic, the valuation considers issues impacting value and concludes a negative market conditions adjustment is appropriate.

Valuation Parameters	
Covid-19 market condition adjustments (sales comparison)	Yes
Any transaction evidence?	Yes
Market participant interviews?	Yes
Inference by investment rate changes?	No
Market rent adjustments	No
Cap Rate adjustments	No
Vacancy and downtime probability adjustments	No
Cashflow modeling adjustments	No
Marketing time extended (based on current pricing)	No

Property Analysis

Land Description and Analysis

Land Description	
Land Area	14.00 acres; 609,840 SF
Source of Land Area	Public Records
Primary Street Frontage	N/A
Shape	Irregular
Corner	No
Water Frontage/Access	Yes
Topography	Steep
Drainage	No problems reported or observed
Environmental Hazards	None reported or observed
Ground Stability	No problems reported or observed
Flood Area Panel Number	7800000018G
Date	April 16, 2007
Zone	VE
Description	Within 100-year coastal floodplain
Insurance Required?	Yes
Zoning; Other Regulations	
Zoning Jurisdiction	U.S. Virgin Islands Department of Planning and Natural Resources
Zoning Designation	P (Public)
Description	(assumed changeable to R-1 / Low Density Residential if sold)
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	No
Permitted Uses	Variety of residential, agricultural, botanical, civic and educational uses
Minimum Lot Area	0.5 acre
Minimum Street Frontage (Feet)	None
Minimum Lot Width (Feet)	100'
Minimum Lot Depth (Feet)	None
Minimum Setbacks (Feet)	Front - 15'; Side - 15'; Rear - none
Maximum Building Height	2 stories
Maximum Site Coverage	0.25
Maximum Density	2 dwelling units per acre
Maximum Floor Area Ratio	None
Parking Requirement	Varies Per Use
Other	None that we are aware
Other Land Use Regulations	None that we are aware
Utilities	
Service	Provider
Water	Private required
Sewer	Private required
Electricity	None
Natural Gas	N/A
Local Phone	Cellular service only

The subject is located in an area controlled by the local Coastal Zone Management Program and any future development or alteration of the existing site would likely require approval from the CZM Board. Furthermore, the existing zoning code is P, Public; however, if the property were to be sold from Government ownership to a private owner, it is likely that the zoning would be changed to R-1 as shown in the table above. This is supported by the vast majority of other small island cays in the USVI containing an R-1 zoning code, as well as discussions with both the USVI Department of Planning and Natural Resources and Coastal Zone Management.

We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance with zoning is required.

Note that the coastline is within the floodplain designation VE (within the 100-Year Coastal Floodplain); but the rest of the island is outside the floodplain areas.

It should also be noted that there are no public utilities available to the island. Any development would require a de-salination plant and/or cisterns to collect rainwater, as well as generators to provide electricity. These types of private systems are not uncommon for these private islands in this market.

Site Description

The subject property consists of one peak in the center of the island that reaches approximately 200 feet in elevation according to the USVI GIS website. The topography along the northern coast is extremely steep, close to the level of a cliffside drop, and is sparsely covered with bushes, shrubs and rockface. The southern portion of the property is more suitable for development but still contains a moderate to steep slope and is covered with thicker shrubs and trees.

The flattest portion of the island is the southeastern coastline which contains approximately 350 linear feet of a rocky beach that is estimated to have a depth of approximately 50 feet at its widest point. The rocky beach is where the remnants of a small stone cottage is located. The remaining coastline of the subject is rocky with no water access points. In order to access the island from a boat, one either has to swim a short distance or a dock would have to be constructed (requiring CZM permit).

Whistling Island is known for good snorkeling along a reef that surrounds the island. Three temporary mooring balls are located just south of the southwestern point of the island, and one is located just north of the northeastern point of the subject. These are primarily dive and snorkel site as opposed to access points for the island.

Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

Ground Stability

A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject's soil bearing capacity is sufficient to support a variety of uses, including those permitted by zoning.

Easements, Encroachments and Restrictions

We were not provided a current title report to review. We are not aware of any easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title. In this case we also assume there are no laws and regulations that would prohibit the sale of the property on the open market.

Conclusion of Land Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. We are not aware of any other particular restrictions on development. Positive characteristics of the site include a small rocky beach and a portion of the terrain that is suitable for development; however, the beach is rocky instead of sandy (unsuitable for landing a boat), and the terrain that's suitable for development only includes a portion of the subject site. In addition, no utilities or infrastructure exist on the subject.



Distance view of subject's northern coast



View of subject's eastern coast



View of subject's southeastern coast



View of subject's southern coast



View of subject's western coast



View of subject's northwestern coast



Close up of subject's northern coast



Subject beach looking west



View of rocky beach looking east



Remnants of stone cottage



View of St. John from subject property looking southeast



View from subject looking northeast toward the BVI

Cadastral Map Image



Whistling Island



Cadastral Map Image with Topography



Whistling Island



Flood Map Image



Real Estate Taxes

The situation surrounding real estate taxes in the Virgin Islands had been in flux since 2006, but was ultimately resolved in 2013 with a new territory wide re-assessment and new tax rates. The 2015 tax bills were released in August, 2015, using the new assessed values and the Virgin Islands is now current with regards to their property taxes. New tax rates were announced in the year 2013 which are still applicable; and are applied as follows.

2013 Tax Rates	
Property Type	Tax Rate (per \$1 of assessed value)
Unimproved non-commercial real property	0.004946
Residential real property	0.003770
Commercial real property	0.007110
Timeshare real property	0.014070

These rates are based on 100% of the assessed value. Real estate taxes and market value assessments for the 2020 tax year are shown in the following table.

Taxes and Assessments - 2020							
Tax ID	Assessed Value			Taxes and Assessments			
	Land	Improvements	Total	Ad Valorem Tax Rate	Taxes	Direct Assessments	Total
3-01701-0101-00	\$3,825,200	\$0	\$3,825,200	0.711000%	\$27,197	\$0	\$27,197

Based on the concluded market value of the subject, the assessed value is high. Note that since the subject is currently owned by the Government of the Virgin Islands, no real estate taxes are paid. The taxes noted above is based on the applicable tax rate if privately owned as vacant, residential land.

Highest and Best Use

Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as vacant, and as improved. By definition, the highest and best use must be:

- Physically possible.
- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

As Vacant

Physically Possible

The subject contains steeply sloping topography on a large portion of the site and contains no utilities, infrastructure or access points for vessels. This is not unusual for a raw, development island but would be considered in any future development. In addition, the subject is smaller than majority of private island cays that would likely restrict it from potential resort development options. No other physical characteristics of the site appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses.

Legally Permissible

to the subject site is currently zoned P (Public), (assumed changeable to R-1 / Low Density Residential if sold) . Permitted uses in the R-1 district include a variety of residential, agricultural, botanical, civic and educational uses. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. Given prevailing land use patterns in the area, only residential use is given further consideration in determining highest and best use of the site, as though vacant.

Financially Feasible

Based on our analysis of the market, there is limited demand for additional residential development at the current time. It appears that a newly developed residential use on the site would not have a value commensurate with its cost; therefore, residential use is not considered to be financially feasible. Nevertheless, we expect an eventual recovery of the market accompanied by a rise in property values to a level that will justify the cost of new construction. Thus, it is anticipated that residential development will become financially feasible in the future.

Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than holding the property for future development of a residential use. Accordingly, it is our opinion that holding the property for future residential use, based on the normal market density level permitted by zoning, is the maximally productive use of the property.

Conclusion

Holding the property for future development of a residential use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as vacant.

As Improved

No improvements that contribute value are situated on the subject. Therefore, a highest and best analysis as improved is not applicable.

Most Probable Buyer

Taking into account the functional utility of the site and area development trends, the probable buyer is a owner-user who would develop the site for private use.

Valuation

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

Approaches to Value		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Not Applicable	Not Utilized

Sales Comparison Approach

To develop an opinion of the subject's land value, as if vacant and available to be developed to its highest and best use, we utilize the sales comparison approach. This approach develops an indication of value by researching, verifying, and analyzing sales of similar properties.

Our sales research focused on transactions within the following parameters:

- Location: Caribbean region – small and private island locations
- Size: Under 300 acres
- Use: Resort or residential
- Transaction Date: Within the past five years

There are a significant number of resort residential developments or land parcels suitable for such development in Virgin Islands, Bahamas or elsewhere in the wider Caribbean region. These are at various stages of planning or development. Most projects include a luxury hotel, a mixture of residential uses, (including branded, managed residential), and for larger developments possibly supporting commercial uses and recreational facilities such as golf course, marinas, etc.

Due to the smaller size and unique characteristics of the subject, it is necessary to expand the search to include the entire Caribbean region, as this is representative of the market for private island sales.

For this analysis, we use price per acre as the appropriate unit of comparison because market participants typically compare sale prices and property values on this basis. The most relevant sales are summarized in the following table.

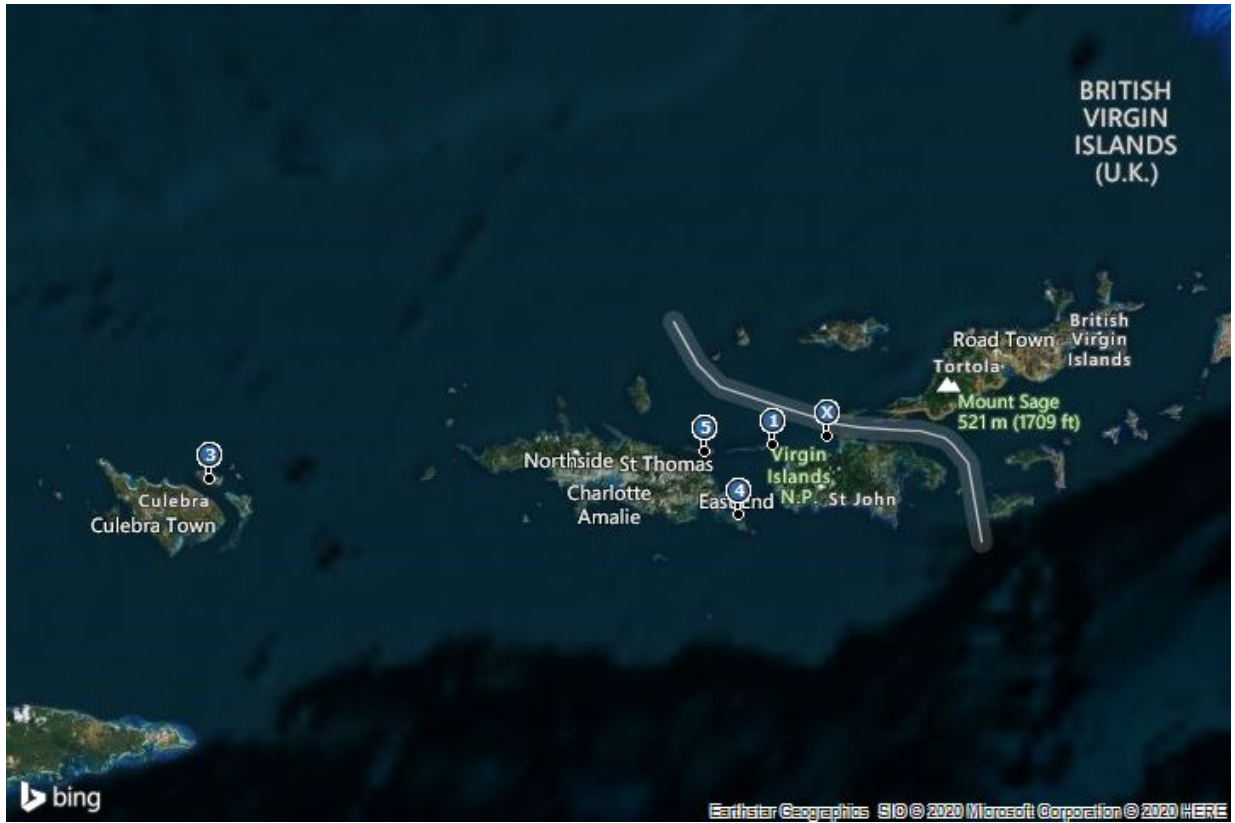
Summary of Comparable Land Sales

No.	Name/Address	Sale Date; Status	Sale Price	SF; Acres	Zoning	\$/SF Land	\$/Acre
1	Lovango Cay Development Land Various Plots Lovango Cay (Eastern Por Closed Cruz Bay Quarter St. John Parcel ID: Various	Nov-19	\$6,446,423	1,786,526 41.01	Residence - Low Density	\$3.61	\$157,180
<i>Comments: The overall sale comprised of a total of 37 parcels and transactions, of which 34 occurred on November 7, 2019. Two subsequent transactions were recorded on December 20, 2019 and the final transaction on February 3, 2020. The transactions included 2 parcels that were improved with a single-family home, an existing clubhouse structure and a pier. The two parcels have been excluded from this sale and the effective price has been adjusted to reflect the sale price of only the 35 vacant land parcels and infrastructure improvements in place. The property was purchased for the development of the Lovango Resort and Beach Club.</i>							
2	Rose Island Development Land Western End of Rose Island Rose Island Bahamas Parcel ID: LRLA Rose Island parcels and RIBHC Parcels	May-19 In-Contract	\$22,500,000	10,960,219 251.61	Mixed use	\$2.05	\$89,423
3	Cayo Norte North of Culebra Island Cayo Norte Culebra Parcel ID: 473-000-005-01-901	Aug-18 Closed	\$32,063,000	12,542,370 287.93	Distrito Especial de Muy Baja Densidad	\$2.56	\$111,356
<i>Comments: Cayo Norte, formerly West Key or North East Key is the largest privately owned island in Puerto Rico. It is the only privately owned island in the Culebra archipelago. Cayo Norte has sandy beaches. The north coast is a rocky cliff and the remaining are rugged coastlines and clear waters.</i>							
4	Great St. James Island Great St. James No. 6a Red Hook Quarter St. Thomas Parcel ID: Various	Jan-16 Closed	\$22,500,000	7,027,099 161.32	Residential - Low Density	\$3.20	\$139,474
<i>Comments: Sale price verified through publicly recorded documents and various independent news outlets. Property is improved with a small cottage, dock, and limited road and power infrastructure. The buyer was an adjacent island owner.</i>							
5	Thatch Cay Thatch Cay No. 8 East End Quarter St. Thomas Parcel ID: 1-03301-0101-00	May-20 Listing	\$19,900,000	10,010,088 229.80	Residential - Low Density	\$1.99	\$86,597
<i>Comments: Property was originally listed for \$27,500,000 on 5/5/2018 but was subsequently reduced to the current listing price of \$19,900,000 on 2/8/2019. It was taken down from the MLS in March 2020 with a possible pending sale. If the sale is not consummated, the property will be put back on the MLS. The broker reported that there are expired plans for development on the island that would likely contribute value to a buyer.</i>							
Subject Whistling Island Cruz Bay Quarter, St. John, Virgin Islands				609,840 14.00	Residential - Low Density		

Comparable Land Sales Map



Detailed



Whistling Island





Sale 1
Lovango Cay Development Land



Sale 2
Rose Island Development Land



Sale 3
Cayo Norte



Sale 4
Great St. James Island



Sale 5
Thatch Cay

Whistling Island



Analysis and Adjustment of Sales

The sales are compared to the subject and adjusted to account for material differences that affect value. Adjustments are considered for the following factors, in the sequence shown below.

Adjustment Factor	Accounts For	Comments
Effective Sale Price	Atypical economics of a transaction, such as demolition cost or expenditures by buyer at time of purchase.	No adjustments were necessary.
Real Property Rights	Fee simple, leased fee, leasehold, partial interest, etc.	No adjustments were necessary.
Financing Terms	Seller financing, or assumption of existing financing, at non-market terms.	No adjustments were necessary.
Conditions of Sale	Extraordinary motivation of buyer or seller, assemblage, forced sale.	Comparable four was the sale of Great St. James to the owner of Little St. James. The listing broker for the sale reported that the buyer was atypically motivated in this case due to the proximity of the two islands. The buyer had a greater-than-normal need for privacy and therefore paid a premium. We therefore applied a downward adjustment for atypical buyer motivation to this sale price. Comparable five is a listing and not a closed sale. Typically a listing will sell for less than its asking price and a downward adjustment was applied to this sale based on discussions with the listing broker.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.	A review of waterfront R-1 zoned lot sales on St. Thomas occurring over the last ten years suggests that there may have been some minimal appreciation between early 2015 and early 2020. Ultimately, the data is too varied to draw a statistically significant conclusion. However, given that the trend appears to be positive, we estimate an annual

Adjustment Factor	Accounts For	Comments
Location/Access	Market or submarket area influences on sale price; surrounding land use influences.	<p>appreciation rate of 3.0% annually to be applied to the identified closed sales. However, given the uncertainty of the full economic impact of the COVID 19 virus, a downward market conditions adjustment was applied to each sale. The resulting net market conditions was then calculated and applied to the each comparable. A more detailed description of this adjustment is shown at the end of this section.</p> <p>Comparable two is located near New Providence Island in the Bahamas, an area that is considered to be inferior to the subject location mainly based on observance of real estate prices over time. Moreover, non-Bahamians are required to become legal permanent residents to live there, generally resulting in higher acquisition costs. Consequently, the sale price of comparable two is adjusted upwards to compare to the subject location in the U.S. Virgin Islands. It should be noted, however, that this sale did not close due to issues with the buyer's USA-based lender.</p> <p>Comparable three is also located in an inferior area and an upward adjustment was applied to this sale. The subject's specific location within the U.S. Virgin Islands is remote, positioned near the northeastern portion of St. John. This is considered inferior in location and access to other private island cays located closer to the developed portions of St. John and St. Thomas. As a result, downward</p>

Adjustment Factor	Accounts For	Comments
Size	Inverse relationship that often exists between parcel size and unit value.	<p>adjustments were applied to sales one, four and five.</p> <p>The subject is unusually small for a private cay, and comparable sales of a similar size were unable to be identified. Comparables two, three, four and five are all much larger than the subject property. Based on economies of scale, a larger property will typically sell for a lower price per acre with all else equal. As a result, upward adjustments were applied to each sale. To estimate the size of the adjustment, we have conducted an analysis of comparable listings that range in size from 110 - 450 acres and have compared these properties to listings that range in size from 10 - 30 acres. The results of this analysis indicate that the larger comparable set had an average of about 250 acres, compared to about 25 acres for the smaller data set, and that the larger comparables have an average asking price that is approximately 45% less than the smaller comparables. Therefore, large size adjustments were applied to sales two, three, four and five based on this analysis. Comparable one is only moderately larger than the subject and a lower adjustment was applied.</p>
Shape and Topography	Primary physical factors that affect the utility of a site for its highest and best use.	The subject contains steeply sloping topography throughout the property, with the only moderately steeply sloping areas located in the center and southeastern portions of the islands. Sales one, two, three and four are considered to be

Adjustment Factor	Accounts For	Comments
Zoning	Government regulations that affect the types and intensities of uses allowable on a site.	superior to the subject in terms of topographic utility, which would result in lower development costs and more development flexibility. Comparable five contains a similarly steeply sloping topography and no adjustment was applied. No adjustments were necessary.
Entitlements	The specific level of governmental approvals attained pertaining to development of a site.	Comparable two has a portion which has been dredged and approved for a marina basin and man-made canals. A potential resort property with marina potential is more desirable than a similar property with no option for a marina. Therefore, a downward adjustment was applied to sale two based on its superior entitlements for a marina. The listing broker for comparable five indicated that the property is selling with expired permits and plans for development of the site, which would reportedly contribute value to a buyer. As such, we have adjusted comparable five downward to account for the value of these plans and expired permits.

Adjustment Factor	Accounts For	Comments
Existing Improvements		The subject contains the remnants of a stone cottage, which contributes no value to the site. Comparables one, two and four contained various improvements and/or infrastructure that could be used in future developments, which is superior. As a result, downward adjustments were applied to these sales to account for the contributory value of these improvements.
Beach Quality		The subject contains a small rocky beach as discussed earlier. Comparables two, three and four contain superior quality beach frontage to the subject. Comparable three contains excellent quality beaches, similar to the world class beaches of neighboring Culebra. Therefore, downward adjustments were applied to these sales.

Given the uncertainty of the full economic impact of the COVID 19 virus, a downward market conditions adjustment was applied to each sale based on market participant interviews which indicate an anticipated decline in property values. We are also aware of a residential property in St. Thomas that was under contract prior to the economic effects of COVID 19 began to be felt. The contract price of this sale was subsequently reduced by approximately 5%, which provides further support for this market conditions adjustment.

The following table summarizes the adjustments we make to each sale.

Land Sales Adjustment Grid						
	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Name	Whistling Island	Lovango Cay	Rose Island	Cayo Norte	Great St. James Island	Thatch Cay
Address	Whistling Island	Development Land Various Plots Lovango Cay (Eastern Portion)	Development Land Western End of Rose Island	North of Culebra Island	Great St. James	Thatch Cay
City	Cruz Bay Quarter	Cruz Bay Quarter	Rose Island	Cayo Norte	No. 6a Red Hook Quarter	No. 8 East End Quarter
County	St. John	St. John	Bahamas	Culebra	St. Thomas	St. Thomas
State	Virgin Islands	VI	BS	PR	VI	VI
Sale Date		Nov-19	May-19	Aug-18	Jan-16	May-20
Sale Status		Closed	In-Contract	Closed	Closed	Listing
Sale Price		\$6,446,423	\$22,500,000	\$32,063,000	\$22,500,000	\$19,900,000
Square Feet	609,840	1,786,526	10,960,219	12,542,370	7,027,099	10,010,088
Acres	14.00	41.01	251.61	287.93	161.32	229.80
Shape	Irregular	Irregular	Very Irregular	Irregular	Irregular	Irregular
Topography	Steep	Rolling	Gently Sloping	Rolling	Rolling	Undulating
Zoning Code	R-1	R-1	Subject to HoA with Bahamas Government	RO-25C	R-1	R-1
Zoning Description	Residential - Low Density	Residence - Low Density	Mixed use	Distrito Especial de Muy Baja Densidad	Residential - Low Density	Residential - Low Density
Price per Acre		\$157,180	\$89,423	\$111,356	\$139,474	\$86,597
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment		-	-	-	-	-
Financing Terms		Cash to seller	Cash to seller -	Cash to seller -	Cash to seller	Cash to seller -
% Adjustment		-	-	-	-	-
Conditions of Sale		Arm's length	Arm's length	Arm's length	Motivated Buyer	Listing
% Adjustment		-	-	-	-20%	-20%
Market Conditions	5/24/2020	Nov-19	May-19	Aug-18	Jan-16	May-20
Annual % Adjustment	3%	-3%	-2%	-	8%	-
Cumulative Adjusted Price		\$152,465	\$87,635	\$111,356	\$120,506	\$69,278
Location/Access		-5%	35%	10%	-10%	-5%
Size		5%	50%	50%	45%	50%
Shape and Topography		-20%	-30%	-30%	-30%	-
Zoning		-	-	-	-	-
Entitlements		-	-10%	-	-	-10%
Existing Improvements		-15%	-15%	-	-15%	-
Beach Quality		-	-15%	-25%	-10%	-
Net \$ Adjustment		-\$53,363	\$13,145	\$5,568	-\$24,101	\$24,247
Net % Adjustment		-35%	15%	5%	-20%	35%
Final Adjusted Price		\$99,102	\$100,780	\$116,923	\$96,405	\$93,525
Overall Adjustment		-37%	13%	5%	-31%	8%
Range of Adjusted Prices		\$93,525 - \$116,923				
Average		\$101,347				
Indicated Value		\$100,000				

Land Value Conclusion

Prior to adjustment, the sales reflect a range of \$86,597 - \$157,180 per acre. After adjustment, the range is narrowed to \$93,525 - \$116,923 per acre, with an average of \$101,347 per acre. We give greatest weight to sales one, three and four based on their locations within U.S. Territories. Secondary emphasis was placed on comparables two and five. We arrive at a land value conclusion as follows:

Land Value Conclusion *	
Indicated Value per Acre	\$100,000
Subject Acres	14.00
Indicated Value	\$1,400,000
Rounded	\$1,400,000
*Values expressed in United States Dollars	

Private Island Listings

Although not specifically included in our preceding analysis, we have considered the fact that there are several islands currently listed for sale in the Caribbean, which are summarized in the following chart. The listings relate to islands of any size throughout the Caribbean and include a mixture of raw, undeveloped islands and some fully developed properties.

Listing Comps						
Private Island Listings						
Name	Location	Country	Size, Acres	Price, US\$	US\$/Acre	Comments
Little Ragged Island	Ragged Islands	The Bahamas	720.00	\$26,000,000	\$36,111	Undeveloped
Blue Island	Exuma Cays	The Bahamas	700.00	\$75,000,000	\$107,143	Developed with airstrip, Main House, Staff House, 4 miles of roads, power, water and communications
Big Darby Island	Exumas	The Bahamas	554.00	\$38,000,000	\$68,592	Partially developed, older 7,000SF "castle" located on the island
Halls Pond Cay	Exumas	The Bahamas	460.00	\$75,000,000	\$163,043	Undeveloped
Spectabilis Island	Exumas	The Bahamas	460.00	\$62,000,000	\$134,783	Undeveloped
Isle de Caille	Grenada	Grenada	400.00	\$20,000,000	\$50,000	Partially developed with 4 uninhabited houses and an airstrip
Jwycessa Island	Abacos	The Bahamas	351.00	\$17,900,000	\$50,997	Undeveloped but approved for 6,000 ft private airstrip, 30-acre marina and resort
Powells Cay	Abacos	The Bahamas	293.00	\$7,895,000	\$26,945	Undeveloped, remaining 168 areas is nature reserve
Bird Cay	Berry Islands	The Bahamas	250.00	\$26,000,000	\$104,000	Main residence, 5 cottages, guest house, boathouse
Cave Cay	Exumas	The Bahamas	222.00	\$60,000,000	\$270,270	Partially developed, airstrip, marina, house, staff housing, 60% complete hotel/club
Big Scrub Island	Beef Island Group	British Virgin Islands	170.00	\$35,000,000	\$205,882	Undeveloped but connected by isthmus to Little Scrub Island with Marriott Autograph Collection resort
Neptune's Nest / Devil's Cay	Berry Islands	The Bahamas	117.00	\$7,950,000	\$67,949	Undeveloped
Inner Brass Island	Northside Quarter	U.S. Virgin Islands	90.60	\$10,990,000	\$121,309	Mostly undeveloped except for small SFR on site
Frozen Cay & Alder Cay	Berry Islands	The Bahamas	83.40	\$26,000,000	\$311,751	Residence, marina, fishing camp, staff housing
Lera Cay	Eleuthera	The Bahamas	80.00	\$24,000,000	\$300,000	Undeveloped
South Pimlico Island	Eleuthera	The Bahamas	65.00	\$3,200,000	\$49,231	Undeveloped
North Pimlico Island	North Eleuthera	The Bahamas	55.00	\$1,700,000	\$30,909	Undeveloped
Unnamed Island	Exumas	The Bahamas	46.00	\$29,000,000	\$630,435	Developed with four guest homes, marina. Power provided by diesel generators, water by cisterns
Saddle Back Cay	Exumas	The Bahamas	35.00	\$11,800,000	\$337,143	Developed with main houses, guest cottages and staff housing
High Cay	San Salvador	The Bahamas	31.46	\$2,495,000	\$79,307	Undeveloped
Cat Cay	Berry Islands	The Bahamas	30.00	\$2,800,000	\$93,333	Undeveloped
Low Cay	San Salvador	The Bahamas	24.69	\$1,100,000	\$44,552	Undeveloped
Sand Dollar Cay	Berry Islands	The Bahamas	24.00	\$5,550,000	\$231,250	Undeveloped
Robert's Cay	Exumas	The Bahamas	20.00	\$7,205,000	\$360,250	Undeveloped
Pierre Island	Harbour Island	The Bahamas	16.00	\$5,495,000	\$343,438	Developed with 3,000 SF of buildings in need of renovation, includes onsite power and water
Leaf Cay	Exumas	The Bahamas	15.00	\$24,000,000	\$1,600,000	Developed with older improvements and airstrip, entitled for luxury resort/residential with marina
Bonefish Cay	Abacos	The Bahamas	13.50	\$7,000,000	\$518,519	Developed with 15,000 SF of buildings, including two owner's suites & six guest suites, full infrastructure
Blue Hole Cay	Andros	The Bahamas	12.40	\$995,000	\$80,242	Undeveloped
Victoria Point Cays	Andros	The Bahamas	9.50	\$3,100,000	\$326,316	Partially developed with two houses and floating dock
Golding Cay	Royal Island	The Bahamas	3.40	\$700,000	\$205,882	Undeveloped
Minimum			3.40	\$700,000	\$26,945	
Average			178.40	\$20,595,833	\$231,653	
Median			72.50	\$11,395,000	\$128,046	
Maximum			720.00	\$75,000,000	\$1,600,000	
Average - Developed		13 islands	207.34	\$26,407,308	\$362,969	
Average - Undeveloped		17 islands	156.27	\$16,151,765	\$131,234	

Of particular note are two islands in the U.S. and British Virgin Islands that are currently listed (in addition to Comparable five – Thatch Cay): Big Scrub Island and Inner Brass Island. Big Scrub is located in the British Virgin Islands, several miles off the east end of Tortola, with primary access through nearby Beef Island. The 170-acre island is on the market for \$35,000,000, or \$205,882 per acre. While the island is largely undeveloped, it is connected via an isthmus to Little Scrub Island, which has been developed with Scrub Island Resort, Spa & Marina, a luxury private island resort built in 2010. The resort is currently managed by Marriott as part of the Autograph Collection.

Inner Brass Island was previously listed for sale for \$10,990,000; however, the listing expired three months prior to the effective appraisal date but this has still been included for reference. The listing is for the majority, but not all, of the 130-acre island and also included a small land parcel on St. Thomas. Prior ownership subdivided sections of the property. Approximately 90.60 acres of the island is listed for sale, equating to an asking price of \$121,309 per acre.

The 13 improved islands have an average listing price of \$26,407,308, or \$362,969 per acre. The 17 vacant islands have an average listing price of \$16,151,765, or \$131,234 per acre. Many of these

islands have been on the market for years. The range of listing prices is considered to support the concluded rate of \$100,000 per acre for the subject island.

Reconciliation and Conclusion of Value

As discussed previously, we use only the sales comparison approach in developing an opinion of value for the subject. The cost and income approaches are not applicable and are not used.

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our value opinion follows:

Value Conclusion*			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value	Fee Simple	May 24, 2020	\$1,400,000

*Values expressed in United States Dollars

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. The subject property is currently owned by the Government of the Virgin Islands and, as such, is zoned P (Public). However, if the property were to be sold from Government ownership to a private owner, it is likely that the zoning would be changed to R-1 (Residential, Low Density). This is supported by the vast majority of other small island cays in the USVI containing an R-1 zoning code, as well as discussions with both the USVI Department of Planning and Natural Resources and Coastal Zone Management. We have assumed that there are no laws or regulations permitting the sale to a private buyer and that the change in zoning could reasonably be obtained.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. No hypothetical conditions were employed in this analysis.

As of the date of value, the economy (globally, nationally, and locally) was in a state of rapid transition with a widespread expectation of the imminent onset of a significant recession. The outbreak of COVID-19 (coronavirus disease of 2019) in China was declared a global pandemic by the World Health Organization (WHO) on March 11, 2020. Some market deterioration had occurred shortly before this date, but the declaration by the WHO soon led to municipal and statewide orders to “shelter in place,” causing widespread closures of businesses and a massive disruption to general commerce. The status of economic conditions is changing rapidly, creating great uncertainty in the markets. The value expressed herein represents our opinion based on the best available data reflective as of the date of value. While values are always subject to change over time, we caution the reader that in the current economic climate, market volatility creates the potential for a more significant change in value over a relatively short period of time.

Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Based on the

concluded market value stated previously, it is our opinion that the probable exposure time is 12-18 months.

Marketing Period

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. We estimate the subject's marketing period at 12-18 months.

Certification

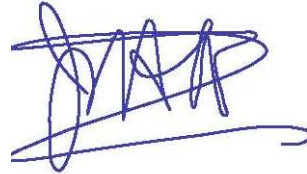
We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Mark J. Weathers made a personal inspection of the property that is the subject of this report. James V. Andrews, MAI, CRE, FRICS, ASA/BV, has not personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, James V. Andrews, MAI, CRE, FRICS, ASA/BV, has completed the continuing education program for Designated Members of the Appraisal Institute.

15. As of the date of this report, Mark J. Weathers, has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.



Mark J. Weathers
Certified General Real Estate Appraiser
VI Certificate # 1-21738-1B



James V. Andrews, MAI, CRE, FRICS, ASA/BV
Certified General Appraiser
VI Certificate # 0-14194-1B

Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

- covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
 8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
 9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
 10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
 11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
 12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
 13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
 14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
 15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
 16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
 17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

- conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
 19. The appraisal report is prepared for the exclusive benefit of you, your subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
 20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. IRR - Caribbean, Integra Realty Resources, Inc., and their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
 21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. However, we are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
 22. We are not a building or environmental inspector. The Integra Parties do not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
 23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
 24. **IRR - Caribbean is an independently owned and operated company. The parties hereto agree that Integra shall not be liable for any claim arising out of or relating to any appraisal report or any information or opinions contained therein as such appraisal report is the sole and exclusive responsibility of IRR - Caribbean. In addition, it is expressly agreed that in any**

- action which may be brought against the Integra Parties arising out of, relating to, or in any way pertaining to the engagement letter, the appraisal reports or any related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further expressly agreed that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the assignment (unless the appraisal was fraudulent or prepared with intentional misconduct). It is expressly agreed that the fees charged herein are in reliance upon the foregoing limitations of liability.**
25. IRR - Caribbean is an independently owned and operated company, which has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
28. The appraisal is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. The subject property is currently owned by the Government of the Virgin Islands and, as such, is zoned P (Public). However, if the property were to be sold from Government ownership to a private owner, it is likely that the zoning would be changed to R-1 (Residential, Low Density). This is supported by the vast majority of other small island cays in the USVI containing an R-1 zoning code, as well as discussions with both the USVI Department of Planning and Natural Resources and Coastal Zone Management. We have assumed that there are no laws or regulations permitting the sale to a private buyer and that the change in zoning could reasonably be obtained.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. No hypothetical conditions were employed in this analysis.
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Addendum A
Appraiser Qualifications

Mr. James V. Andrews, MAI, CRE, FRICS, ASA

Experience

James Andrews is the Senior Managing Director of the Miami and Caribbean offices of Integra Realty Resources; the largest purely valuation and counseling firm in North America. Mr. Andrews has been actively engaged in valuation and consulting since 1987; both in the USA and the Caribbean.

Now in Miami, James was based in the Cayman Islands for more than two decades. He co-founded the firm Andrews Key Ltd. in 2007 which became the IRR Caribbean office in 2012; now with offices in the Cayman Islands, U.S. Virgin Islands and Puerto Rico.

Mr. Andrews has valued a variety of asset types, but concentrates on hotels / resorts as well as other going concern assets such as marinas, restaurants, golf courses, quarry/mining operations, healthcare facilities, etc. He is also qualified in business valuation and regularly performs valuation and consulting assignments regarding businesses interests such as partial and full interests in operating companies, real estate holding companies, and intangible assets / intellectual property.

He is currently National Practice Leader of the Integra Hotels Specialty Practice Group and has been involved in hotel projects throughout the USA and Caribbean. Projects include all types of hotel assets from limited service properties up to luxury resorts.

He earned his MAI designation with the Appraisal Institute in 1992. James became an RICS member in 2005 and a fellow in 2008. Other designations he holds include American Society of Appraisers (ASA in Business Valuation) and the prestigious "CRE" credential from the Counselors of Real Estate.

James has served on the International Relations Committee of the Appraisal Institute, the RICS Americas Valuation Council, Vice President (Caribbean) for the International Virtual Chapter for the ASA, and is also currently serving on the Board of Directors of Integra Realty Resources, Inc.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI) , October 1992

Counselor of Real Estate (CRE) , August 2014

Royal Institute of Chartered Surveyors, Member (MRICS) , April 2005 - September 2008

Royal Institute of Chartered Surveyors, Fellow (FRICS) , September 2008

American Society of Appraisers (ASA) ASA (Real Property), March 2014

American Society of Appraisers (ASA) ASA (Business Valuation), September 2015

IRR Certified Reviewer, December 2013

Board of Director: Integra Realty Resources, Inc., October 2017

Licenses

North Carolina, State Certified General, A2285, Expires June 2021

Virgin Islands, State Certified General, 0-14194-1B, Expires December 2020

Puerto Rico, State Certified General, 357CG, Expires February 2024

Florida, State Certified General, RZ4094, Expires November 2020

Integra Realty Resources
Miami | Caribbean

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Miami, FL 33156

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Mr. James V. Andrews, MAI, CRE, FRICS, ASA

Education

Bachelor of Business Administration, Belmont University, Nashville, TN (1985)

Appraisal Institute - Various Qualifying, Advanced and CE Courses

American Society of Appraisers - Various Courses in Business Valuation and Intangible Assets

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jandrews@irr.com - 305-670-0001 x320



Mark J. Weathers

Experience

Senior Analyst with Integra Realty Resources - Caribbean, Mark Weathers has been working in the real estate industry since 2008. He began his appraisal career in March 2009, working for Integra Realty Resources -Charlotte after employment as a research assistant for Piedmont Properties. He moved to the island of St. Thomas in January 2013 to work for the Caribbean office of Integra Realty Resources and has been analyzing a variety of real estate throughout the Caribbean since that time.

Mr. Weathers gained experience in North Carolina by valuing a range of real estate including office, retail, industrial, multifamily, and mixed use properties. His education and expertise in appraising such a wide range of properties helped him achieve his General Certification license from North Carolina in 2012, where he used this license to specialize in a variety of residential and commercial condemnation valuations for local government bodies while still performing valuation services for private clients such as banks and individual property owners.

While working for IRR-Caribbean, Mr. Weathers has utilized his knowledge of the valuation process to appraise an even wider range of property types including hotel/resort properties, marinas, multitenant retail and office, owner-occupied retail and office, vacant land, mixed use, industrial and residential property types. These properties have been located throughout the Caribbean region including the U.S. Virgin Islands, the British Virgin Islands, the Cayman Islands, Puerto Rico, St. Kitts/Nevis, Antigua, St. Barth and The Bahamas.

Licenses

Virgin Islands, USVI License, 1-21738-1B, Expires December 2020
North Carolina, NC License, A7674, Expires June 2021

Education

B. S. Degrees in Marketing & Real Estate, University of South Carolina, Columbia, SC (2007)

Appraisal courses completed are as follows:

15 Hour USPAP Course
SC Chapter of the Appraisal Institute, Greenville, SC
General Appraiser Income Approach
FL Chapter of the Appraisal Institute, Ft. Lauderdale, FL
TX Chapter of the Appraisal Institute, Dallas, TX
General Appraiser Report Writing and Case Studies
NC Chapter of the Appraisal Institute
Advanced Market, Analysis and Highest and Best Use
Mingle Institute, Louisville, KY
Advanced Income Capitalization
NC Chapter of the Appraisal Institute, Greensboro, NC

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About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

Local Expertise...Nationally!

irr.com



Addendum B

Property Information

Parcel Information Overview

3-01701-0101-00

Parcel Information

Parcel #: 3-01701-0101-00 Legal Description:
 Owner: GOVERNMENT OF THE V.I. WHISTLING ISLAND CRUZ BAY QTR
 Pct Owned: 100%
 Ownership Type: Sole Ownership
 Town Code: St John
 Land Use: LAND USE
 Parcel Area: 14.00 acre

Property Data

Tax Accounts

Account #	Amount Due	Bill Number	Bill Date
0002301452.2020.RE	0.00	23169948	05/18/2020
0002301452.2019.RE	0.00	22156947	07/10/2019
0002301452.2018.RE	0.00	21665731	07/19/2018
0002301452.2017.RE	0.00	20101399	05/31/2017
0002301452.2016.RE	0.00	19754998	06/27/2016

Property Data

General Information Residence Condominium and Timeshare Commercial Building

<p>Parcel Number: 3-01701-0101-00</p> <p>Description: V.I. GOVERNMENT</p> <p>Total Land Sq Ft: 609,840</p> <p>Value Neighborhood: LOVANGO CAY</p> <p>View: EXCELLENT</p> <p>Topography: STEEP-SLOPE</p> <p>Entrance: EXTRIOR-ONLY</p>	<p>Proposed Value:</p> <p>Total Value: 3,825,200.00</p> <p>Land Value: 3,825,200.00</p> <p>Building Value: 0.00</p> <p>Most Recent Sale:</p> <p>Date:</p> <p>Price:</p> <p>Document Number:</p>
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Addenda

Tax Bill Detail - 23169948-00

Tax Notice Information

Notice Type	Tax Amount	Less Previous Billed	Bill Amount
Primary Tax Bill	0	0.00	0.00

Date Billed: 05/18/2020 Date Late: 08/31/2020

Date Due: 06/01/2020 Date Printed:

Assessment	Tax Credits	Expirations	Calculations	
Land Assessed Value	3,825,200		Property Class	Commercial
Improved Assessed Value	0		Tax Rate	7.110
Total Assessed Value	3,825,200		Full Tax Credit Amount	27,197.17
Value Change Reason	Yearly/Annual		Partial Tax Credit Amount	0.00
Visitable Housing Credit Applied	0.00		Preservation Tax Credit Applied	0.00
Class 1 Inheritance Tax Credit Applied	0.00		Tax Amount	27,197.17
Circuit Breaker Tax Credit Applied	0.00		Sewer Fee	0.00
Affordable Housing Credit Applied	0.00		Amount Due	0.00



Addendum C

Comparable Data

Location & Property Identification

Property Name:	Lovango Cay Development Land
Sub-Property Type:	Specialty, Coastal/Island
Address:	Various Plots Lovango Cay (Eastern Portion)
City/State/Zip:	Cruz Bay Quarter, VI 00830
County:	St. John
Market Orientation:	Coastal-Waterfront



IRR Event ID: 2478046

Sale Information

Sale Price:	\$6,446,423
Effective Sale Price:	\$6,446,423
Sale Date:	11/07/2019
Sale Status:	Closed
\$/Acre(Gross):	\$157,180
\$/Land SF(Gross):	\$3.61
Grantor/Seller:	Various
Grantee/Buyer:	Lovango Island Holdings I LLP

Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Verified By:	Michael Kearns, MAI, ASA
Verification Type:	Secondary Verification

Improvement and Site Data

Legal/Tax/Parcel ID:	Various
Acres(Gross):	41.01
Land-SF(Gross):	1,786,526
Shape:	Irregular
Topography:	Rolling
Zoning Code:	R-1
Zoning Desc.:	Residence - Low Density
Flood Plain:	No
Flood Zone Designation:	X

Comm. Panel No.:	7800000016G
Date:	04/16/2007
Utilities Desc.:	None available
Source of Land Info.:	Public Records

Comments

The overall sale comprised of a total of 37 parcels and transactions, of which 34 occurred on November 7, 2019. Two subsequent transactions were recorded on December 20, 2019 and the final transaction on February 3, 2020. The transactions included 2 parcels that were improved with a single-family home, an existing clubhouse structure and a pier. The two parcels have been excluded from this sale and the effective price has been adjusted to reflect the sale price of only the 35 vacant land parcels and infrastructure improvements in place. The property was purchased for the development of the Lovango Resort and Beach Club.

Property represents a tract of vacant land located in the eastern portion of Lovango Cay. This land includes 35 total parcel of land that were previously subdivided into a small self-sufficient residential development with lots ranging from a half acre and up. The development includes a network of partially-paved roads and basic infrastructure to support further development, including a solar array, wind turbines and a desalination plant. Additionally, there are several docks along the southern shore which are not included as part of the subject.

Comments (Cont'd)

Location & Property Identification

Property Name:	Rose Island Development Land
Sub-Property Type:	Commercial
Address:	Western End of Rose Island
City/State/Zip:	Rose Island, BS BS1
County:	Bahamas
Market Orientation:	Coastal-Waterfront
IRR Event ID:	2236898



Sale Information

Sale Price:	\$22,500,000
Effective Sale Price:	\$22,500,000
Sale Date:	05/30/2019
Sale Status:	In-Contract
\$/Acre(Gross):	\$89,423
\$/Land SF(Gross):	\$2.05
\$/Acre(Usable):	\$89,423
\$/Land SF(Usable):	\$2.05
Grantor/Seller:	LRLA Rose Island, Ltd. & Rose Island Beacg & Harbour Club Ltd.
Grantee/Buyer:	The Rose Club Company Ltd.
Assemblage:	Yes
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller - buyer obtained financing
Terms of Sale:	Arm's length
Verified By:	Paul K. Lowe
Verification Date:	05/30/2019
Confirmation Source:	Sales contract
Verification Type:	Confirmed-Buyer

Former Use:	Vacant Land
Proposed Use Change:	Yes
Proposed Use Desc.:	Luxury resort and marina with residential component

Improvement and Site Data

Legal/Tax/Parcel ID:	LRLA Rose Island parcels and RIBHC Parcels
Acres(Usable/Gross):	251.61/251.61
Land-SF(Usable/Gross):	10,960,218/10,960,218
Usable/Gross Ratio:	1.00
Shape:	Very Irregular
Topography:	Gently Sloping
Frontage Desc.:	No developed roads - located at western end of Ros
Zoning Code:	Subject to HoA with Bahamas Government
Zoning Desc.:	Mixed use
Utilities:	, Water Port Access
Source of Land Info.:	Engineering Report

Sale Analysis

Current Use at T.O.S.:	Vacant land
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Location & Property Identification

Property Name:	Cayo Norte
Sub-Property Type:	Specialty, Coastal/Island
Address:	North of Culebra Island
City/State/Zip:	Cayo Norte, PR 00782
County:	Culebra
Market Orientation:	Rural
Property Location:	Urban
IRR Event ID:	2238565



Sale Information

Sale Price:	\$32,063,000
Effective Sale Price:	\$32,063,000
Sale Date:	08/15/2018
Sale Status:	Closed
\$/Acre(Gross):	\$111,356
\$/Land SF(Gross):	\$2.56
\$/Acre(Usable):	\$111,356
\$/Land SF(Usable):	\$2.56
Grantor/Seller:	S.V.I. Investments S.E.
Grantee/Buyer:	US Virgin Island Properties, LLC
Assemblage:	No
Portfolio Sale:	No
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller - buyer obtained financing
Document Type:	Deed
Recording No.:	Deed No. 15, before Marta Ramirez Isern
Verified By:	Carlos X. Vélez, MAI, SRA, BCA, CMEA, CCIM, MRICS
Verification Date:	06/03/2019
Confirmation Source:	Walter F. Alomar
Verification Type:	Confirmed-Buyer

Improvement and Site Data

MSA:	Bayamon
Legal/Tax/Parcel ID:	473-000-005-01-901
Acres(Usable/Gross):	287.93/287.93
Land-SF(Usable/Gross):	12,542,370/12,542,370
Usable/Gross Ratio:	1.00
Property Class:	B
Shape:	Irregular
Topography:	Rolling
Vegetation:	Heavily treed
Corner Lot:	No
Visibility Rating:	Good
Zoning Code:	RO-25C
Zoning Desc.:	Distrito Especial de Muy Baja Densidad
Easements:	No
Environmental Issues:	No
Flood Plain:	No
Flood Zone Designation:	X
Comm. Panel No.:	72000C0885J/72000C905J
Date:	11/18/2009
Utilities:	, Telephone, CableTV
Source of Land Info.:	Public Records

Comments

Cayo Norte, formerly West Key or North East Key is the largest privately owned island in Puerto Rico. It is the only privately owned island in the Culebra archipelago.

Comments (Cont'd)

Cayo Norte has sandy beaches. The north coast is a rocky cliff and the remaining are rugged coastlines and clear waters.

Location & Property Identification

Property Name:	Great St. James Island
Sub-Property Type:	Specialty, Coastal/Island
Address:	Great St. James
City/State/Zip:	No. 6a Red Hook Quarter, VI 00802
County:	St. Thomas
Market Orientation:	Coastal-Waterfront
IRR Event ID:	2284389



Sale Information

Sale Price:	\$22,500,000
Effective Sale Price:	\$22,500,000
Sale Date:	01/21/2016
Listing Price:	\$40,000,000
Sale Status:	Closed
\$/Acre(Gross):	\$139,474
\$/Land SF(Gross):	\$3.20
Grantor/Seller:	Kjaer and GSJ Properties Corp.
Grantee/Buyer:	Great St. Jim, LLC
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Document Type:	Warranty Deed
Recording No.:	2016000575 and 201600576
Verified By:	Michael Kearns, MAI, ASA
Verification Date:	05/14/2020
Confirmation Source:	Newland Real Estate
Verification Type:	Confirmed-Seller Broker

Topography:	Rolling
Vegetation:	Grass and shrubs
Corner Lot:	No
Zoning Code:	R-1
Zoning Desc.:	Residential - Low Density
Flood Plain:	Yes
Flood Zone:	Waterfront areas
Flood Zone Designation:	VE
Comm. Panel No.:	7800000030G and
Date:	04/16/2007
Utilities Desc.:	None available
Source of Land Info.:	Public Records

Comments

Sale price verified through publicly recorded documents and various independent news outlets. Property is improved with a small cottage, dock, and limited road and power infrastructure. The buyer was an adjacent island owner.

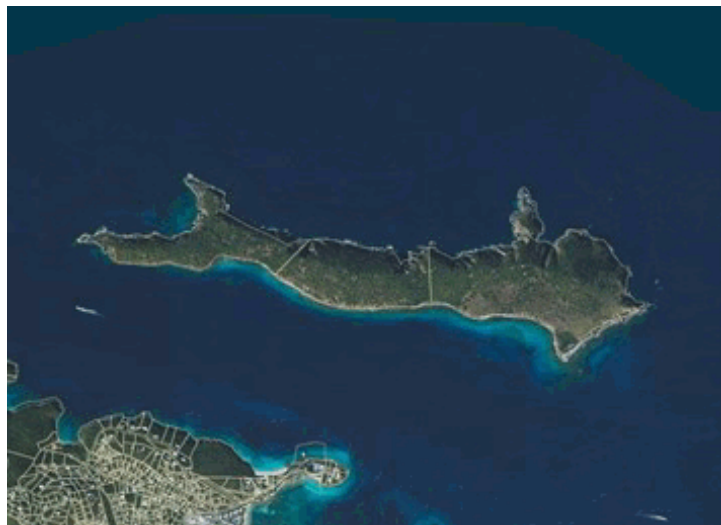
Property represents an entire island off the coast of St. Thomas. Some infrastructure is in place including a luxury villa containing estimated 5,000 square feet of gross living area with corresponding luxury villa amenities, solar power, generator, helipad and a dock. The island contains multiple sandy white beaches including the popular tourist destination of Christmas Cove.

Improvement and Site Data

Legal/Tax/Parcel ID:	Various
Acres(Gross):	161.32
Land-SF(Gross):	7,027,099
Shape:	Irregular

Location & Property Identification

Property Name:	Thatch Cay
Sub-Property Type:	Specialty, Coastal/Island
Address:	Thatch Cay
City/State/Zip:	No. 8 East End Quarter, VI 00802
County:	St. Thomas
Market Orientation:	Coastal-Waterfront
IRR Event ID:	2232002



Sale Information

Listing Price:	\$19,900,000
Effective Listing Price:	\$19,900,000
Listing Date:	05/14/2020
Sale Status:	Listing
\$/Acre(Gross):	\$86,597
\$/Land SF(Gross):	\$1.99
Grantor/Seller:	Thatch Cay, LLC
Grantee/Buyer:	Listing
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Exposure Time:	12 (months)
Financing:	Cash to seller - buyer obtained financing
Recording No.:	18-797
Verified By:	Michael Kearns, MAI, ASA
Verification Date:	05/14/2020
Confirmation Source:	Newland Real Estate
Verification Type:	Confirmed-Seller Broker

Vegetation:	Grass and shrubs
Corner Lot:	No
Zoning Code:	R-1
Zoning Desc.:	Residential - Low Density
Flood Plain:	Yes
Flood Zone:	Waterfront areas
Flood Zone Designation:	VE
Comm. Panel No.:	7800000014G
Date:	04/16/2007
Utilities Desc.:	None available
Source of Land Info.:	Engineering Report

Comments

Property was originally listed for \$27,500,000 on 5/5/2018 but was subsequently reduced to the current listing price of \$19,900,000 on 2/8/2019. It was taken down from the MLS in March 2020 with a possible pending sale. If the sale is not consummated, the property will be put back on the MLS. The broker reported that there are expired plans for development on the island that would likely contribute value to a buyer.

Property represents an entire cay island off the coast of St. Thomas with no infrastructure in place.

Improvement and Site Data

Legal/Tax/Parcel ID:	1-03301-0101-00
Acres(Gross):	229.80
Land-SF(Gross):	10,010,088
Shape:	Irregular
Topography:	Undulating

Addendum D
Engagement Letter

Integra Realty Resources
Caribbean

6500 Red Hook Plaza, Suite 206
St. Thomas, VI 00802
US Virgin Islands

T 340-714-7325
TF 844-952-7304
jandrews@irr.com
www.irr.com



QUOTATION

May 8, 2020

Mr. William Harris
Department of Property and Procurement
8201 Sub Base, Third Floor
St. Thomas, U.S. Virgin Islands 00802

Subject: Whistling Island
Cruz Bay Qtr.
St. John Virgin Islands

Dear Mr. Harris

I hereby refer to the attached Engagement Request outlining the requested scope of work for the completion of the appraisal of the referenced property. We hereby acknowledge that we can perform the assignment according to your requested scope of work for a fee of \$4,500.

Thank you for this opportunity to be of service and we look forward to working with you.

Sincerely,
INTEGRA REALTY RESOURCES – CARIBBEAN

A handwritten signature in blue ink, appearing to read "JVA", is written over a horizontal line. The signature is stylized and somewhat abstract.

James V. Andrews, MAI, CRE, ASA, FRICS
Senior Managing Director

A handwritten signature in blue ink, appearing to read "JVA", is written over a horizontal line. Below the signature, the date "5/8/2020" is written in blue ink.

