

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

IX. MISCELLANEOUS PROJECTS AND CORRESPONDENCE WITH INDUSTRY

D. Market Feasibility and Investment Consulting

1. Feasibility Study for a Proposed Recreational Development at Lily Lake (Forest County, Wisconsin), May, 1970

Also See: JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

I. MANUSCRIPTS

A. Published Books

5. Inland Lakes Renewal and Management  
Demonstration Project - Lily Lake Forest  
Recreational Environ

by M. Atef Sharkawy and James A. Grauskamp  
University of Wisconsin - Madison (1971)

FEASIBILITY STUDY

for

A PROPOSED RECREATIONAL DEVELOPMENT  
AT LILY LAKE (FOREST COUNTY, WISCONSIN)

May, 1970

. TABLE OF CONTENTS

	<u>Page</u>
SUMMARY OF ANALYSIS AND CONCLUSIONS	i
INITIAL SCREENING OF ALTERNATIVES (IN MATRIX FORM)	iii
FINAL COMPARATIVE ANALYSIS OF TWO BEST ALTERNATIVES FROM INITIAL SCREENING (IN MATRIX FORM)	iv
STRATEGIC OBJECTIVES OF KIMBERLY-CLARK CORP.	1
MARKET TRENDS AND OPPORTUNITIES	2
MERCHANDISING CONSTRAINTS AND ALTERNATIVES	3
POLITICAL AND LEGAL FEASIBILITY	9
PHYSICAL AND TECHNICAL FEASIBILITY	12
ETHICAL AND AESTHETIC FEASIBILITY	15
FINANCIAL FEASIBILITY	17
APPENDIX	20

## SUMMARY AND CONCLUSIONS

This is a study to determine the feasibility of constructing and operating a northwoods recreational area without disturbing the ecological balance of the present setting.

After much discussion, reconnaissance of site and evaluation of data and information, we are of the opinion that there is a good development potential in the Lily Lake Project; data summation presented in the matrices that follow, support this conclusion.

Given the limited lake front footage suitable to development, an obvious marketing question is raised. In most recreation lake concepts the main attraction to the potential site users is that of buying a lakefront property. This project, however, must interest potential buyers and site users in non lakefront units, with community lakefront access. It must also pull customers past or around Isaacson's Lake of the Menominees development (in Menominee County); this development threatens to intercept the northward flow of our potential site users and purchasers.

To accomplish these purposes, the developer must create a strong competitive differential. Such inherent marketable features as privacy and environmental preservation can be emphasized in the establishment of this differential. Of course, the development would have to meet certain competitive standards at the same time. Privacy and ecological wonders are not enough in and of themselves to draw a customer into the northwoods. He must be provided with accommodations which are reasonably similar to

those provided by competitors like Isaacson; such features as developed recreational areas, electricity and water supply are imperative to the success of the project.

Given the major macro market trends discussed below, and the more specific demands reflected in the questionnaire returns, we feel that the attributes of Lily Lake (as discussed) are well suited to development as a recreational area (as planned per Exhibit B).

Furthermore, as reflected in the comparative matrix and discussed in the text, the best organizational form to accomplish the avowed purpose is through independent Kimberly-Clark development with State and University assistance. The benefits from such an arrangement include greater efficiency, lower costs-increased profits, and more reliable expertise.

Finally, given the attributes of the property and the constraints as presented, we feel the development plan and organizational form suggested will best satisfy the Kimberly-Clark strategic objectives.

SCREENING MATRIX

Will the Candidate Program:	Gift	Sell Acreage	Rent/Lease Acreage	Sell Development Rights With Participation	Comm. Joint Venture	K-C Devel. With Univ. Assist.
Increase Income Stream?	No	Yes Short-term	Yes Long-term	Yes Long-term	Yes Long-term	Yes Long-term
Not Deplete Residual Lumbering?	No	No	Yes	Maybe	Maybe	Maybe
Make K-C Competitive?	No	No	Maybe	Yes	Yes	Yes
Increase K-C's Real Estate Expertise?	No	No	Yes	No	Yes	Yes
Not Require Unwieldy Staff?	Yes	Yes	Maybe	Yes	Maybe	Maybe
Have Favorable Rate of Return Impact?	Yes	No	Maybe	No	Yes	Yes
Firm "Yes" answers (Reflect Compatibility with Corporate Objectives)	2	2	3	3	4	4

FINAL COMPARATIVE ANALYSIS

	Commercial Joint Venture	K-C Development With University Assistance
Initial Capital Expenditure	1 Good 1. Hire land planner 2. Hire economic study 3. Market Analysis Engineering Studies	2 Better Cost free University talent
Expertise of Personnel Involved	1 Good Qualifications proportional to fees paid.	2 Better Academic Sophistication Professors
Increase Income Stream	1 Good 50/50 Split	2 Better 100% no dilution
K-C's Competitive Situation	1 Good K-C Dependent on Partner	2 Better K-C is Independent Maintains Management Prerogative
Requires Unwieldy Staff	0 Equal	0 Equal
Public Relations Benefit	1 Good	2 Better
Marketability of Product Sites	0 Equal	0 Equal
	5	10

STRATEGIC OBJECTIVES OF KIMBERLY-CLARK CORP.

The development of the Lily Lake area by or for the Kimberly-Clark Corp., should implement and go beyond the classical economic concept of profit maximization. A feasible development program must meet these specific corporate objectives:

- A. Increase the profitability of K-C's land holdings, i.e., increase the income stream per subject acre.
- B. Not deplete lumbering potential for remaining Kimberly-Clark holdings.
- C. Make K-C competitive with other forestry-based companies.
- D. Increase K-C's real estate expertise.
- E. Not require a large unwieldy real estate staff.
- F. Have a favorable public relations impact.

By means of a screening matrix, these six objectives have been recast as criteria against which six possible development programs are compared. The number of firm "yes" answers reflects each candidate program's compatibility with the stated corporate objectives. Clearly the last two alternatives, 1) Commercial Joint-Venture and, 2) K-C in-house development with University assistance, are the most strategically compatible and hence, most feasible alternatives. Further analysis will be limited to these two alternatives.

### MARKET TRENDS AND OPPORTUNITIES

Four broad macro trends in American life will bear directly on the marketability and consequently on the feasibility of alternative programs.

- A. Leisure Explosion: With population increases, rising incomes, shorter work days, longer vacations, longer holiday weekends, and the increase in mobility, people have more leisure time.
- B. Urban Discontent: Most of the population lives in large urban centers. In recent years the city has been synonymous with sprawl, pollution, ugliness, and racial tensions. As a result, many city dwellers may be expected to seek relief through outdoor recreation and a "return to nature."
- C. Recreation/Vacation Home Revolution: Traditionally, vacation homes were hideaways. Modern developments emphasize multiple recreation facilities with considerable social focus.
- D. Conservation Awareness: Resource depletion and pollution threatens every American. People have become aware of the necessity to conserve and protect the integrity of our vanishing natural resources.

MERCHANDISING CONSTRAINTS AND ALTERNATIVES

A. Uncontrollable merchandising factors:

1. Demand:

- a. A recent State of Wisconsin survey points out what factors influence the choice of site for private seasonal housing:

WHAT ARE VACATIONERS LOOKING FOR?

<u>Factor</u>	<u>Total</u>
Peace & Quiet	51.6%
Water Activities	23.7
Outdoor Activities	36.0
Change of Pace	27.3
Hunting	1.6
Good for Children	5.9
Convenient	7.6
Miscellaneous	9.3

Conclusion - Peace and quiet together with outdoor activities in general and water-oriented activities are basic demand factors.

- b. The same study attempted to judge:

ATTITUDE TOWARDS THE PRESENCE OF OTHER PEOPLE

	<u>Resident</u>	<u>Non-Resident</u>
Want Other People Around	27.2%	19.8%
Don't Want Many People Around	35.2	38.7
Don't Want Anyone Around	34.3	34.6
Indifferent	3.3	6.9

Conclusion - There is considerable demand for privacy on vacation.

- c. The same study attempted to judge:

TOTAL ROUND-TRIP MILEAGE OF VACATION

Less than 300 miles	21.7%
301 to 600 mile	22.7
601 to 1000 miles	18.7
1001 to 1500 miles	11.3
1501 to 3000 miles	14.8

Conclusion - Approximately 50 percent of the vacationers are willing to travel 300 miles one-way to their vacation sites.

- d. To further define recreational market potential, the Real Estate Department conducted a "Recreational Land Development Preference Study" through the Sunday, Milwaukee Journal. There were six basic questions. Response was disappointing with slightly under 100 replies. No significant difference in attitudes was noted between the below 40 year old age group and the 40 and over age group. In capsule form the questions and responses were:

1. One area of the clublands as private sites for camper-trailers; 6,000 sq. ft. priced at \$2,500 and \$120/year dues.	Percent of Total
Just What We Need	40%
Good But Not For Me	44
Ridiculous	13
No Response	4

Conclusion - There is a reasonable demand for camper sites.

2. One area for holiday town houses and apartment cluster units on a minimum two-year lease.	
Just What We Need	26%
Good But Not For Me	48
Ridiculous	16
No Response	9

Conclusion - There is no reasonable demand for holiday town houses and apartment clusters.

	Percent of Total
3. One area for detached homesites for architecturally approved cabins, mobile homes or sectionals; priced at \$4,500, plus \$120/year dues.	
Just What We Need	40%
Good But Not For Me	37
Ridiculous	15
No Response	8

Conclusion - There is reasonable demand for detached homesites.

4. a. Would you buy a homesite sharing benefits and responsibilities with owners of camper pads and apartment units?	
Yes	62%
No	26
No Response	12

Conclusion - Sales resistance of homesite buyers is minimal due to shared benefits and responsibilities.

b. Would camper owners and cabin owners mix socially?	
Yes	64%
No	29
No Response	7

Conclusion - Social resistance between ownership types is minimal.

5. Recreational features used most on the clubgrounds:	
a) Swimming Beach	84%
b) Boat Rental	34
c) Boat Ramp	32
d) Motor Scooter Rental	5
e) Riding Stables	32
f) Pony Corral	1
g) Tennis Courts	22
h) Archery Range	12
i) Golf Driving Range	21
j) Supervised Playground	25
k) Hiking on Marked Trails	72

## Percent of Total

l) Nature Courses	35%
m) Outdoor Skill Classes	25
n) Snowmobile Rental	8
o) Snowmobile Trails	16
p) Indoor Table Games	12
q) Rifle Range	22
r) Skeet Shooting	11
s) Shuffleboard	11

Conclusion - The five most important clubground features are:  
 1) swimming beach, 2) hiking on marked trails,  
 3) nature courses, 4) boat rental, and 5) boat  
 ramp and riding stables.

## 6. Community clubhouse features most used:

a) Card Rooms	19%
b) Rumpus Room	33
c) Snack Bar With Beer	48
d) Supper Club With Bar	38
e) Indoor-Outdoor Heated Pool	71
f) Sauna Bath	40
g) Motel Guest Rooms	20
h) Bus to Ski Areas	19

Conclusion - The five most important clubhouse demand features  
 are: 1) indoor-outdoor heated pool, 2) snack bar,  
 3) sauna bath, 4) supper club, and 5) rumpus room.

2. Competition:

- a. Natural Lakes - There are approximately 120 natural lakes in Forest County. These lakes represent some degree of direct competition. Furthermore, there are numerous lakes, many already developed, along the access routes from the population centers. Further camping competition arises from the vast acreage of the adjacent Nicolet National Forest.
- b. Man-made Lakes - The major competitive factor threatening the success of Lily Lake development is the possible interception of vacation homesite buyers by artificial lake developments.

<u>Name of Artificial Lake</u>	<u>County</u>	<u>Total Acreage of Land</u>	<u>Number of Lots</u>	<u>Miles of Shoreline</u>
Lake Sherwood	Adams	610	872	9
Lake Camelot	Adams	2,280	2,150	20
Lake Redstone	Sauk	2,150	834	17.5
Lake of the Menominees	Menominee	3,830	2,600	43
Upper Oconomowoc Lake	Waukesha	140	Unknown	Unknown
Lake Dells	Columbia	1,030	1,800	Unknown
Voyager Village	Burnett	5,500	Unknown	78

Sales of these homesites approach \$7,000,000 per year. Lily Lake must create a competitive differential, considering their limited shoreline suitable for development.

### 3. Non-Marketing Costs:

- a. Cost of Land - Kimberly-Clark already holds extensive acreage. There is no real cash outlay for this basic component. This is a decided advantage.
- b. Cost of Improvements - Basically, the cost of construction is the same from developer to developer. The fact that K-C is forestry based may create cost economies for lumber and related building products.

### B. Controllable Merchandising Factors:

1. Product - The product must be tailored to conform to the four macro trends listed early in this analysis in addition to the micro-demand factors in section three, paragraph A, ss 1. Emphasis must be on water-oriented activities, peace and quiet, and privacy. Initial design should include camper-trailer sites and detached homesites.

2. Price - There is always a trade-off between the price of a commodity and the quantity sold. Just how much is a matter of elasticity. In the case of vacation home sites, there is either strong demand or no demand at any price. This is a characteristic of inelastic demand. The selected pricing policy must recognize the competition, developer's risk, a built-in original profit, and an on-going return on investment. These are largely matters of seasoned judgement. Initial pricing, as per questionnaire, was \$2,500 + \$120/year dues for camper trailer sites, \$4,500 + \$120/year dues for detached home sites. There seemed to be a consensus of opinion by respondents that the \$120/year dues were too high.
  
3. Merchandising - Due to the lack of shoreline, which is a decisive constraint, merchandising emphasis must shift to other features. Natural candidates for such merchandising emphasis are the following clubground features: 1) swimming beach, 2) hiking on marked trails, 3) nature courses, 4) boat rentals and riding stables, not to mention the project's progressive approach to conservation and ecology.

POLITICAL AND LEGAL FEASIBILITY

Political problems normally associated with real estate developments must be resolved before a project is to be launched. Any unresolved problems in this area could conceivably cancel out the project. These constraints entail the following considerations:

- A. Arrangements and contracts must be set up for public utility service, police and fire protection.
- B. Proper highway access and zoning are required for all users of the Lily Lake project. Zoning, building and sanitation requirements must be satisfied so as to insure the proper sequence of site development and utilization. Consideration must be given to closing the town road (approaching west side of lake), so that the site has one entrance and exit for user traffic control. This assumes that the main entrance will be placed on the eastern environs of Lily Lake.
- C. The state-owned marshlands and hunting sites along the northwestern shore of the lake present a strong political constraint. This area of the lake is not available for development under any circumstances. The presence of this type of land utilization insures that our lake can be maintained by the natural screening and filtering action of the marshland. In reality, this strong political constraint becomes an excellent physical attribute that will aid the project.

D. That portion of the county road system that will tie into the suggested two access roads on the eastern side of the lake will have to be refurbished with a hard surfaced material to permit year round use. Overt uses will have to be initiated by the developer to the Forest County authorities for this purpose.

Political climate of the area needs to be handled tactfully and the authorities kept fully informed so that they will go along with the project and not attempt to block it at the last moment.

Legal problems associated with the project are not insurmountable, but require some attention to insure a smooth development process from start to finish.

Abidance with the state law requires that state, county, and township must approve rural, unsewered subdivisions in which five or more lots of  $1\frac{1}{2}$  acres or less are to be sold within five years. See Wisconsin Statutes

Township, county, and state authorities will have to approve any private sewage disposal system, viz. septic, to be installed. State Division of Health requires data about slope, soil types, ground water levels, and bed rock.

If any plat lies within 500 feet of a lake or stream, the Department of Natural Resources may require assurances that the septic system will not cause pollution or impair water quality.

Zoning regulations require shoreland lots of at least  $\frac{1}{2}$  acre, building setbacks of 75 feet from the high water mark, and controls over grading on banks and removal of shore vegetative cover (see exhibit A, Sec. 3, Forest County Zoning Ordinance).

If our project caters to interstate market then we must register with The Department of Housing and Urban Development, and we must furnish prospective buyers with a fact sheet about the subdivision.

Legal action is required to secure the areas shown on the area map. (Exhibit B.) These areas are vital to the overall development of the Lily Lake area and they should be obtained by outright purchase or tradeoff on another property.

The project will have to comply with the comprehensive Forest County Zoning Ordinance and any local township code. (Exhibit A.)

State Bureau of Local and Regional Planning must rule on plat plans for technical accuracy, minimum road widths and minimum lot sizes. State Bureau of Fish Management requires 60 feet of public access for every  $\frac{1}{2}$  mile of shoreline. Waivers can be obtained for less frequent access points of larger size.

## PHYSICAL AND TECHNICAL FEASIBILITY

This project must be viewed in the light of the following physical and technical attributes and constraints.

- A. Size and Shape - This<sup>is</sup> a lake of approximately 206 acres in area, with a 25 ft. maximum depth. It is oval in shape and rather small in overall area compared to the adjacent Roberts Lake (452 acres), Lake Lucerne (1048 acres) and Lake Metonga (2157 acres).  
(Source: Wisconsin Lake, Department of Natural Resources, Publication 218-68.) Kimberly-Clark does not own the entire shoreline of the lake.
- B. Utilities - None available at this time. There is a need for electricity, water, septic system and garbage disposal.
- C. Topography and Drainage - This is being explored by a separate agency and a complete report will be filed when made available. Briefly, however, approximately 3,600 acres of timberland have been allocated by Kimberly-Clark for development. They are hilly, glaciated, and fairly heavily wooded with some steep sloping hills on the west side of the Lake.
- D. Hazards - There are steep slopes on the west and southwest corner of the Lake. Removal of vegetation and trees will cause excessive soil erosion. This can restrict location of bulldozed site and areas.
- E. Soil and Subsurface Soil Conditions - This is being explored by a separate agency and a report will be filed when made available.

- F. Nuisances - The Jones property spoils an otherwise typical northwoods lake site concept. There are some slum properties on the Lily River south of the Lake. Logging roads need extensive engineering preparation to bring them up to all weather standards.
- G. Orientation - The Lily Lake area possesses all the attributes of a typical northwoods lake resort area. It hasn't been desecrated by the inroads of commercialism as yet. The unplanned use of land in the Jones area is an example of commercialism that must be halted or it will ruin the natural image.

Locational, directional and advertising signs and other media are drastically needed. This part of the project is an extensive merchandising effort.

- H. Locational Factors - The lake area is located in the center of a northwood rural area. In its relation to urban areas the subject site is:
- 5 hours drive from Minneapolis,
  - 5 hours drive from Chicago,
  - 4 hours drive from Madison,
  - 4 hours drive from Milwaukee,
  - 2 hours drive from Green Bay,
  - 1½ hours drive from Fox River Valley.

- I. Relationship to I Road System - Chicago residents use I94 to Milwaukee, then lesser roads to site. The remainder of inroads in Wisconsin have no effect on the subject site. (See Exhibit C.)
- J. Service Roads - The subject site is not on a heavily traveled access corridor. The site is bounded on the West by U.S. 45 and Wisconsin State Highway 47, and on the East by U. S. 141. For detailed analysis of service roads and routes, see Exhibit D.

K. Adjacent Uses - 1) Our subject site is adjacent to the Nicolet National Forest with its camping, swimming, trailer sites and other outdoor recreational features. (Exhibits F and G.) During development, this adjacent use will intercept potential purchasers for our site. Simply put, they can get what they want without investing in our site. However, when our site is completed the impact of the Nicolet Site can be countered with extensive advertising and model demonstration sites and facilities.

2) Mole Lake Indian Reservation on Wisconsin Highway 55, eight miles northwest from the subject site, has evidence of severe blight and presents an unattractive approach to our area. This is not really a controlling factor since we contemplate the bulk of our trade to come up from the south.

3) Other lake resort areas that include Robert's Lake, Arbutus Lake, Crane Lake, and Pickerel Lake, all are developed in the conventional lake-front summer resort concept. They are closely spaced and crowd the shoreline, presenting a good example of overdeveloped and commercialized land usage. Our land use concept will be innovative and should easily overcome the impact of these adjacent lake developments.

4) Objectionable and clashing contiguous uses include the Jones property, et.al., the Lily Lake Tavern, lodge, and nearby blighted shack area. These uses are incompatible with the Lily Lake project concept as envisioned.

L. Climatic Characteristics of Area - See Exhibit F.

## ETHICAL AND AESTHETIC FEASIBILITY

## A. Relationship of the Project to the Area

It is our judgement that this project will improve the image of Kimberly-Clark in the area since it is conservation oriented, and is designed not to disturb the ecological balance. This in turn should elicit favorable local support for the project.

The county and the township will realize an increased tax base.

The added populace and homes will require an increased service base which in turn will increase the flow of funds into the local economy. Additional jobs will be realized and it appears that the overall economic base will be strengthened.

## B. Relationship of the Project to the Purchaser/User

Considering the long-range concept of this plan, the purchaser is assured of a natural northwoods atmosphere that will be maintained and continued consistent with good planning and restrictive covenants. The purchasers investment will be protected and most certainly enhanced with the increased popularity of the project.

## C. Relationship of Project to Developer

This project should enhance the image of any developer when we consider the strong movement currently afoot in this country to protect and conserve the natural environment of the land. The developer, Kimberly-Clark, must show a high level of personal commitment in order

to capitalize on this popular concern: Kimberly-Clark has no experienced staff or operational capability to embark on this developmental program. Outside talent will have to be brought into the picture.

## FINANCIAL FEASIBILITY

The sum allocated by Kimberly-Clark for this project is in the neighborhood of \$250,000. The capital structure of the project itself is undetermined. Kimberly-Clark easily possesses the credit rating and collateral to attract \$750,000, in external debt, so as to sink a \$1,000,000 investment in recreational facilities. Of course, they may choose to finance the entire project with equity funds (which would limit total development expenditures to \$250,000), they may assume any debt ratio between zero and 75 percent, or they can package a mixture including various hybrid securities.

The value of the land owned by Kimberly-Clark (consisting of some 3500 acres) will be considered a sunk cost and not material to the decision to develop. However, various other areas are scheduled for acquisition as a part of the project. Their square footages and estimated purchases are set out below:

<u>Area Location</u>	<u>Land Use Suggested</u>	<u>Approx. Size</u>	<u>Approx. Value</u>
Jones Property, SE corner of Lake front	Central Administration Control	25 acres	\$23,333 *
Large tract approx. 1 $\frac{1}{4}$ miles west of Lake	Required for access to adjoining properties	16 acres	16,000**
Northeast corner of Crane Lake	Required for access to Crane Lake	40 acres	4,000**
$\frac{1}{4}$ mile northwest of Jungle Lake timberland	To facilitate accessibility to other areas	40 acres	4,000**
South portion of Roberts Lake (lake front property)	Access to Roberta Lake	300 linear feet	<u>13,500***</u> \$60,833

(See next page for asterisk explanations.)

Current real estate taxes on the undeveloped land are to be considered as sunk costs which Kimberly-Clark will encounter no matter what course of action is taken. A differential cost can be expected, however, if the local authorities decide to reassess the land after development. This is an area open to negotiation, which has not as yet been explored.

As indicated on Exhibit B (area map), development areas stated as a percent of total area are as follows:

<u>Area Location</u>	<u>Land Use Suggested</u>	<u>Approx. Size</u>	<u>Stated as a % of Gross Land</u>
North & West of Lake	Camper area	½ sq. mi.	9
North, Northeast, & Southwest of Lake	Trailer sites	½ sq. mi.	9
East & West of Lake	Unit lots	½ sq. mi.	9
South of Lake	Outdoor Recreational Activity	1½ sq. mi.	27

(Total area is 3,600 acres or 5.5 sq. miles)

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As per data in "Statistical Report of Property Value," Forest City (see Exhibit II), the following formula was derived:

$$\begin{array}{l}
 * \text{ Market Value X Equalization Tax Rate X Mill Rate} = \text{Tax} \\
 \text{Market Value X } .33 \qquad \qquad \qquad \text{X } .09 \qquad \qquad \qquad = \$700 \\
 \text{Market Value} = 700 \div .33 \times .09 = \$23,333 \text{ for 25 acres (Jones Property).}
 \end{array}$$

\*\* 23,333 ÷ 25 acres = suggested price per acre, \$900; this must be adjusted downward considering raw acreage and limited accessibility to \$100 per acre.

\*\*\* Approximately 1,300 feet of lakefrontage on Roberts Lake at \$45 per front linear foot (Source: Lakewood Branch of State Bank of Wabeno).

It is therefore, expected that 54 percent of the land will be usable and income producing. Even though the total land value is a sunk cost to Kimberly-Clark, the aforementioned analysis is significant in comparing various development alternatives. Acreage available for uses intended are sufficient and compatible with questionnaire returns (see section three on "Demand").

Absorption rates for camper sites, trailer sites, and home sites are set at 3 to 5 years. More lavish future developments may entail longer absorption periods.