



**January 28, 2024**

After the FERC ordered draw down of Secord dam in May 2020, there was concern the lake may not return. Recall realtors, mortgage lenders and the media predicting with the dam removed, and our lake front resembling what we see at Wixom and Sanford, property values on Secord could drop significantly with up to 50% mentioned.

Fortunately, due to the plan to return Secord, this did not happen as buyers have confidence in the plan to return Secord to its legal lake level.

## **We received questions regarding the term “benefit” and how Secord Lake real estate has performed since the draw down. And what options Sellers and Buyers have with special assessments in a real estate transaction.**

We sought advice from Members with expertise in real estate on our Lakes and an attorney with real estate experience. Both are Members of the Secord Lake Association with property on Secord Lake. While we cannot predict the future of the real estate market, or provide individual legal advice, we can use our experts to help answer questions from Members.

### **What is meant by the word “benefit” regarding my lake front property?**

We hear the term “benefit.” This is a legally defined term, meaning the increase in value—the amount a property will sell for with the improvement, as compared to without the improvement.

Secord properties are on an All Sports Lake with the premium for lakefront property or deeded access built into the current value or price of the property. If the dam were removed, the All Sports Lake would also be removed. What would the same property sell for without the lake? The difference between these two numbers is referred to as the “benefit”.

For instance, according to MLS the average property sell price on Secord in 2023 was \$282,766. Buyers have confidence that Secord, an All Sports Lake, will return due to the plan in place. Conversely, if the dam was not restored and it was removed, what would the average sell price be with what we see today on Wixom and Sanford being the future? Instead of using the 50% scenario mentioned earlier, we will illustrate with 25% to reflect the reduction in average selling price. This reduces the average to \$212,074 representing a reduction of \$70,691. In this case, the “benefit” is \$70,691.

As we will see in the chart on the next page, the 2023 average selling price of a property on Secord Lake increased by 66% since 2020 due in part to Buyer confidence in the restoration plan. If the dam were removed, how likely is it the average sell price would retreat to reflect “lakefront property without a lake”? If the average selling price reverts to 2020 levels, the average selling price would be \$169,620 representing a \$113,146 decline versus the 2023 average selling price. In this scenario, the “benefit” is \$113,146.

## **Secord Lake Real Estate Performance**

**The chart on the next page reflects real estate sales of waterfront properties in the three townships surrounding Secord Lake.**

- These sales results come from the MLS database used by the real estate professionals with local offices.
- There are realtors with offices located down state that use a separate system.
- The table does not include real estate information from downstate, only from our local realtors.

Data collected from RealSource - MLS system for the Clare/Gladwin Board of Realtors

Homes sold 2019								<b>Calendar 2019</b> , the year before the draw down. <b>Average sale price \$186,460</b> , days on market 95 and 61% of the available MLS homes sold. High price sold was \$626,000.
Township	Homes on MLS	Homes SOLD	High Value	Low Value	Ave Price	Total Dollar Value Sold	Ave Days On Market	
Bourret Twp	11	7	\$185,000	\$43,000	\$132,428	\$927,000	199	
Clement Twp	28	15	\$375,000	\$80,000	\$175,833	\$2,637,500	88	
Secord Twp	40	26	\$626,000	\$87,900	\$207,138	\$5,385,600	71	
<b>Total 2019</b>	<b>79</b>	<b>48</b>	<b>\$626,000</b>	<b>\$43,000</b>	<b>\$186,460</b>	<b>\$8,950,100</b>	<b>95</b>	
<b>% Homes for Sale that Sold</b>		<b>61%</b>						

Homes sold 2020								<b>Calendar 2020</b> , average sale price dropped to <b>\$169,620</b> , days on market 102 and 53% of the available MLS homes sold. There appears to be come uncertainty in the market reflected by the drop is average selling price. High price sold was \$329,500.
Township	Homes on MLS	Homes SOLD	High Value	Low Value	Ave Price	Total Dollar Value Sold	Ave Days On Market	
Bourret Twp	2	2	\$185,000	\$97,000	\$141,000	\$282,000	12	
Clement Twp	15	6	\$329,500	\$120,000	\$191,750	\$1,150,500	132	
Secord Twp	30	17	\$287,000	\$50,000	\$165,176	\$2,808,000	102	
<b>Total 2020</b>	<b>47</b>	<b>25</b>	<b>\$329,500</b>	<b>\$50,000</b>	<b>\$169,620</b>	<b>\$4,240,500</b>	<b>102</b>	
<b>% Homes for Sale that Sold</b>		<b>53%</b>						

Homes sold 2021								<b>Calendar 2021</b> , average sale price increased to <b>\$249,145</b> , days on market reduced to 85 and 80% of the available MLS homes sold. High price sold was \$610,000. <b>There was a high of 82 properties sold at a combined amount of almost \$20 Million.</b>
Township	Homes on MLS	Homes SOLD	High Value	Low Value	Ave Price	Total Dollar Value Sold	Ave Days On Market	
Bourret Twp	13	13	\$341,000	\$88,000	\$216,977	\$2,386,750	73	
Clement Twp	30	24	\$455,000	\$57,500	\$283,566	\$6,805,601	75	
Secord Twp	60	45	\$610,000	\$90,000	\$238,651	\$10,739,300	93	
<b>Total 2021</b>	<b>103</b>	<b>82</b>	<b>\$610,000</b>	<b>\$57,500</b>	<b>\$249,145</b>	<b>\$19,931,651</b>	<b>85</b>	
<b>% Homes for Sale that Sold</b>		<b>80%</b>						

Homes sold 2022								<b>Calendar 2022</b> , average sale price increased to <b>\$261,055</b> , days on market reduced to 81 and 65% of the available MLS homes sold. High price sold was \$425,000.
Township	Homes on MLS	Homes SOLD	High Value	Low Value	Ave Price	Total Dollar Value Sold	Ave Days On Market	
Bourret Twp	2	1	\$172,500	\$172,500	\$172,500	\$172,500	38	
Clement Twp	17	12	\$425,000	\$120,000	\$216,908	\$2,602,900	76	
Secord Twp	36	23	\$379,900	\$127,500	\$287,393	\$6,622,600	85	
<b>Total 2022</b>	<b>55</b>	<b>36</b>	<b>\$425,000</b>	<b>\$120,000</b>	<b>\$261,055</b>	<b>\$9,398,000</b>	<b>81</b>	
<b>% Homes for Sale that Sold</b>		<b>65%</b>						

Homes sold 2023								<b>Calendar 2023</b> , average sale price increased to <b>\$282,766</b> , days on market reduced to 32 and 85% of the available MLS homes sold. High price sold was \$635,000. <b>Average sale price increased 66.7% from 2020 to 2023. All three townships experienced gains in value.</b>
Township	Homes on MLS	Homes SOLD	High Value	Low Value	Ave Price	Total Dollar Value Sold	Ave Days On Market	
Bourret Twp	1	1	\$190,000	\$190,000	\$190,000	\$190,000	68	
Clement Twp	9	8	\$490,000	\$82,000	\$268,562	\$2,148,500	28	
Secord Twp	23	19	\$635,000	\$101,400	\$293,629	\$5,578,955	32	
<b>Total 2023</b>	<b>33</b>	<b>28</b>	<b>\$635,000</b>	<b>\$82,000</b>	<b>\$282,766</b>	<b>\$7,917,455</b>	<b>32</b>	
<b>% Homes for Sale that Sold</b>		<b>85%</b>						

### Some Reasons for Appreciation

To state the obvious, Secord is a desirable All Sports Lake located within a 3-hour drive of major metropolitan markets. Secord Lake provides a wide variety of water activities that one comes to expect when they read the sign on the porch "Welcome To The Lake". With a restoration plan in place, we expect this to continue.

Families have grown up on the lake and their adult children are now purchasing on Secord Lake to carry on for generations.

Secord Lake waterfront property is reasonably priced compared to Higgins, Houghton, Sugar Springs, etc.

Most Secord Lake property owners maintain their homes, property, and landscape.

The Sugar Springs Property Owners Association has done away with short-term rentals. Realtors see property owners selling at Sugar Springs to relocate to Secord as they can maintain some income with short term rentals (VRBO).

Despite the water level being down, property on Secord Lake has appreciated in value.

Buyers are confident in the plan to return Secord Lake.

Secord Lake waterfront properties in all three townships have experienced appreciation for the past 3 years. While we have challenges with the assessment, the increase most have experienced in property values since 2020 may surpass the capital assessment amounts.

While the assessment is distasteful, the loss of our lake and reduction in property values had the dam been removed would have been detrimental to property values and the lake life we and our families enjoy.

### **How do I sell my property with the Special Assessment?**

Since a Special Assessment on the Four Lakes is new and real estate is notoriously irregular, we can never predict the future with complete accuracy; there will always be an element of uncertainty as to how the market will handle the Special Assessment. At best, we can base our predictions on past behavior—real estate appreciates in value, people desire lake properties in northern Michigan, and the market will determine the price.

Remember, everything is negotiable.

The most likely scenario will be the Buyer assuming the remaining years of the Special Assessment. If the Seller has paid 2 years, then the Buyer purchasing the property will pay the next 38 years. Or, until they sell it, and the new Buyer pays the remaining years. This is not a huge surprise, nor unusual, nor unique. The Michigan Association of Realtors anticipates Special Assessments to be common enough a paragraph would be necessary in its form Purchase Agreement, which states:

“SPECIAL ASSESSMENTS: All special assessments for municipal improvements which have become a lien on the property shall be paid by the Seller, provided, however, that in the event a special assessment is payable in installments, current and future installments shall be either [ ] allocated between Seller and Buyer using the same method for the proration of real estate taxes in paragraph 7 above; or [ ] paid in full by Seller at closing. (Choose one.)”

Buyers are concerned if they demand the Special Assessment to be paid in full by the Seller at closing, the Seller will go with a different Buyer, who is willing to assume the Special Assessment. The willingness to assume the Assessment will make Buyers more attractive to Sellers.

Lakefront property is an extremely limited resource. While we can build more subdivisions, and apartment buildings, or warehouses, we cannot build more lakefront properties. And the market will bear an increase in price for a person to own northern Michigan lakefront property.

Like all real estate, the additional Special Assessment will simply become a feature of the Four Lakes, taken into consideration by Buyers as to purchasing property. Some people want to be closer to Detroit, others want larger lakes, some want a golf course, others want certain communities. All these factors are folded into purchasing property, and the assessment will be an additional factor for Buyers to consider.

Will a Buyer's mortgage company require the Special Assessment to be paid off? Mortgage companies (while regulated) are private entities and have their own internal policy requirements in providing mortgages. One mortgage company may require a certain FICO score, another may require a different FICO score, and one may not require a FICO score at all. There is no possible way to state what every mortgage company will or will not do.

Remember, Mortgage companies are not in the business of owning real estate. They are in the business of charging interest on loans to make a return on their investment.

It is most likely the mortgage companies will fold the Special Assessment into the monthly escrow amount (like taxes and insurance), and Buyers will consider their monthly payment in making offers.

It will be interesting to see this play out over the next few years, but if history is any indication—Buyers will do what they need to buy, (including assuming the assessment) and mortgage companies will facilitate purchases (including adding the assessment in the escrow payment) to increase their sales and profits.

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As volunteers we commit our time, energy, and resources to restoring Secord. We will continue to prepare Secord to receive water and inform our lake community with the updates.

If you have additional questions, you can email them to [secordlakeassociation@gmail.com](mailto:secordlakeassociation@gmail.com) We will do our best to respond with another Secord Lake Association communication as others may have similar questions.

You can expect continued updates from the Secord Lake Association. **There is a plan in full motion to restore Secord dam in 2025.** The Secord Lake Association is focused on what is required to prepare Secord to return. Keep an eye out for updates, there is more to come.

[www.secordlakeassociation.org](http://www.secordlakeassociation.org)

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