

INCOME APPROACH-DEVELOPMENT METHOD

Development Scenario

The development method is based on the conceptual plan outlined in the highest and best use analysis. The highlights being:

- Installation of a 3,650 linear foot town road with a 24 foot paved travel surface.
- Underground utilities to include municipal water.
- No granite curbing or sidewalks required.
- Lots range from 1.5 to 6.0 acres in size.

Selection of a financial model should be based on three criteria: its ability to replicate reality, documentation and support of all data elements/assumptions, and the reliability of the forecast. Models that do not accurately reflect the expected timing and pattern of cash flows will not produce reliable results. Along those same lines, models whose data elements cannot be properly documented and supported will also not produce reliable results. Finally, without a reliable forecast, any results may not be credible.

For two primary reasons, this approach can be unreliable, and is typically only used to provide support for the value conclusion derived via the Sales Comparison Approach. Lot absorption and the discount rate are hard to accurately estimate. Lot absorption in that it must be forecast into the future and all of the data is from the past. The discount rate because it cannot be extracted from the market, only estimated from interviewing developers. It is developed in this appraisal because of the unique characteristics of Rye, and the fact there are no truly relevant development parcel sales to use.

Sales Comparison Approach **Individual Residential Lots**

This approach is utilized to estimate the market value of the individual finished lots in the subdivision. The appraiser conducted a search on the NHMLS and Real Data for sales of standard size house lots in the town of Rye. That search produced the following data considered relevant in the valuation of the subject potential lots:

<u>Location</u>	<u>Size</u>	<u>Sale Price</u>	<u>Sale Date</u>	<u>Comments</u>
50 West Road	3.00 A	\$335,000	6/20/12	town road/south end of town
6 Marjorie Way	1.66 A	\$350,000	1/30/13	new subdivision/south end of town
9 Marjorie Way	3.17 A	\$350,000	6/11/13	new subdivision/south end of town
4 Marjorie Way	1.52 A	\$365,000	7/1/13	new subdivision/south end of town
655 Long John Road	3.10 A	\$379,000	7/31/13	set back from road/northerly end of town
353 West Road	1.54 A	\$380,000	9/13/13	intersection of town roads/\$20,000 demo
39 Colburn Road	1.01 A	\$420,000	6/18/12	near Foss Beach/\$20,000 demo

Based upon area statistics and conversations with local brokers, it is the appraiser's belief a 4% annual appreciation rate should be applied to the sales. The adjusted sale prices are therefore: