Overall Subdivision Profit: construction through sell-out.

Actual Subdivision Profit
typical subdivision, typical market conditions

Sub	Months of Constr & Sell Out	Profit % of Cost Per Year	Profit % of G R Value Per Year	Profit per Lot Per Year	ROE (70% LTV) Per Year
#1	16				
#2	19				
#3	26				
#4	23				
#5	22				
#6	22				
#7	26				
	Average				
	Median				
	Min				
	Max				

The above actual profits are indicative of profit requirements.

Developer Opinions of Required Profit
For typical subdivision, typical market conditions

	Profit as a % of Cost Excl Profit Per Year		Profit per Lot
Min			

Based on the above two charts, developer expectations of profit are quite in line with what they are actually making – especially the measure of XXX.

	Profit Reconciliation	Method 1 Cost, Exl Profit	Method 2 Gross Retail Value	Method 3 Lots	Method 4 Equity (30%)	Subd Prospective Value at compl of unsold lots
1	Example Typical Subdivision	$800,000	$1,050,000	35	$267,750	$892,500
2	*Average Profit from chart					
3	Profit Required from					Averages of 4 methods
4	start of constr to sell-out					
5	Per Month (19 mo)					
6						

*These figures are taken from the actual subdivision analyzed.
The above is based on a typical subdivision: assuming 35 lots, $30,000 lot prices, 19-month constr. & sell-out period, 70% LTV, 2.92 lots per mo absorption, 7 months constr, 12 month sell-out, & an efficient market

Weighting methods 1&2

Profit per Month (19 months)
Overall Profit Conclusion (% of XXX)
Profit per Month (% of XXX)

Apply to Example Sub
Apply this profit to Income Approach — 12 month sell-out
Apply this profit to Cost Approach — 7 month construction
Total Profit over constr & sell-out period for 19 months

Annual Return on Equity
Profit per Year as a % of XXX
Profit per Month as a % of XXX

This is the final multiplier to apply to a typical subd - accounts for time, money & risk -

The above chart reconciles the different methods. My conclusion of required profit for a typical subdivision is **XXX% annually (XXX% monthly)** of Profit as % of XXX. This correctly accounts for time, money & risk. Note this amount of profit derives a ***return on equity of XXX% for 19 months and XXX% annually***.