



Table of Contents



About the Author	ix
Acknowledgments	xi
Foreword	xiii
Introduction	1
Chapter 1	
Overview	9
Introduction	9
Background and History	10
Defining a Subdivision	10
Subdivision Development Phases	14
Subdivision Terminology and the Bulk Sale Valuation Premise	18
The Valuation Process	20
USPAP Considerations and Lending Industry Issues	20
Steps in the Valuation Process	26
Chapter 2	
Market Analysis	31
Introduction	31
Absorption and Highest and Best Use	31
The Six-Step Market Analysis Process	33
Levels of Market Analysis	39
Selecting the Appropriate Level of Analysis	42
Market Analysis in Appraisal and Reporting	43
Rationale for Measuring Absorption	45
Mill Pond Case Study: Absorption Estimate	46

Chapter 3	Neighborhood and Market Area Analysis	59
	Introduction	59
	Relationship to Market Analysis and the Appraisal Process.	60
	Defining the Market Area	60
	Economic and Governmental Factors	62
	Character of Single-Unit Development.	64
	Location and Time-Distance Linkages.	66
	Conclusion and Reporting.	68
Chapter 4	Site and Improvement Analysis	71
	Introduction	71
	Relation to Market Analysis and the Appraisal Process	72
	Land Considerations	72
	Improvement Analysis.	81
	The Marketing Concept and Price Points	84
	Conclusion	85
Chapter 5	Highest and Best Use	87
	Introduction	87
	The Role of Market Analysis in Highest and Best Use	88
	Applying the Four Criteria	89
	Highest and Best Use of Existing Lots	92
	Highest and Best Use of Proposed Developments	93
Chapter 6	Profit and Timeline Concepts	95
	Introduction	95
	Timeline and Profit	95
	Typical Value Reference Points	98
	Typical Value Reference Points for Lending Clients	100
	Raw Land Value by Subdivision Analysis	103
Chapter 7	Income Capitalization Approach	107
	Introduction	107
	Timeline Overview	109
	Applying the Income Capitalization Approach	109
	Mill Pond Case Study	112
	Retail Lot Value Estimate	114
	Absorption Period Estimate.	122
	Holding and Sales Costs	123
	Mill Pond Income Capitalization Approach	129
	Sugarbush Case Study: Analysis with Presales of Lots	132
	Sugarbush Case Study: Analysis with Mortgage Financing	144

Chapter 8	Cost Approach	153
	Introduction	153
	Timeline Overview	154
	Applying the Cost Approach	157
	Mill Pond Land Value	158
	Improvement Value	163
	Bulk Value vs. Retail Value Cost Analysis.	164
	Other Cost Approach Issues	174
	Valuation of “Common” Land	178
Chapter 9	Sales Comparison Approach	185
	Introduction	185
	Applying the Sales Comparison Approach.	186
	Mill Pond Value Conclusion	192
Chapter 10	Yield, Line-Item Profit, and Discounting	195
	Profit Concepts and the Subdivision Timeline.	195
	Madison Square Case Study: Yield Rate Extraction.	195
Chapter 11	Land Value Using the Subdivision Development Method	227
	Overview	227
	Timeline Concepts.	229
	Park View Case Study: Applying the Income Capitalization Approach	231
Chapter 12	Special Topics	241
	Common Deficiencies Found in Subdivision Appraisals	241
	Understanding Profit Concepts	245
	Time Zero Profit Dilemma	249
	Developer Risk Reduction Strategies	270
	Lot Sales to Potential Homeowners	275
	Proposed Construction Performance Bonds.	275
	Super Pad Sites.	276
Appendix	<i>Frequently Asked Questions on Residential Tract Development Lending Memorandum</i>	279
Glossary		287

