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September 8, 2009

Ms. Jayne S. Miller  
City of Ann Arbor  
100 N. Fifth Street  
Ann Arbor, MI 48104

Re: Market Study Consultation of Residential Land Unit Supply Within  
Webster Township and the Greenbelt District.

Dear Ms. Miller:

As you requested, we have conducted a market study of existing supply of single-family residential land within Webster Township, with conclusion of its potential impact on future demand for developable land within the subject area. The attachment is our analysis and addresses statistical formulation of household growth, current level of sales activity within the subject area and categorizing of vacant land units between greenbelt and non-greenbelt area.

The Uniform Standards of Appraisal Practice (USPAP) requires us to provide our clients with certain information in conducting consulting assignments. This information is included in the enclosed section entitled Required Information and should be considered a part of this report.

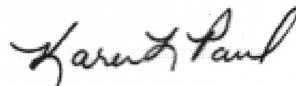
This report is intended for use with assisting the client with decisions relative to formulations of land acquisition within the cited area. It is not intended for any other use.

This report has been prepared for our client and is intended for use only by the City of Ann Arbor. It may not be used or relied upon by anyone other than our client for any purpose whatsoever without the express written consent of the consultants.

Respectfully submitted,  
Gerald Alcock Company, LLC



Michael T. Williams, MAI  
Certified General Appraiser  
License No. 1201004033



Karen L. Paul  
Certified General Appraiser  
License No. 1201004585

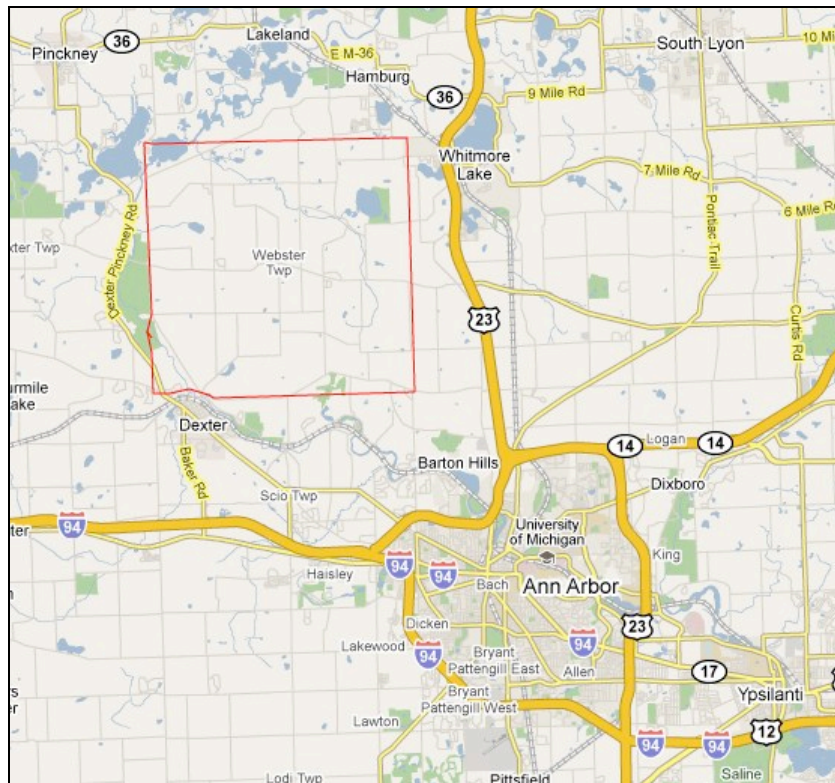


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# ANALYSIS OF COMPETITIVE SUPPLY AND DEMAND

## IDENTIFICATION OF SUBJECT BOUNDARIES

Our analysis focuses upon Webster Township which is part of the northwestern submarket and located about three miles outside of the city of Ann Arbor. It comprises 35.3 square miles with a varied topography segueing from cultivated lands to woodland. Approximately 90 percent of the township land is zoned for low-density residential or agricultural use. Nonetheless, with proximity to the economic core of the city of Ann Arbor and the historical reign of economic prosperity through the mid-2000’s, migration to this otherwise sleepy locale ebbed with a base of relatively affluent households and subsequent developer interest for its prime stock of larger vacant lands.



*Webster Township- Approximated Boundaries*



In response to localized demand for land the city of Ann Arbor, through its Greenbelt Advisory Commission established an outer-ring boundary through the submarket region essentially creating a buffered area out of which select lands may be acquired to promote and protect vital open space. Within Webster Township the divisional lines run east and west along the northern crust of Sections 21 through 24 and north and south along the western Section lines of 21, 28 and 33. More commonly, however, it is identified by traverse along the major east-west artery of North Territorial with southerly direction along Vaugh Road. The 12 encompassed sections comprise 12 square miles of land and constitute some of the township's largest and continuous tracts of undeveloped land.

### INTENDED SCOPE OF ANALYSIS

The intent of our analysis is to formulate an opinion of absorption of existing supply of vacant single-family homesites within Webster Township thereby gauging potential for renewed demand of development interest. This analysis is outlined as follows:

- Analyze current and future household growth patterning and income levels within the township.
- Identify total number of vacant parcels within Webster Township ranging up to 10 acres in size, thus, considered individually for single-family use.
- Delineate the supply level between Greenbelt and Non-Greenbelt area.
- Gauge current absorption of single-family homes within the township, stratified by investment level and age of construction.
- Identify lands actively marketed toward single-family use.

### HOUSEHOLD GROWTH IN WEBSTER TOWNSHIP

Within our discussion of household formulation we have relied upon statistical data provided by Southeast Michigan Council of Governments (SEMCOG) – a localized source for demographic study.



**Table I, Household Growth - Webster Township\***

2000 Census	2009 Estimate	2000-2009 % Change	2010 Estimate	2000-2009 % Change	2015 Forecast	2009-2015 % Change	2020 Forecast	2015-2020 % Change
1,774	2,206	24.4%	2,216	0%	2,253	2.1%	2,314	2.7%

\*SEMCOG

According to SEMCOG, the 2000 census returned a household count of 1,774 in Webster Township. By July 2009, household formation is estimated to have increased 24.4 percent to 2,206 units. This implies an average annual growth rate of 2.55 percent. Thus, 432 additional households have been established since the last census.

Building permit data stemming from 2000 indicates 454 new home permits with seven demolitions. This provides for 447 net units over the past 9.58-year-period, or roughly 46.65 units annually. Thus, SEMCOG’s estimate of current household formation is reasonably supported.

**Table II, Building Permit Activity - Webster Township**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Single Family	72	73	93	63	73	36	23	13	6	2	454
Demolitions	0	1	2	1	1	1	0	1	0	0	7
	<i>Net New Units:</i>										<b>447</b>

SEMCOG provides estimates of future household formation in five-year increments. Thus, in 2010 the demographic entity implies a fairly flat formation with only 10 additional units over the near term. Stemming between the current estimate and 2015, household growth is estimated at 2.1 percent, with 47 additional housing units. Notably, this pales by historical formulations. In the five-year projection stemming from 2015, a marginal increase is noted at 2.7 percent, as an additional 61 units will formulate. Concluding, over the ensuing 10.42 years, through 2020, only 108 additional households are estimated within Webster Township. We note, however, that these formulations by SEMCOG are reissued every four years. The current estimates are effective as of August 2008 and based upon reigning economic conditions intact at the time of projection. Representatives contend that the more distant estimates are at best based upon a conservative set of assumptions and for the most part, formulated for municipal use in future planning efforts. Hence, the estimates are revised every four years. Thus, we contend that the long-range implication of growth within Webster Township may alter from that stated herein. While we contend that it may not be as robust as historically garnered, it suggests opportunity for ultimate growth in tandem with renewed migratory patterning.



### HOUSEHOLD INCOME SEGMENTATION IN WEBSTER TOWNSHIP

Housing stratification denotes about 99 percent being single-family detached. This owes to the lack of supporting zoning, or municipal utilities afforded to greater densities. According to 2000 census figures, 30 percent of housing values fall between \$300,000 and \$499,999. Only 3.0 percent of households exceed this investment level. In a lower tier of valuation, there are 35 percent of households with 1999 housing values between \$200,000 and \$299,999. However, we note that these valuation segmentations are about 10-years-old with substantial migration and housing investment occurring through the 2000’s. A visual canvass attests to the strength of buildout with projects such as Cobblestone Estates, Autumn Ridge, Brass Creek as well as numerous subdivision efforts providing historical investments exceeding \$400,000.

Supporting this level of new home activity is a relatively affluent migratory base of residency. Indeed, over 50 percent of households, according to census data, possess at least four years of college education thereby insinuating greater income-capacity. Census figures report a median income level in 2000 of \$90,830. While SEMCOG does not provide current or future term projections regarding income levels, we cite demographic data from ESRI, Inc., a national entity.

Households by Income	2000		2009		2014	
	Number	Percent	Number	Percent	Number	Percent
< \$15,000	19	1.1%	7	0.3%	7	0.3%
\$15,000 - \$24,999	58	3.2%	40	1.8%	40	1.6%
\$25,000 - \$34,999	72	4.0%	67	3.0%	65	2.7%
\$35,000 - \$49,999	224	12.5%	99	4.4%	100	4.1%
\$50,000 - \$74,999	371	20.7%	536	23.9%	439	18.0%
\$75,000 - \$99,999	293	16.4%	385	17.2%	584	23.9%
\$100,000 - \$149,999	518	29.0%	645	28.7%	688	28.2%
\$150,000 - \$199,000	111	6.2%	249	11.1%	277	11.3%
\$200,000+	122	6.8%	216	9.6%	241	9.9%
Median Household Income	\$85,880		\$98,967		\$99,133	
Average Household Income	\$103,040		\$123,086		\$127,064	
Per Capita Income	\$35,883		\$42,545		\$44,095	

In 2000, we note 20.8 percent of Webster Township households with income levels *under* \$49,999. By 2009, this delineation diminishes to 9.5 percent, while upper tiers denote variable gain. Notably increasing is the \$150,000-plus segments – moving from 13 percent of representation in 2000 to a current 20.70 percent. Presumably, residency, and greater household investment has also buoyed over the past 9.53 years.

According to ESRI, the upper tiers of income earners will remain level over the ensuing five years with upward migration evidenced from the \$50,000 to \$74,999 segment into the \$75,000 to \$99,999 range. Thus, currently and over the immediate term we conclude that about 50 percent of all households within Webster Township possess income levels in excess of \$100,000.



**SINGLE-FAMILY HOME SALES WEBSTER TOWNSHIP**

Household expansion to Webster Township is to the extent that new construction opportunity is supported, duly in balance with the existing home sale market. However, as the past three years have demonstrated, the bust to the housing market dampened demand for new homes, as the downward spiral on existing homes – either through location, foreclosure or otherwise distress, brought forth a legion of variably aged homes to the market. The following statistics, taken from the Ann Arbor Board of Realtors multiple list system, summarize sales activity over the past year for homes within Webster Township with a sale price range between \$250,000 and \$750,000. Within this pool of data we isolate sales of homes that were constructed between 2000 and 2009, thus, identifying potential product that may compete with new home construction.

<b>Table III, Webster Township Home Sales*</b>		
	Sept. 2008 - August 2009	Supply
<b>Sale Price: \$250,000 - \$750,000</b>		
All Ages	38	58
Absorption Rate	3.20 UPM	
Average List Price	\$426,000	\$415,000
Average Sale Price	\$399,000	
Implied Discount	6%	
Days on the Market (DOM)	77	
Avg. Sale Price per Sq. Ft. Bldg.	\$122	
<b>Potential Future Absorption, All Ages</b>		<b>1.5 Years</b>
Built Since 2000	15	21
Absorption Rate	1.25 UPM	
Average List Price	\$385,000	\$411,000
Average Sale Price	\$358,000	
Implied Discount	7%	
Days on the Market (DOM)	58	
Avg. Sale Price per Sq. Ft. Bldg.	\$119	
<b>Potential Future Absorption, Constructed Since 2000</b>		<b>1.4 Years</b>
<i>* Ann Arbor Board of Realtors</i>		



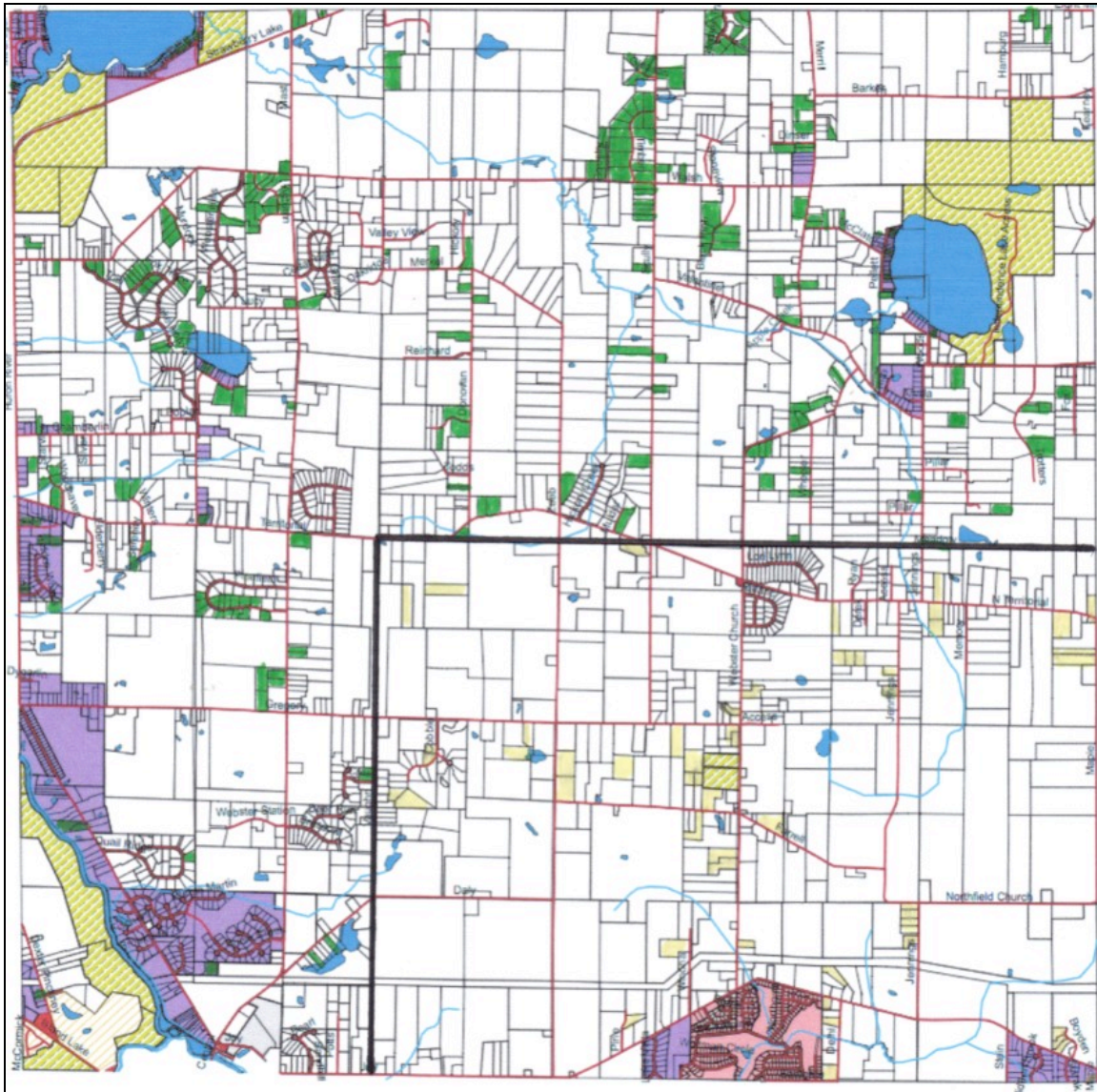
Within the past year, ending August 31, 2009, there were 38 home sales within the cited price range. This equates to 3.20 unit sales-per-month. The average list price was \$426,000 with contracts averaging \$399,000. Exposure days to the market was 77, which is considered more moderate than a number of rural community counterparts. Of the total sales, 15 homes were constructed since 2000, thus providing an absorption rate of 1.25 units-per-month. The average list price was \$385,000 with sold pricing averaging \$358,000. Average marketing days was 58 as a number of homes moved through quick dissolve. From this, relatively newer homes accounted for 39 percent of all sales activity.

Currently, there are 58 homes on the market priced within the cited range. At the current rate of absorption of 3.20 units-per-month, a 1.5-year supply of homes is calculated. Of the total available, 21 homes (36 percent) are of newer vintage. Thus, at a sales rate of 1.25 units-per-month, we infer a 1.4-year supply of homes. Thus, while home pricing has retracted to more affordable levels, and variably appealing product remains within the market, attraction to new home construction may remain challenged.

#### DELINEATION OF VACANT LAND – 1.0 TO 10 ACRES

Future growth within Webster Township is impacted to the extent that ample supply may support ongoing demand. We note that within the rural surrounds of the northern submarket that subscription to residency occurs over a range of homesites. Casual subdividing of acreage sites, cul-de-sac inlets and site condominium formation support the eclectic taste of its growth-oriented resident base. We canvassed the township for vacant land units capable of sustaining single-family buildout. Data was provided by the Webster Township Assessor, and supplemented by the Washtenaw County Geographic Information System, as well as site canvassing. Sizing ranges up to 10 acres. While some buildout may occur on larger sites, the majority of growth will occur within the cited range. Highlighted within the following map is the location of vacant land units within Webster Township. As outlined, the Greenbelt area is contained within the southeastern region of the township.





Identification of Vacant Land – Webster Township  
Green Highlight = Non-Greenbelt Land  
Solid Yellow Highlight = Greenbelt Land



The current stock of buildable units is summarized in the following table.

<i>Table IV, Vacant Parcel Summary</i>			
Total Vacant Parcels in Township Up to 10 Acres:			<b>316</b>
<i>Outside of Greenbelt:</i>			
Subdivision / Lake	117		
Rural	136		
Total Vacant Outside Greenbelt:		253	80%
<i>Inside Greenbelt:</i>			
Subdivision / Lake	12		
Rural	51		
Total Vacant Inside Greenbelt:		63	20%

Of the 316 vacant land units, 80 percent are located in non-greenbelt area. Of this, configured sites are almost equally divided between rurally subdivided land or sporadic lakefront sites, and those held within cul-de-sac developments or site condominiums.

Within the greenbelt are 63 vacant units of mostly rural identification. These lands lie along flanking roadways, or may be essentially landlocked with access via private easement. We note that with the greenbelt area comprising 30 percent of total township land, it appears that larger acreage tracts dominate comprising land, as the greenbelt possesses only 20 percent of total supply that ranges up to 10 acres.

#### AVAILABLE SUPPLY OF VACANT LAND

While we calculate 316 vacant land units within the township bounds, only a portion of these may be available for purchase within the open market. So too, and outside of the scope of this report, there may be limitations of use over some of the land units. Whether land locked, committed to cultivation, lacking adequate municipal site requirements or possessing inferior soil structure, the ultimate level of developability and use may vary. Nonetheless, our intent is to identify those lands that represent opportunity for household expansion. Supplementing data from the Ann Arbor Board of Realtors multiple listing service with a visual canvass of active site condominium developments we derive 99 vacant land units available for sale. Of the total, 89 units, or 90 percent are located outside of the greenbelt area. Weighting representation is a number of cul-de-sac and site condominium developments stemming north of North Territorial and capitalizing on



the wooded terrain of the township. Within the greenbelt area, there are 10 parcels, or 10 percent of the total listed for sale.

While we note a robust supply of land, there are no sales of land units within the cited range occurring within township bounds, stemming from September 2008. Thus, the supply level currently fluctuates as parcels move in and out of the listing service. Pricing varies substantially as seller motivation also varies. Thus, unit pricing may range between \$50,000 and \$160,000 for somewhat similar sized or enhanced lands. Despite the range, buyer reception remains languid.

<i>Table IV, Land Units Available for Sale</i>			
Total Vacant Parcels For Sale			<b>99</b>
Outside Greenbelt:			
Subdivision / Lakefront		73	
Rural		16	
Total Outside Greenbelt:		<u>          </u>	89
Inside Greenbelt:			
Subdivision / Lakefront		6	
Rural		4	
Total Inside Greenbelt:		<u>          </u>	10

## CONCLUSIONS

Based upon the data provided:

- Household formation through 2020 is estimated at 108 units.
- Current supply of all existing homes absorbs at a rate of 3.20 units-per-month.
- Homes constructed since 2000 exhibit an absorption rate of 1.25 units-per-month.
- There is approximately a 1.50-year supply of existing homes within Webster Township listed for sale.
- There are 316 vacant land units within Webster Township. Of this, 99 units, or 31 percent of the stock, are currently listed for sale.



- While current market conditions currently pre-empt absorption of vacant land units, the extended prognosis assumes re-established tendencies for migratory patterns to the submarket region. While potentially varying in occurrence, our summation is based upon current demographic forecasts issued by SEMCOG.
- Considering 99 currently available land units and SEMCOG's forecast of 108 additional households formulated through 2020, a 9.5-year level of supply is currently available within Webster Township.
- Alternatively, we may look at absorption of raw land based upon the sales rate of gently-occupied housing (constructed since 2000). Currently, there are 21 relatively newer homes available within the market. Hence, the 99 vacant land units may feasibly compete within this market. At the current 1.25 units-per-month rate of absorption for gently-occupied homes, an 8.0-year supply may be calculated. However, as we are unable to forecast future supply of gently-occupied homes to the market, this gauge of supply may be subjective.
- Historically, new housing activity peaked with 93 permits issued in 2002. Discounting activity between 2007 and 2009, there were 62 homes constructed within the township – on average, between 2000 and 2006. While it is doubtful that we will return to this caliber of development, it nonetheless denotes the potential draw to the area.

Concluding, we recognize that 80 percent of vacant land within Webster Township is located outside of the Greenbelt. These lands reflect potential buyer interest with rural sizing and subdividing of about half of the parcels - balanced with units born of more cohesive planning found within rural subdivisions. Historically, with heightened draw to the area and lure of topographically enhanced lands, a number of 'upper-tier' price points developed within the northern region. Despite this, the marked increase in supply was not met with proportioned demand as a number of these inlets have been marketed for a number of years, pre-market slowdown. We consider that as the market realigns and pricing moderates, that the current offering of lands may satisfy buyer interest over a number of years.

Alternatively, and reflecting more frugal, or carefully considered home buying patterns, buyers may opt for 'proximity-minded' locations with those lands bearing greatest ease of access to consumer services and employment opportunities persevering. Thus, pressure for locations within the southern tier of the township may develop. However, this shift is only lightly considered as homeowners and investors are still reeling from the impact of the economic fallout. Thus, any perception of shift in future buyer attitude is certainly premature.



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## **REQUIRED STATEMENTS**

### **CLIENT**

The consultants were engaged by the City of Ann Arbor, by and through Ms. Jayne S. Miller, to prepare this consulting report.

### **DEFINE CONSULTING PROBLEM**

Evaluate the level of supply and potential absorption of vacant land within Webster Township in order to evaluate future demand for development land.

### **PURPOSE OF CONSULTING ASSIGNMENT**

The purpose of this consulting assignment is to assist our client, the City of Ann Arbor, with planning purposes of potential acquisition of vacant land for the Greenbelt Program.

### **DEVELOPMENT AND REPORT PROCESS (SCOPE)**

To facilitate supply levels and demand factors, the consultants reviewed data from the Webster Township Assessor and the Ann Arbor Board of Realtors multiple list service. We referred to demographic data issued by the Southeast Michigan Council of Governments (SEMCOG) and ESRI, Inc., a national consulting firm. This information was utilized to gauge household growth and qualification of new housing opportunities within the township.



## DATES OF REPORT

The effective date of this consulting service is September 1, 2009. The date of this report is September 8, 2009.

## LICENSURE

In Michigan, consultants/appraisers are required to be licensed/certified and are regulated by the Michigan Department of Labor and Economic Growth, Licensing Division, P.O. Box 30018, Lansing Michigan 48909. The consultants are currently and properly licensed as appraisers.



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## CONSULTANT'S CERTIFICATIONS

I 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 is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
5. the reported analyses, opinions and conclusions were developed and this report has been prepared in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation (USPAP),
6. the reported analysis, 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,
7. as of the date of this report, Michael T. Williams has completed the continuing education requirements of the Appraisal Institute,
8. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives,
9. I have made a personal inspection of the subject neighborhood and hospital campus that is the subject of this report,
10. no one provided significant professional assistance to the author or authors of this report.

A handwritten signature in black ink, appearing to read "M.T. Williams".

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Michael T. Williams, MAI



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## CONSULTANT'S CERTIFICATIONS

I 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 is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
5. the reported analyses, opinions and conclusions were developed and this report has been prepared in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation (USPAP),
6. the reported analysis, 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,
7. as of the date of this report, Michael T. Williams has completed the continuing education requirements of the Appraisal Institute,
8. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives,
9. I have made a personal inspection of the subject neighborhood and hospital campus that is the subject of this report,
10. no one provided significant professional assistance to the author or authors of this report.

A handwritten signature in cursive script that reads "Karen L. Paul".

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Karen L. Paul