



June 15, 2017

Mr. Jim Miller
Director of Real Estate
John F. Long Properties, LLLP
1118 E. Missouri Avenue
Suite A
Phoenix, Arizona 85014

RE: StoneHaven Planned Area Development
Glendale, Arizona

Mr. Miller:

Pursuant to your request, I have researched the market to determine if new construction of homes on small lots, might negatively impact the value seen for nearby homes on larger lots. It has come to my attention that a Glendale City Council member has claimed that building homes on small lots near home on larger lots will negatively impact the values of the latter. While the burden of proof is on the person making the claim, I have prepared this document to demonstrate that the presence of homes on small lots does not appear to negatively impact pricing for larger lot sized properties.

The StoneHaven development is a master planned community working its way through the development process in Glendale, Arizona, located between 83rd and 91st Avenues, south of the Bethany Home Road alignment. The project, containing approximately 395 acres, a few blocks southeast of the University of Phoenix Stadium and the Westgate Entertainment District, home to the Gila River Arena, is anticipated to contain roughly 1,365 residential units, in addition to land zoned for commercial development along 91st Avenue, both at the future intersection with Bethany Home Road and also the intersection with Camelback Road.

The Planned Area Development document indicates areas, or phases, of the project featuring 5,500, 7,000 and 8,000 square foot lots, however, the developer has filed a proposed amendment which would reduce the size of some of the lots to 4,000-4,500 square feet, and increase the total number of residential units from 1,161 dwelling units up to approximately 1,365 dwelling units.

The StoneHaven project is surrounded by existing development. Homes to the north were developed in the 1980's and early 1990's, while the land to the east of the subject was developed partly in the late 1980's and early 1990's with another projected improved in early 2000's. Yet another project is still under development. Large lot agricultural type properties are still remaining from much

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earlier dates. Land to the south is situated in Phoenix and appears to have been developed mostly in the mid-1990's. To the west of 91st Avenue are two distinct projects, one built on acre sized lots in the 1970's and 1980's, with another project still seeing home construction, having started construction within the past few years.

First and foremost, when appraising a roughly 2,350 square foot, 30 year old home on a 0.5 to 1.0 acre lot, an appraiser is required to select the best comparables for that property. This would include a search of sales for similarly sized and aged homes on similar lot sizes. An appraiser should not be using the sale of a new home on a 4,500 square foot lot as a comparable, unless the properties were situated in a market area with an extreme lack of sales data. An appraiser's task is to reflect the motivations of market participants, and buyers looking at buying 30 year old homes on large lots are generally different for buyers looking at new homes on very small lot sizes. To claim that the presence of homes on drastically smaller lot sizes will reduce property values to other nearby properties is inaccurate.

The assumption made, prompting this analysis, however, is that pricing for homes on smaller lots sizes is drastically lower than prices paid for homes on larger lots, and that these low prices, negatively impact the overall market. To investigate if this is even true, I looked throughout the subject area for examples of homes sales on various sized lots.

I queried sales in seven subdivisions with lot sizes of greater than 6,000 square feet in close proximity to the subject project, and contrasted those sales with sales data from three subdivisions that have small lot sizes, generally in the range of 4,500 square feet. These developments are:

Larger Lot Subdivisions

Desert Mirage Estates
La Buena Vida
Dave Brown Parkside
West Plaza
Camelback Park
Copper Cove
Double T Ranch/Newhall Acres

Small Lot Subdivisions

Provence
Westglen Villas
Horizons on Camelback



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The sales data included sale transactions that took place between June 1, 2016 and the date of this letter and included a total of 229 sales of properties in the subdivisions in the first column and 67 sales of properties in the second column. Results concerning the averages of the minimum, average and maximum sale prices, building sizes and prices per square foot, for the subdivisions are presented as follows:

Larger Lot Subdivisions

	<u>Sale Price</u>	<u>Price / SF</u>	<u>Size (SF)</u>
Avg. Minimum	\$209,435	\$90.57	1,777
Average	\$256,350	\$116.16	2,198
Avg. Maximum	\$326,129	\$141.45	2,830

Small Lot Subdivisions

	<u>Sale Price</u>	<u>Price / SF</u>	<u>Size (SF)</u>
Avg. Minimum	\$160,500	\$97.32	1,169
Average	\$195,226	\$121.25	1,664
Avg. Maximum	\$230,000	\$153.10	2,244

The data shows that the average price paid for homes in subdivisions with larger lot sizes is \$256,350 or 31.3% higher than the price paid for homes in subdivisions with small lot sizes. However, considering the fact that the homes built on the larger lots are also typically 32% larger than on the smaller lots, this is completely expected.

Two projects that further help explain the area include Copper Cove, just to the west of StoneHaven, and Provence, roughly one mile to the north. Both of these projects are similar in age and location. Copper Cove features lot sizes ranging from 6,000 to roughly 12,000 square feet and home sizes averaging 2,250 square feet, while Provence has 4,000 to 4,500 square foot lot sizes and homes averaging 1,890 square feet. The sales data suggests that there is little difference between the average price per square foot paid for the properties on the smaller lots compared to the average paid



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for the homes on the larger lots. In fact, the average price paid in Provence falls near the middle of the range seen in average prices for all large lot subdivisions. As higher priced housing takes root, we typically see the prices for the lower priced homes also rise to close that gap.

Small lot sized residential developments are a part of nearly all communities, in fact, Glendale, Peoria, Phoenix, Surprise, Goodyear, Avondale, Tolleson and Buckeye, all have subdivisions with lot sizes in the range of 4,000 to 4,500 square feet. The highly successful master planned community of Verrado, in Buckeye also has lots within this size range.

While the only accurate way to estimate any impact that building homes on small sites in close proximity to the StoneHaven development would be to actually build them, but since there is no preset, proper rate of appreciation that neighboring properties are supposed to see, the original argument presented at the beginning of this letter is fallacious. One could, however, make a direct comparison with a recently completed development to see if properties have appreciated at a similar rate. Provence, the subdivision along 91st Avenue, north of Glendale Avenue, however, is only a few years old. The data from that subdivision suggests that there has been no negative impact on home prices as the entire area has seen increases in pricing since 2010. In fact, between January 1, 2010 and the date of this letter, properties a Provence appreciated, on average, 21.1%, while properties in Double T Ranch/Newhall Acres, for example, appreciated 66.2%. While the average unit price is highly dependent on the quality and quantity of data presented in the data, in its entirety, it does show trends.

Overall, the claim that appreciation rates for homes in one development are negatively impacted by the small lot sizes of a nearby project appears completely unfounded.

Please feel free to contact me if you have any other questions.

Sincerely,

David M. Lyons, MAI
CG#30928

David M. Lyons, MAI

WORK EXPERIENCE: Lyons Valuation Group, LLC

Owner. My goal is to work with clients to prepare thorough, supported and well prepared commercial and residential real estate valuation assignments. Please refer to the client list and types of work assignments completed.

Josephs & Lyons, Commercial Valuation Services, L.L.P.

May, 1998 - December, 2002

Partner. Prepared commercial and residential appraisals throughout the State of Arizona, including Mohave, La Paz, Coconino, Navajo, Apache, Yavapai, Gila, Maricopa, Pinal, Pima, Yuma, Cochise and Santa Cruz counties.

Urban Real Estate Research Inc.

May, 1990 - May, 1998

Senior Staff Appraiser. Responsibilities included working with attorneys, property owners, and banks to prepare quality appraisal reports in a timely fashion. I gained experience with all types of properties from vacant land to CBD office buildings, but specialized in the industrial market with experience from 1,000 to 2,250,000 square foot properties.

Anthemios Control Corporation

April, 1995 - Fall, 2013

Treasurer. Responsibilities include managing two investment residential properties in Champaign, Illinois. I handled day to day accounts as well as evaluate the purchase of other properties in the area.

EDUCATION:

DePaul University - Charles H. Kellstadt Graduate School of Business
MBA in Finance

Course work included:

Financial and Managerial Accounting
Money and Financial Systems
Marketing Management
Operations Management
Real Estate Investment I and II

Real Estate Seminar
Investment Analysis
Human Resources Management
Portfolio Analysis
Entrepreneurship and New
Venture Management

University of Illinois, Urbana-Champaign

Graduation - May, 1990

B.A. in Economics/Finance - Real Estate

Appraisal Institute

MAI Designation

Courses Completed Include:

110 (1A-1) - Appraisal Principals

120 (1A-2) - Appraisal Procedures

310 - Basic Income Capitalization

320 - General Applications

410 - Standards of Professional Appraisal Practice - A

420 - Standards of Professional Appraisal Practice - B

430 - Standards of Professional Appraisal Practice - C

510 - Advanced Income Capitalization

520 - Highest & Best Use Analysis

530 - Advanced Sales Comparison and Cost Approaches

540 - Report Writing and Valuation Analysis

550 - Advanced Applications

Demonstration Report

General Comprehensive Examination

Seminar - Internet Search Strategies for Appraisers

Seminar - Appraising from Blueprints

Seminar - Supervising Appraisers

Seminar - Appraising Distressed Real Estate

Seminar - Curriculum Overview

Webinar - A Debate on the Allocation of Hotel Total Assets

Advanced Online Search Strategies

Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets

Certified General Real Estate Appraiser - Arizona

- HONORS:** Thomas Seay Real Estate Scholarship Winner - Illinois Real Estate Educational Foundation - June, 1997
- TESTIMONY:** United States Bankruptcy Court - Phoenix
United States Bankruptcy Court - Tucson
United States Tax Court
Arizona Superior Court - Maricopa County
Arizona Superior Court - Mohave County
- OTHER:** Contacts in banking, brokerage, appraisal, architecture, investment, and law.

TYPES OF PROPERTY VALUED

Automobile Service
Automobiles Dealers
Banquet Hall
CBD Office Buildings
Churches
Concrete Plants
Funeral Home
General Commercial
Golf Courses / Country Clubs
Industrial Condominiums
Industrial, Single Tenant
Industrial, Multi-Tenant
Large Suburban Office Buildings
Mixed Use Properties
Multi-Family Residential
Neighborhood Shopping Centers
Parking Garage
Residential Condominiums
Restaurants
Single Family Residential
Small Office
Truck Terminal
Vacant Land

USES FOR APPRAISAL ASSIGNMENTS

Bankruptcy Court
Condemnation
Divorce Court
Estate Tax
Financing
Market Rental Analysis
Portfolio Valuation
Street & Alley Vacation
Tax Protest

PARTIAL LIST OF CLIENTS SERVED

I Financial Institutions

1 st National Bank of Arizona	Arizona Bank & Trust
Arizona Central Credit	Union Bankers Trust
BankUSA	Biltmore Bank
BNC Bank	Business Partners
Camelback Community Bank	Ciena Capital, LLC
Comerica Bank	Copper Star Bank
Desert Schools Federal Credit Union	First Fidelity Bank
First International Bank & Trust	First National Bank of Omaha
Golden State Business Bank	Grand National Bank
Harris Bank	Imperial Bank
Investor's Mortgage Holdings	Irwin Union Bank
Johnson Bank	LaSalle National Bank
MB Financial	Mission Oaks National Bank
Mortgages Ltd.	National Bank of Arizona
NexTier	Pacific Premier Bank
Royal Business Bank	Sonoma National Bank
Stearns Bank	Sunrise Community Bank
Towne Bank of Arizona	Well Fargo
Western Security Bank	

II Governmental Agencies and Institutions

City of Chicago
- Dept. of General Services.
- Dept. of Aviation
City of Kingman, Arizona
Chicago Transit Authority
Department of Housing and Urban Development
State of Illinois, Medical District Commission
Illinois Housing Development Authority
Resolution Trust Corporation (RTC)
United States Postal Service
University of Illinois at Chicago
University of Chicago

III Real Estate and Finance Corporations

AETNA Realty Advisors, Inc.
CenterPoint Properties Trust
Cushman & Wakefield
Draper & Kramer
Frain, Camins & Swartchild
Habitat Companies
Hamilton Partners, Inc.
Heitman Properties Limited
JMB Urban Development Company
Jupiter Realty Corporation
Manulife Real Estate Corporation
Markborough Properties
RREEF Funds
Unitrin Financial

IV Notable Companies

Ameritech
Bantam Doubleday Dell Publishers
Brach's Candy
Carl Buddig and Company
Commerce Clearing House
Continental White Cap
Ernst & Young
Fel-Pro Incorporated
Fennemore Craig
Fuji Hunt Photographic Chemicals
Jefferson Smurfit Corporation
Jiffy Lube
John F. Long Properties
Jorgensen Steel Company
Joseph E. Seagram & Sons
Kmart Corporation
Kohl's
Mack Truck
May Potenza Baran & Gillespie, P.C.
Moyes Sellers & Hendricks
Praxair, Inc.
Prestone Products Corporation
R.R. Donnelley & Sons.
Schering-Plough
Snell & Wilmer
Speedfam Corporation
Sun Chemical Corporation
West Maricopa Education Center