

REAL PROPERTY APPRAISAL

**Of Fee & Conservation Restriction Rights in an
Improved Residential-Zoned Property**

Owned By:

Alexander Wilmerding

Location:

**180 Elgin Street
Newton, Massachusetts (Middlesex County)**

**Report Date: April 30, 2002
Inspection Date: February 7, 2002
Effective Valuation Date: December 19, 2001**

Requested By:

**Alexander Wilmerding
180 Elgin Street
Newton, MA 02459**

Prepared by:

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Sale 10 - 294 Kenrick Street (\$656,390 - Adjusted): We have positively adjusted Sale 10 for total land area at a unit value of \$7.75 per square foot (+\$76,609). We have negatively adjusted Sale 10 by 15 percent for superior physical conditions and site utility, relative to the steeply sloped and wetland constrained Lot B building site (-\$98,459).

The net negative adjustment to the time-adjusted Sale 10 sale price of \$656,390 amounts to -\$21,850, and the adjusted subject Lot B value indication amounts to \$634,540, *which is rounded to \$635,000.*

Reconciled Market Value - Subject Lot B: The foregoing analysis brackets subject Lot B value at between \$600,000 and \$635,000 with an indicated mean of \$622,500. We have given equal weight to all four selected sales in arriving at our opinion of Lot B market value, upon permitting and access development, in the amount of ***\$620,000.***

LOT B MARKET VALUE: \$620,000
(Finished Retail Value)

Derivation of "As-Is" Value of Lot B (Cost of Development)

The finished market value of Lot B, as restricted, amounts to \$620,000. In order to arrive at an opinion of current combined market, in "as-is," non-developed condition, we have applied a Subdivision or Cost of Development analysis, whereby we have simulated the approach a single buyer of the total subject property, Lots A and B combined, would take in evaluating the as-is contributory value of Lot B. Thus, we have assumed wetlands and other required development permitting could be obtained for Lot B within six months that the lot could be developed and sold within 12 months of the effective valuation date.

Given the small scale and limited complexity of the property we have developed a "static" analysis, whereby the current costs associated with permitting, developing and retailing the finished Lot B are deducted from the current appraised value of the lot, as though ready for sale. Those costs include engineering and lot preparation fees, legal fees, real estate tax carry, road and driveway construction costs, a broker's commission (6 percent) and Massachusetts transfer tax (\$0.456 per \$1,000 of price).

In addition to these costs, an allowance must be made for an appropriate profit or return on investment. For a small, single in-fill lot development of this type, with relatively modest infrastructure requirements, and where an investor/developer can expect to be in and out of the project within one year, our experience is that a profit allowance of 10 percent of gross sales is sufficient to attract investment capital. This calculation of profit would approximate that indicated by discounted cash flow analysis, where 5 percent price appreciation and a 15 percent total property discount rate were assumed.

Our revenue, development cost and profit assumptions are summarized on the following page, along with the indication of as-is subject Lot B value. Please refer to Appendix D for an engineer's written opinion of costs associated with the extension of Elgin Street and utilities (200 feet) and common driveway costs.

Revenue:

Lot B Finished Market Value: \$620,000

Development Costs:

Engineering & Lot Preparation: \$5,000
Legal & Permitting Expenses: \$25,000
Closing Costs (\$1,500 per lot): \$ 1,500
Real Estate Taxes: \$ 1,100
Elgin Street Extension: \$60,000
(200 l.f. @ \$300/lf)
Driveway Construction: \$10,000
(100 l.f. @ \$100/lf)
Real Estate Sales Commission (6%): \$37,200
MA Transfer Tax (0.456%): \$ 2,827

Developer's Profit (10% of Sales): \$62,000

Total Costs & Profit Allowance: \$204,627

Indicated Lot B Value - "As-Is": **\$415,373**

ROUNDED VALUE: **\$415,000**

MARKET VALUE - LOT B: \$415,000
(As Restricted)

C. VALUATION OF LOT A - AS IMPROVED

Lot A was valued at \$1,960,000 prior to the conservation restriction encumbrance on Lot B (see preceding "pre-restriction" valuation of subject property). Lot A comprises a very large, oversized parcel by Newton standards, with above average privacy. Despite its size and inherent privacy, it is our opinion that the restriction of Lot B to just one dwelling and one ownership does enhance to some degree the privacy and views from Lot A over the Charles Cohen Conservation Area to the east. However, given that the restriction still allows for a single family home to be built on Lot B, the enhancement to Lot A is judged to be relatively small.

Therefore, we have allowed for 5 percent enhancement to the value of the underlying Lot A land, as though vacant. It is our opinion that the value of the subject Lot A as though vacant amounts to about \$1,200,000. This opinion is based on the assumption that Lot A could accommodate three standard sized, 15,000-plus square foot lots (see pre-restriction *Highest & Best Use Analysis As Though Vacant*). Thus, a value of \$1,125,000 implies a unit value of \$400,000 per potential lot. This unit value is

supported by our pre-restriction analysis of Lot B, which indicated a value of \$660,000 for two potential lots, or \$330,000 per lot. That unit value warrants positive adjustment for inferior utility relative to the lots that could be created on Lot A, due to wetland and slope constraints. Thus, we have positively adjusted the indicated per lot value of \$330,000 by 20 percent to approximately \$400,000 per lot.

Factoring the indicated Lot A vacant land value of \$1,200,000 by 5 percent, for enhancement, yields an enhancement premium of \$60,000. Adding this to the pre-restriction valuation of Lot A, in the amount of \$1,960,000, yields a post-restriction Lot A market value in the amount of **\$2,020,000**.

MARKET VALUE - LOT A: \$2,020,000
(Enhanced Post-Restriction Value)

D. TOTAL PROPERTY MARKET VALUE - POST-RESTRICTION

As discussed previously, it is our opinion that the value of the entire subject property, Lots A and B combined, in its "as-is" condition, as of the effective valuation date, amounts to the sum of the values of Lots A and B. Our opinion of Lot A and Lot B market value, *post-restriction*, is summarized below, along with the indicated sum value for the total subject property.

Lot A Market Value:	\$2,020,000
Lot B Market Value:	\$ <u>415,000</u>
Subject Total Property Market Value:	\$2,435,000

SUBJECT MARKET VALUE - POST-RESTRICTION: \$2,435,000

X. RECAPITULATION OF SUBJECT RESTRICTION VALUE

In the foregoing analysis, we have documented the valuation of the entire subject property, both before and after the conveyance of the conservation restriction. The indicated values of the subject property, before and after the encumbrance, are presented below, together with the indicated difference in value, which represents the *appraised market value of the conservation restriction*.

TOTAL PROPERTY VALUE - PRE-RESTRICTION:	\$2,620,000
TOTAL PROPERTY VALUE - POST-RESTRICTION:	<u>\$2,435,000</u>
SUBJECT CONSERVATION RESTRICTION VALUE:	\$ 185,000