

INCOME APPROACH

Subdivision valuation requires an estimate of market value for a subdivision to a single purchaser. The buyers of subdivisions are usually subdivision developing entities or home-building entities. The buyer is purchasing a series of cash flows. It is a short-term investment that typically lasts 6 months to 3 years until all lots are sold.

DCF ANALYSIS

The Income Approach derives an overall value by discounting future cash flows over a lot absorption period into a present value.

Blue Subdivision, Phase #6					
INCOME APPROACH					
Number of Lots	36	Annual Lot Value Appreciation	0%		
Average Lot Value	\$24,300				
Monthly Absorption	3.00				
	Fiscal Year 1				
	Q 1	Q 2	Q 3	Q 4	
Income					Totals
Lots Unsold at End of Period	27	18	9	0	
Lots Sold	9	9	9	9	
Average Lot Price	<u>\$24,300</u>	<u>\$24,300</u>	<u>\$24,300</u>	<u>\$24,300</u>	Gross Retail Value
Gross Lot Sales	<u>\$218,700</u>	<u>\$218,700</u>	<u>\$218,700</u>	<u>\$218,700</u>	\$874,800
Expenses					
	<u>Excluded for this Sample</u>				
Net Expenses	\$9,552	\$9,552	\$10,783	\$10,783	Non-Discounted
Net Cash Flows	<u>\$209,148</u>	<u>\$209,148</u>	<u>\$207,917</u>	<u>\$207,917</u>	Cash Flows
Discounting (Mortgage-Equity Band of Investment)					
	<u>Excluded for this Sample</u>				
Net Income					
Discounted Cash Flows	\$194,852	\$192,085	\$188,263	\$185,769	
Net Present Value	\$760,969				
					Gross Retail Value of Lots
					\$874,800
					Net Discounted Value
					\$760,969
					Discount from Gross Retail Value
					13.01%
					Discounted Value Per Lot
					\$21,138
Market Value Upon Completion, by Income Approach:					\$760,000
* Interest factor includes loan interest and points					
Loan interest is calculated at mid-quarter for more accuracy (avg sale occurs mid-quarter).					