

SELF-CONTAINED APPRAISAL REPORT  
OF

**SUBJECT PROPERTY**

AS OF  
SEPTEMBER 5, 2007

PREPARED FOR

**CLIENT**

PREPARED BY

PJL REALTY ADVISORS, INC.  
714 BETHLEHEM PIKE - SUITE 100  
ERDENHEIM, PENNSYLVANIA

## PREFACE

THIS REPORT HAS BEEN SUBMITTED FOR DEMONSTRATION PURPOSES ONLY; IT IS TO ILLUSTRATE THE REPORT FORMAT USED.

DELETIONS TO THE TEXT HAVE BEEN MADE IN ORDER TO PRESERVE THE CLIENT'S CONFIDENTIAL INFORMATION. THE REPORT IS TO BE CONSIDERED STRICTLY CONFIDENTIAL IN NATURE.

REPRODUCTION OR DISCLOSURE OF THIS REPORT IS NOT PERMITTED WITHOUT THE PRIOR WRITTEN CONSENT FROM **PJL REALTY ADVISORS, INC.**

Date

**Client**

Re: **Subject Property**

Dear Sir or Madam:

In accordance with your request, I have inspected the referenced property as discussed herein for the purpose of estimating the values as presented in the accompanying report. The effective date of this report is September 5, 2007; and the dates of inspection are September 5, 2007 and September 7, 2007.

This appraisal has been completed in accordance with the instructions set forth in the Engagement Letter and is a self-contained appraisal report.

The subject property has been valued in its fee simple estate. The function of the appraisal is to estimate value for financing purposes.

Site development and building plans have been provided and relied upon. The right is reserved to amend the estimates of value should further information be made available.

No hazardous or potentially hazardous materials have been observed at the subject property; however individuals of this company are not qualified to detect such substances. It is our opinion that an environmental audit be conducted. As the presence of hazardous or potentially hazardous materials may affect the value of the subject property, the right is reserved to amend the value should an audit detect such substances.

Your attention is directed to the accompanying report that describes the subject property, the market data, the results of the investigations and analyses, and the reasoning leading to the conclusions.

This valuation has been made in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation, and the requirements of the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute. This valuation has also been written in compliance with FIRREA regulations.

**Client**

Date

PJL Realty Advisors, Inc. 07-1989

Page 2

Numerous estimates and assumptions regarding property performance and general and local business conditions are incorporated in this report. It also assumes that no material changes in the market will occur over the projection period. However, some changes will most likely occur, while some assumptions and projections may not materialize. Therefore, actual results achieved during the period covered may differ from those projected and the variance could be substantial.

Thank you for the opportunity to provide professional real estate services. If you should have any questions, please call.

Respectfully submitted,

**PJL REALTY ADVISORS, INC.**

**SAMPLE REPORT**

Paul J. Leis, MAI, CRE

President

Pennsylvania General Appraiser

Certificate Number: GA-000324-L

TABLE OF CONTENTS

SAMPLE REPORT

## TABLE OF CONTENTS

	PAGE
LETTER OF TRANSMITTAL	
PHOTOGRAPHS OF SUBJECT	
CERTIFICATION .....	1
ASSUMPTIONS, LIMITING CONDITIONS AND CONTINGENCIES .....	3
SUMMARY OF SALIENT FACTS AND CONCLUSIONS .....	6
GENERAL INFORMATION	
Identification of Subject Property .....	8
Purpose and Intent of Appraisal .....	8
Property Rights Appraised .....	9
Scope of Appraisal Services .....	9
History of Subject Property .....	10
Assessment and Taxes .....	10
ECONOMIC AND MARKET ANALYSES	
Area Analysis and Trends .....	11
Neighborhood Analysis and Trends .....	16
Market Analysis .....	19
PROPERTY DESCRIPTION	
Description of Subject Site .....	21
Zoning .....	22
Description and Analysis of Improvements .....	23
Highest and Best Use .....	26
VALUATION	
Appraisal Process .....	27
Cost Approach .....	28
Direct Sales Comparison Approach .....	32
Development Analysis Approach .....	38
Reconciliation and Final Value Estimate .....	41
Marketing Time Analysis .....	43
ADDENDUM	
Comparable Narratives	
Comparable Map (s)	
Area Map	
Neighborhood Map	
Assessment Sheet (s)	
Legal Description	
Environmental Assessment Excerpts	
Agreement of Sale	
Site Plan	
Floor Plans	
Model Features and Price List	
Developer Cost Estimates	
Engagement Letter	
State Certifications and Qualification (s) of Appraiser (s)	

PHOTOGRAPHS  
SUBJECT PROPERTY

SAMPLE REPORT

**CERTIFICATION  
- AND -  
ASSUMPTIONS, LIMITING CONDITIONS AND CONTINGENCIES**

SAMPLE REPORT



### CERTIFICATION

To the best of my knowledge and belief, I, Paul J. Leis, MAI, CRE, do hereby certify to the following, except as otherwise noted in this report:

1. Upon request for valuation by **Client**, I have personally inspected the following described subject property, as discussed below:

**Subject Property**  
**Township**  
**County, State**

2. I am of the opinion that as of September 5, 2007, the as is market value of the fee simple estate of the subject property, as fully described herein and subject to the Certification, and the Assumptions, Limiting Conditions and Contingencies is:

Two Million Seven Hundred Twenty-Five Thousand Dollars  
(\$2,725,000);

It is also my opinion that the prospective future wholesale market value of the subject under the extraordinary assumption that the infrastructure has been installed as of December 1, 2007 is anticipated to be:

Four Million Five Hundred Ten Thousand Dollars  
(\$4,510,000);

Finally, I am of the opinion that the hypothetical retail value of three models as of November 16, 2006 is as follows:

Model 1.....	\$682,000*
Model 2.....	\$755,000*
Model 3.....	\$830,000*

\*Includes \$50,000 in options.

No hazardous or potentially hazardous materials have been observed at the subject property; however individuals of this company are not qualified to detect such substances. It is our opinion that an environmental audit be conducted. As the presence of hazardous or potentially hazardous materials may affect the value of the subject property, the right is reserved to amend the value should an audit detect such substances;

The preceding market value assumes an exposure time of 6 months. The preceding market value assumes a marketing time of 6 months;

3. The statements of fact contained herein are true and correct;

4. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the subject matter of this report or the parties involved;
5. The terms of the assignment and reported analyses, opinions, and conclusions are limited only by the reported assumptions, limiting conditions, and contingencies below, and are my personal, unbiased professional analyses, opinions, and conclusions;
6. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report, nor is it contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event. The assignment has not been based on a requested minimum valuation, a specific valuation, or the approval of a loan;
7. No one provided significant professional assistance other than Paul J. Leis, MAI, CRE, in preparing the analyses, conclusions, and opinions concerning real estate; and Beth Anne K. Leis, who also inspected the property and assisted in gathering data and writing general sections of this report;
8. The 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;
9. As of the date of this report, I, Paul J. Leis, MAI, CRE, have completed the requirements under the continuing education program of the Appraisal Institute;
10. No further educational requirements were necessary to comply with the Competency Provision of USPAP;
11. I, Paul J. Leis, MAI, CRE, am currently certified by the states of Pennsylvania (GA-000324-L), New Jersey (42RG00086200) and Delaware (X10000075) as a General Appraiser;
12. This valuation has been made in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation, and the requirements of the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute. This valuation has also been written in compliance with FIRREA regulations; and
13. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

**SAMPLE REPORT**

---

Paul J. Leis, MAI, CRE  
President  
PJL Realty Advisors, Inc.  
Pennsylvania General Appraiser  
Certificate Number: GA-000324-L

### **ASSUMPTIONS, LIMITING CONDITIONS AND CONTINGENCIES**

The following assumptions, limiting conditions and contingencies apply to this assignment, except as otherwise noted in this report:

1. Information provided by parties not employed by this company is assumed true and correct, and no liability resulting from misinformation is assumed by us;
2. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded;
3. I take no responsibility for events, actions, conditions, or circumstances affecting the subject property or its market value that take place subsequent to either the date of value contained in this report, or to the date of field inspection, whichever occurs first;
4. No responsibility is assumed by me for hidden or unapparent conditions of the subject property, subsoil or structures which would render it more or less valuable, or for engineering which may be required to discover such conditions;
5. There are no existing judgments or pending or threatened litigation which could affect the value of the property;
6. To the best of my knowledge, the property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes;
7. To the best of my knowledge, no changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated;
8. I have made no survey of the property and have assumed no responsibility concerning such matters. Any sketch or survey of the property included in this report is for illustrative purposes only. The report covers the property as described in this report, and the areas and dimensions set forth are assumed correct;
9. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and I have assumed that the property is not subject to surface entry for the exploration or removal of such materials;
10. No responsibility is accepted by me for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters; geologic considerations, such as soils and seismic stability; and civil, mechanical, electrical, structural, and other engineering and environmental matters;
11. If the property is subject to one or more leases, any estimate of residual value 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 the lease (s) expire or otherwise terminate;

12. The value conclusion (s) applies to the real estate only, and does not include personal property, machinery and equipment, trade fixtures, business value, goodwill or other nonrealty items. Income tax considerations have not been included or valued. I make no representations as to the value increment that may be attributed to such considerations;
13. The analyses 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;
14. The existence of potentially hazardous material used in the construction or maintenance of the improvements, such as the presence of urea formaldehyde foam insulation, asbestos, and/or existence of toxic waste or radon, which may or may not be present on or in the property, was not observed by me, nor does he have any knowledge of the existence of such materials on or in the property. I, however, am not qualified to detect such substances. The existence of these potentially hazardous materials may have an affect on value. The client (s) is urged to retain an expert in this field, if needed and/or desired;
15. In completing the report, it is understood and agreed that this report is not now intended, and will not be used in connection with a Real Estate Syndication or Syndicates. This report and any liability or obligation on our part is invalid if used in connection with a syndication;
16. This report is made for valuation purposes only. It is not intended, nor is it to be construed, to be an engineering report. I am not a qualified structural engineer, therefore not qualified to judge the structural integrity of the improvements. Consequently, no warranty, representation or liability is assumed for the structural soundness, quality, adequacy or capacities of said improvements and utility services, including the construction materials, particularly the roof, foundations, and equipment, including the HVAC system. Should there be any question concerning same, it is strongly recommended that an Engineering/Construction inspection be obtained. The value estimate (s) is predicated on the assumption that all improvements, equipment, and building services are structurally sound and suffer no concealed or latent defects or inadequacies;
17. I find no obvious evidence of insect infestation or damage, dry or wet rot. Since a thorough inspection by a competent inspector was not performed for me, the subject is assumed to be free of existing insect infestation, wet rot, dry rot, and any structural damage which may have been caused by pre-existing infestation or rot which was subsequently treated;
18. The client (s) by receipt of this report shall indemnify and hold harmless this company and/or its individual staff members from and against all damages, expenses, claims, demands and costs, including legal fees incurred in investigating and defending any claims, arising from or in any way connected to the inclusion of the aforesaid reference to this company and/or its individual staff member's opinion (s) of value;

In any event, the maximum damages recoverable from this company or its employees relative to this engagement shall be the amount of the monies actually collected by this company for this assignment

and under no circumstances shall any claim for consequential damages be made. In addition, there is no accountability or liability to any third party; and

19. The Americans with Disabilities Act (referred to hereafter as the "ADA") became effective on January 26, 1992. The author has not made a specific compliance survey and analysis of the building and/or other improvements erected on the subject property to determine whether or not the appraised property is in conformity with the various detailed requirements of the ADA, or with requirements imposed by state law and local building codes and regulations. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA and state and local regulations, could reveal that the subject property is not in compliance with one or more requirements of the ADA and/or state and local regulations. If the property does not comply with the ADA or with state and local regulations, this fact could have a negative effect upon the value of the property. Since the author has no direct evidence relating to this issue, possible noncompliance with the requirements of the ADA and state and local regulations has not been considered in estimating the value of the property. No responsibility is assumed for any possible noncompliance with the requirements of the ADA or with state and local regulations, or for any expertise or engineering knowledge required to discover such noncompliance.

This report is to be used in whole and not in part. No part of it shall be used in conjunction with any other report.

No responsibility is assumed by me for matters that are of a legal nature, nor is any opinion on the title rendered herewith. Good and marketable title is assumed. Management is assumed to be competent and the ownership to be in responsible hands.

By reason of this report, I am not required to give testimony in court with reference to the property appraised unless arrangements have been previously made therefore. However, I am prepared to give testimony in support of this report provided that arrangements are made before testimony.

Disclosure of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Therefore, except as hereinafter provided, the party for whom this report was prepared, may distribute copies of this report, in its entirety, to such third parties as may be selected by the party for whom this report was prepared; however, selected portions of this report shall not be given to third parties without the prior written consent of the signatory of this report. Further, neither all nor any part of this report shall be disseminated to the general public by the use of advertising media, public relations media, sales media, or other media for public communication (including, without limitation, prospectuses, private offering memoranda, and other offering material provided to prospective investors) without the prior written consent of the signatory of this report, to ensure the accuracy and adequacy of such references to this report.

**SUMMARY OF SALIENT FACTS AND CONCLUSIONS**

SAMPLE REPORT

# SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Appraised:	Subject Property
Type of Report:	Self-contained appraisal report.
Property Type:	Approved for development with 17 single family lots in an 18 lot subdivision. Lot Number Two is to be retained by the sellers and not included within this report.
Land Area:	17.68 acres, gross.
Improvements:	Farmstead/barn to be razed; proposed single-family detached dwellings.
Age of Improvements:	1800s era farmstead/barn to be razed; proposed new lots.
Deferred Maintenance:	Not applicable.
Ownership:	...
Occupancy:	Vacant.
Census Tract Number:	...
Zip Code:	19446.
Flood Insurance Zone:	Zone X, outside of the 100 and 500 year flood districts.
Zoning:	R-175.
Assessment:	\$240,530 (includes existing improvements to be razed); Estimated \$20,674 per approved lot per year.
Real Estate Taxes:	\$5,970; Estimated at \$513 per approved lot per year; \$128.25 per quarter.
Highest and Best Use	
As Vacant:	Development with 17 new single-family lots.
As Improved:	Raze existing farm improvements and develop as proposed.
Appraised Interest:	Fee simple.
Date of Valuation:	Market value as is/retail model values ..... September 5, 2007. Prospective future value with infrastructure ..... December 1, 2007.
Valuation:	Market value as is..... \$2,725,000. Prospective future value with infrastructure ..... \$4,510,000.

Hypothetical retail value of dwellings:

Model 1 .....	\$682,000*
Model 2 .....	\$755,000*
Model 3 .....	\$830,000*

\*Includes options of \$50,000

Land Value: \$2,725,000.

	WHOLESALE VALUE MARKET VALUE AS IS	RETAIL VALUE INFRASTRUCTURE COMPLETE	DWELLINGS W/ OPTIONS
Cost Approach	Not applicable	\$4,475,000	Model 1 ..... \$679,000 Model 2 ..... \$755,000 Model 3 ..... \$851,000
Direct Sales Comparison Approach	\$2,720,000	\$4,590,000	Model 1 ..... \$682,000 Model 2 ..... \$770,000 Model 3 ..... \$830,000
Development Analysis Approach	\$2,730,000	\$4,510,000	Not applicable

Exposure Time: 6 months.

Marketing Time: 6 months.

Hazardous Substances: None noted.

ADA Compliance: Not applicable.



GENERAL INFORMATION

SAMPLE REPORT

## IDENTIFICATION OF SUBJECT PROPERTY

The subject of this appraisal is a 17.68-acre, gross, parcel which is being subdivided and developed with 18 new single-family lots, 17 of which are the subject of this report. The street address is . . . and includes parcel numbers . . . . The site is located on . . . .

A legal description is presented in the "Addendum" to this report.

## PURPOSE AND INTENDED USE OF APPRAISAL

The purpose of this appraisal is to perform a self-contained appraisal report estimating the as is market value of the land, hypothetical retail value of representative models, and the prospective future market value upon completion of the infrastructure. The date of inspection was September 5, 2007.

### Market Value

"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, 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: (A) Buyer and seller are typically motivated; (B) both parties are well informed or well advised, and each acting in what he considers his own best interest; (C) a reasonable time is allowed for exposure in the open market; (D) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (E) 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."<sup>1</sup>

### Prospective Future Market Value at Completion of Construction

Prospective future value of a property on the date that construction is completed based upon market conditions forecast to exist as of that completion date."<sup>2</sup>

### Retail Value

The sum of the probable sale prices of all the individual parts, with no allowance for carrying costs such as taxes, insurance, interest charges, or other costs of production, marketing costs, sales commissions, financing, or profit. The retail value is not discounted to reflect the time value of money.

<sup>1</sup>Office of the Federal Register, The National Archives of the United States, Code of Federal Regulation, Volume 12, Parts 500-599, Banks and Banking (Washington, D. C.; U. S. Government Printing Office, 1988), 333.

<sup>2</sup>Ibid., 512.

### **Exposure Time**

The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.<sup>3</sup>

### **Marketing Time**

The reasonable marketing time is an estimate of the amount of time it might take to sell a property interest in real estate at the estimated market value level during the period immediately after the effective date of an appraisal.<sup>4</sup>

The intended use of this appraisal is to provide value estimate as defined herein for the subject for financing. The judgments and conclusions herein also pertain to any other function requiring an estimate of market value. The intended user of this report is the **Client**; use of this report by others is not intended by the appraiser.

## **PROPERTY RIGHTS APPRAISED**

The property rights appraised consist of the fee simple estate in the land and all improvements only; no business value, trade fixtures, equipment, or chattels have been valued in this appraisal assignment. Also, no consideration has been given to any leasehold interest or interests, if any.

### **Fee Simple Estate**

Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government. The four powers of government are taxation, eminent domain, police power, and escheat.<sup>5</sup>

## **SCOPE OF APPRAISAL SERVICES**

The scope of appraisal services rendered in this appraisal consist of: 1) definition of valuation question, 2) determination of necessary data, 3) subject property inspection, 4) comparable sales inspections, 5) consideration of relevant economic and demographic data, 6) verification with a knowledgeable party of the property and transaction facts involving the comparable data, 7) consideration of zoning and/or other restrictions, 8) highest and best use analysis, 9) application of the appropriate valuation methods, 10) reconciliation of value estimates, and 11) value conclusion for the subject property.

<sup>3</sup>Appraisal Standards Board of the Appraisal Foundation, Uniform Standards of Professional Appraisal Practice, 1993 Edition, "Statement on Appraisal Standards No. 6 (SMT-6)", (The Appraisal Foundation, 1993), 63.

<sup>4</sup>Ibid., "Advisory Opinion G-7", 83.

<sup>5</sup>American Institute of Real Estate Appraisers, The Dictionary of Real Estate Appraisal, 2nd edition (Chicago: AIREA, 1989), 120.

Sources of general information have included various municipal offices and appropriate industry manuals and sources as referenced within the report including a review of the zoning ordinance, county public records, *Trend Multiple Listing Service*, *STDBonline* demographics, *Marshall Valuation Service* and census data. Sales agents at competitive projects have also been surveyed.

Sources of specific data have included a physical inspection, a site plan, legal description, environmental report, cost estimates, discussions with the developer and township officials and other information as referenced within the report.

All three approaches to value have been applied.

### HISTORY OF SUBJECT PROPERTY

An agreement of sale for the subject property...

Public water and sewer is available to the site, as are electric, telephone and cable.

### ASSESSMENT AND TAXES

The current total tax rate is \$24.8224 per \$1,000 of assessment. In total, the entire subject site is assessed for \$240,530, under the Preferential Act 319 assessment and including the existing improvements. Multiplying the assessment by the tax rate produces a total yearly tax liability of approximately \$5,970 per year.

To estimate potential assessment and real estate taxes for the subject lots, lot assessments in similar projects within ... were considered.

#### COMPARABLE ASSESSMENTS

PARCEL	ASSESSMENT	PARCEL SIZE	SQUARE FOOT ASSESSMENT
...	19,970	38,333	0.52
...	25,000	40,075	0.62
...	<u>16,000</u>	<u>36,590</u>	<u>0.44</u>
Average	\$20,323	38,333	\$0.53

The subject's average lot size is approximately 37,589 square feet, which is similar to the average lot size of the comparable properties. The estimated potential assessment for the subject lots would be \$0.55 per square foot or approximately \$20,674. Annual estimated potential real estate taxes per lot would be approximately \$513.18, rounded to \$513, or \$128.25 per quarter.

ECONOMIC AND MARKET ANALYSES

## AREA ANALYSIS AND TRENDS

### Introduction

The subject property is located in Montgomery County, Pennsylvania. Montgomery County is bordered by Lehigh and Berks Counties to the north, Delaware and Philadelphia Counties to the south, Bucks County to the east, and Chester County to the west. It is part of the Philadelphia Metropolitan Statistical Area (MSA) along with Bucks, Delaware, Montgomery and Philadelphia Counties in Pennsylvania, and the New Jersey counties of Burlington, Camden and Gloucester. The following summarizes pertinent information concerning Montgomery County.

### Population

Montgomery County is the third most populated county in Pennsylvania. Following is a chart depicting population in the county. Population steadily increased from 1990 to 2000. Increases are projected into 2012, although at a slower rate.

STUDY AREA POPULATION 1990 - 2012		
Year	Population	Percent Change
1990	678,111	--
2000	750,097	10.6
2007	789,528	5.3
2012	817,818	3.6

Source: U.S. Census data and STDBonline

### Households and Housing Units

Following is information concerning households and housing unit trends and projections in the study area.

STUDY AREA HOUSEHOLDS AND HOUSING UNITS TRENDS AND PROJECTIONS 2000 - 2012				
YEAR	HOUSEHOLDS		HOUSING UNITS	
	NUMBER	PERCENT INCREASE	NUMBER	PERCENT INCREASE
2000	286,098	--	297,434	--
2007	301,802	5.5	314,842	5.9
2012	313,306	3.8	327,152	3.9

Source: STDB Online.

Between 2000 and 2007, approximately 15,074 households per year located in the county, an estimated 2,443 moved into the area each year between 2000 and 2007, and the projected annual growth between 2007 and 2012 is 3.8 percent, or 11,504 households. Housing units also increased during the same

period. Between 2000 and 2007, housing units increased 5.9 percent to 314,842. By 2012, there are 327,152 housing units projected in the township, an increase of 12,310.

### Housing Development

Housing statistics indicate a decline in the county as land available for development is becoming scarce. In 1998, 3,800 permits were issued, of which 595 were in buildings of three units or more. Approximately 3,675 permits were issued in 1999, of which 743 were apartments. A reduction to 3,058 permits with 164 in apartment buildings occurred in 2000. During 2001, 2,874 permits were issued of which 226 were multi-family. During 2002, approximately 2,376 permits were issued. By 2003, there was a further decrease in the number of permits to 2,199 with an additional decrease to 1,891 by the end of 2004. During 2005, there were approximately 3,498 units permitted. Over 2006, approximately 2,117 permits were issued, of which 608 were in buildings of five or more units. For the first two months of 2007, roughly 305 units were permitted.

### Employment

Philadelphia's strategic location in the Northeast region has allowed it to maintain its position as the fifth most industrialized region in the nation. Based upon the 1980 U. S. census data, the Philadelphia MSA (which includes the immediate 9-county area) was the most heavily industrialized area in Pennsylvania, having 27.8 percent of the state's industrial/manufacturing workers.

By 1990, the Philadelphia MSA obtained a record-high employment level of over 2.8 million jobs. According to DVRPC, the Philadelphia MSA employment continued to grow slowly in 1990, even though a national recession was underway. However, the recession ultimately caught up to Philadelphia and employers began cutting jobs in 1990 and continued to the third quarter of 1992. During this period, the region had a 6 percent decrease in available jobs. On the following table is a summary of Philadelphia's MSA employment distribution.

**ANNUAL AVERAGE PHILADELPHIA PMSA  
NONAGRICULTURAL EMPLOYMENT BY INDUSTRY  
1980 - 2004**

SECTOR	1980	1990	2003	2004
Employment Level Total	1,922.8	2,225.9	2,442.7	2,448.3
Mining and Construction	78.0	98.8	103.0	104.3
Manufacturing	440.1	355.1	221.0	211.0
Wholesale and Retail Trade	98.4	104.8	117.0	117.2
Transportation & Utilities	416.0	506.0	492.1	494.7
Finance, Insurance and Real Estate	125.9	161.6	180.2	180.1
Services	459.8	691.5	784.4	791.8
Government	304.6	308.3	311.7	308.7

Source: Pennsylvania Department of Labor & Industry

Employment increased 0.23 percent over the past year. The services sector witnessed the greatest increase while manufacturing had the greatest decrease. As was true with the Philadelphia MSA, the growth of the services sector within the city lessened the impact of losses in the other sectors. It is, therefore, apparent that the services sector has been dominant in both the Philadelphia PMSA and the city of Philadelphia.

**PERCENTAGE DISTRIBUTION OF TOTAL NONAGRICULTURAL  
EMPLOYMENT BY INDUSTRY  
PHILADELPHIA MSA  
1980, 1990, 2000 & 2004**

	1980	1990	2000	2004
Government	15.8%	13.8%	7.84%	7.93%
Manufacturing	22.9%	15.9%	11.1%	11.6%
Services	23.9%	31.1%	37.5%	37.1%
Trade	21.6%	22.7%	22.1%	22.2%
Other	15.6%	16.4%	15.7%	11.9%

*Source: Pennsylvania Department of Labor*

The economic shift to service-oriented businesses is expected to continue as companies are attracted to the region because of available space, a good labor pool, and favorable economic conditions relative to other metropolitan areas. Manufacturing in the region, although in a downward trend, is expected to continue to be an important economic base, and along with the inclusion of the expanded service-oriented base, it will undoubtedly strengthen the area.

**MONTGOMERY COUNTY  
TOP TEN PRIVATE-SECTOR EMPLOYERS**

EMPLOYER	TYPE BUSINESS
Merck & Co., Inc.	Research, pharmaceutical
Abington Memorial Hospital	Health care
Lockheed Martin Corp.	Aerospace Systems
Wyeth Pharmaceuticals	Research, pharmaceutical
Smithkline Beecham	Research, pharmaceutical
The Bryn Mawr Hospital	Health Care
Montgomery County	Public Administration
Aetna	Insurance
Spectaguard Acquisitions	Admin Support/Waste Mgt
Quest Diagnostics	Health Care

*Center of Workforce Information and Analysis - 2005*

**MONTGOMERY COUNTY EMPLOYMENT FORECASTS BY SECTOR  
1990 - 2020**

SECTOR	1990	2000	2010	2020
Agriculture/Mining	1.4%	1.3%	1.2%	1.0%
Construction	6.9%	6.3%	6.2%	6.1%
Manufacturing	17.4%	16.9%	16.3%	16.0%
Transportation/Utilities	3.3%	3.2%	3.2%	3.3%
Wholesale	6.0%	6.2%	6.2%	6.3%
Retail	16.3%	16.5%	16.6%	16.8%
Finance, Insurance and Real Estate	9.6%	9.7%	10.0%	10.2%
Services	32.8%	33.4%	33.7%	33.7%
Government	6.3%	6.5%	6.6%	6.6%

*Source: Delaware Valley Regional Planning Commission.*



The same source indicated category ratios for the services category in Montgomery County of 23.1, 25.6, and 28.1 percent in 1975, 1980 and 1985, respectively. This trend indicates the relative growth of the services category over the past two decades. The data on the preceding table indicates that the services category as a percent of total employment should remain relatively constant between 1990 and 2020.

Montgomery County has exhibited high employment rates over the past several years. Forecasts by the DVRPC in 1992 called for increased employment in both the MSA and Montgomery County for the long-term future. The following table summarizes comparative unemployment rates in various geographic regions, including the Montgomery County.

**COMPARATIVE UNEMPLOYMENT RATES  
1995 - 2006**

AREA	1995 ANNUAL AVERAGE	2000 ANNUAL AVERAGE	2001 ANNUAL AVERAGE	2004 ANNUAL AVERAGE	2006 ANNUAL AVERAGE
Nation	5.6%	3.7%	5.4%	5.4%	4.9%
Pennsylvania	6.0%	3.8%	4.5%	5.6%	4.6%
Philadelphia	7.6%	5.1%	5.9%	7.4%	5.7%
Philadelphia MSA	5.9%	3.4%	4.2%	5.3%	4.3%
Montgomery County	4.5%	2.5%	3.5%	4.1%	3.7%

Source: U. S. Bureau of Labor Statistics; Pennsylvania Bureau of Research and Statistics, as compiled by PJL Realty Advisors, Inc.

The preceding table shows that the county's unemployment rate has historically been the lowest of the various geographical levels. Overall, the rates have been decreasing since 2002 as a result of the economic state of the nation.

### **Transportation**

There are several major roadways throughout Montgomery County such as Interstate 276 (Pennsylvania Turnpike), Interstate 76 (Schuylkill Expressway), and Interstate 476 ("The Blue Route") that provide good access to many surrounding areas. Interstate 476 provides access to Interstate 95, a major regional artery throughout the Eastern United States. Via Interstate 95, access is provided to southern New Jersey, New York and Boston to the north, and Delaware, Baltimore, Washington, and other points to the south.

The completion of The Blue Route in 1991 drastically altered the regional access by providing a link to the Schuylkill Expressway, Interstate 95 to the east, and the Pennsylvania Turnpike. The Blue Route originates in Plymouth Meeting and extends south through portions of Montgomery and Delaware Counties.

The Pennsylvania Turnpike provides access throughout portions of western and northern Montgomery and Bucks Counties. To the east, the turnpike extends to New Jersey and the New Jersey Turnpike that provides access to New York. The Northeast Extension of the turnpike provides access through Bucks and Lehigh Counties to the northeastern counties of Pennsylvania.

The excellent transportation arteries that serve the Delaware Valley help fuel the growth of the region's economy, and allow for distribution of goods and services to and from national and international markets. The proximity of major arteries has been considered a positive influence on the subject.

## Income

Presented below are the median household incomes for Montgomery County. The median household income substantially increased between 1980 and 1990 by over 94 percent. A further increase was realized by 2000 and projections indicate a continued increase by 2010, although at a slower rate. Montgomery County's median household income was \$61,031, well above the Pennsylvania median household income of \$40,106, a fact that bodes well for the county.

MONTGOMERY COUNTY MEDIAN HOUSEHOLD INCOME 1990 - 2012		
YEAR	HOUSEHOLD INCOME	PERCENT INCREASE
1990	\$43,720	94.2
2000	\$60,868	39.3
2007	\$79,785	11.0
2012	\$96,770	10.6

Source: U.S. Census Bureau and STDBonline

## Conclusion

The MSA has exhibited a shift in population away from the older counties of Philadelphia and Delaware toward the outlying suburban counties, and this trend is expected to continue. The MSA and Montgomery County economies have shifted from a manufacturing base to a service/wholesale concentration and this trend is also expected to continue.

The most recent economic and development statistics for both the MSA and the county indicate the sluggishness of the economy has improved significantly as the unemployment rate has decreased and building permits have increased. Median household income statistics reflect increases and the long-term strength of Montgomery County is sound. Overall, both the short- and long-term prospects for the Philadelphia MSA and Montgomery County appear good.

## NEIGHBORHOOD ANALYSIS AND TRENDS

### Introduction

The subject property is located in .... This township is bordered to the north by .... In total, the township encompasses 9 square miles of land area.

Following is information concerning study area. The 1990 and 2000 figures represent actual numbers; the 2007 figures represent estimates; the 2012 figures represent projections.

### Population

The chart below depicts population trends and projections concerning study area.

STUDY AREA POPULATION DATA TRENDS AND PROJECTIONS 1990 - 2012		
YEAR	POPULATION	PERCENT INCREASE
1990	14,166	--
2000	17,597	24.2
2007	18,225	3.5
2012	18,646	2.3

Source: STDB Online

The data indicates moderate growth within the township. Between 1990 and 2000, the population increased by 24.2 percent to 17,597 people. In a seven year period between 2000 and 2007 estimates indicate an increase of 3.5 percent with projections indicating an additional increase of 2.3 percent by 2012.

### Employment

According to Census Data, there were 9,553 employed persons in the township in 2000. Estimates for 2007 show an increase of 7,706 people to 17,259, or 80.6 percent. Projections for 2012 indicate a 2.6 percent increase to 17,714 people. The township is conveniently located just off the northeast extension of the Pennsylvania Turnpike making it a desirable location for access to employment centers.

### Households and Housing Units

Following is information concerning households and housing unit trends in the study area.

**STUDY AREA  
HOUSEHOLDS AND HOUSING UNITS  
TRENDS AND PROJECTIONS  
1990-2012**

YEAR	HOUSEHOLDS		HOUSING UNITS	
	NUMBER	PERCENT INCREASE	NUMBER	PERCENT INCREASE
1990	5,202	--	5,389	--
2000	6,872	32.1	7,035	37.3
2007	7,133	3.8	7,317	4.0
2012	7,314	2.5	7,511	2.7

Source: STDB Online.

In general, households and housing units have been increasing with substantial increases during the 1990's. From 1990 to 2000, households increased 32.1 percent to 6,872 and housing units increased 37.3 percent to 7,035 units. Projections for 2012 show continued increases, although at a substantially slower rate of 6.4 percent for households and 6.7 percent for housing units. There is still land available for development in the area bringing new families to the township. Households between 2000 and 2012 are projected to increase by 442 households, of which 261 occurred between 2000 and 2007, with a projected increase in housing units of 476 housing units of which 282 occurred between 2000 and 2007.

### Income

Found below are average household income trends for the study area.

**STUDY AREA AVERAGE HOUSEHOLD INCOME  
TRENDS  
2000 - 2012**

YEAR	MEDIAN HOUSEHOLD INCOME	PERCENT INCREASE
2000	\$78,565	--
2007	\$110,664	40.8
2012	\$141,227	27.6

Source: STDB Online

According to STDB Online, average household income in 2000 was \$78,565 with an estimated increase of 40.8 percent to \$110,664. Projections for 2012 indicate an additional increase of 27.6 percent to \$141,227, a fact that bodes well for the township.

### Building Permits

The following chart depicts the number of building permits issued within the township from 2000 to July 2007.

**Number of Building Permits  
2000 - 7/2007**

Year	Number of Permits
2000	15
2001	75
2002	9
2003	101
2004	30
2005	9
2006	2
7/2007	6

There were a total of 247 building permits issued over the 7.58 year period with an average of 32.5 permits per year issued. The highest number was realized in 2003 with 101 permits issued. As of July 2007, 6 permits have been issued in the subject township for the current year.

**Immediate Neighborhood**

Immediately surrounding the subject property is ...

**Conclusion**

The township has witnessed a considerable population gain between 1990 and 2000. Housing demonstrated higher gains over the same period, while average annual household income growth in the township has outpaced that of the county as a whole during the 1990s. Employment growth in the township is also expected to continue over the foreseeable future. Estimated household growth has exceeded the number of permits issued, which bodes well for the subject.

In terms of location, the immediate area is well served by public services and is proximate to major highways. Overall, data suggests that both the short- and long-term outlooks for the study area are positive.

## MARKET ANALYSIS

### Market Overview

The subject is 17-lots within an 18-lot subdivision that is to be developed with detached single-family dwellings. The sellers are retaining Lot Number Two which is not included within this report. Approvals were granted by the township and pre-construction marketing has begun with one lot sold and two additional lots reserved.

### Existing/Approved Subdivisions

There is limited active competition in the market for detached single-family homes. Information has been obtained from *Trend Multiple Listing Service* as well as from township data. Sales at nearby projects in adjoining townships have also been reviewed.

... is developing 15-home sites located off ..., just northwest of the subject property, with single-family dwellings situated on lots averaging from one-half to 1.5 acres. Prices range from the upper \$560,000s to the upper \$750,000s. Marketing began February 2007. There lots have sold and one lot is reserved for an indicated absorption rate of 0.66 lots per month. The developer is offering incentives for use of their own mortgage company.

... developed with single-family like models on approximately 27,900 square foot lots. Prices ranged from \$551,393 for 3,063 square feet to \$773,175 for 4,196 square feet, inclusive of options. The average marketing period for the 13-lots originally available was 102 days. The first 10-lots sold at a pace of 1.66 units per month from June 2004 through December 2004. The last settlement occurred in September 2006.

... is also developing ... with six lots that have an average square footage of 25,055 square feet. Models are priced from \$539,900 for 2,699 square feet to \$696,900 for 4,175 square feet. One lot has sold since March 2007 with a final price of \$813,695 and indicated absorption rate of 0.20 lots per month.

... is developing ... with 137 lots. Prices range from \$449,900 for a unit with 2,295 per square foot to \$538,900 for a unit with 3,262 square feet. The prices are equal to \$196.03 to \$165.20 per square foot of building area. Since inception in 2005 approximately half of the units sold for an indicated absorption rate of 2.5 units per month.

... is developing ... in, a five-lot community with pond or golf course views. The developer will offer its custom built Estate Collection from \$994,600 for 3,800 square feet on 2-acre lots.

... is a 16-lot project being developed by .... Models range from \$604,900 for 3,063 square feet to \$815,900 for 4,541 square feet. Eleven lots have sold and one additional lot is reserved for an indicated absorption of approximately 1.0 lot per month.

### **Proposed Development**

According to the township, 33 new lots are proposed or recently approved between six projects. Considering the supply of 16 active lots, the subject's 17 lots, as well as the 33 recently approved/proposed lots, the township has a potential of 66 new dwelling lots.

### **Building Permits**

As discussed in the neighborhood section of the report, an average of approximately 32.5 permits per year have been issued in the township over the 2000-7/2007 period. Overall, approximately 247 new housing permits were issued over the study period.

### **Market Statistics**

According to *Trend Multiple Listing Service* from September 2004 through August 2005, 296 residential units were sold and 295 units were pending in the subject township with an average sales price of \$247,765. During the September 2005 through August 2006 time period, 279 residential housing units were sold, 275 sales were pending, with an average sales price of \$277,308. From September 2006 through early September 2007, 235 units have sold, 232 units are pending, with an average price of \$271,146. Currently, there are 89 detached residences available within the township as listed on *Trend MLS*. Over the past three years the average increase in prices has been 3.05 percent, while sales volume has declined by 20 percent.

### **Projected Absorption**

Demand in housing units and growth has slowed during 2006 and 2007 and is projected to continue to grow at a modest pace through 2012. New housing permits have averaged 2.65 units per month over the study period from 2000 to 7/2007, with a total of 10.28 permits projected for the year 2007. Based upon the projected permits, the absorption period for the potential 66 lots is approximately 25 months. The projected growth in households is 36 per year, thus the absorption is 1.8 years. According to the developer, one lot has been placed under contract and two additional lots have been reserved. Marketing began at the subject August 2007 and assuming the reserved lots move forward, the absorption is 1.5-lots per month. Considering the active competition within the township, the proposed lots, the average number of new building permits issued and the projected household growth, the estimated absorption is 1.0-lot per month at the subject project for an absorption period of approximately 17-months.

### **Conclusion**

The subject property is well located. The developer has offered similar models at other developments that have been well received. Public water and sewer are available to the project and approvals have been obtained. The projected sale pace for the subject is 1.0 lot per month.

PROPERTY DESCRIPTION

SAMPLE REPORT



## DESCRIPTION OF SUBJECT SITE

The subject consists of 17-lots within an 18-lot subdivision known as ... The overall tract consists of approximately 17.68 acres, gross located on the northeast side of ..., with frontage along ... Located on the site is a farmhouse and barn that will be razed following construction of a new residence for the Sellers on Lot Number Two. Lot Number Two is not considered in this analysis. The subject's address is known as ... in zip code area .... The tax identification numbers in which the subject is a part are .... The site is gently rolling and at street grade with areas of fields, grasses and woodlands.

Site development and building plans have been provided and relied upon. The right is reserved to amend the estimates of value should further information be made available.

Site improvements will consist of public water and sewer, electric, cable and telephone. All of the subject lots will be accessed from a single cul-de-sac. There are no concrete curbs and sidewalks.

No hazardous or potentially hazardous materials have been observed at the subject property; however individuals of this company are not qualified to detect such substances. It is our opinion that an environmental audit be conducted. As the presence of hazardous or potentially hazardous materials may affect the value of the subject property, the right is reserved to amend the value should an audit detect such substances.

There are no other known adverse easements that would affect the utility of the site. Parking will consist of driveway and street parking.

Roadways:	<u>Name of Roadway</u>	<u>Paving</u>	<u>No. of Lanes</u>	<u>Lane Direction</u>	<u>Curbs</u>	<u>Sidewalks</u>
	Road	Macadam	Two	Northeast/Southwest	No	No
	Pike	Macadam	Two	East/West	No	No
	Drive (proposed)	Macadam	Two	Varies	Yes	Yes
Frontages:	<u>Frontage Along</u>	<u>Front Footage</u>	<u>Comments</u>			
	Road	492.79'	Provides access to site			
	Pike	1,000.12'				
	Drive (proposed)					

Surrounding properties consist of those uses as discussed in the "Neighborhood Analysis and Trends" section of this report. Overall, the subject site is compatible with surrounding properties. The site is considered functionally adequate and suited for its approved use.

## ZONING

According to the township zoning map, the subject site lies in an R-175, Residential zoning district. Permitted uses include single family dwellings, municipal uses, or harvesting of crops.

### Bulk and Area Regulations

Minimum Lot Area:	30,000 square feet
Minimum Lot Width:	150 feet.
Maximum Building Coverage:	18 percent.
Minimum Front Yard:	50 feet.
Minimum Rear Yard:	40 feet.
Minimum Side Yard:	20 feet each side.
Maximum Impervious Coverage:	30 percent.
Maximum Building Height:	35 feet.

We are not experts in the interpretation of zoning ordinance; however, the subject property is considered a by-right development and has received township approvals.

## DESCRIPTION AND ANALYSIS OF IMPROVEMENTS

The subject property is to be improved with 17 single-family dwellings. Nine models will be offered, three of which have been analyzed; the subsequent description is, however, pertinent to all proposed models. Site improvements are described in the "Description of Subject Site" section. Brochure plans were provided for all models offered and square footages have been taken from these plans.

The analysis of the building improvements has been based upon the information provided. Neither the owner nor a representative of the owner was present during the inspection of the property.

An outline of the general specifications of the improvements is presented below. Construction is assumed to conform to local building codes and specifications. It has been assumed that the subject's construction as planned will be completed in a good, timely and workmanlike manner and similar to the description provided.

Type:	Single family two-story dwellings.																																				
Architect:	...																																				
Contractor:	...																																				
Age:	Proposed.																																				
Building Size:	<table> <tr> <td><u>Model 1</u></td><td></td></tr> <tr> <td>First Floor.....</td><td>1,657 square feet</td></tr> <tr> <td>Second Floor.....</td><td>1,432 square feet</td></tr> <tr> <td>Total Square Footage.....</td><td>3,089 square feet</td></tr> <tr> <td>Garage (2 car standard).....</td><td>497 square feet</td></tr> <tr> <td>Basement.....</td><td>1,657 square feet</td></tr> <tr> <td><u>Model 2</u></td><td></td></tr> <tr> <td>First Floor.....</td><td>2,411 square feet</td></tr> <tr> <td>Second Floor.....</td><td>1,764 square feet</td></tr> <tr> <td>Total Square Footage.....</td><td>4,175 square feet</td></tr> <tr> <td>Garage (3 car standard).....</td><td>660 square feet</td></tr> <tr> <td>Basement.....</td><td>2,411 square feet</td></tr> <tr> <td><u>Model 3</u></td><td></td></tr> <tr> <td>First Floor.....</td><td>2,441 square feet</td></tr> <tr> <td>Second Floor.....</td><td>2,051 square feet</td></tr> <tr> <td>Total Square Footage.....</td><td>4,492 square feet</td></tr> <tr> <td>Garage (3 car standard).....</td><td>650 square feet</td></tr> <tr> <td>Basement.....</td><td>2,441 square feet</td></tr> </table>	<u>Model 1</u>		First Floor.....	1,657 square feet	Second Floor.....	1,432 square feet	Total Square Footage.....	3,089 square feet	Garage (2 car standard).....	497 square feet	Basement.....	1,657 square feet	<u>Model 2</u>		First Floor.....	2,411 square feet	Second Floor.....	1,764 square feet	Total Square Footage.....	4,175 square feet	Garage (3 car standard).....	660 square feet	Basement.....	2,411 square feet	<u>Model 3</u>		First Floor.....	2,441 square feet	Second Floor.....	2,051 square feet	Total Square Footage.....	4,492 square feet	Garage (3 car standard).....	650 square feet	Basement.....	2,441 square feet
<u>Model 1</u>																																					
First Floor.....	1,657 square feet																																				
Second Floor.....	1,432 square feet																																				
Total Square Footage.....	3,089 square feet																																				
Garage (2 car standard).....	497 square feet																																				
Basement.....	1,657 square feet																																				
<u>Model 2</u>																																					
First Floor.....	2,411 square feet																																				
Second Floor.....	1,764 square feet																																				
Total Square Footage.....	4,175 square feet																																				
Garage (3 car standard).....	660 square feet																																				
Basement.....	2,411 square feet																																				
<u>Model 3</u>																																					
First Floor.....	2,441 square feet																																				
Second Floor.....	2,051 square feet																																				
Total Square Footage.....	4,492 square feet																																				
Garage (3 car standard).....	650 square feet																																				
Basement.....	2,441 square feet																																				

**Layout:** Typical for this type of dwelling. The floor plans have been presented in the "Addendum" along with standard and optional features and details. All models will offer four bedrooms, a minimum of two full bathrooms and one powder room, two or three car garages, fireplaces and numerous options for customizing including additional bedrooms and bathrooms, extended first floor spaces, morning rooms, owner's retreat, finished basements, and interior finish.

<b>Interior Finish:</b>	<u>Area</u>	<u>Floor</u>	<u>Ceiling Height</u>
	Living, Dining	Wall-to-wall carpeting	9'
	Kitchen	Hardwood	9'
	Bathrooms	Ceramic	9'
	Garage	Concrete	10'
	Foyer	Hardwood	18'
	Family Room	Wall-to wall carpeting	18'
	Bedrooms	Wall-to wall carpeting	8'- 10'
	Basement	Concrete	Not available

**Foundation:** Six inch crushed stone base, 10" thick, monolithically poured concrete basements with asphalt damp proofing. Steel I-beam.

**Exterior Walls:** Beaded vinyl, brick, siding, stucco or stone.

**Framing:** Wood studs, pre-manufactured floor and roof trusses.

**Interior Walls:** Drywall over wood studs.

**Roofing:** Certaineed "Land Mark AR Series" dimensional shingles; 30 year.

**Insulation:** R-30 ceilings, R-16 walls.

**Trim:** Aluminum exterior, wood interior.

**Windows:** Silver Line' vinyl tilt double-hung windows.

**Exterior Doors:** Metal, pre-finished Carriage House style garage door.

**Interior Doors:** Raised panel colonial doors.

**Floor System:** Three-quarter-inch, tongue and groove plywood subflooring, glued and nailed.

**Ceiling:** Drywall.

**Stairs:** Wood in foyer, front and secondary staircases.

Plumbing:	PEX piping; exterior hose hook-ups; 75-gallon, propane gas water heater. PVC waste pipes; single emergency shut-off valve.
Heating, Ventilation, And Air Conditioning:	Propane gas, heating system with 13 SEER central air conditioning.
Electrical:	200/400 amps with circuit breaker.
Fire and Security Protection:	Electric-wired smoke detectors throughout; three carbon monoxide detectors.
Special Features:	As noted in "Addendum".
Condition and Utility of Improvements	
Physical Deterioration:	None, to be constructed.
Functional Obsolescence:	None noted.
External Obsolescence:	None noted.

Overall, the subject property is well designed and functional for its proposed use. Numerous custom options are available, including additional bathrooms, room extensions, fireplaces, cabinetry, and exterior facades. The subject models have been offered at several of the developer's other sites and have been selling successfully.

## HIGHEST AND BEST USE

An important factor in any valuation assignment, and the first step in the valuation process, involves the determination of the subject site's highest and best use. As used in this report, highest and best use is defined as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.<sup>1</sup>

### As Vacant

The first consideration in highest and best use is physical suitability. The subject site is of a size and shape that would support a variety of uses. Legal uses of the subject site have been presented in the "Zoning" section; the subject is an approved subdivision with 17-lots.

In considering the market demand component of highest and best use, the subject's location and surrounding uses have been analyzed. As discussed in the "Market Analysis" section of this report, there is sufficient income in the area to support the proposed development and demand has continued at similar developments. A profit should be generated from this development as the retail sales should exceed the costs.

The highest and best use of the subject as vacant is considered development of 17-lots with detached single family dwellings.

### As Improved

The subject parcel is a predominately vacant site with farmstead improvements that do not contribute to the overall value of the site and will be razed.

---

<sup>1</sup>American Institute of Real Estate Appraisers, The Dictionary of Real Estate Appraisal, 2nd Edition (Chicago: AIREA, 1989), 149.

VALUATION

SAMPLE REPORT

## APPRAISAL PROCESS

The three approaches to value; namely, the cost, direct sales comparison, and income capitalization approaches have each been given consideration in the analysis of the subject property. As utilized in this report, the income capitalization approach has been referred to as the development analysis approach.

The cost approach uses all the physical data regarding the site and the improvements. In this approach, an estimate of site value is derived by comparing recent sales of similar land parcels to the site. An estimate of the cost to replace or reproduce the improvements is also made from which all items of physical, functional, and external obsolescence, if any, are deducted. The resulting depreciated cost new is added to land value to derive an estimate of market value by the cost approach. This approach is most useful when appraising new or special-purpose properties. Its reliability is decreased when considerable amounts of depreciation are evident. This approach has been applied to estimate the prospective future value of the site as improved with infrastructure and the retail value of the representative models.

The direct sales comparison approach relies upon transfers of similar properties as a basis for determining market value of the subject property. Inherent in this approach is the principle of substitution, which states that a prudent purchaser would pay no more for real property than the cost of acquiring an equally desirable substitute on the open market. This approach is essential to every appraisal of real property and is also a meaningful measure of value. The direct sales comparison approach has been developed to estimate the as is market value of the approved site and the retail market value of the proposed models.

The development analysis approach is concerned with the present worth of the anticipated future benefits of property ownership. Benefits are typically expressed in terms of net operating income after deducting all expenses from all income sources. This process includes estimating the individual retail value of the subject lots and/or dwellings, and projecting an absorption period. From gross revenue all pertinent selling costs are deducted and an allocation for developer's profit is also deducted. If appropriate, the cost to improve the lots is deducted. This approach has been developed to estimate the as is approved and as improved values of the subject lots.

A number of positive and negative factors have been considered which affect the value of the subject property. No attempt has been made to quantify the affect of all of the specific factors by use of percentage adjustments. The general influence of these factors, however, has been considered in the same manner that it would be considered by buyers and sellers in the market. Among the positive adjustments considered are the following.

1. The subject is well located in terms of street access, public school system, and shopping facilities.
2. The subject has approvals for development as proposed.

Following are the items considered that have a negative affect on the subject property.

1. Sales of new dwellings have recently slowed.
2. Competition exists for a similar product at projects within the subject's market area.



## **COST APPROACH**

### **Introduction**

The cost approach is based on the principle of substitution, in that it assumes an informed purchaser would pay no more for a property than the cost to acquire a vacant site and construct an equally desirable building of similar utility, without undue delay. This approach is particularly applicable when the property being appraised involves proposed or relatively new improvements that represent highest and best use of the site.

The cost approach has been used to estimate the retail model values and the wholesale market value as if the infrastructure were complete.

### **Wholesale Market Value Improved Site Estimate of Replacement Cost**

Replacement cost is "The cost of construction, at current prices, of a building having utility equivalent to the building being appraised but built with modern materials and according to current standards, design, and layout".<sup>1</sup> The total of replacement cost plus land value and entrepreneurial profit usually provide an excellent indication of market value for new properties that do not suffer physical depreciation, functional and/or external obsolescence. The reliability of this approach decreases when such forms of depreciation exist.

In estimating the replacement cost new of the site improvements, information obtained from a national cost service along with estimates supplied by the developer have been used. These sources are considered to be reliable and have been used in developing a replacement cost estimate for the site improvements.

### **Land Value**

The approved and unimproved land value has been estimated to be \$2,720,000, equal to \$160,000 per lot for 17 lots, as developed in the direct sales comparison approach.

### **Improvements Value**

In analyzing the cost of the improvements of the subject lots, national cost data as published by *Marshall Valuation Service* has been used and developer's estimates.

The first step is to estimate the replacement cost new of the subject's site improvements. The cost of installing roads, utilities, and the like is based on the total linear feet of roads within the subdivision as if there were 6 lots completed, as well as on a unit cost basis for the various improvements. The cost estimate is based upon 878 linear feet of road.

---

<sup>1</sup> American Institute of Real Estate Appraisers, The Dictionary of Real Estate Appraisal, 2nd edition (Chicago: AIREA, 1989), 254.

### Subdivision Costs

	LOW COST	HIGH COST	DEVELOPER'S ESTIMATE
Cost range per LF (1)	\$335.00	\$400.00	
Adjustment for Storm Sewers	\$43.40	\$55.45	
Adjustment for Landscaping and Basin	\$50.00	\$70.00	
Adjustment for Shade Trees and Belgium Blc	\$0.00	\$0.00	
Adjusted Base Cost	\$428.40	\$525.45	
Current multiplier	1.23	1.23	
Local multiplier (2)	1.13	1.13	
Cul-de-sac Adjustment	1.30	1.30	
Adjusted cost range	\$774.06	\$949.42	
Linear feet at subject (3)	878	878	
Total estimated direct costs	\$679,627	\$833,591	\$1,126,780
Indirect costs	\$328,906	\$328,906	\$328,906
Offsite- Road Widening	\$52,552	\$52,552	\$52,552
Other- Rock, demolition, fencing	\$184,224	\$184,224	\$184,224
Total site development costs	\$1,061,085	\$1,215,049	\$1,692,462
<b>Total cost per lot</b>	<b>\$58,949</b>	<b>\$67,503</b>	<b>\$94,026</b>

### NOTES

(1) The cost estimates include costs associated with typical double loaded street improvements with components that include grading, paving, curbs, sidewalks, gas, electric and telephone services, fire hydrants, and other items. The land is assumed to be relatively level. Ordinary charges for engineering, plans and inspections, as well as contractor's overhead and profit are included. Municipal and county development fees are not included.

(2) Based on Philadelphia, Pa. region.

(3) Per site plan.

Source: Subject development plan, Marshall Valuation Service, compiled by P.J.L. Realty Advisors, Inc.

Shown on a facing page and based upon the cited cost manual, the estimated cost of improving the subject ranges from \$1,061,085 to \$1,215,049 (\$58,949 to \$67,503 per lot). The costs include an adjustment for road widening, demolition, rock removal and fencing. Soft costs include sewer and water hook-up fees, township contributions, inspection fees and contingencies. Final adjustments were applied for time and locality. The developer provided an estimated construction cost of \$1,692,362, equal to \$94,026 per lot. The developer's estimate is substantially higher than the costs indicated by the manual. The project is a cul-de-sac which adds to the cost and has been allocated for partially by an upward adjustment. The developer has extensive experience building in the subject area; thus, the developer's figures have been utilized.

The concluded estimated subdivision cost applied is \$1,690,000. This estimate reflects the cost of fully improved lots. The amounts discussed include indirect costs of construction, such as charges for engineering fees, plans, inspections, as well as contractor's overhead and profit, and is equivalent to \$93,889 per lot. The developer is improving 18 lots; however, one lot will be retained by the grantor. The net number of lots considered is 17, for a cost of \$1,596,111, rounded to \$1,596,000.

The next step in arriving at the prospective future value of the subject lots as if improved is the addition of a developer's profit. Typically, when a developer sells improved lots to a builder, he is the one who has taken the property through the approval process and earns a profit for the time and work expended obtaining approvals. As the installation of the infrastructure is frequently subcontracted, a modest profit is obtained from installing the infrastructure. Since the greatest profit is earned in selling the lots, a purchaser of the development at this point would only be required to build the houses. Several lots have been placed under contract which increases the value of the subject. A profit on the site improvement costs of 10 percent, or \$160,000 has been included.

The indicated wholesale value of the 17-lots as if complete is \$4,476,000 (\$2,720,000 for land, \$1,596,000 for site improvements and \$160,000 for developer's profit), rounded to \$4,475,000, equivalent to \$263,295 per lot.

### Retail Dwelling Value

The next step in this analysis involves estimating the construction cost of the individual subject dwellings and applying the projected product mix to arrive at total dwelling construction cost. This is added to the cost of site improvements and the as is land value. Since the dwellings represent modern, functional designs, no physical or functional obsolescence has been deducted. Furthermore, since housing sales have increased in the market, external obsolescence is not applicable. On a facing page are the construction cost estimates for the individual subject dwellings.

SUBJECT PROPERTY CONSTRUCTION COSTS				
MODEL	NUMBER OF UNITS	ESTIMATED COST NEW	DEVELOPER'S COST ESTIMATE	PERCENT VARIANCE
Model 1	6	\$240,357	\$230,000	-4.3
Model 2	5	\$309,265	\$282,000	-8.81
Model 3	6	\$345,128	\$355,000	2.86

The range is approximately -8.81 to 2.86 percent of the cost indicated by the manual. The indicated average cost by the manual is \$297,602, while the indicated average from the developer is \$289,412, a difference of 2.75 percent. The developer has extensive experience building the subject models; the developer's estimate

SUMMARY OF ESTIMATED REPLACEMENT  
COST NEW

Fair Cost Class D Residence

Marshall Valuation

Section 12, Page 20

Model	Model 1	Model 2	Model 3
Total Living Area	3,089	4,175	4,492
Base cost per square foot (1)	\$58.14	\$58.14	\$58.14
Floor area-Perimeter multiplier	0.9200	0.8810	0.9470
Adjusted Base Cost	\$53.49	\$51.22	\$55.06
Second Floor Base Cost	\$49.21	\$47.12	\$50.65
Garage Cost	\$19.05	\$17.25	\$17.25
Basement Cost	\$15.28	\$13.84	\$13.84
Wall Cost	\$57.00	\$57.00	\$57.00
Roof Cost	\$4.75	\$4.75	\$4.75
Current cost multiplier	1.07	1.07	1.07
Local cost multiplier (2)	1.23	1.23	1.23
Bulk discount	0.1	0.1	0.1
Building Area (Estimated)			
First Floor	1,657	2,411	2,441
Second Floor	1,432	1,764	2,051
Garage	497	660	650
Common Garage Wall	35	20	30
Common Garage Roof	344	380	604
Basement	1,657	2,411	2,441
Estimated replacement cost new			
First Floor	\$104,982	\$146,278	\$159,193
Second Floor	\$83,469	\$98,462	\$123,058
Garage	\$6,916	\$9,997	\$7,857
Basement	\$29,990	\$39,527	\$40,019
Built-ins	\$7,500	\$7,500	\$7,500
Fireplace	\$2,500	\$2,500	\$2,500
Paving & Landscaping	\$5,000	\$5,000	\$5,000
Total estimated replacement cost new	\$240,357	\$309,265	\$345,128
Replacement cost per square foot of GLA	\$77.81	\$74.08	\$76.83

(1) Adjusted for heat and air-conditioning

(2) Adjusted for costs in Philadelphia, Pa.

Source: Compiled by P.J.L. Realty Advisors, Inc.

has been utilized. The estimated construction costs are \$230,000, \$285,000 and \$355,000, respectively. The average cost is \$290,294.

### Options

We have been supplied with information on several new projects in Pennsylvania with option packages that range from \$32,000 to \$200,000 on house prices in the \$600,000 to \$800,000 range at one developer's site. One area developer reported option packages ranging from \$50,000 to \$100,000 on houses in the \$700,000 price range. Another developer reporting average options of \$20,000 to \$30,000 for homes in the \$500,000 range. Although area builders have recently noted that option packages are smaller, options and lot premiums are still prevalent within homes in the subject's price range. Considering that the new homes market is in flux, we have estimated average options, including lot premiums, of \$50,000, equal to 7 percent of the base price. In discussions with developers, we have been advised that the cost of installing options range from approximately 25 to 75 percent of the retail price. It is estimated that the average cost for options at the subject should approximate 70 percent. The estimated construction cost for this item is \$35,000.

### Soft Costs

Added to the preceding cost are indirect costs that are not typically included in the manual, such as real taxes during construction, sales commissions, advertising and office overhead costs. This developer operates numerous projects in the area, which results in lower administrative costs and commissions. Approximately 20 percent of building and site costs have been added for these items.

### Profit

A typical developer's profit range for a residential subdivision is 6 to 25 percent. The subject is a semi-custom development with options anticipated. Projects such as the subject typically generate profits at the high end of the range. For the subject, developer's profit has been estimated to be 15 percent of the site, building and indirect costs.

### Summary of Retail Dwelling Value

Model	Dwelling Cost	Option Cost	Site Cost	Lot Value	Soft Cost	Profit	Retail Value
Model 1	\$230,000	\$35,000	\$93,889	\$160,000	\$71,778	\$88,600	\$679,267
Model 2	\$285,000	\$35,000	\$93,889	\$160,000	\$82,778	\$98,500	\$755,167
Model 3	\$355,000	\$35,000	\$93,889	\$160,000	\$96,778	\$111,100	\$851,767

### Conclusion of Cost Approach

Within this approach the values for the subject property have been developed. A summary of the indicated values as of the effective dates has been presented below.

Wholesale value as if the infrastructure were complete .....	\$4,475,000.
Model 1 .....	\$679,000*
Model 2 .....	\$755,000*.
Model 3 .....	\$852,000*.

\* Retail model values include options of \$50,000

The indicated average retail value is \$762,412, including options.

## **DIRECT SALES COMPARISON APPROACH**

### **Introduction**

The direct sales comparison approach is a method of estimating market value which uses recently sold, market derived, comparable sales. This approach to value assumes that the market will determine a price for the property being appraised in the same manner that it determines the price of comparable, competitive properties. In applying the direct sales comparison approach, the appraiser employs a number of appraisal principles. One of the major principles is that of substitution, which holds that the value of a property, as replaceable in the marketplace, tends to be set by the cost of acquiring an equally desirable substitute property. Other principles inherent in this approach are those of supply and demand, balance, and externalities.

The following pages present the development of the direct sales comparison approach. The analysis for the bulk land sales will be presented first, followed by the retail dwelling values. Detailed descriptions of the comparables have been presented in the "Addendum".

### **Analysis of Comparable Sales**

#### **Bulk Land Sales**

In developing the direct sales comparison approach, the market has been investigated for recent comparables. From the investigation, data on several comparables that have been considered similar to the subject property has been obtained. The comparables have been analyzed and compared to the subject property based on the sale price per lot.

### **Reconciliation of Comparable Sales**

#### **Bulk Land Sales**

By applying specific percentage or dollar amount adjustments for the preceding factors, the factors have been considered that would be considered by buyers and sellers in the market. Essentially, this is a bracketing process by which a sale exhibiting an inferior characteristic has been adjusted upward, and one that is superior has been adjusted downward. When the characteristic is equivalent to the subject, no adjustment has been applied.

The first three adjustments necessary when comparing the comparables to the subject site are property rights conveyed, special or unusual financing, and conditions of sale. The first of these adjustments pertains to transfer of a whole or partial interest in title; the second adjustment represents special or unusual financing which positively or negatively affects the price paid, such as owner financing, bond money, and the like; and the third adjustment is based on condition of sale including motivation of the parties, e.g., distressed sales, assemblage purchases, and the like. All the comparables were cash transactions (or the equivalent).

BULK RESIDENTIAL LAND SALES

Sale #	Location	Sale Date	Consideration	Number of Lots	Land Area (Acres)	Sale Price Lot	Sale Price Acre	Average Lot Size	Comments	Zoning	Approvals
1	Comp 1	Jan-07	\$ 750,000	6	4.31	\$ 125,000	\$ 174,014	0.58	Irregular Rolling Part wooded	R-2	Grantee
2	Comp 2	May-05	\$ 3,135,000	19	49.712	\$ 165,000	\$ 63,063	0.86	Irregular Wooded Sloping	R-1	Grantor
3	Comp 3	Jan-05	\$ 4,290,000	22	34.88	\$ 195,000	\$ 123,010	1.46	Irregular Some steep slopes	R-175	Grantor
4	Comp 4	U/C Sep-05	\$ 1,405,000	9	10.59	\$ 156,111	\$ 132,672	0.89	Irregular Rolling	R-130	Grantee
Subject		U/C Nov. 2005	\$ 2,341,839	17	17.68	\$ 137,755	\$ 132,457	0.85	Irregular Gently rolling Partially wooded	R-175	Grantee

COMPARABLE ANALYSIS

Comparable	1	2	3	4	Subject
Adjustments/ Sale Price					
Financing	0%	0%	0%	0%	0%
Motivation	0%	0%	-10%	0%	0%
Time	0%	-10%	-10%	0%	0%
Adjusted Sale Price	\$125,000	\$148,500	\$156,000	\$140,500	\$137,755
Location	0%	0%	0%	0%	0%
Access/Visibility	0%	0%	0%	0%	0%
Number of Lots	-5%	0%	0%	-10%	0%
Topography/Shape	0%	10%	5%	0%	0%
Utilities	0%	0%	0%	0%	0%
Average Lot Size	0%	0%	-5%	0%	0%
Approvals/Improvements	30%	0%	0%	30%	30%

Net Adjustments  
Adjusted Unit Rate As Is

	25%	10%	0%	20%	30%
Site Costs	\$156,250	\$163,350	\$156,000	\$168,600	\$179,082
Improved Value	\$100,000	\$125,000	\$119,000	\$88,889	\$94,026
	\$256,250	\$288,350	\$275,000	\$257,499	\$273,108



#### **Adjustments for Financing**

All of the comparable sales were arms length with no undue motivation.

#### **Adjustments for Motivation**

Comparable Bulk Land Sale Number Three was between related parties and has been adjusted downward. The subject and remaining comparables are arm's length transactions with no reported undue motivation.

#### **Adjustments for Time**

Sales have decreased over the past two years; the market has slowed and some builders have stated when confirming sales that they would not pay as much in today's market. For the preceding reason, downward adjustment has been applied to Comparable Bulk Land Sale Numbers Two through Four.

#### **Adjustments for Location**

The subject and comparables are considered equal.

#### **Adjustments for Access/Visibility**

The subject and comparables are considered equal.

#### **Adjustments for Number of Lots**

Comparable Bulk Land Sale Numbers One and Four have fewer lots than the subject and have been adjusted downward. The remaining sales are so close in number of lots to the subject that no adjustment has been applied.

#### **Adjustments for Topography**

Upward adjustments have been applied to Comparable Bulk Land Sale Numbers Two and Three that have some steep slopes and wetlands.

#### **Adjustments for Utilities**

The subject and comparables are considered equal.

#### **Adjustments for Average Lot Size**

Larger lots will support larger dwellings and higher prices. Downward adjustment has been applied to Comparable Bulk Land Sale Number Three for the smaller land area of the subject.



### **Adjustments for Approvals/Improvements**

Comparable Bulk Land Sale Numbers One and Four have been adjusted upward as the Grantee obtained approvals, as has the subject.

### **Conclusion - Direct Sales Comparison Approach Bulk Land As Is**

After completing the adjustments, the indicated range for the subject property is from \$156,000 to \$168,600 per lot. The adjusted price for the subject with approvals is \$179,082. Based on the preceding, the indicated land value of the subject property is \$160,000 per lot, or the equivalent of \$2,720,000.

### **Conclusion - Direct Sales Comparison Approach Bulk Land Improved**

In this analysis, the cost of installing improvements is added to the adjusted bulk land value for each comparable. After completing the adjustments, the indicated range for the subject property is from \$256,250 to \$288,350 per lot, with an average of \$269,272. The adjusted price for the subject with approvals is \$273,108. Based on the preceding, the indicated land value of the subject property is \$270,000 per lot, or the equivalent of \$4,590,000.

### **Analysis of Comparable Dwelling Sales Typical Dwellings to be Constructed**

A similar process of adjustment was applied to these comparables as previously applied for bulk land comparables.

### **Adjustments for Time and Market Conditions**

No adjustments were applied for time or market conditions since Comparable Dwelling Sale Number One is a current offering, Comparable Dwelling Sale Number Three is a current contract at the subject project and the remaining sale occurred during the past twelve months and similar market conditions.

### **Adjustments for Sales Concessions**

The sale price for Dwelling Sale Number Two is net of the difference in concessions granted and the price of \$14,800 for options. Dwelling Sale Numbers One and Three include the incentives in the price, thus downward adjustments have been taken under concessions.

### **Adjustments for Location**

All of the comparable dwelling sales enjoy a similar location in respect to access to employment centers and highway systems. No adjustments have been applied.

Dwelling Type :		Model 2					
ITEM	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3			
Address							
Photograph of Comparable		See "Addendum"	See "Addendum"	See "Addendum"			
Grantor							
Grantee		Not applicable	Unavailable	Not available			
Deed Book/Page	Not applicable	Not applicable	Unavailable	Not available			
Zoning	R-175	Res	Res	Res			
Property Rights Conveyed	Fee simple	Fee simple	Fee simple	Fee simple			
Legal Constraints	None	None	None	None			
Date of Contract	Not applicable	Offering September 2007	Jan-07	Sep-07			
Utilities	Public	Public	Public	Public			
Proximity to Subject		Neighboring project	Neighboring township	Subject project			
Sales Price	\$729,900	\$599,900	\$681,730	\$756,210			
Price/Gross Liv. Area	\$174.83	\$194.46	\$199.05	\$192.91			
Data Source	Developers	Trend MLS Service; Sales agent	Trend MLS Service; Developer Info	Trend MLS Service; Developer			
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-)Adjust.	DESCRIPTION	+(-)Adjust.	DESCRIPTION	+(-)Adjust.
Sales Concessions	Not applicable	Mortgage incentive	(\$10,000)	Cash buyer incentive		Cash buyer incentive	(25,000)
Financing	Not applicable	Conventional		Conventional		Conventional	
Date of Sale/Time	Sep-07	Sep-07		Jul-07		Under contract	
Location	Good	Good		Good		Good	
Site/View	Good/ 37,589 sf	Average/ 21,000 sf	\$20,000	Good/ 43,560 sf	\$0	Good/ 30,225 sf	(\$6,000)
Design and Appeal	Two-story/ good	Two-story/ good		Two-story/good		Two-story/good	
Quality of Construction	Brick/siding; good	Brick/siding; average	\$30,000	Stone/brick/siding; good		Brick/siding	
Age	New Construction	New construction		New construction		New construction	
Condition	Good	Good		Good		Good	
Above Grade	tot/bdrms./baths	tot/bdrms./baths		tot/bdrms./baths		tot/bdrms./baths	
Room Count	9/4/2.5+1/2	9/4/2.5	5,000	9/4/2.5	5,000	10/4/3.5+1/2	(15,000)
Gross Living Area	4,175	3,085	\$76,300	3,425	\$52,500	3,920	\$17,850
Basement & Finished Rooms Below Grade	Full unfinished	Full; Partially finished	(15,000)	Full unfinished		Full unfinished	
Functional Utility	Average	Average		Average		Average	
Heating/Cooling	Gas heat/C/A	Gas heat/C/A		Propane gas heat/C/A		Gas heat/C/A	
Garage/Carport	Three car	Two car	\$5,000	Three car		Two car	5,000
Porches, Patio, Pools, etc.	None			Entry porch		None	
Special Energy Efficient Items	R-30 and R-16 50 gal gas hot water	R-38 and R-13		R-30 and R-16		R-30 and R-16	
Fireplace(s)	One	One		One		One	
Other (e.g. kitchen equip., remodeling)	Corian counters, designe cabinets, 200 amp electr H/w foyer & kitchen	Gourmet kitchen; H/W foyer, ceramic bath cathedral ceilings	0	H/W entry; trim packages volume ceilings; panel wainscoting; ctr island kit	(14,800)	Options	(10,310)
Nel Adj. (total)		+ X -	\$111,380	+ X -	\$42,700	+ X -	(\$33,460)
Adjusted sale price			\$711,200		\$724,430		\$722,750
Percent adjustment			-18.6%		6.3%		-4.4%
<b>COMMENTS ON SALES COMPARISON</b>							
The adjustment for differences in living area is based on a price per square foot of \$70.00							
<b>INDICATED VALUE BY SALES COMPARISON APPROACH</b>							
<b>\$720,000</b>							

### **Adjustment for Site/View**

Comparable Dwelling Sale Number One has an inferior and smaller lot than the subject and has been adjusted upward. Comparable Dwelling Sale Number Two includes a larger acre lot on a more secluded tract; however, is situated in a less desirable school district and the adjustments cancel one another. Comparable Dwelling Sale Number Three is adjusted downward for the lot premium paid at the subject project.

### **Adjustments for Design**

The design of the Nottingham Country Manor is superior to the comparables and each sale has been adjusted upward when analyzing this model. No adjustments are applied for the Bennington and the Covington.

### **Adjustments for Quality of Construction**

The subject is superior in quality to Comparable Dwelling Sale Number One that has been adjusted upward. The remaining comparables are considered to be of a similar quality.

### **Adjustments for Age and Condition**

The subject and comparables are new construction requiring no adjustment for age.

### **Adjustment for Dwelling Size**

For size differential, a \$70.00 per square foot adjustment has been warranted, based upon cost information from the subject developer.

### **Adjustments for Basements**

Full unfinished basements are standard in the subject and Comparable Dwelling Sale Numbers Two and Three. Comparable Dwelling Sale Number One includes a partially finished basement with separate storage room and bathroom area.

### **Adjustment for Heating/Cooling**

All of the comparables sales include hot air heating and air conditioning which is similar to the subject. No adjustments are applied.

### **Adjustments for Garages**

Adjustments are applied based upon the garage sizes of each model, three-cars being superior to two-cars.

Dwelling Type :		Model 3					
ITEM	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3			
Address							
Photograph of Comparable		See "Addendum"	See "Addendum"	See "Addendum"			
Grantor		Unavailable	Unavailable	Not available			
Grantee		Not applicable	Unavailable	Not available			
Deed Book/Page	Not applicable	Not applicable	Unavailable	Not available			
Zoning	R-175	Res	Res	Res			
Property Rights Conveyed	Fee simple	Fee simple	Fee simple	Fee simple			
Legal Constraints	None	None	None	None			
Date of Contract	Not applicable	Offering September 2007	Jan-07	Sep-07			
Utilities	Public	Public	Public	Public			
Proximity to Subject		Neighboring project	Neighboring township	Subject project			
Sales Price	\$796,900	\$599,900	\$697,730	\$758,210			
Price/Gross Liv. Area	\$177.40	\$194.46	\$203.72	\$193.42			
Data Source	Developers	Trend MLS Service; Sales agent	Trend MLS Service; Developer Info	Trend MLS Service; Developer			
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+	DESCRIPTION	+	DESCRIPTION	+
Sales Concessions	Not applicable	Mortgage incentive	(\$10,000)	Cash buyer incentive		Cash buyer incentive	(25,000)
Financing	Not applicable	Conventional		Conventional		Conventional	
Date of Sale/Time	Sep-07	Sep-07		Jul-07		Under contract	
Location	Good	Good		Good		Good	
Site/View	Good/ 37,589 sf	Average/ 21,000 sf	\$20,000	Good/ 43,560 sf	\$0	Good/ 30,225 sf	(\$6,000)
Design and Appeal	Two-story/ very good	Two-story/ good	\$20,000	Two-story/good	\$20,000	Two-story/good	\$20,000
Quality of Construction	Brick/siding; good	Brick/siding; average	\$30,000	Stone/brick/siding; good		Brick/siding	
Age	New Construction	New construction		New construction		New construction	
Condition	Good	Good		Good		Good	
Above Grade	tot/bd rms./baths	tot/bd rms./baths		tot/bd rms./baths		tot/bd rms./baths	
Room Count	10/4/3.5+1/2	9/4/2.5	20,000	9/4/2.5	20,000	10/4/3.5+1/2	
Gross Living Area	4,492	3,085	\$98,490	3,425	\$74,690	3,920	\$17,850
Basement & Finished Rooms Below Grade	Full unfinished	Full; Partially finished	(10,000)	Full unfinished		Full unfinished	
Functional Utility	Average	Average		Average		Average	
Heating/Cooling	Gas heat/C/A	Gas heat/C/A		Propane gas heat/C/A		Gas heat/C/A	
Garage Carport	Three car	Two car	\$5,000	Three car		Two car	5,000
Porches, Patio, Pools, etc.	None			Entry porch		None	
Special Energy Efficient Items	R-30 and R-16 50 gal gas hot water	R-38 and R-13		R-30 and R-16		R-30 and R-16	
Fireplace(s)	One	One		One		One	
Other (e.g. kitchen equip., remodeling)	Corian counters, design cabinets, 200 amp electr H/w foyer & kitchen	Gourmet kitchen; H/W foyer, ceramic bath cathedral ceilings	0	H/W entry; trim packages volume ceilings; panel wainscoting; ctr island kit	(14,800)	Options	(10,310)
Net Adj. (total)		+ X -	\$173,490	+ X -	\$99,890	+ X -	\$1,540
Adjusted sale price			\$773,390		\$797,620		\$759,750
Percent adjustment			-28.9%		14.3%		0.2%
<b>COMMENTS ON SALES COMPARISON</b>							
The adjustment for differences in living area is based on a price per square foot of \$70.00							
<b>INDICATED VALUE BY SALES COMPARISON APPROACH</b>							
<b>\$780,000</b>							

### Adjustment for Features, Porches, Options and Upgrades

The subject and the comparable sales include high end finish with gourmet kitchens, hardwoods, trim packages and one-fireplace each. Comparable Dwelling Sale Number One was adjusted upward for cash mortgage incentives offered. Comparable Dwelling Sale Number Two included \$67,800 in options and upgraded features; however, this was discounted by a \$53,000 cash incentive. Comparable Dwelling Sale Number Three received a \$25,000 cash incentive towards its option package of \$10,300.

### Conclusion Direct Sales Comparison Approach Typical Dwellings to be Constructed

After completing the adjustments, the indicated retail value for the subject models, without options are presented below.

Model	Retail Price
Model 1 .....	\$632,000
Model 2 .....	\$720,000
Model 3 .....	\$780,000

The average base price of the models based upon a sellout of 6 of Model 1, 5 of Model 2 and 6 of Model 3 is approximately \$710,117, excluding options and lot premiums.

### Options

We have been supplied with information on several new projects in Pennsylvania with option packages that range from \$32,000 to \$200,000 on house prices in the \$600,000 to \$800,000 range at one developers site. One area developer reported option packages ranging from \$50,000 to \$100,000 on houses in the \$700,000 price range. Another developer reporting average options of \$20,000 to \$30,000 for homes in the \$500,000 range. Although area builders have recently noted that option packages are smaller, options and lot premiums are still prevalent within homes in the subject's price range. Considering that the new homes market is in flux, we have estimated average options, including lot premiums, of \$50,000, equal to 7 percent of the base price.

### Conclusion of the Direct Sales Comparison Approach

Within this approach, the values for the subject property have been developed and a summary as of the effective date has been presented below.

As Is Market value bulk land.....	\$2,720,000
Prospective future value as if improved .....	\$4,590,000

Retail value of representative models inclusive of \$50,000 in options:

Model 1 .....	\$682,000
Model 2 .....	\$770,000
Model 3 .....	\$830,000

The average base price of the models is \$760,117 including options and lot premiums.

SAMPLE REPORT



## DEVELOPMENT ANALYSIS APPROACH

### As Is Market Value

The development analysis approach includes the estimate of the retail prices of the typical dwelling, as well as the time anticipated to sell out the development. Deductions are made for the carrying costs typically involved in selling out a residential development, and the resulting net income stream is discounted using an appropriate discount rate.

Absorption rates for similar developments and the projected absorption of the subject development have been discussed in the "Market Analysis" section of this report. The subject's lots are capable of being marketed within 17 months, based on an average absorption of 1.0 lot per month.

The as completed retail value of three representative dwellings has been estimated previously. The Cost Approach and the Direct Sales Comparison Approach have been developed to derive estimates of the 'as if complete' market value of the models. The Direct Sales Comparison Approach has been given most consideration. The subject's estimated average retail dwelling value is \$760,117, including \$50,000 for options. An appreciation of 0.75 percent per quarter has been applied to the subject.

### Building Costs

The estimated average cost to construct the dwellings is \$290,294 per unit plus \$35,000 for the options for a total cost of \$325,294.

### Site Improvement Costs

As presented in the cost approach, site development costs have been estimated to be \$1,596,000. Final street paving has been deducted at the end of the projection and the amount deducted is \$70,000.

#### Administration

Administrative costs typically range from 3 to 6 percent when homes are included. The estimate for the subject is 4.00 percent.

#### Transfer Tax

Deducted is 1.0 percent of gross sales for sales costs that include transfer taxes.

#### Sales and Marketing

Sales and marketing costs range from 3 to 6 percent. The developer has his own in house sales force, which assists in reducing sales costs. The deduction applied is 6.0 percent, which includes marketing costs and commissions.

---

### Property Tax

In the "Assessment and Taxes" section of the report, the average annual tax liability of the subject lots is estimated. Taxes are deducted for the unsettled lot inventory in each period.

### Profit

A single purchaser will not participate in a project such as the subject without the potential to obtain a profit for the risk and time involved. Numerous developers have stated they attempt to obtain a profit that ranges from 5 to 20 percent of gross income, depending on the project, its state of completion at the time of the purchase, and the size of the investment and level of complexity involved. Developers will make a profit on options and the profit can be substantial. The discounted cash flow includes options and involves 17 lots. The estimated profit is 8.0 percent.

### Discount Rate

The discount rate is the rate of return on capital used to discount future receipts to a value at the beginning of the cash flow. This is the rate of return necessary to attract capital, and it is influenced by the degree of risk, future inflation assumptions, and the rates of return available from other investments. The rate developed reflects a monthly annuity, which includes the financial carrying costs of debt and equity.

Residential developers are charged between -0.50 and one point above the prime interest rate for financing. The prime rate was 8.25 percent; using a spread of -50 basis points from the prime rate, the indicated interest rate is 7.75 percent.

According to the Second Quarter 2007 *Korpacz Real Estate Investor Survey* of land investors, developers apply free and clear yield rates, including profit that range from 10.00 to 25.0 percent with an average of 17.72 percent. It appears reasonable that an investor would require a minimum return on equity of 18.00 percent.

#### CALCULATION OF DISCOUNT RATE

	<u>RATIO</u>	<u>RATE</u>	<u>PRODUCT</u>
Mortgage	0.70	0.0775	0.05425
Equity	0.30	0.1800	0.05400
Discount Rate			0.10825
Rounded			11.00%

In the discounting, monthly discounting has been utilized. Located on facing pages are the results of the discount analysis.

Average Price Blended average-model Manor House	\$760,117 \$0
Price Escalator	0.75%
Development Cost Escalate	0.75%
Tax Escalator	0.75%
Administrative Costs	4.00%
Sales Costs	6.00%
Transfer Costs	1.00%
Real Estate Taxes per Unit	\$128.25
Dwelling Costs-blended a-	\$325,294
Other	\$0
Dev. Cost	\$0
Dev. Cost - topcoat	\$70,000
Dev. Cost - total less topo-	\$1,526,000
Profit	8.00%
Discount Rate	11.00%
Absorption Period	4
No. of Units Sold	4
Blended average-model	
Manor House	
Cumulative Sales	0
Unsold Inventory	0
Total Settled Units	0
Unsettled Inventory	0
Average Price per Unit	0
Blended average-model	
Manor House	
Total Gross Sales Income	0
Less: Carrying Costs	0
Administration	0
Transfer Costs	0
Sales & Marketing	0
Property Taxes	0
Profit	0
Development Costs (Buildings)	0
Development Costs (\$563)	0
Total Costs	0
Net Income	0
Discount Factor (monthly)	2.75%
Discounted Cash Flows	0
PRESNET VALUE:	0
Net Sale Proceeds	0
Internal rate of return:	0
Profit as percent of cost:	0

### **Market Value As Is**

A value of \$2,730,000 is indicated for the 17-lots. The indicated internal rate of return for the as is value when profit and discounted cash flows are combined is 25.0 percent. The referenced *Korpacz* report shows free and clear target yield rates, including developer profit, range from 10.00 to 25.00 percent with an average of 17.75 percent.

As an additional check on the preceding value estimate, the project has been reviewed from a developer's target profit motive that is based upon a percentage of the costs. The indicated profit is 16.01 percent, which is approximately 101 basis points above the estimate developed in the cost approach. The discount factor in the first period reflects that settlements will not occur for nine months.

### **Prospective Future Market Value**

In this analysis, the site is assumed to be improved with roads, utilities, and all site improvements. The profit is reduced to 7 percent. The indicated market value with infrastructure in place is \$4,510,000, or \$265,294 per lot, for the 17 lots.

### **Conclusion of Development Analysis Approach**

Within this approach the values for the subject have been developed and a summary as of the effective dates has been presented below.

Market value as is .....	\$2,730,000
Wholesale market value with infrastructure .....	\$4,510,000

## RECONCILIATION AND FINAL VALUE ESTIMATES

In the preceding pages of this report, the generally accepted approaches to value have been considered. These approaches are the cost approach, direct sales comparison approach, and the income capitalization approach. As used in this report, the income capitalization approach has been referred to as the development analysis approach.

	WHOLESALE VALUE MARKET VALUE AS IS	RETAIL VALUE INFRASTRUCTURE COMPLETE	DWELLINGS W/ OPTIONS
Cost Approach	Not applicable	\$4,475,000	Model 1 ..... \$679,000 Model 2 ..... \$755,000 Model 3 ..... \$852,000
Direct Sales Comparison Approach	\$2,720,000	\$4,590,000	Model 1 ..... \$682,000 Model 2 ..... \$770,000 Model 3 ..... \$830,000
Development Analysis Approach	\$2,730,000	\$4,510,000	Not applicable

In developing the cost approach, the market value of the subject site based on an analysis of recent comparable land sales located in the subject's market or in competing markets has been estimated. The development cost of the lots has been estimated. Land value is added to the value of the improvements to arrive at an indicated cost new. The cost approach is most useful when appraising new or nearly new properties or when appraising special-purpose properties. The estimated cost to construct the lots has been estimated and applied in the development analysis approach. The developer supplied costs figures that were supported by the cost manuals, which increases the reliability of this approach.

The land value has been developed in the direct sales comparison approach, based upon a comparison with other bulk land sales. The comparable land sales were all acquired to construct dwellings and the adjustments were within an acceptable range. The purchase price of the subject falls within the adjusted range of the comparables and is considered reasonable. There have been recent sales in the area and again the adjustments are within an acceptable range.

In applying the development analysis approach, the gross income that can be obtained from the subject based on an analysis of the retail value of completed dwellings has been estimated. The cost to develop the site has been deducted as have sales and carrying costs. The resulting net income has been discounted to a present value based upon target rates of developers. This has been considered a reliable indicator of value.

Numerous estimates and assumptions regarding property performance and general and local business conditions are incorporated in this report. It also assumes that no material changes in the market will occur over the projection period. However, some changes will most likely occur, while some assumptions and

projections may not materialize. Therefore, actual results achieved during the period covered may differ from those projected and the variance could be substantial.

I am of the opinion that as of September 5, 2007, the as is market value of the fee simple estate of the subject property, as fully described herein and subject to the Certification, and the Assumptions, Limiting Conditions and Contingencies is:

Two Million Seven Hundred Twenty-Five Thousand Dollars  
(\$2,725,000).

It is also my opinion that the prospective future wholesale market value of the subject under the extraordinary assumption that the infrastructure has been installed as of December 1, 2007 is anticipated to be:

Four Million Five Hundred Ten Thousand Dollars  
(\$4,510,000).

Finally, I am of the opinion that the hypothetical retail value of three models as of September 5, 2007 is as follows:

Model 1 .....	\$682,000*
Model 2 .....	\$755,000*
Model 3 .....	\$830,000*

\*Includes \$50,000 in options.

No hazardous or potentially hazardous materials have been observed at the subject property; however individuals of this company are not qualified to detect such substances. It is our opinion that an environmental audit be conducted. As the presence of hazardous or potentially hazardous materials may affect the value of the subject property, the right is reserved to amend the value should an audit detect such substances.

## MARKETING TIME ANALYSIS

### Introduction

The marketing time of a residential development is greatly influenced by the status of approvals, as the majority of projects are either acquired with approvals in place or subject to approvals. Typically, it can take one to two years to obtain subdivision approvals.

Builders, when acquiring a potential subdivision, will often make the sale contingent upon receiving approvals. When acquiring a development without approvals and without being subject to approvals, a developer will typically make a steep discount of approximately 30 to 50 percent, since he will be taking on all the risk. The subject has received approvals; therefore, the subject should have a short marketing period.

### Conclusion

It is estimated that the subject could be sold within a six-month period at the values and terms contained in this report.



**ADDENDUM**

SAMPLE REPORT