

**APPRAISAL REPORT OF REAL PROPERTY**  
**CONSERVATION EASEMENT VALUATION**  
**SULOMAN FARM PROPERTY**  
**2782 LEIDY ROAD**  
**NEW HANOVER TOWNSHIP**  
**MONTGOMERY COUNTY, PA**  
***PREPARED BY***  
***CRAIG W. GLEASON, MAI***

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CRAIG W. GLEASON, MAI




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March 12, 2019

New Hanover Township  
2943 North Charlotte Street  
Gilbertsville, PA 19525  
Attn: Mr. Jamie L. Gwynn Township Manager

RE: CONSERVATION EASEMENT VALUATION  
SULOMAN FARM PROPERTY  
2782 LEIDY ROAD  
NEW HANOVER TOWNSHIP  
MONTGOMERY COUNTY, PA

Dear Mr. Gwynn:

In accordance with your request, I have inspected the above-referenced property and have analyzed the pertinent market data in connection with establishing the estimated as is or “before” market value for the fee simple estate for the reference parcel of real estate, as of December 6, 2018. Also I have estimated the diminution in market value as a result of the hypothetical imposition of a conservation easement which would prohibit any further development of the subject site and restrict any future use to continued agricultural use and or other farm related occupancies. The report sets forth my value conclusions, along with supporting data and reasoning which form the basis of my opinion. The value opinions reported are qualified by certain definitions, limiting conditions, and certifications which are set forth on pages 12-14 of this report.

The appraisal has been prepared for the New Hanover Township, the intended users of the report. It is my understanding that the intended use of this appraisal is to establish a potential sale price for the fee simple estate or just development rights via a conservation easement. This appraisal may not be used or relied upon by anyone other than the intended user, for any purpose whatsoever, without the express written consent of the appraiser. I am willing to discuss my appraisal methodology and valuation process (including independent research and analysis contained in my files) if you so desire. However, I reserve the right to make the ultimate decision regarding the appropriate techniques and the final value opinion.

**In accordance with prior agreement between the client and the appraiser, the document presented is an appraisal report prepared in compliance with the Uniform Standards of Professional Appraisal Practice under Standard 1.** The reader is assumed to be in possession of the Uniform Standards of Professional Appraisal Practice as published by the Appraisal Foundation. The Scope of Work provided in completion of this appraisal assignment is consistent with what was previously identified as a Summary appraisal report. The appraisal has also been prepared in compliance with applicable state appraisal regulations.

The subject of this appraisal consists of an irregular shaped interior parcel of land embracing a gross land area of 34.56 acres. The subject parcel is presently improved with two detached single family dwellings, a farm store and several older outbuildings. The subject property is located in the R-25 Residential zoning district for New Hanover Township. The building improvements were observed to be in fair to average condition based on my **exterior only** inspection completed on December 6, 2018. **The reader is advised that the client has requested the retail farm store located on the northwest side of Leidy Road with approximately 1.16 acres of land area to be excluded from the analysis reducing the gross land area to 33.40 acres.**

Based upon my inspection of the property and investigation and analyses undertaken, I have formed the opinion that as of December 6, 2018, subject to the assumptions and limiting conditions set forth in this report, that the as is or "before" market value for the subject property as of December 6, 2018, the effective date of this appraisal, was:

**NINE HUNDRED AND NINETY THOUSAND (\$990,000) DOLLARS**

I have also concluded that the diminution in market value for the above referenced property after the imposition of the proposed Conservation Easement as of March 6, 2019 will be:

**SEVEN HUNDRED AND FIVE THOUSAND (\$705,000) DOLLARS**

**The reader is advised that the diminution or loss in market value is equivalent or synonymous with the market value of the conservation easement.**

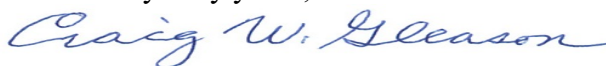
The estimated marketing time that an owner of the property would require to sell the property in a competitive and open market at or near the above as is or before market value estimate is 6-9 months with an estimated exposure time of 9 months. The estimated marketing time that an owner of the property would require to sell the property in a competitive and open market at or near the Prospective or "after" market value estimate is 6-9 months with an estimated exposure time of 9 months.

I have assumed that there are no hidden or undisclosed conditions of the land or of the improvements which would render the property more or less valuable. Furthermore, I have conducted no review of matters environmental in nature and assume the absence of asbestos, radon and any other environmentally hazardous or sensitive materials or deposits on the property.

I am not an expert in the field of hazardous materials. The appraisal does not constitute an expert environmental inspection of the property. The only way to be certain as to the condition of the property with respect to "environmental hazard" is to have an expert in the field inspect the property. The appraisal should not be relied upon as to whether or not environmental hazards actually exist on the property.

If you have any questions or comments regarding this appraisal report, please feel free to call my office.

Very truly yours,




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CRAIG W. GLEASON, MAI  
PA. Certified General  
Real Estate Appraiser GA-000269-L

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**CERTIFICATION OF APPRAISER**

Except as otherwise noted in the appraisal report, the undersigned do hereby certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct;
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased, professional analyses, opinions and conclusions;
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved;
4. My compensation for the preparation of this report is not in any sense contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, a minimum valuation, the attainment of a stipulated result, the approval of a loan, or the occurrence of a subsequent event;
5. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*;
6. CRAIG W. GLEASON, MAI has made a personal inspection of the property that is the subject of this report;
7. No one has provided significant professional assistance to the undersigned in the preparation of the analyses, conclusions and opinions concerning real estate that are set forth in this appraisal report;
8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
9. As of the date of this report CRAIG W. GLEASON, MAI is certified by the State of Pennsylvania under the general classification (GA-000-269-L) until 6/30/2019.
- 10. The appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.**
- 11. I have reviewed and fully understand the Competency Provision and Ethics Provision set forth within the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation. The reader is advised that I have previous experience in the appraisal of residential building lots, and development tracts of land and properties encumbered with conservation easements in Montgomery County and I have also completed the *Valuation of Conservation Easements* course.**
- 12. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.**
- 13. I have not provided appraisal services on the property which is the subject of this appraisal in the last three years.**

*Craig W. Gleason*

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**CRAIG W. GLEASON, MAI**  
**PA. Certified General**  
**Real Estate Appraiser GA-000269-L**



SUBJECT-FARMHOUSE-FRONT ELEVATION



SUBJECT-FARMHOUSE-REAR ELEVATION





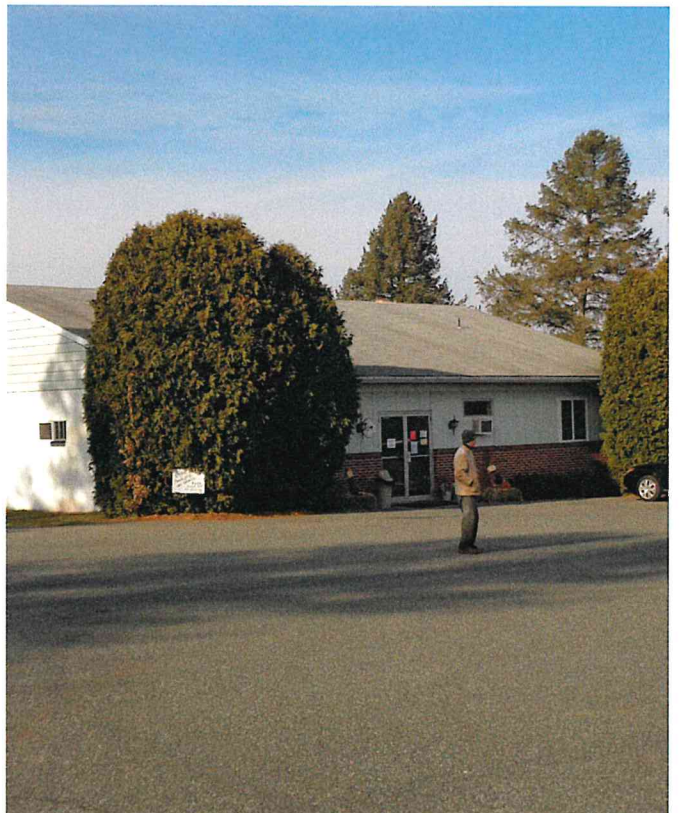
SUBJECT-RANCHER-FRONT ELEVATION



SUBJECT-BANK BARN



SUBJECT-DAIRY BARN



SUBJECT-FARM STORE-FRONT ELEVATION





SUBJECT-OUTBUILDINGS IN NORTH SECTION OF SITE



SUBJECT-SOUTH SECTION OF SITE





SUBJECT-SOUTH SECTION OF SITE



SUBJECT-NORTHEAST SECTION OF SITE





SUBJECT-SOUTHWEST SECTION OF SITE



SUBJECT-NORTHWEST SECTION OF SITE





LEIDY ROAD-SOUTHWEST



LEIDY ROAD-NORTHEAST

**ASSUMPTIONS, LIMITING CONDITIONS & CONTINGENCIES**

1. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
2. Information provided by parties not employed by us is assumed to be true and correct, and no liability resulting from misinformation is assumed by us.
3. All mortgages, liens, encumbrances, leases and servitudes have been disregarded.
4. I take no responsibility for events, actions, conditions or circumstances affecting the subject property or its market value that take place subsequent to either the date of value contained in this report, or to the date of field inspection, whichever occurs first.
5. No responsibility is assumed by us for hidden or unapparent conditions of the subject property, subsoil or structures which would render it more or less valuable, or for engineering which may be required to discover such conditions.
6. There are no existing judgments or pending or threatened litigation which could affect the value of the property.
7. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
8. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the internal Revenue Code) are anticipated.
9. I have made no survey of the property and have assumed no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
10. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and I have assumed that the property is not subject to surface entry for the exploration or removal of such materials.
11. No responsibility is accepted by us for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters; geologic considerations, such as soils and seismic stability; and civil, mechanical, electrical, structural, and other engineering and environmental matters.
12. If the property is subject to one or more leases, any estimate of residual value may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time the lease (s) expire or otherwise terminate.
13. The value conclusion (s) applies to the real estate only, and does not include personal property, machinery and equipment, trade fixtures, business value, goodwill or other nonrealty items. Income tax considerations have not been included or valued. I make no representations as to the value increment which may be attributed to such considerations.



14. The analyses necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by my analysis will vary from my estimates, and the variations may be material.
15. The existence of potentially hazardous material used in the construction or maintenance of the improvements, such as the presence of urea formaldehyde foam insulation, asbestos, and/or existence of toxic waste or radon, which may or may not be present on or in the property, was not observed by us nor do I have any knowledge of the existence of such materials on or in the property. We, however, are not qualified to detect such substances. The existence of these potentially hazardous materials may have an affect on value. The client (s) is urged to retain an expert in this field, if needed and/or desired.
16. In completing the appraisal, it is understood and agreed that this report is not intended, and will not be used in connection with a Real Estate Syndication or Syndicates. This report and any liability or obligation on the part of us is invalid if used in connection with a syndication.
17. This appraisal is made for valuation purposes only. It is not intended, nor is it to be construed, to be an engineering report. I not a qualified structural engineer, therefore, not qualified to judge the structural integrity of the improvements. Consequently, no warranty, representation or liability is assumed for the structural soundness, quality, adequacy or capacities of said improvements and utility services, including the construction materials, particularly the roof, foundations, and equipment, including the HVAC system. Should there be any question concerning same, it is strongly recommended that an Engineering/Construction inspection be obtained. The value estimate (s) is predicated on the assumption that all improvements, equipment, and building services are structurally sound and suffer no concealed or latent defects or inadequacies.
18. I found no obvious evidence of insect infestation or damage, dry or wet rot. Since a thorough inspection by a competent inspector was not performed for us, the subject is assumed to be free of existing insect infestation, wet rot, dry rot, and any structural damage which may have been caused by pre-existing infestation or rot which was subsequently treated.
19. This appraisal report is to be used in whole and not in part. No part of it shall be used in conjunction with any other appraisal. No responsibility is assumed for matters which are of a legal nature, nor is any opinion on the title rendered herewith. Good and marketable title is assumed. Management is assumed to be competent and the ownership to be in responsible hands.
20. By reason of this appraisal report, I am not required to give testimony in court with reference to the c property appraised unless arrangements have been previously made therefor. However, I am prepared to give testimony in support of this appraisal report provided that arrangements are made prior to testimony.
21. Disclosure of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute. Therefore, except as hereinafter provided, the party for whom this appraisal report was prepared, may distribute copies of this appraisal report, in its entirety, to such third parties as may be selected by the party for whom this appraisal report was prepared; however, selected portions of this appraisal report shall not be given to third parties without the prior written consent of the signatory of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations media, sales media, or other media for public communication (including, without limitation, prospectuses, private offering memoranda, and

other offering material provided to prospective investors) without the prior written consent of the signatory of this appraisal report, to ensure the accuracy and adequacy of such references to this appraisal report.

### **EXTRAORDINARY ASSUMPTIONS**

An extraordinary assumption is defined by the *Uniform Standards of Professional Appraisal Practice* as “an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions<sup>1</sup>. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of the data used in an analysis.” The final value estimates were based on the following extraordinary assumptions:

- 22. The estimated as is market value of \$990,000 assumes that the subject site is free and clear of hazardous waste or materials, and the value estimates assume there are no such materials on the site.**
- 23. The Prospective market value estimate of \$285,000 assumes that the proposed conservation easement for the subject site has been recorded and is in full force and effect with restrictions that are similar to the language in conservation easement agreements sponsored by Montgomery County and New Hanover Township.**

### **HYPOTHETICAL CONDITIONS**

A hypothetical condition is defined by the *Uniform Standards of Professional Appraisal Practice* as “a condition, directly related to a specific assignment, which is contrary to what is known to the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of the data used in an analysis<sup>2</sup>.”

**This appraisal was not based on any hypothetical conditions.**

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<sup>1</sup>. *The Appraisal Standards Board (ASB) of The Appraisal Foundation, Uniform Standards of Appraisal Practice (USPAP), (2018-19 Edition), page #4.*

<sup>2</sup>. *Ibid.*

**EXECUTIVE SUMMARY OF SALIENT FACTS & CONCLUSIONS**

<b><u>PROPERTY TYPE:</u></b>	Detached Dwellings and Outbuildings on 33.40 Acres of Residential Land
<b><u>LOCATION:</u></b>	2782 Leidy Road New Hanover Township Montgomery County, PA
<b><u>DATE INSPECTED:</u></b>	December 6, 2018
<b><u>DATES OF VALUATION:</u></b>	December 6, 2018 (As Is or Before Market Value) March 6, 2019 (Prospective or After Market Value)
<b><u>TAX PARCEL #</u></b>	47-00-04324-003
<b><u>TAX MAP #S</u></b>	47-054-027 & 034, 47-055-007, 069 & 008
<b><u>GROSS LAND AREA:</u></b>	33.40 Acres
<b><u>ZONING:</u></b>	R-25 Residential
<b><u>HIGHEST &amp; BEST USE AS IF VACANT (Before):</u></b>	Development of the site with a 58 lot detached residential subdivision under the R-25 Residential zoning ordinance for New Hanover Township.
<b><u>AS IMPROVED (Before):</u></b>	Demolition of the existing improvements and redevelopment of the site with 58 new detached colonial style dwellings in excess of 2,200 square feet of gross living area with full basements, attached 2 car garages and all of the amenities required from new home purchasers in the local marketplace.
<b><u>HIGHEST &amp; BEST USE AS IF VACANT (After):</u></b>	Development of the site with a 31+ acre parcel restricted to agricultural or open space use with contiguous 3.01 acre parcel that is least restricted for construction of a new residential dwelling and ancillary "farm" buildings.
<b><u>AS IMPROVED (After):</u></b>	Renovation of the existing single family dwellings and outbuildings on the entire 33.40 acre site for continued agricultural use as permitted under the proposed conservation easement.
<b><u>VALUE ESTIMATES BEFORE OR AS IS MARKET VALUE:</u></b>	\$990,000
<b><u>PROSPECTIVE MARKET VALUE:</u></b>	\$285,000
<b><u>LOSS IN VALUE:</u></b>	\$705,000

**PURPOSE**

The purpose of this appraisal report is to estimate the as is or “before” market value of the subjects fee simple estate under its highest and best use and the Prospective market value assuming imposition of a proposed Conservation Easement prohibiting any further development on the subject site to determine the economic loss in market value as a result of the proposed conservation easement.

**INTENDED USE**

The function or intended use of this appraisal assignment will be to render guidance for internal financial analysis by New Hanover Township to establish the potential compensation to be paid for the proposed conservation easement for the subject.

**INTENDED USERS**

This report will be for the use of the New Hanover Township and their designated representatives; however, a copy of the report may be distributed to others. Even once the report is distributed to others, I will maintain my confidential relationship with the intended users cited above **until the intended uses are complete or written release is provided.**

**DEFINITION OF MARKET VALUE**

Market Value may be defined as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and acting in what they consider their best interests; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions\* granted by anyone associated with the sale.<sup>1</sup>

\* Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession, but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

**DEFINITION OF PROSPECTIVE MARKET VALUE ESTIMATE**

A value opinion effective as of a specified future date. An opinion of value as of a prospective date is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy<sup>2</sup>.

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1. Code of Federal Regulations; Title 12--Banks And Banking; Chapter I--Comptroller Of The Currency, Department Of The Treasury; Part 34--Real Estate Lending And Appraisals--Subpart C—Appraisals Sec. 34.42 Definitions; Revised as of January 1, 2000.
  2. *Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th Edition (Chicago: AI, 1993), Page #180.*



## **PROPERTY RIGHTS APPRAISED**

The fee simple estate, subject to the conservation easement in place, constituted the real property evaluated in this report. Aside from zoning controls, deed restrictions, and easements of record, the fee simple title was assumed to be free and clear of all liens or encumbrances.

## **DEFINITIONS**

### **FEE SIMPLE ESTATE**

Absolute ownership unencumbered by any other interest or estate, subject only to limitations imposed by governmental powers of taxation, eminent domain, police power, and escheat<sup>1</sup>.

## **IDENTIFICATION OF SUBJECT PROPERTY**

The property being appraised consists of a 33.40 acre parcel located on the southeast and northwest sides of Leidy Road, approximately 1,565' northeast of Buchert Road, in New Hanover Township, Montgomery County, PA. The subject has a legal and mailing address of 2782 Leidy Road, Gilbertsville, PA 19525 and is further identified as uniform tax parcel #47-00-04324-003 under the Montgomery County tax assessors records.

## **HISTORY OF OWNERSHIP & OCCUPANCY**

Fee title to the subject parcel is currently vested in Larry L. Suloman and Darlene K. Suloman by deed as of November 18, 2015 and as recorded in deed book 5979, page #2320. The property was transferred from Larry L. Suloman for a nominal consideration. There were no recorded sales within the last three years and the property has not been recently offered for sale on the open market.

The subject property is currently owner occupied as an active dairy farm that is improved with two owner occupied detached single family dwellings and several outbuildings.

## **PERPETUAL CONSERVATION RESTRICTION**

Treasury Regulation 1.170A-14(b)(2) defines perpetual conservation restriction as follows: "A perpetual conservation restriction is a qualified real property interest. A 'perpetual conservation restriction' is a restriction granted in perpetuity on the use which may be made of real property including, an easement or other interest in real property that under state law has attributes similar to an easement (e.g., a restrictive covenant or equitable servitude). For purposes of this section, the terms 'easement', 'conservation restriction', and 'perpetual conservation restriction' have the same meaning."

The owners of record for the subject have proposed to encumber the site with a Conservation Easement to be held by New Hanover Township. The proposed conservation easement will prohibit any further subdivision or development of the 33.40 acre subject site and permit residential and agricultural improvements within a Minimal Protection Area. Mr. Jamie L. Gwynn, the Township Manager for New Hanover Township, reported the existing residential improvements (dwellings, store and outbuildings) will be permitted in the Minimal Protection Area and may be replaced if the structures are razed or removed. One additional residential dwelling will be permitted on the site; however, it can not be sold as a separate tax parcel.

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1. *Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th Edition (Chicago: AI, 2015), Page #90.*

## **SCOPE OF WORK**

*Scope of Work* is defined as the type and extent of research and analyses in an appraisal or appraisal review assignment<sup>1</sup>.

## **SCOPE OF WORK RULE<sup>2</sup>**

For each appraisal and appraisal review assignment, an appraiser must:

1. identify the problem to be solved;
2. determine and perform the scope of work necessary to develop credible assignment results; and
3. disclose the scope of work in the report.

Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal or appraisal review assignment. Credible assignment results require support by relevant evidence and logic. The credibility of assignment results is always measured in the context of the intended use. The following information summarizes my Scope of Work for this particular appraisal assignment.

## **LOCATION & AREA ANALYSIS**

Examined New Hanover Township and Montgomery County public records for demographic data, land use policies and trends and zoning information. Interviewed local real estate brokers active in the subject market area.

## **SITE DESCRIPTION & ANALYSIS**

Consulted New Hanover Township zoning and engineering department, tax records and reviewed legal description. Physically inspected the site on December 6, 2018, walked perimeter of property, and photographed subject site, surrounding area, and street scenes.

## **IMPROVEMENT DESCRIPTION & ANALYSIS**

Physically inspected the interior and exterior of the subject buildings obtaining measurements, photographs and a detailed description of the improvements. Interviewed, Mr. Larry Suloman, an of owner of record, on December 6, 2018 regarding the existing improvements.

## **MARKET DATA PROGRAM**

Obtained data on improved property transfers occurring over the last three years which were zoned for residential use and are located in the subject market area. Obtained copies of deeds and financing instruments from the courthouse and attempted to contact buyers, sellers, or both to verify transaction data and ensure that sales were at arms length. Details of the verified sales are included in the Sales Comparison Approach section.

## **It is important to note that the appraisal process does not include the following:**

- An in-depth review of the zoning ordinances which govern the property.
- A detailed highest and best use analysis.
- An in-depth market analysis.
- Review of environmental, survey or engineer's reports.
- Development of the income and cost approaches to value.

<sup>1</sup>. *The Appraisal Standards Board (ASB) of The Appraisal Foundation, Uniform Standards of Appraisal Practice (USPAP), (2018-19 Edition), page #5.*

<sup>2</sup>. *Ibid, page #12.*

**PROPERTY DATA**

**REAL ESTATE ASSESSMENT & TAXES**

The subject property is presently assessed for a total of \$327,340 under Act 319. The current (2018-19) millage ratios for the various taxing authorities are summarized as follows:

Millage Rates	Municipality	School	County	Total	Assessment	Total RE Taxes
2018-19 Mills/Thousand	1.680	26.761	3.458	31.899	\$327,340	\$10,442

The total real estate taxes on the property are estimated to be \$10,442 in 2018-19. The current assessment for the existing property is equivalent to a market value of \$641,592 based on the STEB ratio of 51.02% for Montgomery County. A tax assessment appeal is not recommended based on my as is value conclusion.

**ZONING**

The subject property is zoned R-25 Residential District under the New Hanover zoning ordinance(See addendum). The purpose of this district is to provide for a higher density of residential development in areas served by public sewer and water services. The permitted uses are limited to single family detached development, agricultural use, golf course communities, municipal uses, etc. The minimum lot size under the B1-Detached dwelling regulations of the R-25 Residential zoning ordinance is 15,000 square feet. My analysis of the township land development ordinance indicates the subject could also be developed under the under the B2-Performance Standard regulations of the zoning ordinance which reduces the minimum lot size to approximately 8,000 square feet for detached dwellings, 7,000 square feet for off center detached dwellings and 6,000 square feet for village type dwellings provided a minimum of 40% of the site is preserved as open space.

There are various development standards and some of the basic zoning requirements of the R-25 Residential zoning district are summarized as follows:

R-25 Residential-B2-Performance Standard	Required
Minimum Tract Size	20.0 Acres
Maximum Density	3.0 D. U./Acre
Minimum Open Space	40%
Maximum Impervious Surface	30%
Maximum Unit Type(1-58 Units)	100%
Minimum Unit Type (1-58 Units)	20%

The purpose of R-25 Residential is to promote the preservation of land and waterways and preserve woodlands and other natural amenities with a cluster provision for high density development after significant open space is preserved on the tract. My review of the ordinance indicates that there are no abnormal zoning restrictions which would impede development of the subject site. It is my conclusion that a yield of 58 residential lots under the cluster provision of the R-25 Residential District requirements is a reasonable estimate for the subject property. These issues will be analyzed further in the site description and highest and best use sections of the report.

**FLOOD HAZARD**

The subject site is not located within the 100 year flood plain boundary according to the FEMA flood plain map #42091C0087G for New Hanover Township dated March 2, 2016 (see addendum).

**STREET IMPROVEMENTS & UTILITIES**

Leidy Road is a two lane macadam paved township street which lacks curbing and sidewalks. A well on the site supplies water and the property is connected to public sewer, electric and telephone service. Public water is available in the immediate area.

<b>SUMMARY OF STREET IMPROVEMENTS</b>	
Name of Street	Leidy Road
Frontage	841.5'-Southeast Side 810.0' -Northwest Side
Direction of Traffic	Northeast-Southwest
Site Grade	Level to 3-4 above street grade, rolling throughout.
Cartway Width	40'
Medial Strip/Barrier	None
Sidewalk	None
Curb	None
Street Lights	None
On-Street Parking	None
Access	Good
Visibility	Good

## **LOCATION ANALYSIS**

The objective of this section is to identify and analyze trends and opportunities that may have a bearing on the economics and marketability of the property as described in the previous sections. Since real estate is an integral part of its neighborhood and it cannot be treated as an entity apart from its environment, in this section, the attributes that may influence the highest and best use and market value of the property are explored in detail. The linkages and dynamics of the immediate neighborhood and market area are perhaps the most critical and will be discussed first followed by an analysis of the county as it relates to supporting the socioeconomic trends of the neighborhood.

## **REGIONAL ANALYSIS**

The subject property is situated in New Hanover Township , Montgomery County, Pennsylvania. Montgomery County is a part of the Philadelphia Standard Metropolitan Statistical Area. Philadelphia is the geographic and economic center of a dynamic region identified as the Delaware Valley.

The Delaware Valley is comprised of a cluster of nine counties oriented to the Delaware River and united by a common identity reinforced by bonds of culture, industry and commerce. Philadelphia is at the geographic center of the region and has historically provided the focal point of the region's patterns of growth and change. The region includes five counties on the Pennsylvania side of the Delaware River, being Bucks, Chester, Delaware, Montgomery and Philadelphia; as well as four counties on the New Jersey side, to include Camden, Burlington, Gloucester and Mercer.

Philadelphia's strategic location in the Northeast region has allowed it to maintain its position as the fifth most industrialized region in the nation. In recent years, the MSA has experienced a shift in its economic activity with service/wholesale and retail sectors becoming increasingly important. Paralleling many Northeastern cities, employment losses have occurred in traditionally strong segments that include government and manufacturing. Offsetting these losses have been gains in construction, FIRE, service and wholesale/retail sectors.

## **POPULATION**

The 1980 U. S. Census estimated a regional population of 5,024,671 persons within the Delaware Valley. The 1990 census indicated growth of 3.1% to a level of 5,182,705. According to the Delaware Valley Regional Planning Commission (DVRPC), the population increased to an estimated level of 5,387,407 in 2000, a 3.9% increase. A summary of the data is summarized on the following page.

**DELAWARE VALLEY POPULATION**

<b>County/State</b>	<b>1990 Census</b>	<b>2000 Census</b>	<b>Percent Change 1990-2000</b>	<b>2010 Census</b>	<b>Percent Change 2000-2010</b>	<b>2015 (Estimated)</b>	<b>Percent Change 2010-2015</b>
Bucks	541,174	597,635	10.4	625,249	4.6	634,880	1.5
Chester	376,396	433,501	15.2	498,886	15.1	516,580	3.5
Delaware	547,651	550,864	0.1	558,979	1.5	559,500	0.01
Montgomery	678,111	750,097	10.6	799,874	6.6	808,530	1.1
Philadelphia	1,585,577	1,517,550	-4.3	1,526,006	0.6	1,540,000	0.9
<b>PA TOTAL</b>	<b>3,728,909</b>	<b>3,849,647</b>	<b>3.2</b>	<b>4,008,994</b>	<b>4.1</b>	<b>4,059,490</b>	<b>1.3</b>
Burlington	395,066	423,394	7.2	448,734	6	450,920	0.5
Camden	502,824	508,932	1.2	513,657	0.9	514,350	0.1
Gloucester	230,082	254,673	10.7	288,288	13.2	292,460	1.4
Mercer	325,824	350,761	7.7	366,513	4.5	367,660	0.3
<b>NJ TOTAL</b>	<b>1,453,796</b>	<b>1,537,760</b>	<b>5.8</b>	<b>1,617,192</b>	<b>5.2</b>	<b>1,625,390</b>	<b>0.5</b>
<b>REGIONAL TOTAL</b>	<b>5,182,705</b>	<b>5,387,407</b>	<b>3.9</b>	<b>5,626,186</b>	<b>4.4</b>	<b>5,684,880</b>	<b>1</b>

Source: DVRPC

The strongest percentage of growth on the Pennsylvania side as of the 2010 census was evidenced in Chester County and the strongest growth on the New Jersey side was in Gloucester County. It is notable that these counties also had the smallest respective population bases, making each point of absolute growth count higher on a percentage basis. For comparative purposes, it should be noted that the population change from 2000 to 2010 was 3.4 percent for the state of Pennsylvania, 4.5 percent for the state of New Jersey, and 9.7% for the nation as a whole. The estimated 2015 counts provided indicate changes which are significantly lower than the previous decade on the Pennsylvania side with Delaware County reflecting the lowest rate of population growth and limited growth on the New Jersey side.

## HOUSEHOLDS & HOUSING

The following statistics are available from the 2010 census data.



DELAWARE VALLEY HOUSEHOLDS//HOUSING								
County/State	2000 Households	2010 Households	Amount Change 2000-2010	Percentage Change 2000-2010	2000 Housing Units	2010 Housing Units	Amount Change 2000-2010	Percentage Change 2000-2010
Bucks	218,725	234,849	16,124	7.4%	225,498	245,956	20,458	9.1%
Chester	157,905	192,462	34,557	21.9%	163,773	192,462	28,689	17.5%
Delaware	206,320	222,902	16,582	8.0%	216,978	222,902	5,924	2.7%
Montgomery	286,098	325,735	39,637	13.9%	297,434	325,735	28,301	9.5%
Philadelphia	590,071	670,171	80,100	13.6%	661,958	670,171	8,213	1.2%
<b>PA TOTAL</b>	<b>1,459,119</b>	<b>1,646,119</b>	<b>187,000</b>	<b>12.8%</b>	<b>1,565,641</b>	<b>1,657,226</b>	<b>91,585</b>	<b>5.9%</b>
Burlington	154,371	175,615	21,244	13.8%	161,311	175,615	14,304	8.9%
Camden	185,837	204,943	19,106	10.3%	199,679	204,943	5,264	2.6%
Gloucester	90,717	109,796	19,079	21.0%	95,054	109,796	14,742	15.5%
Mercer	125,807	143,169	17,362	13.8%	133,280	143,169	9,889	7.4%
<b>NJ TOTAL</b>	<b>556,732</b>	<b>633,523</b>	<b>76,791</b>	<b>13.8%</b>	<b>589,324</b>	<b>633,523</b>	<b>44,199</b>	<b>7.5%</b>
<b>REGIONAL TOTAL</b>	<b>2,015,851</b>	<b>2,279,642</b>	<b>263,791</b>	<b>13.1%</b>	<b>2,154,965</b>	<b>2,290,749</b>	<b>135,784</b>	<b>6.3%</b>

Source: DVRPC & US Census

The owner-occupant ratio and the number of persons per unit describes a relatively tight range throughout the region. It is notable that household size had been declining in the Delaware Valley as it has been on a national basis, resulting in faster paced household growth relative to population growth. For comparative purposes, it should be noted that the average household size for Pennsylvania was 2.62 and 2.81 for New Jersey as of the 2000 census. Pennsylvania household growth was 6.5 percent from 1980 to 1990 and 5.5% from 1990 to 2000, New Jersey experienced 9.7 percent growth during 1980-1990 and 8.9% household growth from 1990-2000.

## EMPLOYMENT

The Delaware Valley has a sizeable and diverse employment base. Recent employment statistics and projections are summarized as follows:

<b>DELAWARE VALLEY EMPLOYMENT (Full &amp; Part Time)</b>							
<b>County/State</b>	<b>1990 Census</b>	<b>2000 Census</b>	<b>Change 1990-2000</b>	<b>Percent Change 1990-2000</b>	<b>2010 Census</b>	<b>Change 2000-2010</b>	<b>Percent Change 2000-2010</b>
Bucks	298,410	329,066	30,656	10.3%	339,043	9,977	3.0%
Chester	206,690	235,802	29,112	14.1%	264,170	28,368	12.0%
Delaware	277,930	277,042	(888)	-0.3%	277,300	258	0.1%
Montgomery	374,650	408,704	34,054	9.1%	600,727	192,023	47.0%
Philadelphia	695,620	634,992	(60,628)	-8.7%	647,411	12,419	2.0%
<b>PA TOTAL</b>	<b>1,853,300</b>	<b>1,885,606</b>	<b>32,306</b>	<b>1.7%</b>	<b>2,128,651</b>	<b>243,045</b>	<b>12.9%</b>
Burlington	207,570	221,372	13,802	6.6%	238,898	17,526	7.9%
Camden	253,829	254,262	433	0.2%	268,338	14,076	5.5%
Gloucester	119,640	134,838	15,198	12.7%	158,153	23,315	17.3%
Mercer	170,758	180,174	9,416	5.5%	203,947	23,773	13.2%
<b>NJ TOTAL</b>	<b>751,797</b>	<b>790,646</b>	<b>38,849</b>	<b>5.2%</b>	<b>869,336</b>	<b>78,690</b>	<b>10.0%</b>
<b>REGIONAL TOTAL</b>	<b>2,605,097</b>	<b>2,676,252</b>	<b>71,155</b>	<b>2.7%</b>	<b>2,997,987</b>	<b>321,735</b>	<b>12.0%</b>

Source: DVRPC

Employment growth was impressive in the first half of the previous decade; however, the subsequent recession negated quite a bit of the earlier gains. The 2010 figures continue to show employment growth, though at a far more modest pace. Within the state of Pennsylvania, some 56.9 percent of employment is considered to be white collar, and in New Jersey the ratio is 64.9 percent. These figures compare with a national ratio of 58.0 percent.

Philadelphia's strategic location in the Northeast region has allowed it to maintain its position as the fifth most industrialized region in the nation. In recent years, the MSA has experienced a shift in its economic activity with service/wholesale and retail sectors becoming increasingly important. Paralleling many Northeastern cities, employment losses have occurred in traditionally strong segments that include government and manufacturing. Offsetting these losses have been gains in construction, FIRE, service and wholesale/retail sectors.

As previously noted, the region is conveniently located within the northeast corridor which provides convenient access to a comprehensive network of transportation systems. The highway network is a particular strength of the region. Regional routes serving the area include I-95, which extends north-south from Maine to Florida and provides a focal point to the northeast corridor. U. S. Route 1 basically parallels I-95 and provides a more localized transportation and commercial corridor. The regional turnpike system features the Pennsylvania Turnpike (I-76; 276) extending east-west across the state, and the New Jersey Turnpike, extending north-south. These two regional highways connect within the region at their intersection with the Delaware River. The Pennsylvania Turnpike also has a Northeast Extension which extends north from Plymouth Meeting (Montgomery County) and connects with I-81 in the northeast section of the state. I-76, also known as the Schuylkill Expressway, extends from the Pennsylvania Turnpike to Philadelphia and joins with the Atlantic City Expressway south of the city providing access to Atlantic and Cape May County shore points. I-476, also known as the Blue Route or Mid-County Expressway, provides a limited access outer loop to the Pennsylvania suburban side of the region. On the New Jersey side, I-295 parallels the Delaware River, connecting Trenton, New Jersey with Wilmington, Delaware to the south. I-95 extends east from Trenton, providing a connection with Ocean County shore points. Numerous intermediate routes blanket the region and provide ready accessibility throughout the Delaware Valley. Also, the Pennsylvania Department of Transportation has recently announced plans to connect the PA turnpike with the I-95 expressway in lower Bucks County.

Public transportation is provided to national points by either rail or air. Philadelphia International Airport is centrally situated within the region and provides full service travel throughout the nation and internationally. The airport was recently improved with a new international terminal to replace its outmoded predecessor. The domestic terminals are undergoing an expansion and renovation with expanded parking at this time. Rail transportation is provided by AMTRAK. Metroliner service is extensive to the northeast corridor and provides ready access to the cities listed previously. Access is also available to cities throughout the nation, although this service has been curtailed somewhat in recent years. These sources of national transportation are supplemented by regional systems, most notably SEPTA (Southeastern Pennsylvania Transportation Authority) on the Pennsylvania side and New Jersey Transit on the New Jersey side.

Industrial transport is accommodated throughout the region as well by an intermodal system. CSX has an intensive network of freight lines which connect with other regional systems. Air freight service is available from Philadelphia International Airport. Numerous truck lines are based in the region and operate nationally. The region even boasts a port system which is in the process of undergoing regional coordination.

## **CONCLUSION**

The Delaware Valley is a vast socio-political area which benefits from numerous advantages. Situated centrally within the dynamic northeast corridor, the region has all of the ingredients necessary to realize ongoing success and continued growth. I expect areas throughout the region to continue to be competitive and grow for the foreseeable future.

## MONTGOMERY COUNTY ANALYSIS

Encompassing approximately 492 square miles, Montgomery County contains 62 municipalities ranging in size from the Borough of Green Lane with 0.311 square miles and a population of 450 to Lower Merion Township with 23.64 square miles and a population of 58,818. The county shares a 29 mile common boundary with Philadelphia on the east. The townships located along this boundary are the most densely developed and house the greatest concentration of population in the county. The western end of the county is still primarily rural.

### POPULATION

Montgomery County remains firmly entrenched as the third most populous county in the commonwealth behind Philadelphia and Allegheny (Pittsburgh). Population in Montgomery County per the 2000 U. S. Census was 750,097 persons. This reflects significant increases in population in the recently developed townships of Central Montgomery County, but a general decline in the eastern townships. The growth in Central Montgomery County is primarily a reflection of improved accessibility, continued municipal sewer service and the great influx of new jobs in the area. The population growth declined during the 1980's primarily due to smaller household composition and a decrease in developable land.

A review of the 2010 census data indicates an increase for Montgomery County from 2000 of 6.6% or 49,777 residents. Philadelphia had experienced a dramatic reduction in out-migration with an estimated loss of 33,005 people, or 2.1% from the 2000 Census and this trend is estimated to have continued in the most recent decade with an estimated population loss of 5.1% resulting in an above average increase for Montgomery County. The 2015 ESRI estimate indicates an increase of 16,068 residents or 2.0% population growth since 2010.

### HOUSING UNITS/HOUSEHOLDS & AND FAMILIES

The number of housing units in Montgomery County increased to 325,735 units in 2010 which represents an 9.5% increase since 2000. This rate of increase was the second highest percentage of increases of the surrounding counties and the second highest increase for total number of units. Figures depicting the increases for the three categories are presented in the following table.

<b>MONTGOMERY COUNTY CHANGES 2000-2015</b>							
	<b>2000 Census</b>	<b>2010 Census</b>	<b>Amount Change 2000-2010</b>	<b>% Change 2000-2010</b>	<b>2015 ESRI Estimate</b>	<b>Amount Change 2010-2015</b>	<b>Percent Change 2010-2015</b>
<b>Housing Units</b>	297,434	325,735	28,301	9.5%	332,678	6,943	2.1%
<b>Households</b>	286,098	307,750	21,652	7.6%	314,627	6,877	2.2%
<b>Families</b>	194,749	208,959	14,210	7.3%	211,653	2,694	1.3%

**Source: DVRPC & ESRI Demographics**

As the chart reveals, it appears that the housing supply growth (9.5 & 2.1 percent increases) surpassed the pace of population growth (6.6 & 2.0 percent increases) during the previous and current decade. Again, this is mainly a function of the decline in average household size which is a national phenomenon.

### INCOME

Income levels in Montgomery County have consistently increased over the last 20 years. The table on the following page depicts the per capita, average household and median household income levels for Montgomery County for 2015 and 2010 as estimated by ESRI.

Households by Income	2015		2020	
	Number	Percent	Number	Percent
< \$15,000	19,723	6.3%	16,765	5.2%
\$15,000 - \$24,999	19,519	6.2%	13,333	4.1%
\$25,000 - \$34,999	20,481	6.5%	16,364	5.1%
\$35,000 - \$49,999	29,719	9.4%	26,782	8.3%
\$50,000 - \$74,999	49,554	15.8%	46,079	14.3%
\$75,000 - \$99,999	46,023	14.6%	47,502	14.8%
\$100,000 - \$149,999	60,293	19.2%	72,469	22.5%
\$150,000 - \$199,000	29,795	9.5%	37,394	11.6%
\$200,000+	39,515	12.6%	44,717	13.9%
Total	314,622	100.0%	321,405	100.0%
Median Household Income	\$83,242		\$95,916	
Average Household Income	\$127,752		\$127,752	
Per Capita Income	\$43,542		\$49,469	

Source: ESRI Demographics

The ESRI demographic report indicates that approximately 55.9% of households within the county have household incomes in excess of \$75,000 annually and 41.3% earn over \$100,000 which indicates income levels that are considered more than adequate to support retail/commercial land uses in the county.

## **EMPLOYMENT**

The MSA has exhibited a shift in population away from the older counties of Philadelphia and Delaware toward the outlying suburban counties. This trend is expected to continue. The MSA and Montgomery County economies have shifted from a manufacturing base to a service/wholesale concentration and this trend is also expected to continue. The historical economic and development statistics for both the MSA and the county indicate the previous sluggishness of the economy during the period from 1989 to 1991 with increased unemployment rates and significant decreases in development activity. This trend has been reversed with significant increases in development activity from 1991-92. Per capita income statistics reflect increases, and reflect the long-term strength of Montgomery County.

From 1980 to 1990 Montgomery County had experienced a tremendous increase in overall employment accounting for 20.42% of all new private sector jobs created in the state of Pennsylvania. Much of the increase was evident in employment centers such as King of Prussia, Fort Washington, Willow Grove, Plymouth Meeting, Horsham and Lansdale. Unemployment rates for Montgomery County are summarized as follows:

<b>UNEMPLOYMENT RATES</b>									
	Overall, 2010	Overall, 2011	Overall, 2012	Overall, 2013	Overall, 2014	Overall, 2015	Overall, 2016	Overall, 2017	October, 2018
MONTGOMERY COUNTY	7.4%	6.7%	6.8%	6.3%	4.6%	4.4%	4.3%	3.9%	3.5%
PENNSYLVANIA	8.7%	7.9%	7.9%	7.4%	6.4%	5.1%	5.4%	4.9%	4.1%
UNITED STATES	8.7%	8.6%	8.6%	7.4%	5.6%	5.4%	4.9%	4.4%	3.7%

SOURCE: PA Department of Labor

The unemployment rate increased significantly from 3.4% in October, 2007 as several major employers contracted their work force as a result of the recent economic downturn experienced in the second half of 2008. There had been steady but minor improvement in total employment for the county in 2012-13 with significant improvement noted in the last 36 months.

Montgomery County is second only to Philadelphia as a center for employment in the region. Montgomery County experienced an increase in its share of the region's total employment from 1990-1995, then leveled off with slower growth to the year 2000. These trends are a reflection of the migration of industry to the suburbs and a favorable industrial mix. All 21 general categories of manufacturing were represented in the county. The major source of employment in Montgomery County has been white collar employment which has developed in the fast growing office and industrial corridors bordering the Pennsylvania Turnpike and Route #202. These corridors include affluent industrial and office parks such as Pennsylvania Business Campus, King of Prussia Business Park, Fort Washington Office Park and Whitmarsh Industrial Campus. A current trend within these parks has been conversion of the light industrial buildings constructed in the 1960's through 1980's to Class A office space due to increased demand from the increased employment from the service sector.

Also, Montgomery County is creating recognition as an employment center for the pharmaceutical industry. It is home to such prestigious firms as Merck, McNeill, Rhom & Haas; and Smith-Kline Beecham. Smith-Kline Beecham purchased the former headquarters of Sterling Drug Company in the Collegeville section of Upper Providence Township in relocating approximately 2,000 employees to their new research and development facility in 1994. Another notable addition is the Philadelphia Newspapers facility in Upper Merion Township. The company relocated all of its printing, warehousing and distribution business to this \$300 million facility. This relocation resulted in employment of approximately 1,200.

The MSA has exhibited a shift in population away from the older counties of Philadelphia and Delaware toward the outlying suburban counties. This trend is expected to continue. The MSA and Montgomery County economies have shifted from a manufacturing base to a service/wholesale concentration and this trend is also expected to continue. The historical economic and development statistics for both the MSA and the county indicate the previous sluggishness of the economy during the period from 1989 to 1991 with increased unemployment rates and significant decreases in development activity. This trend had been reversed with significant increases in development activity from 1992-93 and from 1996-98. Per capita income statistics reflect increases, and reflect the long-term strength of Montgomery County.

The economic problems associated with the capital markets and the 700 billion dollar federal bailout of AIG, FNMA/FHLMC and several international investment banks in September, 2008 was considered to be a direct result of the sub-prime mortgage problems. This financial crisis triggered significant regional declines in the residential market segment, particularly in the new home market segment, due to problems associated with the sub-prime mortgage market and over built markets. The decline in the local residential marketplace at that time was considered to be an anomaly in 2008 as the basic market fundamentals such as employment levels, income levels and mortgage interest rates were all favorable until the significant declines in the regional and local economies were noted in the second half of 2008. The majority of Real Estate market analysts surveyed have indicated most markets had stabilized in the second half of 2010 with significant improvement in the apartment and hotel market sectors noted.

In conclusion, the continued growth and economic stability of Montgomery County is assured by its orientation and linkage to Philadelphia and the other suburban counties, by the perpetuation of a sound industrial and service base and by the existence of an excellent transportation network. The current economic recession has increased unemployment levels significantly; however, Montgomery County currently has the lowest rate of any county in the state and is traditionally the lowest in the state. I anticipate that it will maintain its position as the second wealthiest county in the state and the long term prospects for its future are favorable.



## NEIGHBORHOOD & MARKET AREA ANALYSIS

The subject property is located on both the northwest and southeast sides of Leidy Road in the "Gilbertsville" section of New Hanover Township, Montgomery County, Pennsylvania. New Hanover Township comprises an area of 22 square miles. It is located in the western section of the township and is bordered by Upper Hanover to the north, Douglass Township to the west, Lower Pottsgrove and Limerick Townships to the south and Upper Frederick Township to the east. New Hanover is considered a second class township with a 2010 estimated population of 10,939 residents which is a 48.4% increase over the 2000 estimated population. It is considered a desirable community for household and business enterprises alike, a fact that is supported by significant population growth within the township and surrounding area during the last decade.

The surrounding area may be characterized as primarily residential in character along with some larger tracts of farm land north and west of the subject. The adjacent Fairbrook subdivision consists of 7-9 year 2 story colonial style dwellings on .34 to .95 acre lots with municipal water and sanitary sewer. Recent sale prices ranged from \$384,900 to \$407,000. The 24-26 year old Hunters Run development, located immediately south of the subject, consists of two story colonial style homes on .27 to .35 acre lots with recent sale prices from \$275,000 to \$340,000. The improved residential properties located nearby consist of some older detached single family homes on 1.0 to 5+ acre lots with on-site wells and septic systems. The remaining areas consist of detached single family residential properties on multi-acre lots along with some larger tracts of farm land.

Statistics obtained from Trend, the regional multiple listing service, indicate that 226 single family homes were sold in New Hanover Township from December 1, 2017 to November 30, 2018. The average sale price was \$320,331 which represents a 10.4% increase over the average sale price of \$290,187 reported for the same twelve months in 2016-17. I have also reviewed historical statistics regarding existing home prices in New Hanover Township which are indicative of recent trends in appreciation for single family home prices which are summarized as follows:

**New Hanover Township**

<u>Year</u>	<u>Units Sold</u>	<u>Average Sale Price</u>	<u>Amount Increase</u>	<u>% Increase</u>	<u>Days on Market</u>
12/13-11/14	232	\$295,565	-----	-----	67
12/14-11/15	205	\$297,384	\$1,819	0.6%	115
12/15-11/16	227	\$308,620	\$11,236	3.8%	107
12/16-11/17	235	\$290,187	(\$18,433)	-6.0%	75
12/17-11/18	226	\$320,331	\$30,144	10.4%	41

The most recent statistics for the township indicate increases in the average sold prices in three of the last four years. The average sale price increased 8.4% from 2013-14 to 2017-18 and marketing time declined from 67 to 41 days which are both positive trends.

Transportation for the area is predominantly by automobile with convenient access to all points on the compass. The Pottstown Expressway Extension (Route #422) is located approximately 3 miles south of the subject and provides access to the King of Prussia area and Philadelphia respectively. Charlotte Road (Route 663) is located 1/4 mile west of the subject and provides convenient access to the northeast extension of the Pennsylvania Turnpike.

New Hanover Township is part of the Boyertown area school district which serves Douglass, New Hanover and Upper Frederick in Montgomery County plus Douglass, Colebrookdale and Washington Townships and the boroughs of Bally, Bechtessville and Boyertown in Berks County. The district has seven elementary schools,

two junior high schools and one high school. It is recognized as one of the more desirable districts in the area with a 2015 graduation rate of 92.2% and approximately 77% of the high school graduates attend a 2 or 4 year college. In addition, the subject is within a reasonable commute of several private schools. Also within a reasonable commute are several colleges and universities.

According to the Montgomery County Planning Commission New Hanover Township and the surrounding areas will continue to experience growth and development in the next decade. This growth is attributable to the close proximity of the Schuylkill Expressway extension (Route #422). This four lane divided highway provides convenient access to the King of Prussia area and the Route #202 "hi-tech" corridor. This regional highway has provided access to a larger sophisticated labor pool and a population of commuters who are attracted to the somewhat rural character of the areas surrounding New Hanover Township. These locational factors, along with the townships remaining rural physical characteristics will tend to support additional residential and commercial development and the prospects for future expansion over the long term is realistic; however, there was a "glut" of approved and improved building lots within the township and the market area in 2011-2014 with a decline in inventory levels noted in 2015-18.

The state population grew at a minimal rate while Montgomery County and New Hanover Township have grown at a rate of 11% and 23.7% respectively over the last decade. Population in the New Hanover and Gilbertsville areas is expected to increase significantly during the next decade according to the Montgomery County Planning Commission. Population in the next ten years is expected to generally follow the growth pattern that was observed in the 1990's with development in areas with vacant land and sewer capacity.

## **DEMOGRAPHIC ANALYSIS**

### **POPULATION**

The population in New Hanover Township experienced moderate growth from 1990 to 2000. According to the U.S. Census, the population was 7,369 residents as of 2000, which represents a 23.7 percent increase over the 1990 figure of 5,956 residents. The following table presents the 1990, 2000 and 2010 population trends of neighboring Montgomery County municipalities.

<b>POPULATION CHANGES IN VICINITY 1990-2010</b>							
<b>Municipality</b>	<b>1990 Census</b>	<b>2000 Census</b>	<b>Amount Change 1990-2000</b>	<b>% Change 1990-2000</b>	<b>2010 Census</b>	<b>Amount Change 2000-2010</b>	<b>Percent Change 2000-2010</b>
<b>New Hanover Twp</b>	<b>5,956</b>	<b>7,369</b>	<b>1,413</b>	<b>23.7%</b>	<b>10,939</b>	<b>3,570</b>	<b>48.4%</b>
Limerick Twp	6,691	13,534	6,843	102.3%	18,074	4,540	33.5%
Upper Frederick Twp.	2,165	3,141	976	45.1%	3,523	382	12.2%
Upper Pottsgrove Twp.	3,315	4,102	787	23.7%	5,315	1,213	29.6%
Douglass Twp.	7,048	9,104	2,056	29.2%	10,195	1,091	12.0%
<b>Total</b>	<b>25,175</b>	<b>37,250</b>	<b>12,075</b>	<b>48.0%</b>	<b>37,107</b>	<b>10,796</b>	<b>29.0%</b>

**Source: DVRPC & ESRI Demographics**

The table reveals significant increases in New Hanover Township and neighboring Limerick Township over the previous decade. The increase in population within the market area is significantly higher than Montgomery County (4.8%) as a whole. The estimated 2018 population for New Hanover Township by ESRI is 12,631 residents reflecting an increase of 15.5% from the 2010 census data. This overall growth has been stimulated by the continued development of available land and out-migration of residents from Philadelphia and relocation of employees to western Montgomery County.

## HOUSING UNITS

The number of housing units in New Hanover Township in 1990 was 2,076 according to the U.S. Census, and increased 26.0 percent as of 2000 to 2,615 housing units. This rate of increase is significantly higher than the percentage of increase for Montgomery County and is consistent with most of the surrounding municipalities. Figures depicting the increases in housing units for the surrounding municipalities are presented in the following table.

<b>HOUSING UNIT CHANGES IN VICINITY 1990-2010</b>							
<b>Municipality</b>	<b>1990 Census</b>	<b>2000 Census</b>	<b>Amount Change 1990-2000</b>	<b>% Change 1990-2000</b>	<b>2010 Census</b>	<b>Amount Change 2000-2010</b>	<b>Percent Change 2000-2010</b>
<b>New Hanover Twp</b>	<b>2,076</b>	<b>2,615</b>	<b>539</b>	<b>26.0%</b>	<b>3,919</b>	<b>1,304</b>	<b>49.9%</b>
Limerick Twp.	2,520	5,336	2,816	111.7%	7,046	1,710	32.0%
Upper Frederick Twp	707	1,088	381	53.9%	1,450	362	33.3%
Upper Pottsgrove Twp	1,196	1,459	263	22.0%	1,950	491	33.7%
Douglass Twp	2,559	3,292	733	28.6%	3,650	358	10.9%
<b>Total</b>	<b>9,058</b>	<b>13,790</b>	<b>4,732</b>	<b>52.2%</b>	<b>18,015</b>	<b>2,921</b>	<b>21.2%</b>

Source: DVRPC & ESRI Demographics

The table reveals significant population and housing growth in the vicinity in the previous decade which is significantly higher than Montgomery County with significant growth during the last seventeen years. The estimated 2018 housing units total for New Hanover Township by ESRI is 4,410 units reflecting an increase of 491 units or 12.5% from the 2010 census data. This overall growth has been stimulated by the continued development of available land and out-migration of residents from Philadelphia and relocation of employees to western Montgomery County. The pace of development in New Hanover Township had been restricted from 2005-06 due to the lack of municipal sanitary sewage capacity. This trend was reversed in 2007-08 as sewer capacity became available and development activity increased significantly; however, there was a significant decline in 2010-2012 due to the impact of the “Great” recession.

## INCOME

The income statistics from the 2000 census and the 2018 and 2023 estimates by ESRI for New Hanover Township are summarized as follows:

<b>NEW HANOVER TOWNSHIP INCOME STATISTICS</b>							
<b>Category</b>	<b>2000 Census</b>	<b>2018 ESRI Estimate</b>	<b>Amount Change 2000-2018</b>	<b>% Change 2000-2018</b>	<b>2023 ESRI Estimate</b>	<b>Amount Change 2018-2023</b>	<b>Percent Change 2018-2023</b>
<b>Per Capita</b>	\$25,084	\$39,853	\$14,769	58.9%	\$44,068	\$4,215	10.6%
<b>Average Household</b>	\$72,340	\$116,149	\$43,809	60.6%	\$129,214	\$13,065	11.2%
<b>Median Household</b>	\$66,194	\$101,388	\$35,194	53.2%	\$107,358	\$5,970	5.9%

Source: DVRPC & ESRI Demographics

All of the income levels from the 2018 and 2023 estimates from the ESRI demographic report reflect rates in excess of ordinary inflation for the Philadelphia SMSA. The following table shows the household income distribution for New Hanover Township, estimated for 2018 and 2023 by ESRI.

<b>NEW HANOVER TOWNSHIP HOUSEHOLD INCOME DISTRIBUTION</b>				
<b>Amount</b>	<b>2018 ESRI Estimate # of Households</b>	<b>% of Households</b>	<b>2023 ESRI Estimate # of Households</b>	<b>% of Households</b>
<b>&lt;\$15,000</b>	125	2.9%	106	2.3%
<b>\$15,000-\$24,999</b>	134	3.1%	119	2.6%
<b>\$25,000-\$34,999</b>	270	6.2%	241	5.2%
<b>\$35,000-\$49,999</b>	288	6.6%	265	5.7%
<b>\$50,000-\$74,999</b>	539	12.4%	510	11.0%
<b>\$75,000-\$99,999</b>	753	17.4%	762	16.4%
<b>\$100,000-\$149,999</b>	1,195	27.6%	1,385	29.8%
<b>\$150,000-\$199,000</b>	631	14.6%	756	16.3%
<b>\$200,000+</b>	398	9.2%	506	10.9%
	4,333	100.0%	4,650	100.0%

**Source: DVRPC & ESRI Demographics**

The ESRI demographic report indicates that approximately 68.8% of households within the township have household incomes in excess of \$75,000 annually and 51.4% earn over \$100,000 which indicates more than adequate retail potential for the study area.

Real estate values in the market study area had increased steadily during the period from 2002-2007. The retail and office markets were appreciating annually from 2002-2007 based on my review and analysis of rental and sales activity for commercial properties in the market area. The local residential marketplace had declined in 2008, particularly in the new home market segment due to problems associated with the sub-prime mortgage market and over built markets. The decline in the local residential marketplace was considered to be an anomaly as the basic market fundamentals such as employment levels, income levels and mortgage interest rates were all favorable. The local and regional economies declined further in the second half of 2008 and continued to decline through the first half of 2010. The economic problems associated with the capital markets and the 700+ billion dollar federal bailout of AIG, FNMA/FHLMC and several international investment banks as a result of the sub-prime mortgage problems and the significant declines in the new home market segment continued to be a cause for concern in 2010-11 and the economic fallout had also adversely impacted the retail, office and investment property markets.

The majority of Real Estate market analysts surveyed have indicated most markets had stabilized in the second half of 2010 with significant improvement in the apartment and hotel market sectors noted from 2011-17 and steady improvement in all other market segments from 2012-2018.

In summary, the subject property was observed to be well located, readily accessible via a good highway system and convenient to shopping, commercial facilities and employment centers. There are ample community facilities and good schools nearby. These factors interact to attract a good labor force as well as provide a ready market for a variety of goods and services. The subject land presents a well located office site with desirable locational attributes and the long term prospects for future appreciation are optimistic.

## SITE DESCRIPTION

The subject property consist of an irregular shaped interior parcel containing a gross land area of 33.40 acres according to the Montgomery County Tax Assessors records. The subject site has 841.5 feet of frontage along the southeast side of Leidy Road and 570.0 feet of frontage along the northwest side of Leidy Road assuming the retail farm store is situate on a 1.16 acre parcel with 240 feet of frontage and is excluded from this analysis. Approximately 24.24 acres of the site is a located on the southeast side of Leidy Road and 9.16 acres area located on the northwest side of Leidy Road. The particular characteristics of the subject site may be described as follows.

Site Area:	33.40 Acres (Gross)
Site Frontage:	841.5' Southeast side of Leidy Road 570.0' Northwest side of Leidy Road
Site Shape:	Irregular
Topography:	The subject site is bisected by Leidy Road is level to 2-3' above street grade with a storm water drainage swale traversing the middle section of the site. The drainage swale runs to a pond in the northwest section of the site. The site slopes gradually upward from the drainage swale to north, south, southwest and northeast by approximately 20-25'. The residential dwellings and outbuildings are located in the north section of the site on the southeast side of Leidy Road. The farm store is located in the northwest section of the site on the northwest side of Leidy Road. The remainder of the site is generally cleared open fields with a stand of mature trees along the perimeter and in the northeast and southwest sections of the site.
Utilities:	The subject property is connected to public sewer, electric and telephone and is currently served by an on site well. Pubic water is immediately available.
Easements:	No adverse easements were noted. The site is subject to normal utility easements.
Flood Status:	Based on the Flood Insurance Rate Map #42091C0087G (effective date March 2, 2016) of the Federal Emergency Management Agency's National Flood Insurance Program, the subject site is not located within a 100 year flood plain area (see addendum).
Soil Conditions.	I have not reviewed a soil survey of the subject site; however, based on surrounding developed uses, it appears that the soil is of a sufficient load bearing capacity to support residential dwellings.
Environmental Hazards:	None noted. <b>I do not claim expertise in matters of environmental concern and no environmental study was conducted in conjunction with the preparation of this appraisal report. Furthermore, I have assumed that the subject is free and clear of any environmental contaminants.</b>
Overall Evaluation:	In summary, the subject site consists of an irregular shaped parcel of land bisected by Leidy Road with average visibility, adequate access to public utilities

and a rolling to steeply sloping topography. The drainage swale and pond on the site along with potential steep slopes may have an adverse impact on the potential lot yield as detached single family subdivision.

### **RESIDENTIAL DEVELOPMENT POTENTIAL**

The subject contains an estimated combined gross land area of 33.40 acres. The subject property is located in the R-25 Residential zoning district for New Hanover Township. The R-25 Residential zoning regulations permit detached single family dwellings with a minimum lot size of 15,000 square feet which can be reduced to 6,000 to 8,000 square feet as a performance standard or cluster development under the B2 design or development standards. A maximum yield of 3.0 units per acre is permitted with a minimum of 40% of the tract is required to remain as open space under the cluster regulations.

The owner of record has not provided any surveys or site plans. My review of the Montgomery County tax map indicates that the subject property has more than adequate access along both sides of Leidy Road with all public utilities available. The reader is advised that the only known physical issues with the subject site is the pond in the northwest section of the site, potential steep slopes along the drainage swale and the elongated shape in the southwest section of the site which may adversely impact the lot yield.

I have analyzed several land development plans from New Hanover Township that have been approved under the R-25 zoning criteria and the B2 performance standards which are summarized as follows:

#### **Hanover Crossing**

An interior site containing a gross land area of 33.0 acres and a net land area of 32.12 acres. The site has 614.01' of frontage on the west side of Swamp Pike and has access frontage on three existing township streets (Country Lane, Harvest Lane & Colonial Drive). The property has a gently rolling to sloping topography and the majority of the site is cleared with some perimeter trees and several scattered mature trees ranging in height from 10-20'. The owner of record is currently seeking development approvals under the cluster provision of the zoning ordinance and anticipates final approvals in early 2019 for 72 new detached single family building lots ranging in size from 6,000 square feet to 8,630 square feet. The proposed development will have 14.77 acres of open space including three detention basins and 12.85 acres of open space (40.0% of net land area) net of detention basins. The overall building density of the 72 lot development will be approximately 2.18 dwelling units per gross acre of land.

#### **Kingston Hill**

This 116.3061 acre parcel was approved for development in 2004 and was approved for a 269 lot subdivision which was developed in six phases. The entire site consists of an irregular shaped interior tract containing a gross land area of 116.3601 acres and a net land area of 111.8604 acres with 39.8462 acres of dedicated open space which includes 27.7855 acres of resource protection area or flood plain, wetlands and steep slopes. The site has a gently sloping to rolling topography. The west branch of Swamp Creek runs from west to east and bisects the site. The site is level at street grade along Buchert Road in the northern section and slopes gradually downward to the creek in the middle of the site. The topography slopes upward from the creek to Villa Drive along the southern boundary of the property. The site is partially cleared with several stands of mature trees along the creek, perimeter and interior of the site. Existing wetland and flood plain areas are located along the creek and embrace approximately 27.7855 acres (27.6% of site area) and were incorporated into the open space and lot setback areas. The lots range in size from 6,000 to 12,262 square feet and the average lot size for the entire development is 8,062 square feet or .185 acres. There are five storm water detention basins servicing the development. The overall building density of the development is approximately 2.33 dwelling units per gross

acre of land which was obtained by the donation of fees in lieu of the full 40% required open space land area being set aside.

### Zavitsanos Tract (Hanover Woods)

This 74.732 acre (gross) parcel was approved for development in 2008 for 122 detached lots. The site consists of an irregular shaped interior tract containing a net land area of 68.597 acres with 27.268 acres of dedicated open space which includes resource protection area or flood plain, wetlands and steep slopes. The site has a gently sloping to rolling topography. A branch of West Swamp Creek runs from west to east and bisects the site. The site is level at street grade along West Charlotte Street and Moyer Road in the northern section and slopes gradually downward to the creek in the middle of the site. The site was is predominately cleared open fields with several stands of mature trees in the southern section. Existing wetland and flood plain areas are located along the creek and were incorporated into the open space and lot setback areas. The lots range in size from 8,136 to 15,653 square feet and the average lot size for the entire development is 10,599 square feet or .243 acres. The overall building density of the development is approximately 1.63 dwelling units per acre.

### Conclusion

The developer of the proposed Hanover Crossing subdivision anticipates final development approvals will be obtained in early 2019 for 72 lots (2.18 units/acre) with 40% of the net land area dedicated to open space. The Kingston Hill site has an above average percentage (27.6%) of flood plain and wetlands and obviously the subjects lot yield would be lower than 2.33 units per acre due to fees paid for waivers on the plan. The Zavitsanos Tract is the most recent larger development in New Hanover Township which was developed under recently changed Pennsylvania DEP standards for development of land impacted by wetlands and flood plain with an indicated yield of 1.63 units per acre.

Accordingly, it is my opinion that the impact of steep slopes, pond and elongated shape of the northwest section of the site will decrease the subjects yield somewhat as compared and contrasted with its frontage along both sides of Leidy Road which will improve the lot yield. Accordingly, I have estimated a conservative yield of 1.75 units per acre or approximately 58 lots with an average lot size of approximately 7,500 square feet or .17 acres.

### **PROPOSED CONSERVATION EASEMENT**

The owner of record for the subject property has proposed the imposition of an agricultural or conservation easement on the subject property which would be held by New Hanover Township. The proposed conservation easement will prohibit any further subdivision or development of the 33.40 acre subject site and permit residential and agricultural improvements within a Minimal Protection Area . Mr. Jaime Gwynn, the Township Manager for New Hanover Township, reported the existing residential improvements (farmhouse and outbuildings) will be permitted in the Minimal Protection Area and may be replaced if the structures are razed or removed. One additional residential dwelling will be permitted on the site; however, it can not be sold as a separate tax parcel.

The proposed conservation easement is considered to be somewhat typical of similar easements imposed on properties in the market area and eliminates the development rights for a majority of the site.

## **BUILDING IMPROVEMENTS**

The site is presently improved with two detached single family dwellings and outbuildings on the southeast side of Leidy Road and a one story farm store on the northwest side of Leidy Road. A summary description of each of the existing buildings is provided as follows:

### **Farmhouse Dwelling**

The farmhouse is located on the southeast side of Leidy Road. The 75+ year old two story dwelling embraces 2,490 square feet of gross living area with a partial unfinished basement. The first floor consists of an eat-in kitchen, a family room den, a living room and a full bathroom. There are four bedrooms and one full bathroom on the second floor.

The exterior consists of stucco and aluminum siding over sheathing with vinyl clad thermo pane windows and some original double hung wood windows, aluminum gutters and downspouts and an older standing seam metal roof over the north section and a fiberglass shingle roof over the south section. The overall condition of the farmhouse dwelling is rated as fair based on my exterior inspection.

### **Ranch Style Dwelling**

The ranch style dwelling is located to the rear of the farmhouse on the southeast side of Leidy Road. The 50+ year old one story dwelling embraces 1,281 square feet of gross living area with an unfinished basement. The dwelling reportedly contains a kitchen, living room, three bedrooms and a full bathroom.

The exterior consists of aluminum siding over sheathing with vinyl clad thermo pane windows and some original double hung wood windows, aluminum gutters and downspouts and a fiberglass shingle roof. The overall condition of the ranch style dwelling is rated as fair based on my exterior inspection.

### **Outbuildings**

The southeast section of the subject property is also improved with a two level bank barn (5,907 SF), a dairy and milk barn (6,240 SF) and a third barn (2,840 SF) and several smaller wood frame storage buildings. The overall condition of the outbuildings is rated as fair based on my exterior inspection.

## **GROSS BUILDING AREA CALCULATIONS**

(See Sketch in Addendum)

Farmhouse Dwelling	2,591 SF
Ranch Style Dwelling	1,281 SF



## MARKET ANALYSIS

Market Analysis is defined as follows: a study of real estate market conditions for a specific type of property<sup>1</sup>. When estimating market value, the appraiser is required to estimate the exposure time linked to the value estimate. Reasonable exposure time is always presumed to precede the effective date of the appraisal. Exposure time may be defined as follows: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market<sup>2</sup>.

Marketing time may be defined as follows: an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal<sup>3</sup>.

Exposure time is different for various types of real estate and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. This statement focuses on the time component.

The fact that exposure time is always presumed to occur prior to the effective date of the appraisal is substantiated by related facts in the appraisal process: supply/demand conditions as of the effective date of the appraisal; the use of current cost information; the analysis of historical sales information (sold after exposure and after completion of negotiations between the seller and buyer); and the analysis of future income expectancy estimated from the effective date of the appraisal.

The estimate of the time period for reasonable exposure may be expressed as a range and can be based on one or more of the following:

- statistical information about days on market;
- information gathered through sales verification; and,
- interviews of market participants.

Related information garnered through this process include the identification of typical buyers and sellers for the type of real estate involved and typical equity investment levels and/or financing terms. The reasonable exposure period is a function of price, time and use, not an isolated estimate of time alone.

In this market analysis, I will analyze general market trends in the single family detached residential housing market in the Western Montgomery County and Gilbertsville submarkets. In addition, I will discuss the local market area's supply and demand trends and the competitive position of the subject properties in the market. Further, I will estimate the projected absorption for the proposed inventory of lots at the subject subdivision.

The subject site is located within a two miles of Routes #73, #100 and #422. As previously discussed in the neighborhood and location analysis section, these highways have had a dramatic impact on Upper Pottsgrove and the surrounding municipalities. Due to its strategic location near Routes #73, #100 and #422, Upper Pottsgrove is considered to be in a class with only a few other municipalities. My analysis will be limited to Upper Pottsgrove, New Hanover, Douglass, Upper Frederick and Lower Pottsgrove Townships as they are the only areas serviced by the same highways and similar school districts. New Hanover Township is serviced by the Pottsgrove school district. As previously discussed, it is considered to be competitive with other districts in the study area.

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1. Uniform Standards of Professional Appraisal Practice, 2014-15 Edition, pg. F-75.  
 2. Uniform Standards of Professional Appraisal Practice, 2018-19 Edition, pg. #4.  
 3. Uniform Standards of Professional Appraisal Practice, 2018-19 Edition, pg. #78.

## RESIDENTIAL OVERVIEW - MONTGOMERY COUNTY

According to the information compiled from the U. S. Census by the Montgomery County Planning Commission, the number of housing units in Montgomery County increased by 9.5% from 297,434 units in 2000 to 325,735 units in 2010. New Hanover Township and the neighboring municipalities experienced significant increases from 2000 to 2010 that exceed the rate of increase for the county as a whole. The information is summarized as follows:

<b>MONTGOMERY COUNTY &amp; GILBERTSVILLE AREA HOUSING UNIT CHANGES 1990-2010</b>							
<b>Municipality</b>	<b>1990 Census</b>	<b>2000 Census</b>	<b>Amount Change 1990-2000</b>	<b>% Change 1990-2000</b>	<b>2010 Census</b>	<b>Amount Change 2000-2010</b>	<b>Percent Change 2000-2010</b>
Upper Pottsgrove Twp.	1,196	1,459	263	22.0%	1,950	491	33.7%
<b>New Hanover Twp.</b>	<b>2,076</b>	<b>2,615</b>	<b>539</b>	<b>26.0%</b>	<b>3,919</b>	<b>1,304</b>	<b>49.9%</b>
Lower Pottsgrove Township	3,175	4,127	952	30.0%	4,651	524	12.7%
Pottstown Borough	9,700	9,973	273	2.8%	10,320	347	3.5%
Douglass Township	2,560	3,292	732	28.6%	3,740	448	13.6%
<b>Total</b>	<b>18,707</b>	<b>21,466</b>	<b>2,759</b>	<b>14.7%</b>	<b>24,580</b>	<b>3,114</b>	<b>14.5%</b>
<b>Montgomery County</b>	<b>265,856</b>	<b>297,434</b>	<b>31,578</b>	<b>11.9%</b>	<b>325,735</b>	<b>28,301</b>	<b>9.5%</b>

Source: DVRPC & ESRI Demographics

## HISTORICAL HOUSING DEMAND (MARKET AREA)

The Montgomery County Planning Commission publishes data on the new detached single family housing units added to the assessment rolls during the calendar year. This information is useful in identifying overall trends with new dwellings that have been completed and issued occupancy permits. Following is a summary of the new detached single family residential units constructed in New Hanover Township and the neighboring municipalities as reported by Montgomery County Planning Commission during 2010-2017.

<b>MUNICIPALITY</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>TOTAL 2010-2017</b>
Upper Pottsgrove Twp.	10	0	2	2	2	0	2	45	63
<b>New Hanover Township</b>	<b>102</b>	<b>46</b>	<b>47</b>	<b>48</b>	<b>83</b>	<b>74</b>	<b>44</b>	<b>24</b>	<b>468</b>
Lower Pottsgrove Township	2	5	7	6	1	1	1	0	23
Upper Frederick Township	2	1	1	1	4	0	2	3	14
Douglass Township	9	9	19	17	15	42	38	23	172
<b>TOTAL</b>	<b>125</b>	<b>61</b>	<b>76</b>	<b>74</b>	<b>105</b>	<b>117</b>	<b>87</b>	<b>95</b>	<b>740</b>
Average per Month	10.42	5.08	6.33	6.17	8.75	9.75	7.25	7.92	7.71
Montgomery County	516	394	438	550	446	495	569	522	3,930

Source: Montgomery County Planning Commission.

The previous chart indicates an average demand level of 92.5 detached single family units annually from all price levels within the market area from 2010-2017. Obviously, some of these units may not have been competitive with the subject site due to price levels.

**EXISTING HOUSING MARKET OVERVIEW & ANALYSIS**

This section of the report will provide the reader with a brief overview of the existing new housing market in the subjects market study area in order to provide insight into the quantity and quality of new construction considered competitive with the subjects vacant land which is suitable for development.

The developments cited are all subdivisions either recently completed or currently under construction in the immediate area. A description of the respective subdivision is provided on the following pages.

**COMPETITIVE DEVELOPMENT #1****Hanover Pointe**  
**New Hanover Township****Buchert Road & Spring Manor Boulevard**  
**Montgomery County, PA**

Distance from Subject: ½ Mile West

Proposed # of Units: 145

Base Sale Prices: \$289,990 (\$172.51/SF) to \$364,990 (\$115.72/SF)

Marketing Commenced: January, 2017

Developer: Ryan Homes

# of Units Sold: 48 (Historical)

Rate of Absorption: 2.1 Units Monthly (Historical)

**Description of Units**

Two-story colonial style homes ranging in size from 1,681 to 3,154 square feet of gross living area with 3-4 bedrooms, 2.5-3.5 bathrooms and full basements. The units feature entry 9' first floor ceilings, kitchens with wood cabinets and laminate counter tops, 1-2 car garages and central air conditioning. Minimum lot sizes range from .14 to .18 acres with public water and sanitary sewer. A homeowners association will be responsible for common area maintenance. Monthly homeowner association fees of \$85 per unit with a one time capital contribution of \$500.

**Comments**

The developer is currently offering up to \$5,000 towards closing costs with the use of NVR Mortgage. The sales agent reported the typical buyer has added \$5,000 to \$75,000 in options and upgrades. Lot premiums for 26 of the 27 lots of Phase II range from \$2,500 to \$30,000.

**COMPETITIVE DEVELOPMENT #2****Woodfield**  
**New Hanover Township****Moyer Road & N. Charlotte Street**  
**Montgomery County, PA**

Distance from Subject: 1/4 Mile Southwest

Proposed # of Units: 121

Base Sale Prices: \$329,990 (\$129.97/SF) to \$389,990 (\$89.40/SF)

Marketing Commenced: November, 2017

Developer: Ryan Homes

# of Units Sold: 14 (Historical)

Rate of Absorption: 1.1 Unit Monthly (Historical)

**Description of Units**

Two-story colonial style homes ranging in size from 2,539 to 4,362 square feet of gross living area with 3-4 bedrooms, 2.5-3.5 bathrooms and full basements. The units feature entry 9' first floor ceilings, kitchens with wood cabinets and laminate counter tops, 2 car garages and central air conditioning. Minimum lot sizes range from .14 to .27 acres with public water and sanitary sewer. A homeowners association will be responsible for common area maintenance, snow removal and trash removal. Monthly homeowner association fees of \$65 per unit with a one time capital contribution of \$1,000.

**Comments**

The developer is currently offering up to \$5,000 towards closing costs with the use of NVR Mortgage. Lot premiums for 14 of the 15 lots in the first phase of the development range from \$3,000 to \$30,000.

**COMPETITIVE DEVELOPMENT #3****Sprogel's Run-Phase I**  
**Upper Pottsgrove Township****Moyer Road & Cross Road**  
**Montgomery County, PA**

Distance from Subject: 3 Miles West

Proposed # of Units: 58

Base Sale Prices: \$299,999 (\$178.57/SF) to \$387,321 (\$106.88/SF)

Marketing Commenced: January, 2018

Developer: Keystone Custom Homes

# of Units Sold: 22 (Historical)

Rate of Absorption: 2.0 Units Monthly (Historical)

**Description of Units**

Two-story colonial style homes ranging in size from 1,680 to 3,624 square feet of gross living area with 3-4 bedrooms, 1.5-2.5 bathrooms and full basements. The units feature entry foyers , kitchens with wood cabinets and laminate counter tops, 1-2 car garages and central air conditioning. Lot sizes range from .24 to .64 acres with a typical lot size of .36 acres. Public water and sanitary sewer.

**Comments**

Lot premiums for the 23 lots in Phase I of the development range from \$7,500 to \$15,000.

### **DEMAND ANALYSIS SUMMARY**

#	NAME	HISTORICAL SALES PACE	LOT SIZE/ UNIT SIZE	BASE PRICES (PER SF)	REMAINING INVENTORY
1	Hanover Pointe	2.1 Units/Mo.	.14-.18 Acres/ 1,681-3,154 SF	\$289,990 (\$172.51/SF) \$364,990 (\$115.72/SF)	97
2	Woodfield	1.1 Units/Mo.	.14-.27 Acres/ 2,539-4,362 SF	\$329,990 (\$129.97/SF) \$389,990 (\$89.40/SF)	107
3	Sprogel's Run	2.0 Units/Mo.	.24-.64 Acres/ 1,680-3,624 SF	\$299,999 (\$178.57/SF) \$387,321 (\$106.88/SF)	36
	Total				204

### **SUMMARY**

The information summarized above is intended primarily to provide the reader with insights into the housing market in the immediate area. The housing developments which were discussed were located within three miles of the subject subdivision and represent direct competition due to their price range and lot sizes. All consisted of two story colonial style dwellings, ranging in size from approximately 1,680 to 4,362 square feet of gross living area, were situated on fee simple sites ranging from .14 to .64 acres and reflect current sale prices from between \$289,990 (\$172.51/SF) to \$389,990 (\$89.40/SF). The historical absorption rates from the three subdivisions ranged from 1.0 to 2.1 dwellings per month.

### **SUPPLY ANALYSIS**

I have interviewed several local developers including Mr. Sal Lapio and several local Real Estate brokers familiar with residential land development parcels in the "Gilbertsville" market area. Mr. Michael Amoroso of Remax Services Inc. indicates recent demand levels have increased due to a lack of inventory for improved building lots which are currently being built by Ryan Homes, the only builder currently active in the local marketplace for detached lots. Mr. Amoroso has also indicated that other approved projects are "stalled" due to the lack of financing available for site acquisition and site improvements. Mr. Amoroso has indicated that the two projects on-line were financed based on the lot take down agreement in place for each site with NVR/Ryan Homes. Mr. Lapio has also concurred with this analysis. Also, Mr. Lapio reports that most local or private builders have not entered the local marketplace due to the fact that Ryan Homes benefits from their economies of scale as a national home builder which is reflected in lower direct costs and lower base prices for their housing product.

My previous analysis of the existing competition indicates a remaining inventory of 204 lots in the three active developments cited above. I have reviewed the Montgomery County Planning Commission records to analyze potential competition for the subject. My review of the Planning Commission records indicates that a number of new detached single family lots in smaller developments have been proposed for the market area. Most of these developments have been withdrawn or put on hold until market conditions improve. In addition, I am also aware of several larger developments that have been proposed for the area which are summarized as follows:

<b><u>Development/Location</u></b>	<b><u># of Lots</u></b>
Wynstone/New Hanover Township	141
Hanover Crossing/New Hanover Township	38
Hanover Glen New Hanover Township	<u>40</u>
Total	219

There is an estimated additional supply of 219 approved/unimproved lots; however, the plans for the Wynstone project have been revised. The revised project is identified as the New Hanover Town Center, a mixed use

development containing 761 attached and multi family residential units and 222,650 square feet of commercial space. In addition, the Hanover Glen development is bank owned with above average site improvement costs due to required sewer lateral extensions and may not be developed for several years. A potential supply of 40 (219-179) additional lots is estimated for the market area. The potential competitive supply from the three active developments (204), the subject (58 lots) and approved projects which are potential competition (40) is approximately 302 lots (204 + 58 + 40).

The historical demand level from all price points for detached product was 92.5 detached single family units annually or 7.71 units monthly within the market area from 2010-2017. A supply level of approximately 39 months ( $302/7.71=39.2$ ) is indicated based on the demand levels reported from 2010-2017. Obviously, the level of supply (39 Months) is a cause for concern as market equilibrium is typically equivalent to a 15-18 month supply.

## **SUMMARY**

The information summarized above is intended primarily to provide the reader with insights into the housing market in the immediate area. The housing developments which were discussed were located within New Hanover Township and Upper Pottsgrove Township and represent direct competition due to their price range and lot sizes. All consisted of detached two story colonial style dwellings and were situated on fee simple sites ranging from .14 to .64 acres and reflect current sale prices from between \$289,990 (\$172.51/SF) to \$389,990 (\$89.40/SF). The historical absorption rates from the three active subdivisions currently on-line ranged from 1.1 to 2.1 dwellings per month. The current absorption rates reflect a significant improvement from previous years; however, most market experts have reported that the limited amount of competitive detached lots that are currently being offered for sale has been the primary influence on improved absorption. The current supply level (39 Months) within the immediate market area is significant and there would be an average level of demand for the subject as a residential development project based on the data reported.

## **MORTGAGE FINANCING**

My interviews of local mortgage lenders, including Mr. Ken Newbeck of Firsttrust Bank, indicates that financing for credit worthy buyers is readily available with credit scores that are in the 700+ point range. Firsttrust Bank is currently offering fixed rate mortgages with a 5% down payment and up to \$417,000 with zero points at 4.625% for a 30 year loan and 4.375% for a 15 year loan which are near record low levels. Mr. Newbeck has indicated that recent revisions to the credit score requirements for conforming loans by FNMA/FHLMC have eliminated some potential borrowers from qualifying for a conventional mortgage and that sub-prime mortgages are limited due to excessive pricing in the current marketplace. Mr. Newbeck has reported that the subject property would not conform to FNMA guidelines and that the terms quoted above would be adjusted upward based on the borrowers credit and financial statement.

My interviews of local mortgage lenders involved in development and construction financing for new residential development projects indicates that financing for credit worthy investors is available at the present time and that a prospective mortgagee would be required to have a significant (+25%) equity position in any type of project. A typical loan would include a 25-30 percent equity contribution assuming that there were some pre-sales in place. My interview of Mr. Seth Mackler of Firsttrust Bank indicates that a mortgage construction loan could be obtained under these terms with a variable interest rate @ 150-200 basis points over LIBOR.



## MARKETING/EXPOSURE TIME

Marketing time is defined as *an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value or at a benchmark price during the period immediately after the effective date of an appraisal*<sup>2</sup>. Exposure time is defined as *the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal*<sup>1</sup>.

My interviews of several local developers reveals that approved residential subdivisions are rarely exposed on the open market prior to sale. I have interviewed Mr. Michael Amoroso of Remax Services, who reports that a marketing time of 6-9 months or less would be reasonable for the vacant residential section of the subject property at a realistic marketing or offering price for the subject assuming it was sold subject to land development approvals. He indicated that the marketing time may increase to nine months if it were to be sold in as is condition.

I have also interviewed several local realtors familiar with improved residential property sales and development parcels within the market area including Mr. Eric Aronson of ReMax Action Realty. Mr. Aronson indicates that a property that is similar to the subject could be sold within a 6 month time period at a reasonable offering price. Mr. Aronson has also indicated the marketing time would increase somewhat to approximately 9 months after imposition of the proposed conservation easement as the number of prospective purchasers would decline.

It is my opinion that a projected marketing time of 6-9 months is realistic for the sale of the subject property in “as is” condition. I have also projected an exposure time of 9 months. The aforementioned conclusions are based on my interviews of local real estate brokers and developers.

It is also my opinion that a projected marketing time of 9 months or less is realistic for the sale of the subject property after imposition of the proposed conservation easement. I have also projected an exposure time of 9 months or less under this scenario. The aforementioned conclusions are based on my interviews of local real estate brokers.

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1. Uniform Standards of Professional Appraisal Practice, 2018-19 Edition, pg. #4.

2. Uniform Standards of Professional Appraisal Practice, 2018-19 Edition, pg. #78.

## HIGHEST AND BEST USE

Highest and Best Use is defined as “the reasonably probable use of a property that results in the highest value”<sup>1</sup>. The opinion of such use may be based on the highest and most profitable continuous use to which the property is adapted and needed, or likely to be in demand in the reasonably near future. However, elements affecting value which depend upon events or a combination of occurrences which, while in the realm of possibility, are not fairly shown to be reasonably probable, should be excluded from consideration. Also, if the intended use is dependent on an uncertain act of another person, the intention cannot be considered. Highest and Best Use is that use of land which may be reasonably be expected to produce the greatest net return to land over a given period of time and is that legal use which will yield to the land the highest present value.

The four criteria that the highest and best use must meet are summarized as follows:

1. Physically possible.
2. Legally permitted.
3. Financially feasible.
4. Maximally productive.

Highest and Best Use analysis requires that the site first be studied as if vacant and ready to be put to its highest and best use, and then as improved.

### HIGHEST & BEST USE AS IF VACANT (Before Easement)

#### *Physically Possible*

The *legal permissibility* of a use is governed primarily by the zoning in effect at the time of the appraisal. As described in the zoning and site description sections, the subjects present use is permitted by right and a standard performance subdivision encompassing 100% of the site would also be permitted by right.

The *physical possibility* of a use is determined by the physical aspects of the site itself. The size and location within a given block are the most important determinants of value. In general, the larger the site, the greater its potential to achieve economies of scale and flexibility in development. Road frontage(s) and site configuration also play important roles.

The subject contains approximately 33.40 acres of land area with adequate frontage along both sides of a public street. The site configuration is slightly irregular and reasonably conducive to flexible site planning. The site topography is rolling to slightly sloping and the site is serviced by adequate utilities to support most developments of moderately intense site utilization. Overall, there does not appear to be any other major physical site characteristics which would pose a major limitation to development of a detached residential subdivision. My review of the New Hanover Township zoning ordinance and recently submitted land development plans indicates that a yield of approximately 1.75 units per acre or approximately 58 lots would be considered reasonable for the subject considering the proximity to an existing township street with frontage on both sides of Leidy Road.

*Financial feasibility* implies that the legally permissible and physically possible uses will produce a net return to the owner of the site. There are several existing subdivisions on-line at the present time and their recent absorption rates ranged from 1.10 to 2.10 sales per month and a total of 92.5 detached single family units or 7.71 units monthly were sold in the market area despite an above average level of supply of building lots approved for development at the present time.

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<sup>1</sup>. *Appraisal Institute, The Dictionary of Real Estate Appraisal, 6<sup>th</sup> Edition (Chicago:AI 2015), page #109.*

## MAXIMALLY PRODUCTIVE

My analysis concluded in the valuation section indicates that development of the subject property as a 58 lot residential subdivision would represent the maximally productive use of the site as if vacant. It is my opinion that an adequate developers profit could be achieved at retail price levels currently achieved in the market area even after considering the site improvement costs and construction costs and all soft costs inherent in the development of a residential subdivision when the level of supply for the market area (39 months) is considered to be above average. My interviews of local developers and builders indicates that development of a new 58 lot residential subdivision would be economically feasible in the local marketplace despite the level of supply.

I conclude that a sufficient entrepreneurial profit would be available for a residential builder/developer of the subject site based on the data reported in the market analysis and valuation sections of the report. In summary, it is my opinion that the Highest and Best Use of the subject site as if vacant is to develop the subject as a 58 lot detached residential subdivision in accordance with the B-2 performance standards of the R-25 residential zoning regulations. My conclusions are based on the analysis completed in the valuation and market analysis sections of this report.

## HIGHEST & BEST USE AS IMPROVED (Before Easement)

It is my conclusion that demolition of the existing improvements and redevelopment of the subject site with 58 new detached colonial style dwellings in excess of 2,200 square feet of gross living area with full basements, attached 2 car garages and all of the amenities required from new home purchasers in the local marketplace represents the Highest and Best Use of the subject as improved before imposition of the proposed conservation easement.

## HIGHEST AND BEST USE (After-Encumbered)

### SITE AS VACANT

I have assumed that the subject will be encumbered with the proposed conservation easement which will prohibit any additional development of the site and effectively eliminating the development rights to fifty-eight (58) building lots. It is my conclusion that overall there will be adequate economic demand for a property similar to the subject based on recent sales activity in the market area and due to historical demand levels in the immediate market area. In summary, it is my opinion that the Highest and Best Use of the subject site as if vacant with the conservation easement in place would be for construction of a new residence and ancillary farm buildings in accordance with the land uses and building improvements permitted under the proposed conservation easement.

### SITE AS IMPROVED-(After-Encumbered)

The subject property is improved with two existing residential dwellings, a farm store and outbuildings and will be encumbered with a conservation easement that permits limited building expansion and/or replacement of the existing structures only. It is my conclusion that there will be adequate economic demand for residential properties that are similar to the subject in the market area based on recent sales activity. The locations proximity to Routes 73, 100, 422 and the PA Turnpike along with convenient access to employment centers will have a positive impact on marketability.

In summary, it is my opinion that the Highest and Best Use of the subject property is to retain the existing single family dwellings, farm store and outbuildings on the entire 33.40 acre site as permitted by the proposed conservation easement with renovation of the existing dwellings to conform with market standards.

## VALUATION THE APPRAISAL PROCESS

The appraisal process requires the assembly of a large quantity of market derived information which is analyzed to arrive at an estimate of Market Value. Generally speaking, the market information enables the appraiser to utilize three "independent" valuation approaches. These approaches are typically referred to as:

- A. Sales Comparison Approach
- B. Cost Approach
- C. Income Approach

The Sales Comparison or Market Data Approach utilized a comparative technique by which recent sales of similar properties are related to the subject. Adjustments are often required for differences in order to reach a value indication. The Cost Approach renders an estimate of value based upon the price of obtaining a site and constructing improvements, both with equal desirability and utility as that of the subject property. The Income Approach renders an estimate of value based upon the present worth of the potential benefits derived from ownership of the subject property.

Due to the age of the improvements on the site and the inherent difficulty in estimating accrued depreciation, the Cost Approach would not be pertinent to these valuations. Also, the Income Approach is not considered relevant as residential land and improvements of this type are not purchased for their income producing potential.

The Sales Comparison Approach was processed to estimate the Before Value, based on recent sales of improved residential properties and vacant residential land with a similar highest and best use. An After Value will be similarly determined, based on recent sales of properties which are deed restricted from any development under the constraints of a conservation easement which is similar to the conservation easement that will be imposed on the subject property.

The difference between the Before and After Value will indicate the diminution or loss in value as a result of the imposition of the conservation easement on the subject property.

**SALES COMPARISON APPROACH**  
**BEFORE VALUE**

An analysis of the property is required to arrive at the as is or Before market value for the subject under its highest and best use prior to imposition of a conservation easement prohibiting future development of the site. As previously discussed, the highest and best use would be to remove existing farmhouse and outbuildings from the site barn and subdivide or develop the site in to fifty-eight (58) detached single family lots under the B2-Performance Standard regulations of the zoning ordinance which permits a minimum lot size of 8,000 square feet for detached dwellings, 7,000 square feet for off center detached dwellings and 6,000 square feet for village type dwellings provided a minimum of 40% of the site is preserved as open space.

The subject property contains a gross land area of 33.40 acres and the existing residential and commercial building improvements are currently in fair to average condition and have nominal value to the site. I have processed the Sales Comparison Approach to estimate the as is market value of 33.40 acre subject property. In developing an estimate of the as is value for the entire 33.40 acre subject property, I have investigated the market area for recent sales of residential land developed or to be developed with detached residences. I have determined that the highest and best use of the 33.40 acre site in “as is” condition would be to demolish the existing building improvements and subdivide the site in to fifty-eight (58) new detached single family building lots with a minimum lot size of 6,000 square feet. I have researched the market area for recent sales of residential lots for the purpose of establishing the as is market value of the 33.40 acre subject property. I have analyzed the comparable sales and have compared them to the subject property based on the sale price per potential building lot which is a common unit of comparison in the local marketplace.

A map showing the location of the subject and the comparable sales is found on the following page. A description of these sales, my analysis, and my estimate of the as is market value of the subject property by the Sales Comparison Approach are located on the subsequent pages.

**COMPARABLE SALE #1**

Location: Proposed Hanover Crossing Development  
2339 Swamp Pike  
New Hanover Township  
Montgomery County, PA

Parcel #s: 1) 47-00-07076-005 & 2) 47-00-07072-009

Grantor : William Seasholtz & Susan Seasholtz

Grantee: DTS Partners, LLC (Eric Strohl)

Date: 6/15/2017

Deed Book/Page: 6048/475 & 6048/359

Consideration: 1) \$688,750  
2) \$ 36,250  
\$725,000-Total

Verification: Eric Strohl, Grantee and Eric Swarr of Century 21 Cornerstone, selling agent.

Site Description: Two contiguous interior parcels containing a combined gross land area of 33.0 acres and a net land area of 32.12 acres. The site has 614.01' of frontage on the west side of Swamp Pike and has access frontage on three existing township streets (Country Lane , Harvest Lane & Colonial Drive ). The site has a gently rolling to sloping topography and the majority of the site is cleared with some perimeter trees and several scattered mature trees ranging in height from 10-20'. All public utilities are available.

Zoning: R-25 Residential

Approval: The property was purchased in “as is” condition with no contingencies or development approvals. The grantee estimated a potential minimum yield of 70 detached single family lots for the site at the time of sale (2.12 units/acre). The grantee is currently seeking development approvals under the cluster provision of the zoning ordinance and anticipates final approvals in early 2019 for 72 new detached single family building lots ranging in size from 6,000 square feet to 8,630 square feet. Proposed building density of 2.24 units per acre for the 32.12 acre site (72 lots).

Sale Price/Lot: \$10,357 per potential lot (70 Lots)

Remarks: The property is improved with a 100+ year old farmhouse and a detached 3 car garage that were in fair condition and will be removed from the site. The proposed development will have 12.85 acres of open space net of detention basins. The property was exposed on the open market for 10 days at \$809,400. The grantee has agreed to sell the approved/unimproved property to Ryan Homes.

**COMPARABLE SALE #2**

Location: Ragusa Tract  
5 Schwenk Road & 13 Schwenk Road  
Lower Frederick Township  
Montgomery County, PA

Grantor : Janet L. Ragusa & Peter C. Ragusa

Grantee: KTMT I, LP (Metropolitan Management Group)

Date: 7/14/2017

Deed Book/Page: 6055/811

Consideration: \$1,075,000

Verification: Michael Tulio, representative of the grantee.

Parcel #s: 38-00-02332-006 & 38-00-02333-005

Site Description: Approximately 38.5 acres of two adjacent irregular shaped parcel containing a combined gross land area of 48.0 acres. The grantor retained approximately 9.5 acre section of the site that is improved with existing dwellings. The site is located on the northeast corner Zieglerville Road and Schwenk Road. The topography level to gently rolling and the site is partially cleared with several stands of trees. All public utilities are available.

Zoning: R-2 Residential (Cluster option)

Approval: The property was placed under agreement in June, 2015 contingent upon the buyer obtaining development approvals. The property received preliminary development approvals in 2007 for a 41 lot subdivision with 39 new detached single family building lots. The grantee obtained development approvals in 2017 for 41 lots with 39 new single family lots ranging in size from 14,500 square feet to 24,000 square feet. Building density of 1.0 unit per acre for the 38.5 acre site. A new estate lot and an existing dwelling on a second lot will be retained by the grantor.

Utilities: Public water and sewer.

Sale Price/Lot: \$31,618 per approved/unimproved lot (39 Lots)

Remarks: The grantee estimated direct site improvement costs of \$2,800,000 or \$71,975 per lot with and additional \$300,000 (\$7,692/lot) for indirect costs excluding sewer EDUs and water connection fees. The grantee is improving the site and selling 39 new improved building lots to D. R. Horton for \$133,000/lot in one takedown. D. R. Horton will be responsible for sewer EDUs and water connection fees.





COMPARABLE LAND SALE #1



COMPARABLE LAND SALE #2



COMPARABLE SALE #3



COMPARABLE SALE #4



**COMPARABLE SALE #3**

Location: Woodfield/Kingston Hill II Subdivision  
540 Buchert Road  
New Hanover Township  
Montgomery County, PA

Grantor: Magico, LP

Grantee: Liberty Commercial Development Corp. Ltd.

Date of Sale: 6/08/2016

Recording Data: Deed book 6002, Page #1287

Sale Price: \$1,781,079

Financing: None, all cash.

Verification: Wayne Rosen, representative of grantor.

Tax Parcel #: 47-00-00765-007, 47-00-06145-603, 47-00-06145-009, 47-00-00765-259 & 47-00-06146-503

Site Description: An irregular shaped interior site which contains a net land area of 61.49 acres. The site has frontage on the east side of Buchert Road and additional access from Jane Drive, Villa Drive and Worthington Drive which were completed as part of the first phase of the Kingston Hill development. The site is level at street grade along Buchert Road and slopes gradually downward to the western branch of the Swamp Creek located in the middle of the entire development. The topography slopes upward from the creek to Villa Drive in the southern section of the development. The site is partially cleared with several stands of mature trees along the creek, perimeter and interior of the site. Existing wetland and flood plain areas are located along the creek and will be incorporated into the open space and lot setback areas. Public water and sanitary sewer were available in close proximity.

Zoning: R-15 Residential (15,000 SF Minimum Lot Size)

Approvals: The site had preliminary conditional land development approvals for 121 detached single family lots under the B2-Performance Standard regulations cluster development option with lots ranging in size from 6,000 to 11,779 square feet. The average lot size for the entire development was 8,062 square feet or .185 acres indicating a density of 2.33 units per acre.

Unit of Comparison: \$14,720 per Approved/Unimproved Lot

Remarks: The property was exposed on the open market for 9 months @ \$2,500,000 and reduced to \$2,200,000. The estimated total site improvement costs were \$47,500/lot and the direct site improvement costs were considered to be somewhat below average due to off-site road and other site improvements completed for the first phase. Liberty Commercial is selling 121 improved detached single family building lots on a take down basis to NVR, Inc./Ryan Homes. The purchase price is \$101,240/lot for the first 36 lots, \$103,740 for the next 36 lots, \$106,240/lot for the next 36 lots and \$108,440/lot for the remaining 13 lots. The total purchase price is \$12,613,640 or \$104,245/lot. The buyer will also reimburse the seller \$3,106/lot for prepaid sewer EDUs. Initial base prices ranged from \$329,990 (\$129.96/SF) to \$359,990 (\$90.75/SF) and the sale price per lot is equivalent to 30.2% of the average base price.

**COMPARABLE SALE #4**

Location: Northwood Farms  
2764 Northwood Avenue  
Palmer Township  
Northampton County, PA

Grantor: Phyliss L. Petrilak & Lisa M. VanBuskirk

Grantee: CMC Development Corporation (Tuskes Homes)

Date of Sale: 4/08/2016

Recording Document #: Deed Book 2016-1, Page #65191

Consideration: \$3,250,000

Financing: \$1,750,000 financing by National Penn Bank.

Verification: Charles Tuskes, Representative of grantee

Tax Parcel #: L8-6-1 0324 & L8-5-2 0324

Site Description: A nearly rectangular shaped corner site containing a gross land area of 73.21 acres with 1,539' of frontage on the south side of Northwood Avenue and approximately 2,043 feet along the east side of Van Buren Road. The site has a level to gently sloping topography and is mostly cleared fields that was previously utilized for agricultural use. Public water and sewer are available to the site.

Existing Buildings: An older farmhouse, barn and outbuildings were demolished by the grantee.

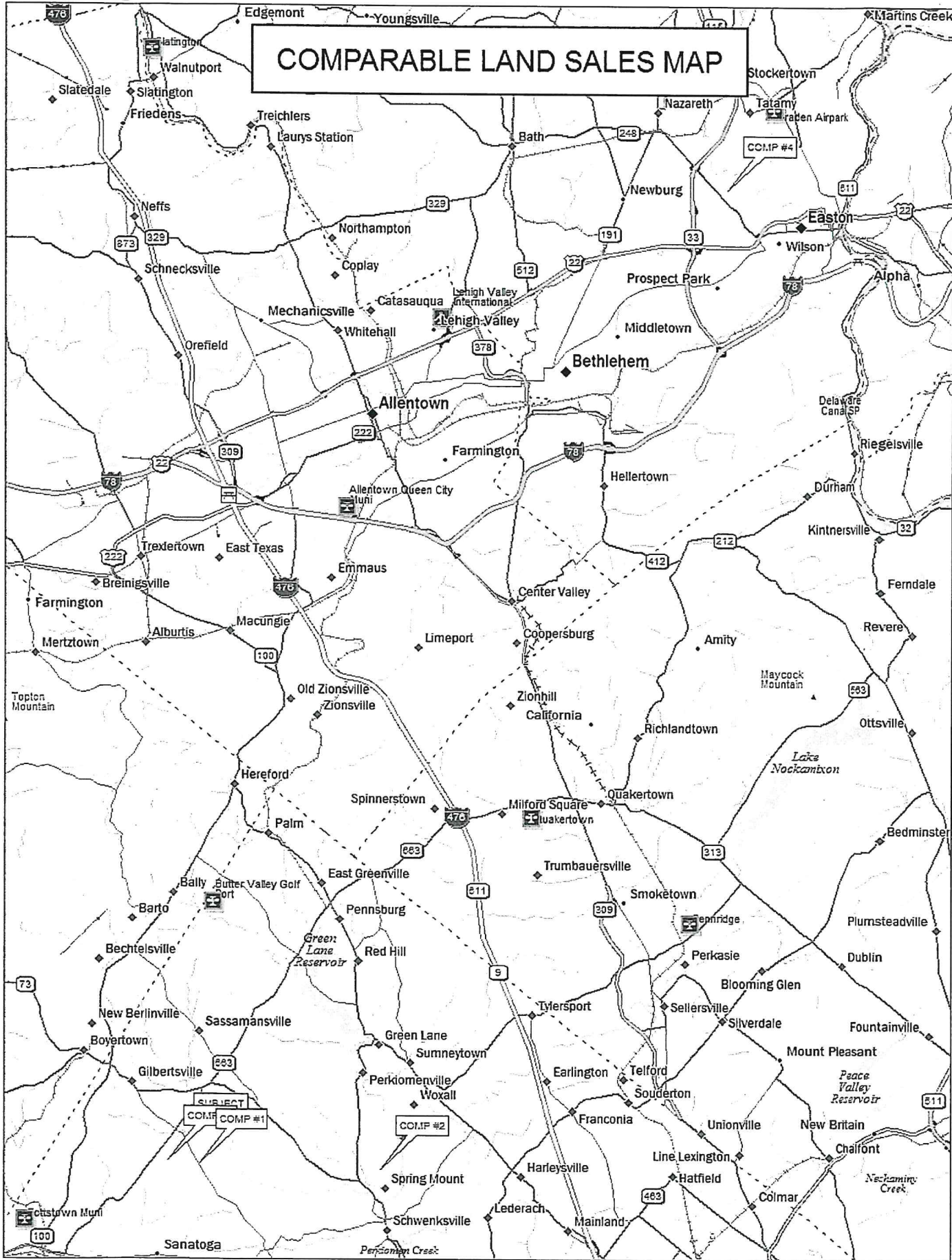
Zoning: MDR-Medium Density Residential

Approval: The property was sold with no development approvals in place. The grantee subsequently obtained approvals for a 135 lot detached single family subdivision. The lots will range in size from 15,079 to 36,514 square feet with an average lot size of 17,424 square feet or .40 acres. The development contains 4.85 acres of open space that will be owned and maintained by the homeowners association. Indicated building density of 1.84 units per acre.

Unit Rate: \$24,074 per potential building lot (135 Lots).

Remarks: The developer reported direct site improvement costs of \$4,900,500 or \$36,300 per lot. The projected base prices range from \$379,900 (\$213.91/SF) to \$469,900 (\$150.75/SF) for a ,419-3,117 square foot detached single family homes. The potential lot price is equivalent to 6.3% to 5.1% of the projected retail base prices. The grantor acquired the property after completing some minor due diligence and then obtained all final land development approvals in 2017.

# COMPARABLE LAND SALES MAP



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Data Zoom 9-6



**COMPARABLE LAND SALES SUMMARY**

#	Location	Date	# of Lots/ Average Lot Size/ Utilities	Building Density	Unit Rate	Comments
1	Hanover Crossing 2339 Swamp Pike New Hanover Township Montgomery County, PA	6/17	70 Lots/ .14-.20 Acres/ All Public	2.12 Units/ Acre	\$10,357	The property was purchased with no development approvals. The grantee estimated a potential minimum yield of 70 detached single family lots for the site at the time of sale (2.12 units/acre). The grantee is currently seeking development approvals under the cluster provision of the zoning ordinance and anticipates final approvals in early 2019 for 72 new detached single family building lots ranging in size from 6,000 square feet to 8,630 square feet. Proposed building density of 2.24 units per acre for the 32.12 acre site (72 lots). The property is improved with a 100+ year old farmhouse and a detached 3 car garage that were in fair condition and will be removed from the site. The proposed development will have 12.85 acres of open space net of detention basins. The property was exposed on the open market for 10 days at \$809,400. The grantee has agreed to sell the approved/unimproved property to Ryan Homes.
2	Ragusa Tract 5 Schwenk Road & 13 Schwenk Road Lower Frederick Township Montgomery County, PA	7/17	39 Lots/ .33-.55 Acres All Public	1.0 Units/ Acre	\$31,618	The property was placed under agreement in June, 2015 contingent upon the buyer obtaining development approvals. The property received preliminary development approvals in 2007 for a 41 lot subdivision with 39 new detached single family building lots. The grantee obtained development approvals for 41 lots with 39 new single family lots ranging in size from 14,500 square feet to 24,000 square feet. The grantee estimated direct site improvement costs of \$2,800,000 or \$71,975 per lot with and additional \$300,000 (\$7,692/lot) for indirect costs excluding sewer EDUs and water connection fees. The grantee is improving the site and selling 39 new improved building lots to D. R. Horton for \$133,000/lot in one takedown. D. R. Horton will be responsible for sewer EDUs and water connection fees. Above average site improvement costs due to additional site improvements to sellers 2 lots and reimbursement to third party for previous extension of water and sewer mains to the site.
3	Woodfield 540 Buchert Road New Hanover Township Montgomery County, PA	6/16	121/ .185 Acres/ All Public	2.33 Units/ Acre	\$14,720	The site had preliminary conditional land development approvals for 121 detached single family lots under the B2-Performance Standard regulations cluster development option with lots ranging in size from 6,000 to 11,779 square feet. The average lot size for the entire development was 8,062 square feet or .185 acres indicating a density of 2.33 units per acre. The property was exposed on the open market for 9 months @ \$2,500,000 and reduced to \$2,200,000. The estimated total site improvement costs were \$47,500/lot and the direct site improvement costs were considered to be somewhat below average due to off-site road and other site improvements completed for the first phase. The grantee is selling improved lots to Ryan Homes.
4	Northwood Farms 2764 Northwood Avenue Palmer Township Northampton County, PA	4/16	135 Lots/ .40 Acres/ All Public	1.84 Units/ Acre	\$24,074	The property was sold with no development approvals in place. The grantee subsequently obtained approvals for a 135 lot detached single family subdivision with an average lot size of .40 acres. The developer reported direct site improvement costs of \$4,900,500 or \$36,300 per lot. The projected base prices range from \$379,900 (\$213.91/SF) to \$469,900 (\$150.75/SF) for a 1,776 - 3,117 square foot detached single family homes. The potential lot price is equivalent to 6.3% to 5.1% of the projected retail base prices. The grantor acquired the property after completing some minor due diligence and then obtained all final land development approvals in 2017.

**ANALYSIS OF MARKET DATA**

The market data indicates that properties with a similar highest and best use as the subject have sold within the range of \$10,357 to \$31,618 per potential building lot before adjustment for the elements of comparison which cause this variation. The methodology for adjusting for elements of comparison is as follows: when an aspect of the subject site is superior to that of an actual transaction, a positive adjustment is made to the unit rate indicated by the comparable sale. No adjustment is required when an element of comparison is similar or equal.

The following table is a summary of the elements of comparison between the subject and the comparable market transactions.

**STATISTICAL ANALYSIS OF COMPARABLE SALES**

<b>SALE #</b>	<b>SUBJECT</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Sale Price/LOT</b>		<b>\$10,357</b>	<b>\$31,618</b>	<b>\$14,720</b>	<b>\$24,074</b>
<b>ADJUSTMENTS:</b>					
Property Rights	Fee Simple	1.000	1.000	1.000	1.000
Financing Terms	Cash	1.000	1.000	1.000	1.000
Conditions of Sale	Arms-Length, No Approvals	1.000	0.700	0.625	1.000
<b>ADJ. SP/LOT</b>		<b>\$10,357</b>	<b>\$22,133</b>	<b>\$9,200</b>	<b>\$24,074</b>
Market Conditions	December 6, 2018	1.050	1.100	1.10	1.10
<b>ADJ. SP/LOT</b>		<b>\$10,875</b>	<b>\$24,346</b>	<b>\$10,120</b>	<b>\$26,481</b>
Location	Good-Average	1.000	1.000	1.000	1.000
Size/# of Lots	33.40 Acres/58 Lots	1.000	0.950	1.100	1.100
Avg. Lot Size/Density	.14 Acre-Minimum/ 1.75 Units/Acre	1.000	0.950	1.000	0.975
Site Utility	Pubic Water & Sewer/ Average Site Costs	1.000	1.100	1.000	1.000
<b>Net Adjustment</b>		<b>1.000</b>	<b>1.000</b>	<b>1.100</b>	<b>1.075</b>
<b>ADJUSTED UNIT RATE</b>		<b>\$10,875</b>	<b>\$24,346</b>	<b>\$11,132</b>	<b>\$28,468</b>
<b>MEAN=</b>	<b>\$18,705</b>				

**AS IS MARKET VALUE BY THE SALES COMPARISON APPROACH**

**58 Potential Building Lots @ \$17,000 per Lot = \$990,000®**

**NOTE:** All adjustments are quantitative and are based upon my appraisal experience in the market area and interviews with local brokers and developers. Specific quantitative adjustments were requested; however, there was insufficient data available to complete a specific quantitative or "paired sales" analysis.

## ELEMENTS OF COMPARISON

### REAL PROPERTY RIGHTS CONVEYED

The first category for comparison for the subject and the four sales is for real property rights conveyed. I have previously discussed that the purpose of this appraisal is to estimate the market value of the subjects fee simple interest. The four sales reported were all fee simple transactions and no adjustments are required to these sales.

### FINANCING

The next element of comparison between the subject and the reported sales is the financing terms of the transaction. Market financing in terms of cash or its equivalent is inherent in the definition of market value for the subject as of the effective date. Each of the comparable sales in this analysis involved an exchange for cash and debt funds at the then prevailing market rates. As market financing with either cash or its equivalency is assumed, no adjustment is required this particular element of comparison.

### CONDITIONS OF SALE

Adjustments for this element of comparison reflect the motivations of buyers and sellers in the marketplace. Market value, as defined in this appraisal assumes a buyer and seller are knowledgeable, prudent and not under duress as they are involved in a transaction. These circumstances are commonly referred to as an arm's length transaction. All of the four sales reported have been confirmed as arm's length transactions.

The subject site is classified as "raw" land with no approved land development plans in place. My interviews of local brokers and developers, including Mr. Michael Amoroso of Remax Associates, indicates that a discount of approximately 30-40% from the approved/unimproved sale price is typically required for parcels sold in "as is" condition.

Sales #1 and #4 were sold without any contingencies for subdivision approvals which is similar to subject requiring no adjustments to either sale. Sales #2 was sold subject to a contingency for land development approvals which will be obtained at the sole cost of the purchaser and a significant downward adjustment of 30% is required for the reduced risk for contingent sale contract as compared to the subject. Sale #3 was sold with preliminary conditional approvals with some additional costs anticipated at the buyer's expense and I have adjusted this sale downward by 37.5%. These adjustments were extrapolated from my interviews of local developers and paired sales analysis completed for previous assignments.

### MARKET CONDITIONS

This element of comparison is commonly referred to as a "time" adjustment and reflects changes in market conditions caused by inflation, deflation, changes in supply and demand and other factors. My analysis completed in the market analysis section and interviews of local brokers and developers including Mr. Michael Amoroso of Remax Services indicates that market conditions for approved/unimproved residential tracts has improved in 2015-17. All four sales were placed under agreement of sale during a time period when market conditions were considered to be inferior to the effective date of the appraisal and upward adjustments are required to all four sales.

### LOCATION

Sales #1 and #3 are located within New Hanover Township and no adjustments are required to these sales. Sales #2 and #4 are located in market areas with similar population demographics and access to major highways and employment centers and no adjustments are required to these sales.

**SIZE**

The market recognizes an inverse relationship between the size of a site and the corresponding price paid per lot. Sale #1 is considered similar to the subject within a relevant range and no adjustment is required. Sale #2 is smaller than the subject and a downward adjustment was applied to this sale. Sales #3 and #4 are a larger requiring upward adjustments to both sales.

**AVERAGE LOT SIZE/DENSITY**

My analysis indicates the subject could be developed with 58 new detached single family lots with a minimum lot size of .14 acre and a building density of 1.75 units per acre. Sales #2 and #4 will have a larger average lot size with a superior product mix with larger detached units proposed for the site and minor downward adjustments were applied to both sales. Sales #1 and #3 are considered similar to the subject within a relevant range and no further adjustments are required for this factor.

**PHYSICAL/UTILITIES**

The subject has physical characteristics which will result in average direct or hard costs for site improvements with public water and sewer available in the immediate area and frontage on both sides of a public street. Sale #2 will require direct site improvement costs which were significantly above average which is considered inferior to the subject and an upward adjustment is required to this sale. Sales #1, #3 and #4 are considered similar to the subject within a relevant range and no adjustments are required to these sales.

**RECONCILIATION**

The sales price per unit ranged from \$10,357 to \$31,618 per potential lot before adjustment for the elements of comparison which cause this variation. The sales were analyzed and the adjusted unit rates ranged from \$10,875 to \$28,468 per potential building lot. The indicated mean from the analysis is equivalent to \$18,705 per lot. Accordingly, I have estimated an as is market value of \$17,000 per potential lot or \$990,000® for the subject property as indicated by the Sales Comparison Approach as of December 6, 2018, the date of my last inspection. The lower end of the adjusted range was selected due to sales #1 and #3 which are located in New Hanover Township as compared and contracted with the recent improvement in market conditions.

**AS IS MARKET VALUE BY THE SALES COMPARISON APPROACH**

**\$990,000**

**PROSPECTIVE MARKET VALUE (AFTER IMPOSITION OF THE EASEMENT)****SALES COMPARISON APPROACH (AFTER VALUE)**

The subjects owner of record has proposed restricting the use of the subject property by eliminating any development rights for the entire 33.40 acre site. The existing dwelling and outbuildings would be retained within a minimal protection building envelope and the remainder of the site will be protected from any further development. In developing the Sales Comparison Approach for the 33.40 acre deed restricted site improved with the existing dwelling, I have researched the Montgomery County and Bucks County market areas for sales of properties with a similar highest and best use which have sold during the last four years. I have analyzed the comparable sales and have compared them with the subject based on the sale price per acre which is a common unit of comparison for properties of this type. The comparable sales analyzed are summarized as follows:



**COMPARABLE SALE #1**

Location: 25 Neiffer Road  
Limerick Township  
Montgomery County, PA

Grantor: Donald B. Hawthorne and Marie H. Hawthorne

Grantee: Travis B. Kryder and Haley Kryder

Sale Date: 8/3/2017

Deed Book/Page: 6057/361

Consideration: \$315,000 Recorded Consideration  
(\$ 15,000) Seller Assist  
\$300,000 Adjusted Sale Price

Verification: Maureen Greim of Long & Foster, Listing Agent

Tax Parcel #s: 37-00-03273-002, 37-00-03269-006 & 37-00-03180-005

Site Description: Three parcels containing a combined gross land area of 31.77 acres with 479.87' of frontage along the west side of Neiffer Road and 721 along the east side of Neiffer Road. The site was mostly cleared with a rolling topography. On site water and sanitary systems.

Zoning: R-3 Residential District

Improvements: A 43 year old masonry and wood frame ranch style dwelling containing a gross living area of 1,456 square feet with 6 rooms, 3 bedrooms and 1.0 bathrooms and a two car attached garage. The improvements were reported to be in good condition.

Unit of Comparison: \$9,443 per acre

Remarks: The property is subject to a perpetual conservation easement which prohibits any further residential development or subdivision. Exposed on the open market for 8 days with a listing price of \$325,000.

**COMPARABLE SALE #2**

Location: Lot # 60 Branch Road  
East Rockhill Township  
Bucks County, PA

Grantor: Lisa Papa

Grantee: Jay R. Landis

Sale Date: 8/11/2017

Recording Document #: 2017-33225

Consideration: \$400,000

Verification: Russ Palmer of Coldwell Banker Hearthside, Selling Agent

Tax Parcel #s: 12-014-060

Site Description: A corner parcel containing a gross land area of 53.37 acres with 1,430' of frontage along the south side of Branch Road and 1690' of frontage along the west side of Dublin Pike (Route 313). The site has a gently rolling topography and is predominately cleared for agricultural use with the exception of mature woods along the East Branch of the Perkiomen Creek in the southeast section of the site. On site water and sanitary systems required.

Zoning: AP-Agricultural Preservation District

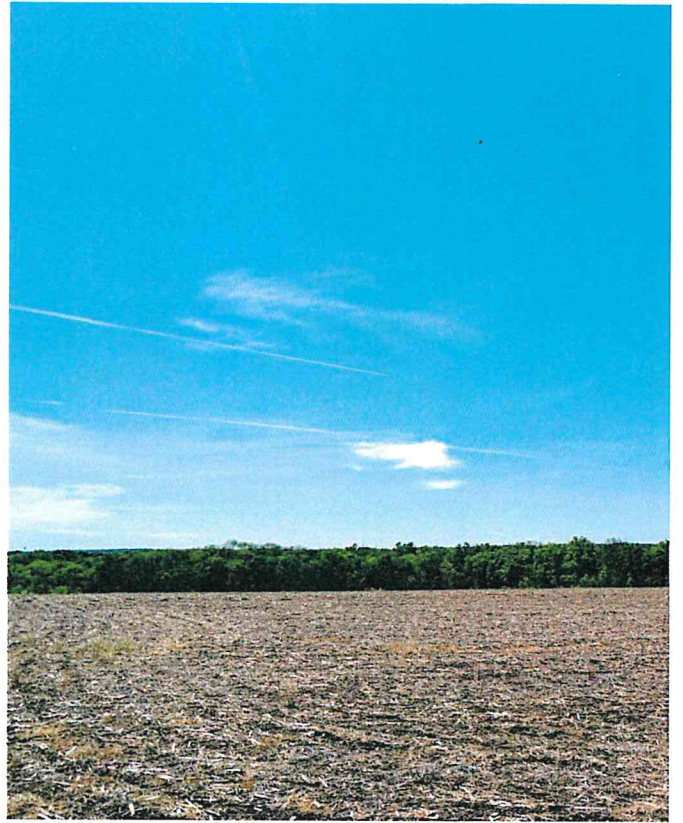
Improvements: None.

Unit of Comparison: \$7,495 per acre

Remarks: The property is subject to a perpetual conservation easement which prohibits any further subdivision but permits the construction of one residential dwelling and outbuildings within a designated building envelope. Exposed on the open market for 11 days with a listing price of \$425,000.



COMPARABLE SALE #1



COMPARABLE SALE #2



COMPARABLE SALE #3



COMPARABLE SALE #3

**COMPARABLE SALE #3**

Location: 855 Gravel Pike  
Upper Hanover Township  
Montgomery County, PA

Grantor: John W. Wentz and Linda M. Loranger, Trustees

Grantee: Larry Shelmire

Sale Date: 1/11/2018

Deed Book/Page: 6084/1855

Consideration: \$580,000

Verification: Dawn Ciganik of BHHS Fox & Roach, Listing Agent

Tax Parcel #: 57-00-01180-005

Site Description: A corner parcel that is partially located in Hereford Township, Berks County but is assessed in Montgomery County. The site contains a gross land area of 82.83 acres with 1,283' of frontage along the north side of Gravel Pike (Route 29) and both sides of Stauffer Road which bisects the property. A power line easement traverses the site from southwest to northeast and two sets of twin towers are located in the eastern section of the property. The site was mostly cleared with tillable acreage and a rolling topography. On site water and sanitary systems.

Zoning: LIC-1 Light Industrial Commercial District

Improvements: A 270 year old masonry and wood frame farmhouse containing a gross living area of 4,046 square feet with 7 rooms, 4 bedrooms and 1.5 bathrooms. There is a bank barn, a barn with an attached shed and two additional sheds. The improvements were reported to be in average condition.

Unit of Comparison: \$7,002 per acre

Remarks: The property is subject to a perpetual conservation easement which prohibits any further subdivision but permits the construction of one additional residential dwelling within a designated building envelope. A use variance to construct the additional dwelling will be required due to the industrial zoning. Exposed on the open market for 445 days with an initial listing price of \$975,000 and a final asking price of \$650,000.

**COMPARABLE SALE #4**

Location: 110 Miller Road &  
657 Hoffmansville Road  
Douglass Township  
Montgomery County, PA

Grantor: Clark M. Yoder and Brandon Yoder

Grantee: Arlen Moser and Sharon Moser

Sale Date: 5/4/2015

Deed Book/Page: 5953/2776

Consideration: \$485,000

Verification: Allen Gehringer of Century 21 Gold, Listing Agent

Tax Parcel #s: 32-00-04224-001 & 32-00-02895-007

Site Description: Two contiguous parcels containing a combined gross land area of 72.910 acres with 1,430' of frontage along the east side of Hoffmansville Road, 2,077' along the east and west side of Miller Road and 3,200' along the northeast and southwest sides of Hoffman Road. The site was mostly cleared with 62 tillable acres and a rolling topography. On site water and sanitary systems.

Zoning: R- 1 Residential-Agricultural District

Improvements: A 115 year old wood frame farmhouse containing a gross building area of 1,836 square feet with 7 rooms, 4 bedrooms and 1.5 bathrooms. There is a bank barn with thirty stall dairy parlor and a large four bay pole building. The improvements were reported to be in fair condition.

Unit of Comparison: \$6,652 per acre

Remarks: The property is subject to a perpetual conservation easement which prohibits any further subdivision but permits the construction of one additional residential dwelling within a designated building envelope. Exposed on the open market for 40 days with an initial listing price of \$595,000 and a final asking price of \$550,000.





**SUMMARY OF COMPARABLE EASED PROPERTY SALES**

#	Location	Date of Sale	Site Area	Water & Sewer	Site Utility	Zoning	Unit Rate/Acre	Comments
1	25 Neiffer Road Limerick Township Montgomery County, PA	8/17	31.77 Acres	On Site	Good	R-3 Residential	\$9,443	Improved with a 43 year old masonry and wood frame ranch style dwelling containing a gross living area of 1,456 square feet with 6 rooms, 3 bedrooms and 1 bathroom and a two car attached garage. The improvements were reported to be in good condition. The property is subject to a perpetual conservation easement which prohibits any further residential development or subdivision. Exposed on the open market for 8 days with a listing price of \$325,000.
2	Lot #60 Branch Road East Rockhill Township Bucks County, PA	8/17	53.37 Acres	On Site	Good	AP- Agricultural Preservation	\$7,495	A vacant corner parcel. The property is subject to a perpetual conservation easement which prohibits any further subdivision but permits the construction of one additional residential dwelling and outbuildings within a designated building envelope. Exposed on the open market for 11 days with a listing price of \$425,000.
3	855 Gravel Pike Upper Hanover Township Montgomery County, PA	1/18	82.83 Acres	On Site	Good	LIC-Light Industrial Commercial	\$7,002	Improved with a 270 year old masonry and wood frame farmhouse containing a gross living area of 4,046 square feet with 7 rooms, 4 bedrooms and 1.5 bathrooms. There is a bank barn, a barn with an attached shed and two additional sheds. The improvements were reported to be in average condition. The property is subject to a perpetual conservation easement which prohibits any further subdivision but permits the construction of one additional residential dwelling within a designated building envelope. A use variance to construct the additional dwelling will be required due to the industrial zoning. Exposed on the open market for 445 days with an initial listing price of \$975,000 and a final asking price of \$650,000.
4	110 Miller Road & 657 Hoffmansville Road Douglass Township Montgomery County, PA	5/15	72.91 Acres	On Site	Good	R-1 Residential	\$6,652	Improved with a 115 year old wood frame farmhouse (1,836 SF) with 7 rooms, 4 bedrooms and 1.5 bathrooms, a bank barn with thirty stall dairy parlor and a large four bay pole building. The improvements were reported to be in fair condition. The property is subject to a perpetual conservation easement which prohibits any further subdivision but permits the construction of one additional residential dwelling within a designated building envelope. Exposed on the open market for 40 days with an initial listing price of \$595,000 and a final asking price of \$550,000.

**ANALYSIS OF MARKET DATA**

The market data summarized on the facing page indicates that properties with a similar highest and best use as the subject have sold within the range of \$6,652 to \$9,443 per acre before adjustment for the elements of comparison which cause this variation. The methodology for adjusting for elements of comparison is as follows: when an aspect of the subject site is superior to that of an actual transaction, a positive adjustment is made to the unit rate indicated by the comparable sale. No adjustment is required when an element of comparison is similar or equal.

The following table is a summary of the elements of comparison between the subject and the comparable market transactions.

**STATISTICAL ANALYSIS OF COMPARABLE SALES**

<b>SALE #</b>	<b>Subject</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Sale Price/Acre		\$9,443	\$7,495	\$7,002	\$6,652
<b>ADJUSTMENTS:</b>					
Real Property Rights Conveyed	Fee Simple with Conservation Easement	1.000	1.000	1.000	1.000
ADJUSTED SP/ACRE		\$9,443	\$7,495	\$7,002	\$6,652
Financing Terms	Cash	1.000	1.000	1.000	1.000
Conditions of Sale	Arm's Length	1.000	1.000	1.000	1.000
ADJUSTED SP/ACRE		\$9,443	\$7,495	\$7,002	\$6,652
Market Conditions	December 6, 2018	1.025	1.025	1.025	1.100
ADJUSTED SP/ACRE		\$9,679	\$7,682	\$7,177	\$7,317
Location	Good	1.000	1.000	1.000	1.000
Size	33.40 Acres	1.000	1.025	1.050	1.050
Existing Improvements	Detached Dwelling, Retail Building & Outbuildings/ Fair-Average Condition	0.975	1.100	0.975	1.000
Physical/Site Characteristics	Rolling Topography/ Mostly Cleared / On Site Water & Pubic Sewer	1.025	1.025	1.025	1.025
Net Adjustment		1.000	1.150	1.050	1.075
ADJUSTED SP/ACRE		\$9,679	\$8,835	\$7,536	\$7,866
<b>MEAN</b>		<b>\$8,479</b>			

**PROSPECTIVE MARKET VALUE BY THE SALES COMPARISON APPROACH**

**33.40 Acres @ \$8,500 per Acre inc. Improvements = \$285,000®**

**NOTE:** All adjustments are qualitative and are based upon my experience in the market area and interviews with local brokers and developers. Quantitative adjustments were attempted; however, there was insufficient data available to complete a specific quantitative analysis.

## ELEMENTS OF COMPARISON

### REAL PROPERTY RIGHTS CONVEYED

The first category for comparison for the subject and the four sales is for real property rights conveyed. I have previously discussed that the purpose of this appraisal is to estimate the market value of the subjects fee simple interest, subject to the restrictions proposed under the conservation easement. The four sales reported were all fee simple transactions that were encumbered with similar conservation easements and no adjustments are required

### FINANCING

The next element of comparison between the subject and the reported sales is the financing terms of the transaction. Market financing in terms of cash or its equivalent is inherent in the definition of market value for the subject as of the effective date. Each of the comparable sales in this analysis involved an exchange for cash and debt funds at the then prevailing market rates. As market financing with either cash or its equivalency is assumed, no adjustment is required this particular element of comparison.

### CONDITIONS OF SALE

Adjustments for this element of comparison reflect the motivations of buyers and sellers in the marketplace. Market value, as defined in this appraisal assumes a buyer and seller are knowledgeable, prudent and not under duress as they are involved in a transaction. These circumstances are commonly referred to as an arm's length transaction.

All four sales reported have been confirmed as arm's length transactions and no adjustments are required.

### MARKET CONDITIONS

This element of comparison is commonly referred to as a "time" adjustment and reflects changes in market conditions caused by inflation, deflation, changes in supply and demand and other factors. My analysis completed in the market analysis section and interviews of local brokers and developers including Ms. Russ Palmer of Coldwell Banker Hearthside Real Estate indicates that market conditions for "eased" farms has improved somewhat in 2014-18. Minor adjustments are required to three of the four sales with a higher adjustment to sale #4 to reflect the improvement in market conditions subsequent to their sale dates.

### LOCATION

All four sales are located in market areas considered similar to the subject within a relevant range and no adjustments are required.

### SIZE

The market recognizes an inverse relationship between the size of a property and the corresponding price paid per acre as the number of qualified purchasers decreases as the size of a property increases. Sale #1 is considered similar to the subject within a relevant range and no adjustment is required. Sales #2, #3 and #4 are larger than the subject requiring upward adjustment to these three sales.

### BUILDING IMPROVEMENTS

The subject property is improved with two detached single family dwellings, a farm store and a barns/outbuildings that are in fair to average condition and provide a minor contributory value to the site. Sale #2 is vacant land with no building improvements which is inferior to the subject requiring an upward adjustment

to this sale. The remaining three sales are considered to be similar to the subject within a relevant range and no adjustments are required.

### **PHYSICAL/UTILITIES**

The subject is mostly cleared fields with a rolling topography and is serviced by an on-site well and public sewer. The four comparable sales are considered inferior to the subject with on site sanitary systems and minor upward adjustments are required for site utility.

### **RECONCILIATION**

The sales price per acre ranged from \$6,652 to \$9,443 including building improvements. The sales were analyzed and the adjusted unit rates ranged from \$7,536 to \$9,679 per acre. The indicated mean from the analysis is equivalent to \$8,479 per acre. I conclude that the Prospective market value of the subject property will be equivalent to \$9,000 per acre or \$285,000® assuming the proposed conservation easement encumbers the subject that prohibits any further development of the 33.40 acre site.

### **PROSPECTIVE MARKET VALUE AFTER IMPOSITION OF CONSERVATION EASEMENT**

**\$285,000**



**FINAL RECONCILIATION****AS IS OR BEFORE VALUE**

A market survey was made of recent residential land and estate type property sales to determine the current market value of the subject lands before the imposition of a Conservation easement, the purpose of which would be to preserve and conserve the 33.40 acre subject site in a relatively natural and agricultural state.

I have determined that the highest and best use of the site in as is condition would be to develop the 33.40 acre subject parcel with fifty-eight (58) new detached single family building lots. A typical dwelling unit to be constructed would be a two story colonial style home embracing from in excess of 2,200 square feet with 4 bedrooms, 3.5 bathrooms, a full basement and a 2 car garage.

My review of recent residential development land sales indicates an as is or Before market value of \$990,000 for the subjects estimated yield of 58 potential building lots as of December 6, 2018.

**AS IS OR BEFORE MARKET VALUE**

**\$990,000**

**PROSPECTIVE MARKET VALUE**

The owner of record has proposed eliminating the rights to any further development for the 33.40 acre site. I have estimated a prospective market value of \$285,000 for the entire subject property as of March 6, 2019 which is the estimated time frame required to record the proposed conservation easement which will encumber the subject site as proposed.

**ESTIMATED LOSS IN VALUE**

Accordingly, it is my considered opinion that there will be a loss or diminution in value to the subject lands of approximately \$705,000 as a result of the proposed restrictions to be placed on the land. The loss in value is calculated as follows:

BEFORE VALUE -	\$990,000
AFTER VALUE -	<u>\$285,000</u>
<b>LOSS IN VALUE</b>	<b>\$705,000</b>

# ADDENDUM

GLEASON REAL ESTATE INC.

CRAIG W. GLEASON, MAI

Real Estate Appraisers  
and Consultants

2058 County Line Road #249  
Huntingdon Valley, PA 19006

Phone #(215) 675-0376

Fax #(215) 442-1512

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November 28, 2018

New Hanover Township  
2943 North Charlotte Street  
Gilbertsville, PA 19525

Attn: Mr. Jamie L. Gwynn, Township Manager

Sent Via e-mail: jgwynn@newhanover-pa.org

RE: Appraisal Report of 34.56 Acre Residential Property (Suloman)  
2782 Leidy Road  
Tax Parcel #47-00-04324-00-3  
New Hanover Township  
Montgomery County, PA

Dear Mr. Gwynn:

In accordance with your request, I would like to submit the following fee proposal for the reference parcel of Real Estate. The scope of the work and services for the appraisal would consist of a narrative appraisal report prepared in Compliance with the Uniform Standards of Professional Appraisal Practice under Standard 1. The reader is assumed to be in possession of the Uniform Standards of Professional Appraisal Practice as published by the Appraisal Foundation. The Scope of Work provided in completion of this appraisal assignment is consistent with what was previously identified as a Summary appraisal report.

I will estimate the as is or "Before" market value for the subjects fee simple estate as of a current date under its Highest and Best Use. Also, I will estimate the Prospective market value for the subject assuming a conservation easement has been imposed which will eliminate any residential development rights or potential and restrict the land uses permitted to open space or agricultural type land uses.

It is my understanding that the intended use is for internal financial analysis by New Hanover Township to establish a potential sale price for the fee simple estate or just the development rights via a conservation easement. The Scope of Work that will be provided in the appraisal report will include the following:

**LOCATION & AREA ANALYSIS**

Examine the public records for demographic data, land use policies and trends and zoning information. Interview local real estate brokers active in the subject market area.

**BUILDING & SITE ANALYSIS**

Review the municipal zoning and tax records. Physically inspect the site and walk perimeter of property, photograph subject site, surrounding area, and street scenes. Physically inspect the interior and exterior of the subject buildings obtaining measurements, photographs and a detailed description of the site, buildings and improvements.



## MARKET ANALYSIS

Provide an analysis local market trends impacting the subject and the subjects current market potential.

## SALES COMPARISON APPROACH

First, I will obtain data on recent sales of similar properties with a similar Highest and Best Use to estimate the before market value as of a current date. Also, I will obtain sales of similar properties that were deed restricted or encumbered with a conservation easement to estimate the Prospective or After market value. I will obtain copies of deed recordings and financing instruments from the courthouse and attempt to contact buyers, sellers, or both to verify transaction data and ensure that sales were at arms length. Details of the verified sales will be included in the Sales Comparison Approach.

### **It is important to note that the appraisal process will not include the following:**

- Production of environmental, survey or engineer's reports.
- Development of the Income or Cost Approaches to value.
- Valuation of any personal property, furniture, fixtures, machinery and equipment.

Three copies and one electronic (PDF) copy of the report will be delivered within 4 weeks of your authorization to proceed. My fee to complete the services outlined above is \$3,800 which will include approximately 10 minutes for telephone conferences related to any questions about the appraisal. My hourly rate for any involvement in legal proceedings and/or arbitration, including attorney/client conferences, will be billed @ \$250 per hour.

If you are interested in retaining my services, please sign the authorization below and return to my office. If you have any questions regarding this proposal, please feel free to call my office.

Sincerely,

*Craig W. Gleason*

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CRAIG W. GLEASON, MAI  
PA Certified General  
Real Estate Appraiser GA-000269-L

*Jamie L. Gwynn*

Authorized by Mr. Jamie L. Gwynn, Township Manager

11-28-18

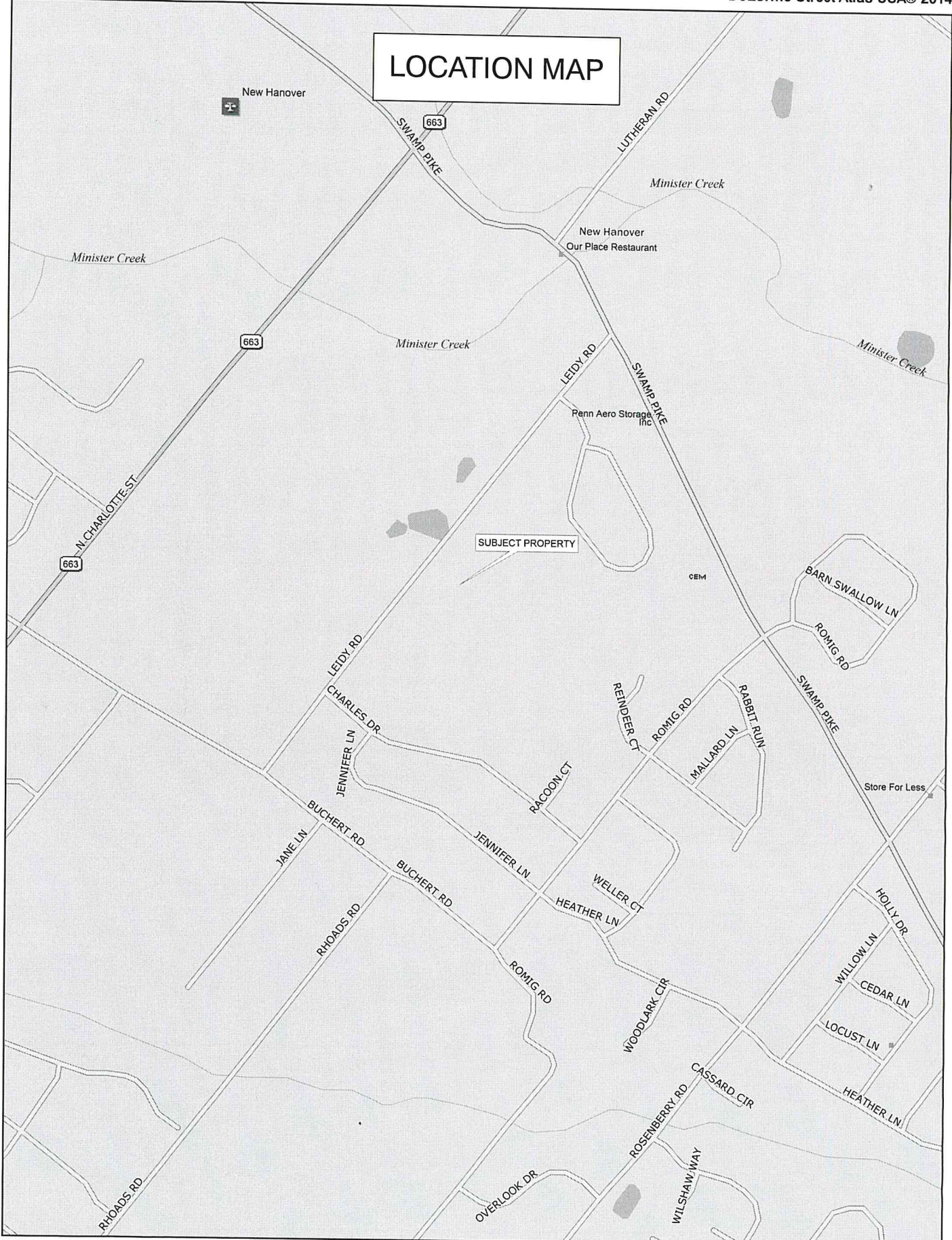
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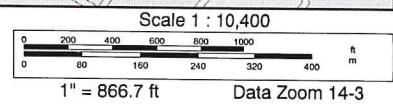
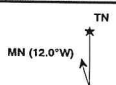




# LOCATION MAP



Data use subject to license.  
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 www.delorme.com

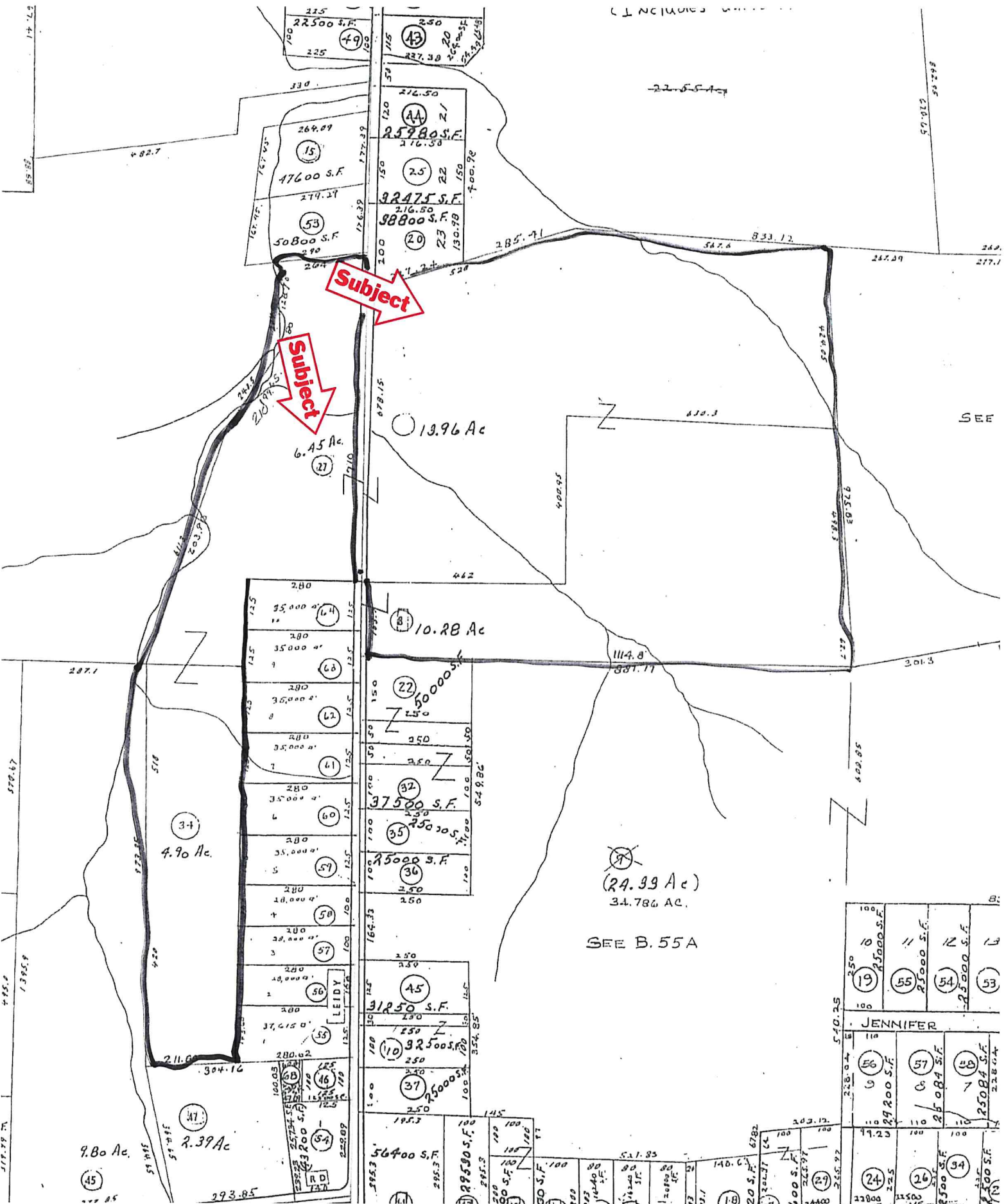


Data Zoom 14-3





# Plat Map







# National Flood Hazard Layer FIRMette

40°17'44.55"N



## Legend

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT

**SPECIAL FLOOD HAZARD AREAS**

- Without Base Flood Elevation (BFE)  
Zone AE, V, A, 99
- With BFE or Depth  
Zone AE, AO, AH, VE, AR
- Regulatory Floodway

0.2% Annual Chance Flood Hazard, Area of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile  
(Zone X)

Future Conditions 1% Annual Chance Flood Hazard  
(Zone X)

Area with Reduced Flood Risk due to Levee  
(Zone X)

Area with Flood Risk due to Levee  
(Zone D)

### OTHER AREAS OF FLOOD HAZARD

Area of Minimal Flood Hazard  
(Zone X)

Effective LOMRMs

### OTHER AREAS

### GENERAL STRUCTURES

Channel, Culvert, or Storm Sewer

Levee, Dike, or Floodwall

Cross Sections with 1% Annual Water Surface Elevation

Coastal Transect

Base Flood Elevation Line (BFL)

Limit of Study

Jurisdiction Boundary

Coastal Transect Baseline

Profile Baseline

Hydrographic Feature

### OTHER FEATURES

Digital Data Available

No Digital Data Available

Unmapped

### MAP PANELS

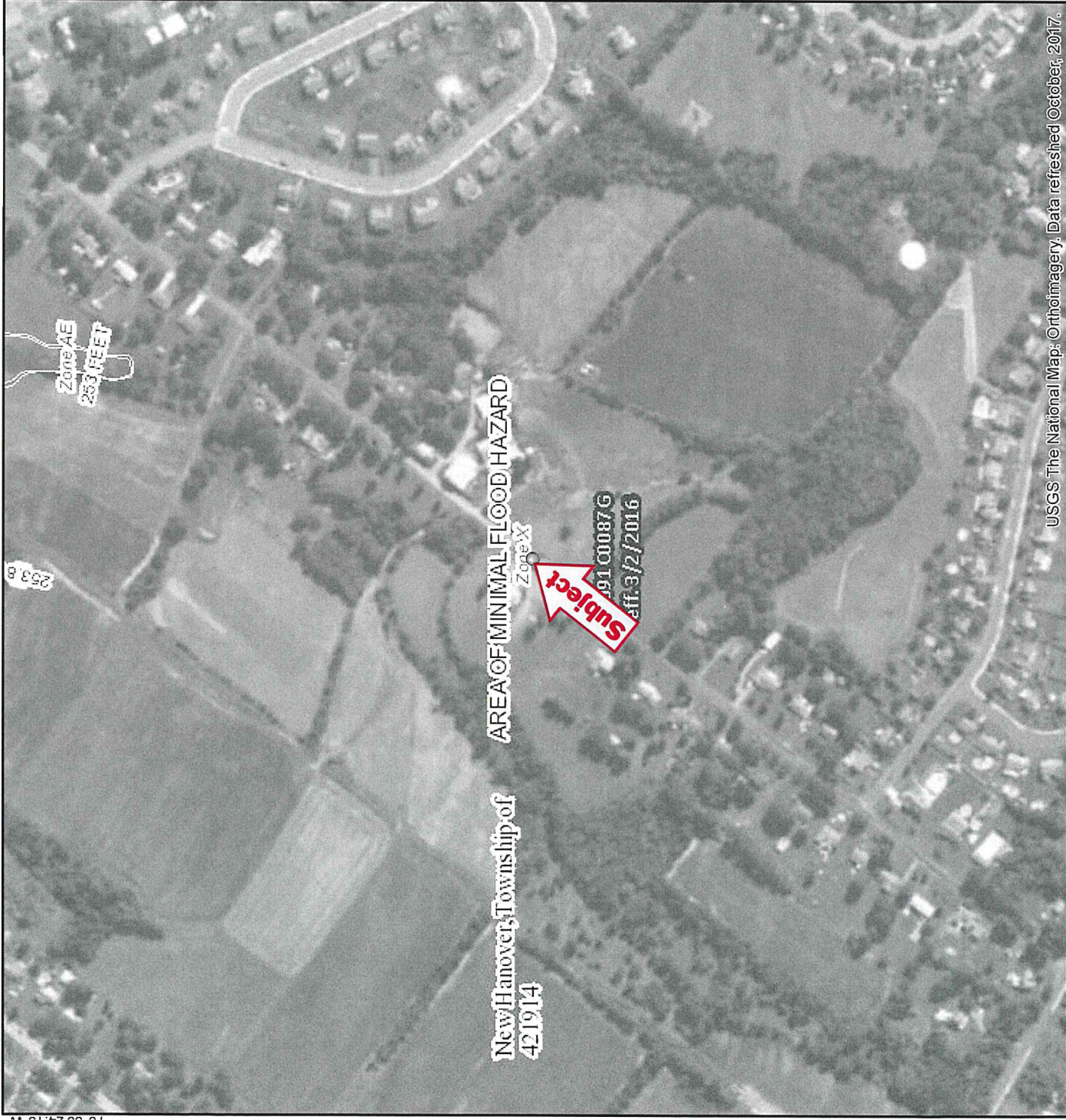


The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.

This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap accuracy standards

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 12/28/2018 at 10:40:38 AM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.



USGS The National Maps: Orthoimagery. Data refreshed October, 2017.



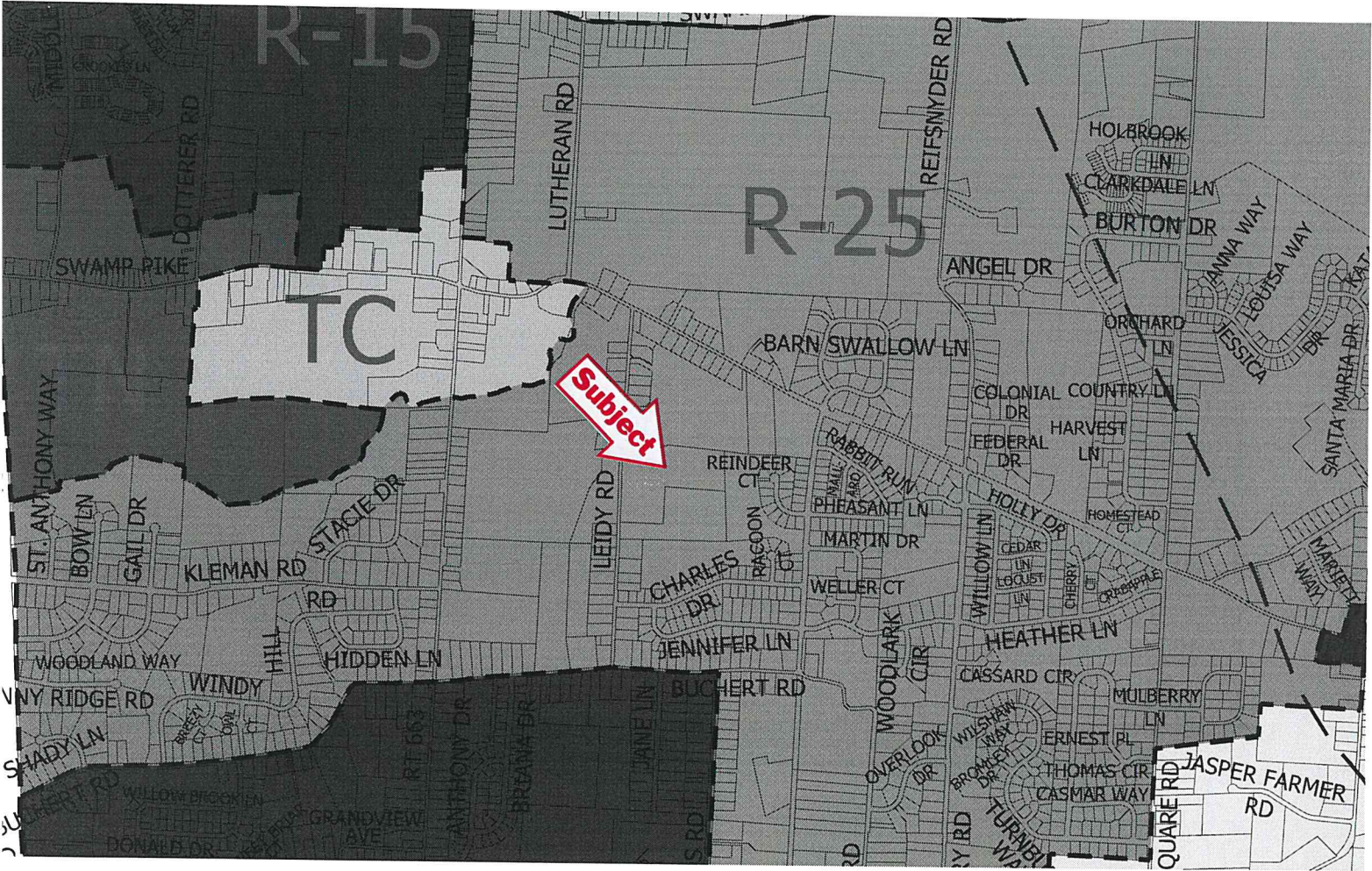
75°34'46.70"W

40°17'17.15"N





# Zoning Map





## Chapter 27. Zoning

### Part 6. R-25 RESIDENTIAL DISTRICT

#### § 27-601. Purpose.

[Ord. 3/29/1990A, § 600]

1. The purpose of the R-25 Residential Districts is to provide for medium high density development in areas that are served or are intended to be served by sewer and water services. The R-25 Residential Districts serve as transition zones between the high density residential and commercial areas and the lower density areas.
2. Within the R-25 Residential Districts, a building may be erected, altered or used, and a lot or premises may be used when in conformance with the conditions of this chapter and the specific use, area and design regulations of this district.

#### § 27-602. Use Regulations.

[Ord. 3/29/1990A, § 601; as amended by Ord. 93-2, 2/8/1993, § 88; by Ord. 95-8, 9/25/1995, § 3D; by Ord 95-8B, 11/25/1995, § 18; by Ord. 99-2, 6/28/1999, § 25; and by Ord. 05-06, 8/2/2005, § 18]

1. Uses Permitted by Right.
  - A. A1 General farming.
  - B. A2 Nursery.
  - C. A4 Forestry.
  - D. A8 Farm unit.
  - E. B1 Detached dwelling.
  - F. B2 Performance standard development.
  - G. B9a Accessory professional office.
  - H. B9b Accessory personal service.
  - I. B9c Accessory instructional service.
  - J. B9d Accessory home crafts.
  - K. B10 Residential accessory building.
  - L. C7 Municipal building or use.
  - M. D5 Golf course-residential community.
  - N. 19 Off-street parking.
  - O. I10 Signs.
2. Uses Permitted by Conditional Use.
  - A. I3 Temporary structure.
  - B. I4 Temporary community event.
  - C. I6 Wind energy conversion system.
3. Uses Permitted by Special Exception.
  - A. A7 Agricultural retail.
  - B. A9 Farm support facility.
  - C. B4 Group home.
  - D. B5 Life care facility.
  - E. B6 Full care facility.
  - F. B8 Residential conversion.





- G. B9e Accessory family day care.
- H. C1 Place of worship.
- I. C2 School.
- J. C4 Hospital.
- K. C5 Nursing home.
- L. C6 Cemetery.
- M. D1 Recreational facility.
- N. D2 Private recreational facility.
- O. E1 Medical office.
- P. E3 Office.
- Q. F2 Day-care center.
- R. F2a Older and disabled adult daily living center.
- S. F21 Golf course.
- T. F24 Guesthouse.
- U. F32 Dwelling in combination.
- V. G1 Utilities.
- W. G2 Emergency services.
- X. I1 Nonresidential accessory building.
- Y. I5 Oil and gas drilling.
- Z. I8 Towers, Masts, etc.

### § 27-603. Area and Dimensional Requirements.

[Ord. 3/29/1990A, § 602; as amended by Ord. 93-2, 2/8/1993, § 41, § 89; by Ord. 95-8, 9/25/1995, § 4H, 6; by Ord. 99-2, 6/28/1999, § 26; by Ord. 05-06, 8/2/2005, § 27; and by Ord. 17-03, 3/27/2017]

1. Unless a maximum height regulation is stated in § 27-305, Use Regulations, for a specific use, no principal building or structure shall exceed 35 feet and 2 1/2 stories in height. For any building or structure accessory to a dwelling, which building or structure is located at the setback line applicable in the underlying zoning district, shall be limited to a height of 14 feet; however, the height of the building or structure may be increased by one foot for every two additional feet the said building or structure is located away from the setback line to a maximum height of 25 feet. For exceptions, refer to Uses A1(3) [§ 27-305, Subsection 1, Use A1(3)], A3(5) [§ 27-305, Subsection 1, Use A1(3)], I6(2)(C) [§ 27-305, Subsection 9, Use I6(2)(C)], I8(3) [§ 27-305, Subsection 9, Use I8(3)] and § 27-1910.
2. Unless a greater area or dimensional regulation is stated in § 27-305, Use Regulations, for a specific use, all uses in the R-25 Residential District shall meet the following requirements.

Uses	Minimum Lot Area (square feet)	Minimum Lot Width (feet)	Maximum Building Coverage	Maximum Impervious Surface Ratio	Minimum Yards		
					Front (feet)	Side (feet)	Rear (feet)
B1 <sup>[1]</sup>	15,000	94	20%	—	40	15	30
B1 <sup>[2]</sup>	25,000	100	20%	—	40	15	40
Other uses	40,000	150	25%	50%	50	30	50

[1] With municipally operated sewer service, and municipal or community operated water service.  
 [2] Without municipally operated water and sewer services.

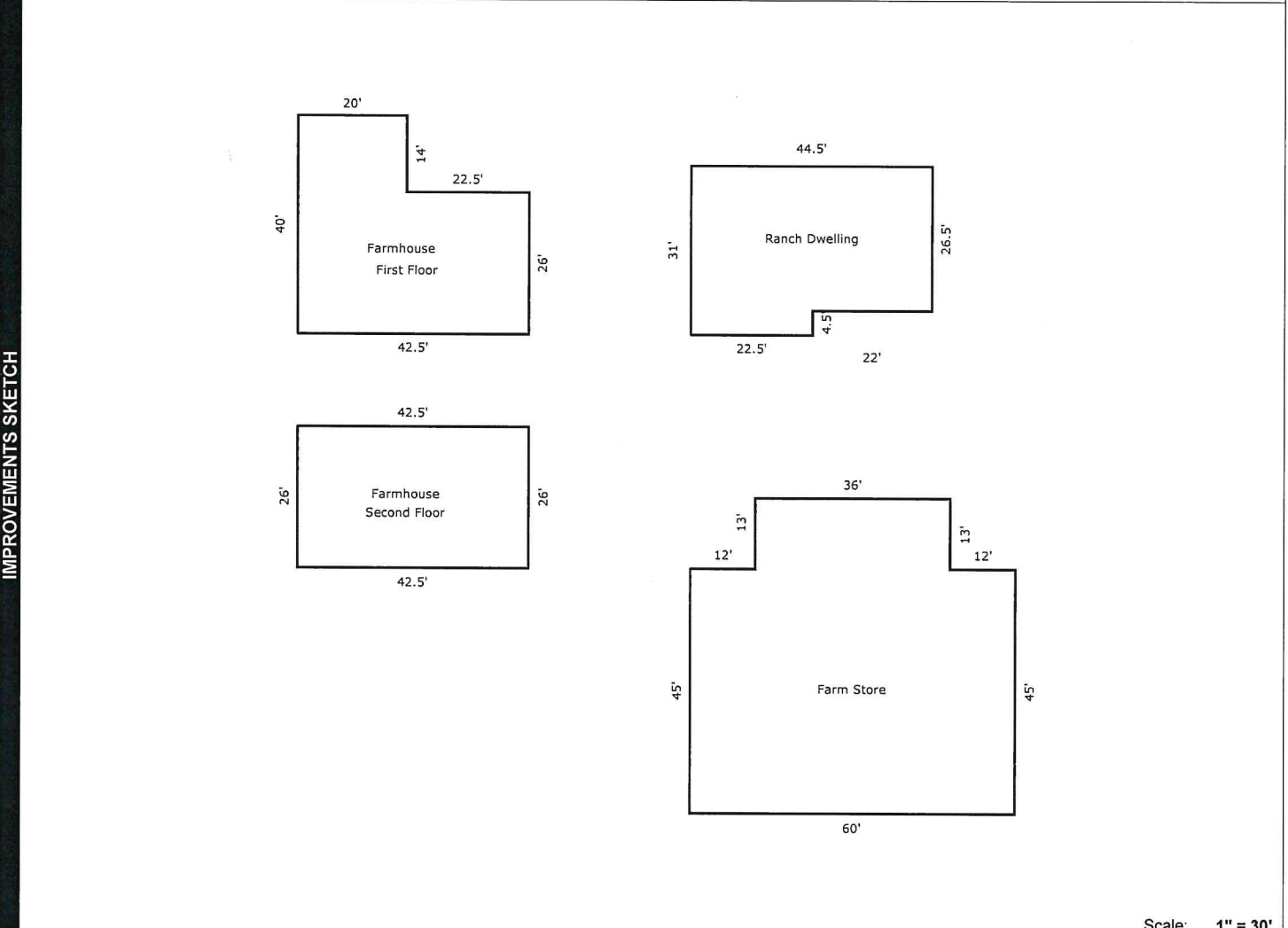
3. Refer to § 27-2101, Natural Resource Protection Standards, to determine the building envelope.



# SKETCH/AREA TABLE ADDENDUM

File No 2018-092

SUBJECT	Property Address <b>2782 LEIDY ROAD</b>		
	City <b>GILBERTSVILLE</b>	County <b>MONTGOMERY</b>	State <b>PA</b>
	Borrower <b>SULAMON</b>		Zip <b>19525</b>
	Lender/Client <b>NEW HANOVER TOWNSHIP</b>		L/C Address <b>GILBERTSVILLE, PA</b>
	Appraiser Name <b>CRAIG GLEASON</b>		Appr Address <b>HUNTINGDON VALLEY, PA</b>



Scale: 1" = 30'

AREA CALCULATIONS

AREA CALCULATIONS SUMMARY				BUILDING AREA BREAKDOWN		
Code	Description	Net Size	Net Totals	Breakdown		Subtotals
GBA1	Farmhouse	1385.00		Farmhouse		
	Ranch Dwelling	1280.50		42.5 x 26.0		1105.00
	Farm Store	3168.00	5833.50	14.0 x 20.0		280.00
GBA2	Farmhouse	1105.00	1105.00	Ranch Dwelling		
				22.5 x 4.5		101.25
				44.5 x 26.5		1179.25
				Farm Store		
				60.0 x 45.0		2700.00
				13.0 x 36.0		468.00
				Farmhouse		
				42.5 x 26.0		1105.00
Net BUILDING Area		(rounded)	6939	7 Items	(rounded)	6939





**CRAIG W. GLEASON, MAI**  
**REAL ESTATE APPRAISER**

2058 COUNTY LINE ROAD #249  
HUNTINGDON VALLEY, PA 19006  
PHONE (215) 675-0376  
FAX (215) 442-1512

**STATEMENT OF QUALIFICATIONS**

**PROFESSIONAL LICENSES & CERTIFICATIONS**

State of Pennsylvania Certified General Appraiser - Certificate #GA-000269-L  
State of New Jersey Certified General Appraiser - Certificate #RG-01652

**PROFESSIONAL MEMBERSHIPS**

Appraisal Institute MAI Certificate Number 11726  
Philadelphia Metropolitan Chapter of the Appraisal Institute (2018 Chapter President)  
Pennsylvania Association of Realtors

**EDUCATION**

West Chester State University  
Bachelor of Science Degree, 1982  
American Institute of Real Estate Appraisers  
Residential Valuation - Exam: 8/2/83  
Real Estate Appraisal Principles - Exam: 1A-1 1983  
Basic Valuation Procedures - Exam: 1A-2 - 1983  
Capitalization Theory and Techniques - Exam: 1-BA - 1984  
Capitalization Theory and Techniques - Exam: 1-BB - 1984  
Standards of Professional Practice - 1988  
Case Studies in Real Estate Valuation - 1991  
Report Writing and Valuation Analysis - 1992  
Standards of Professional Practice (Part C)- 2000  
The Valuation of Conservation Easements - 2008  
Uniform Standards of Professional Practice Update - 2017  
AI Sponsored Continuing Education Seminars (23 Hours) - 2017

Bucks County Community College  
Adjunct Professor Real Estate  
Real Estate Appraisal 1988-89

**SERVICES**

Real Estate Broker - Pennsylvania License No. AB-04783-L (In Escrow)  
Real Estate Appraiser-Appraise all types of properties for Mortgage Loans



Condemnation, Feasibility Studies, Assessment Equalization, etc.  
Testimony as expert witness in various jurisdictions including Philadelphia Court of Common Pleas, Montgomery and Bucks County Court of Common Pleas and federal bankruptcy court in the Philadelphia and Camden jurisdictions. Staff Appraiser from 1982-90 for William T. Gleason, MAI. President of Gleason Real Estate Inc. from 1990-Present.

## PARTIAL LIST OF CLIENTS

Banc One Corp.  
Amresco Mortgage Capital  
Paralell Capital Corp.  
CS First Boston  
Midland Loan Services LP  
American City Mortgage Company  
Citi-Bank - New York  
PNC Bank  
PNC-Financial Corp.  
Sovereign Bank  
Bank of America  
BB & T Bank  
Citizens Bank  
TD Bank  
Univest Bank  
M & T Bank  
Provident Bank  
Covenant Bank  
Abington School District  
Wissahickon School District  
North Penn School District  
Hatboro-Horsham School District  
Upper Moreland School District  
Montgomery County Redevelopment Authority  
LaSalle College-High School  
Pitcairn Inc.  
Ford Motor Company  
BMW Financial Services Company  
Abington Township  
Upper Dublin Township  
Upper Moreland Township  
Lower Southampton Township  
Montgomery County Planning Commission  
Various Attorney's, Residential, Commercial and Industrial Developers

