

# Introduction to Appraisal Examination I ~ Mid-Term Examination

1. Which of the following situations relates to the social influence on valuation of a parcel of real estate?
  - A. Identification of population centers around the parcel
  - B. Review of zoning ordinances affecting the parcel
  - C. Determining if wetland regulations are met
  - D. Identifying personal property rights
2. The legal concept referring to non-ownership interests in real estate is,
  - A. Eminent domain.
  - B. Escheat.
  - C. Police power.
  - D. Chattel.
3. Which of the following items would be deducted from potential gross income to find effective gross income?
  - A. Operating expenses
  - B. Vacancy losses
  - C. Debt service
  - D. All of the above
4. The preservation of the use of a parcel of land to maintain its scenic beauty and ecological functions is which of the following concepts that influences the value?
  - A. conservation easement
  - B. government zoning
  - C. private deed restriction
  - D. no trespassing signs
5. A corporation owns a property in the name of the corporation. This form of ownership is:
  - A. Joint tenancy.
  - B. Tenancy in common.
  - C. Severalty.
  - D. Community property.
6. The value of the use and occupancy of the property for the term of the lease is the:
  - A. Leased fee.
  - B. Leasehold interest.
  - C. Fee simple interest.
  - D. Conditional fee.
7. An individual dies without a will and with no apparent heirs. What will happen to the title of that individual's real estate?
  - A. It will be condemned and sold at public auction
  - B. It will be merged into the titles of adjoining properties
  - C. It will revert to the state
  - D. It becomes federal property
8. A form of ownership which incorporates separate ownership and a co-ownership is a-
  - A. Cooperative.
  - B. Condominium.
  - C. Community property.
  - D. Land trust.

A form of fee simple ownership that is coupled with a partial interest in property owned with neighbors which adds little value to the primary residence is a-

  - A. PUD.
  - B. De minimis PUD.
  - C. Cooperative.
  - D. Condominium.
10. The value which an owner is compelled to accept when a property is sold at foreclosure is:
  - A. Value-in-use.
  - B. Investment value.
  - C. Market value.
  - D. Liquidation value.
11. Which of the following conditions is not part of the definition of market value?
  - A. The buyer and seller are compelled into the market place
  - B. The price was not subject to special financing
  - C. The buyer and seller are well informed
  - D. The property is exposed to the market for a reasonable period of time

12. A section of land in the government survey system contains:
- 180 acres.
  - 360 acres.
  - 640 acres.
  - 240 acres.
13. The type of value that reflects the comparison of prices paid for alternative pieces of real estate is:
- Market value.
  - Investment value.
  - Liquidation value.
  - Value-in-use.
14. The amount that a particular purchaser is willing to pay for a piece of real estate and a particular seller is willing to accept is the:
- Investment value.
  - Cost.
  - Price.
  - Liquidation value.
15. Insurable value represents which of the following concepts?
- The importance of the real estate to a specific owner
  - The replacement cost of the improvements to the real estate
  - The value required to meet investment requirements
  - The value of a quick sale
16. New Industries moving into a community which affect the value of a property reflect what economic principal?
- Anticipation
  - Conformity
  - Substitution
  - Change
17. The most profitable and likely use for a lot was judged to be a convenience store. This use of the lot represents the:
- Constant use.
  - Balance.
  - Highest and best use.
  - External use.
18. The ratio which relates net operating income (NOI) to the annual amount due on the mortgage is the:
- Expense ratio.
  - Break even ratio.
  - Operating ratio.
  - Debt coverage ratio.
19. The loan to value ratio is calculated in which of the following ways?
- Divide loan balance by effective gross income
  - Divide loan balance by purchase price
  - Divide loan balance by net operating income.
  - Divide after tax cash flow by loan balance
20. The concept that a person will not pay more for a property than for a comparable property of equal desirability is the principle of:
- Contribution.
  - Competition.
  - Substitution.
  - Regression.
21. Which of the following would contribute to external obsolescence?
- Rotting support pillars in a retail store
  - Leaking roof in a residence
  - Old building with massive cornices
  - Vacant buildings in the neighborhood,
22. The appraised value of a quality single family residence would be least affected by:
- Projected rental income.
  - The property location.
  - Recent comparable sales.
  - Typical room layout.
23. When reviewing an appraisal for a mortgage loan, the lender will be most concerned with the relationship between the estimate of value and:
- The amount of the loan requested.
  - The amount of commission.
  - The sales price to be paid.
  - The listing price.

24. Accrued depreciation is most important in relation to:
- Economic obsolescence.
  - Cost approach.
  - Capitalizing the Income stream.
  - Estimating gross rent multipliers.
25. The effective gross income Is equal to the potential gross income:
- Plus the property taxes.
  - Minus the vacancy and collection losses.
  - Plus the principal and interest constant.
  - Minus management fees.
26. In which of the following situations would the cost approach be the most reliable estimate of value?
- Older homes that are rented
  - New single family residences
  - 10 year old apartment complexes
  - Obsolete shopping centers
27. In order to depreciate a piece of real estate, which of the following is true?
- It must be owned in severalty
  - It must be improved
  - It must be mortgaged
  - It must be taxed
28. In reviewing the advisability of including tennis courts with a proposed apartment complex, which of the following economic principles is important?
- Contribution
  - Competition
  - Substitution
  - All of the above
29. The effect of building an expensive new home in a neighborhood of smaller less expensive homes would result in-
- Internal obsolescence.
  - External or functional obsolescence.
  - Physical deterioration.
  - Assemblage and plottage.
30. Which element of comparison usually has the most effect on the value of a house?
- Date of sale
  - Physical characteristics
  - Special financing
  - Location
31. In general, the term value is best described as:
- The price paid by the seller.
  - Present worth of future benefits.
  - Assessment for tax purposes.
  - The price offered by a prospective purchaser.
31. Which of the following types of depreciation is usually incurable?
- External
  - Functional
  - Physical
  - None of the above
33. Which of the following values is the most subjective?
- Market value
  - Assessed value
  - Value-in-use
  - Exchange value
34. Which of the following is = true of a capitalization rate?
- The rate increases as the risks increase
  - An increase In the rate will decrease the value
  - Net income divided by the rate will give the value
  - An increase in net income will decrease the rate
35. The gross rent multiplier is a weak measure of value because:
- It does not accurately measure depreciation.
  - It does not consider the land as if vacant.
  - Location analysis is not heavily weighted.
  - Unusual expenses are not considered.

36. When a house is too close to a school, church, shopping center, etc. what form of depreciation is it subject to?
- Physical deterioration
  - Functional obsolescence
  - External obsolescence
  - None of the above.
37. Market value is really determined by:
- Appraisers.
  - Agents.
  - Buyers.
  - Lenders.
38. Which of the following approaches to value best reflects the special amenity values of a property?
- Cost
  - Sales comparison.
  - Income
  - GRM
39. The period of time over which a improvement is capable of producing income is referred to as:
- Economic life.
  - Effective age.
  - Depreciated life.
  - Actual age.
40. The last lot in a very popular residential subdivision sold for twice the price paid for the first lot. This economic effect is a result of.
- Substitution.
  - Conformity.
  - Supply and demand.
  - Diminishing returns.
41. Usually, the most important contributing factor to the value of a property is:
- Substitution.
  - Conformity.
  - Supply and demand.
  - Diminishing returns.
42. Based on the GMRM approach to single family residences, which of the following are true?
- As the rent goes up the value increases.
  - As the GMRM decreases the value increases.
  - Both A and B.
  - Neither A nor B.
43. The highest and best use of a property will provide:
- The greatest gross income to the owner.
  - The greatest net benefit to the owner.
  - The highest capitalization rate.
  - The lowest net benefit to the community.
44. An investor making a very large net income from a mini-warehouse would be most concerned with:
- Change.
  - Competition.
  - Regression.
  - Conformity.
45. In real estate, the concept of supply and demand states:
- Price will increase proportionally with increases in supply.
  - Demand will decrease as supply increased.
  - Demand increases when prices decrease.
  - Supply decreases as Price decreases
46. In appraising an apartment building using the income approach, the appraiser relies upon which of the following in estimating value?
- Anticipated income,
  - Operating expenses
  - Comparable sales
  - All of the above

47. In developing the amount of external obsolescence, the appraiser needs to know the:
- A. Amount of deferred maintenance of the building.
  - B. Income level of the tenants.
  - C. Changes taking place in the neighborhood.
  - D. Vacancy factor of the building.
48. The gross rent multiplier is found by-
- A. Capitalizing the net Income.
  - B. Dividing the gross income by the sales price.
  - C. Multiplying the gross Income by the sales price.
  - D. None of the above.
49. Which of the following methods of estimating value is affected by the conditions of sale?
- A. Cost approach
  - B. Sales comparison approach
  - C. Income approach
  - D. GRM
50. The income approach relies heavily upon the principle of,
- A. Contribution.
  - B. Anticipation.
  - C. Conformity.
  - D. Substitution.
51. The most difficult item to estimate under the cost approach is:
- A. Site value.
  - B. Replacement cost.
  - C. Depreciation.
  - D. Reproduction cost.
52. The market for residential properties is:
- A. Localized In nature.
  - B. Highly organized.
  - C. Not demand dependent.
  - D. Not reflective of disposable income.
53. An appraisal of real property best establishes:
- A. True market value.
  - B. Most probable sales price.
  - C. Estimate of value for a specific purpose.
  - D. A ratio of taxes to sales price.
54. A market situation whereby a few properties are available and a large number of buyers are available is a-
- A. Buyers market.
  - B. Sellers market.
  - C. Capital market.
  - D. Monopoly market.
55. The real estate market Is inefficient due to its:
- A- Fixity of location.
  - B. Large economic value.
  - C. Unknowledgeable participants.
  - D. All of the above.
56. The value most often sought by the appraiser is,
- A. Insurable value.
  - B. Market value.
  - C. Estate value.
  - D. Assessed value.
57. Which of the following is not required by the appraiser when developing an estimate of value under the income approach?
- A. Vacancy and collection loss
  - B. Fixed expenses
  - C. Accrued depreciation
  - D. Potential gross income
58. The appraised value of a five bedroom, one bath residence often would be affected negatively by which of the following?
- A. External obsolescence
  - B. Functional obsolescence
  - C. Physical deterioration
  - D. None of the above

59. Which of the following would not be important in comparing properties under the sales comparison approach?
- A- Date of sale
  - B. Cost new
  - C. Room size
  - D. Location.
60. In any analysis, which of the following is not considered an economic characteristic of value?
- A. Demand
  - B. Scarcity
  - C. utility
  - D. Expansion
61. Which of the following would indicate the capitalization rate?
- A- Gross income divided by value
  - B. Remaining economic life divided by value
  - C. Gross income divided by net operating income
  - D. Net operating Income divided by value
62. The recapture rate is an essential element of.
- A. GRM.
  - B. Market approach.
  - C. Cost approach.
  - D. Income approach.
63. The rate used in the direct capitalization method represents:
- A. Return on land and buildings and the recapture of the land.
  - B. Recapture of the land and buildings and return on the land.
  - C. Return on the land and buildings and recapture of the buildings.
  - D. Recapture of the investment inland and buildings and return on the investment.
64. The sales comparison approach is most reliable for:
- A- New homes.
  - B. Vacant land.
  - C. Special purpose buildings.
  - D. Mint-warehouses.
65. At what point does the economic life of the improvements end?
- A. When the improvements cease to be the highest and best use of the property
  - B. When the rate of return on the rent Is less than similar investments
  - C. When the maintenance cost equals the value of the building
  - D. When the value of the land and its improvements are equal to the value of the land
66. As an appraiser. you may be asked to appraise for:
- A. Market value.
  - B. Assessed value.
  - C. Insurable value.
  - D. All of the above.
67. The steps an appraiser follows in the appraisal process include:
- A. Defining the problem.
  - B. Data collection and analysis.
  - C. Application of the valuation approaches.
  - D. All of the above.
68. A change in the capitalization rate will affect the estimate of value in which of the following ways?
- A. An increase in the rate will increase the value estimate
  - B. A decrease in the rate will cause a decrease in the value estimate
  - C. An increase in the rate will cause a decrease in the value estimate
  - D. A change in the rate usually will not affect the value
69. Why would an appraisal be used?
- A. To justify a loan
  - B. To establish a listing price
  - C. Determine the condemnation value
  - D. All of the above
70. Which is the most difficult for an appraiser to estimate?
- A. Cost new of the improvements
  - B. Amount of depreciation
  - C. Highest and best use
  - D. Land value

71. Insufficient bathroom facilities in a home is an example of-
- External obsolescence.
  - Physical depreciation.
  - Functional obsolescence.
  - Locational obsolescence.
72. How does the appraiser derive a capitalization rate using sales data?
- Net Operating Income/Rate
  - Net Operating Income/Sale Price
  - Sale Price/Net Operating Income
  - Effective Gross Income/Sale Price
73. A comparable property had a sales price of \$450,000, with an annual gross income of \$90,000 and annual expenses of \$45,000. What is the annual gross rent multiplier?
- 2.00
  - 5.00
  - 9.00
  - 10.00
74. Using the Information in question 73, what is the capitalization rate?
- .05
  - .08
  - 10
  - 12
75. A property has a potential gross income of \$600,000, a vacancy rate of 10%, and an expense ratio of 37% of the effective gross income. The capitalization rate is 10. What is the value of the property using the Income approach?
- \$3,402,000
  - \$3,180,000
  - \$2,220,000
  - \$1,980,000
76. A house that needs painting would suffer from:
- Physical deterioration.
  - Locational depreciation.
  - Functional obsolescence.
  - External obsolescence.
77. The appraiser may have to estimate the value of which of the following interests in a property?
- Fee simple
  - Condominium
  - Leasehold
  - All of the above
78. Which of the following relationships would quickly indicate the value of a building to a buyer?
- Net Income x Rate
  - GRM x Net Income
  - GRM x Gross Rent
  - Sale Price x Rate
79. Which approach to value uses the risk rate when estimating the value?
- Market
  - Income
  - cost
  - GRM
80. In which type of property would an appraiser usually L& favor the value indication produced by the income approach?
- Office building
  - New house
  - Shopping center
  - Apartment building
81. Which method of estimating value is most influenced by competition?
- Sales comparison
  - Cost
  - Income
  - All of the above
82. Which of the following would create functional obsolescence?
- Vacancy rate
  - Low net income
  - Poor location
  - Bad floor plan
83. The economic life is best described as:
- The actual age of the structure.
  - The period of ownership.
  - The effective age of the property.
  - The period over which the improvements produce income.

84. which of the following methods estimates the cost to create an exact duplicate of the property being appraised?
- A. Reproduction cost
  - B. Replacement cost
  - C. Economic cost.
  - D. Supersession cost

**Use this Info, answer questions 85-88.**

Site value: \$20,000  
 Cost New of Improvements: \$50 per sq.. ft.  
 40' X 80 'building  
 Economic life: 40 years  
 Effective age: 5 years

85. What is the annual rate of depreciation?
- A. 2.3%
  - B. 2.5%
  - C. 3.3%
  - D. 5.0%
86. How much depreciation will be allocated to the land?
- A. \$2,500
  - B. \$1,500
  - C. \$ 1,000
  - D. None of the above.
87. What is the depreciated value of the improvements?
- A. \$160,000
  - B. \$140,000
  - C. \$120,000
  - D. \$100,000
88. What is the value of the property using the cost approach?
- A. \$160,000
  - B. \$140,000
  - C. \$120,000
  - D. \$100,000
89. If the subject property is better than the comparable property, the adjustment to be made is:
- A. Plus adjustment to comparable.
  - B. Minus adjustment to comparable.
  - C. No adjustment needed.
  - D. Depends upon the item causing the difference.

90. The term site refers to the:
- A. Lot.
  - B. Building.
  - C. Land and site Improvements.
  - D. None of the above.
91. The adjustments using the sales comparison approach are made to the:
- A. Sales prices of the comparables.
  - B. Listing price of the subject.
  - C. Per square foot cost of the comparable.
  - D. Average market value of similar homes.
92. Which of the following would not be included in the gross living area?
- A. Patio
  - B. Living room
  - C. Family room
  - D. Den
93. In evaluating the neighborhood, the appraiser considers which of the following characteristics to be most important?
- A. Location
  - B. Present use of the land
  - C. Occupancy rate
  - D. Build-up percentage
94. The highest and best use of a property must be:
- A. Legally permissible.
  - B. Physically capable.
  - C. Financially feasible.
  - D. All of the above.
95. An acre contains:
- A. 30,000 Sq. ft.
  - B. 41,250 Sq. ft.
  - C. 43,560 Sq. ft.
  - D. 45,230 Sq. ft.
96. Which economic principle says that a buyer will pay no more for one property than the cost of another similar property?
- A. Anticipation
  - B. Substitution
  - C. Compatibility.
  - D. Balance

97. When would the cost approach and sales comparison approach be most likely to produce a similar estimate of value?
- A. When the property is new
  - B. When the property is older
  - C. When the property is over improved
  - D. When the property is underimproved
98. To estimate the value of property using the income approach, the appraiser needs all of the following information except:
- A. Vacancy rates.
  - B. Potential gross income.
  - C. Operating expenses.
  - D. Cost per square foot.
99. Which of the following methods is the most comprehensive method of estimating reproduction cost?
- A. Unit-in-place.
  - B. Comparative
  - C. Quantity survey
  - D. Economic indicator
100. A good comparable property is\*
- A. Similar in style.
  - B. Similar in size.
  - C. From the same neighborhood.
  - D. All of the above.

## ANSWERS

The answer to each question is indicated by the letter A, B, C or D. The explanation of the answer is directly below the answer.

1. A

The social aspects of land use are influenced by the population distribution. Zoning ordinances are governmental and wetland regulations are physical influences, while personal property rights represent a legal concept affecting value.

2. D

Chattel refers to personal Property.

3. B

Potential gross income plus other income less vacancy and collection losses equals effective gross income.

4. D

No trespassing signs might keep out strangers but will not mandate ecological functions.

5. C

Severalty is ownership by a single individual or entity viewed as an individual by the law.

6. B

The leasehold interest is the portion of rights including occupancy that is transferred by the owner to the tenant. The value is the value of the interest that is leased.

7. C

The property will be subject to escheat, a process that reverts title of property to the state when no will is present and heirs cannot be found. It is one of the four powers of government restricting private ownership.

8. B

A condominium includes separate ownership of the individual unit along with co-ownership of the common areas.

9. B

A de minimis PUD combines both attributes and in contrast to a PUD it is not as formal in its construction, its dues are usually less, and the influence of the homeowners association is not as binding or strict.

10. D

When property is sold under less than desirable market conditions such as a foreclosure the value becomes a liquidation value.

11. A

In the description of market value, the buyer and seller are typically motivated not forced into the marketplace.

Q 12 C

In the governmental survey, the standard section of land contains 640 acres. Some states do not use this unit of measurement in their legal description. All land in those states is described by metes and bounds.

13. A

Market value implies a comparison of available economic goods from which purchasers may make a choice.

14. C

Value is what is anticipated according to a specific definition. Price is what is actually paid for a property.

15. B

This will indicate the amount of insurance need to be carried to replace what might be destroyed.

16. D

Change constantly takes place and affects property values. Anticipation primarily takes place at the time of acquisition as does substitution.

17. C

The highest and best use is that use at the time of the appraisal that is the most profitable use that is legally permissible and physically feasible.

18. D

The debt coverage ratio is used by lenders to measure the adequacy of the operating income to meet the debt requirements.

Q 19 B

This is a measure of the relationship between the amount of the loan or debt on the property and the appraisal value or sales price.

20. C  
The value of a property tends to be related to its competitive position among alternative choices. If two properties offer the same benefits, the buyer will choose the one with lower cost.
21. D  
External obsolescence is caused by influences off of the property.
22. A  
This type of property is least likely to be rented, therefore the rental income would not be a common factor of comparison.
23. A  
This will be the factor that will create the loan to value ratio and determine the type of loan to be made or if the loan is to be made at all
24. B  
In the cost approach, the appraiser estimates the accrued depreciation on the subject property's Improvements and subtracts It from the cost of the improvements.
25. B  
PGI less vacancy and collection losses equals EGI.
26. B  
The new residence would not be subject to as much depreciation as the other properties. Depreciation is the hardest element to estimate in the cost approach.
27. B  
Only improvements are depreciated. The form of ownership and whether or not a property is mortgaged or taxed is irrelevant to depreciation.
28. D  
The decision will be made relative to the increase in value obtained by the improvement. If other properties have it, then it may be advisable.
29. B  
The impact of the neighborhood would cause the new expensive home not to realize its full value potential. This is caused by external obsolescence.
30. D  
Location is usually the single most impor-
31. B  
The amount paid based upon the anticipation of the benefits will reflect the value.
32. A  
Though all three types may be incurable, the external obsolescence is usually always incurable because its cause is out of the control of the property owner.
33. C  
Value-in-use is subject to the influences that are unique to the present user and their ability to maximize the benefits of the property.
34. D  
The size of the rate is independent of the amount of net income. The size of the rate is related to risks associated with the attaining of the net income.
35. D  
Unusual expenses unique to the subject property would not be reflected in the gross rents from the comparables used to establish the multiplier nor would they be considered when applying the multiplier to the subject property's gross rent.
36. C  
External obsolescence is caused by factors off the property. Physical deterioration and functional obsolescence are caused by factors on the property.
37. C  
What the buyers are willing to pay will set the basis for market value.
38. B  
The special amenity of a property is reflected by the sales comparison approach if comparables are selected and adjusted correctly. The income approach may not reflect them as they may not increase the rents. It is difficult to reflect them in the cost approach.
39. A  
Effective age is how old the property appears to be, actual age reflects chronological existence, while depreciated life reflects the amount of the economic life used up.

40. C  
The lack of supply and high demand created the higher price.
41. C  
The markets are driven by the relationship of supply and demand. The lack of or overabundance of either one creates value differentials.
42. A  
The GMRM approach is based on the assumption that there is a direct relationship between rent and value. As the GMRM increases the value increases.
43. B  
Highest and best use provides for the greatest return to the owner.
44. B  
Because the investor's income is large, competition may enter this market and saturation or a balancing effect on income will take place.
45. C  
The lower the price, the more buyers that can afford the real estate thus increasing the demand to a point when the supply runs short.
46. D  
Each of these elements are used to create the information necessary to capitalize the income property. Comparable sales are used to construct a capitalization rate.
47. C  
Neighborhood changes are external influences on the value of the subject site.
48. D  
The multiplier is equal to the sales price divided by the gross rent.
49. B  
One of the elements of comparison and adjustment under the sales comparison approach is conditions of sale.
50. B  
The anticipation that income will be reduced and expenses held to a certain level in the future.
51. C  
The various causes and degrees of depreciation are a difficult estimate the appraiser has to make. For the other items, the data is more readily available in a reliable form.
52. A  
Residential markets tend to be localized in scope, not well organized and very dependent upon disposable income. The market itself is very demand dependent.
53. C  
The definition of an appraisal is an estimate of value for a specific purpose.
54. B  
This situation favors the seller when demand exceeds supply therefore the sellers will set the price.
55. D  
All of these factors make the real estate market inefficient.
56. B  
By far the appraiser is called upon most often to estimate market value more than the other values.
57. C  
Accrued depreciation is a function of the cost approach.
58. B  
In today's market, houses with that many bedrooms would be expected to have more than one bathroom.
59. B  
Cost new is not an element of direct comparison.
60. D  
Demand, scarcity and utility are all primary contributors to value.
61. D  
 $NOI/V = R$
62. D  
In establishing an overall rate, the recapture of the investment must be considered in relation to the estimated economic life.
63. D  
A capitalization rate represents a return on and the recapture of an investment.

64. B  
It would be easier to find comparables for land. New homes may not have yet established a market. Likewise there is little or no market for special purpose buildings. Mini-warehouses would tend to favor the income approach.
65. D  
This Is the time when the improvements produce no benefits and in fact may have negative value.
66. D  
All are types of value sought by the appraiser.
67. D  
All are steps in the process.
68. C  
As the rate increases the values decrease.
69. D  
All are reasons for using appraisals.
70. B  
Depreciation is the hardest factor to determine because of the amount of unsupported estimating that needs to be done.
71. C  
Functional obsolescence includes items that are lacking in order to make the property meet current market expectations.
72. B  
Net operating income divided by the sales price equals the rate.
73. B  

$$\text{GRM} = \text{SR}/\text{GR}$$

$$\text{GRM} = \$450,000/\$90,000$$

$$\text{GRM} = 5.0$$
74. C  

$$\text{R} = \text{NOI}/\text{SP}$$

$$\text{R} = \$45,000/\$450,000$$

$$\text{R} = 10 \text{ or } 100/6$$
75. A  

$$\text{V} = \text{NOI}/\text{R}$$

$$\$600,000 \times 0.90 = \text{EGI}$$

$$\$540,000 = \text{EGI}$$

$$\$540,000 \times .37 = \text{EXP}$$

$$\$199,800 = \text{EXP}$$

$$\$540,000 - \$199,800 = \text{NOI}$$

$$\$340,200 = \text{NOI}$$

$$\text{V} = \$340,200/.10$$

$$\text{V} = \$3,402,000$$
76. A  
Physical deterioration is a result of wear and tear on the property.
77. D  
The appraiser may appraise the fee simple interest or any partial or special interest in a property.
78. C  
This is a common quick method of estimating value.
79. B  
Included in the capitalization rate will be a portion of the rate relating to the risks affecting the income.
80. B  
The lack of income from rent would make the income approach less viable.
81. D  
The events in the market will affect all approaches to value.
82. D  
A bad floor plan limits utility of the property thus making it less functional.
83. D  
When the improvements stops producing income or benefits, its economic life is over.
84. A  
The reproduction cost method duplicates the subject property Instead of creating a building of equal utility by the replacement cost.
85. B  

$$100/40 \text{ years} = 2.5\% \text{ per year.}$$
86. D  
Land is not subject to depreciation.
87. B  

$$\text{Total depreciation equals } 5 \text{ Yrs. } \times .025 = .125$$

$$\text{Building size} = 40' \times 80' = 3,200 \text{ Sq. Ft.}$$

$$\text{Building cost} = 3,200 \text{ Sq. Ft. } \times \$50 = \$160,000$$

$$\text{Depreciation} = \$160,000 \times .125 = \$20,000$$

$$\text{Depreciated value } \$160,000 - \$20,000 = \$140,000$$

88. A  
Depreciated value of the Improvements plus site value equals property value (\$140,000 + \$20,000 = \$160,000).
89. A  
If the subject is better, the sales price of the comparable is increased by the amount of the adjustments.
90. C  
The site is the land and the site Improvements to the land.
91. A  
The known sales price of the comparable is adjusted up or down depending upon the result of the comparison with subject property. The sales price is increased if the subject is better and decreased if worse.
92. A  
Patio is not included. The area of the house above grade measured by exterior dimensions excluding garages, patio, porches, decks.
93. A  
Location is the most critical factor in real estate.
94. D  
All are essential in the definition of highest and best use.
95. C  
An acre contains 43,560 sq. ft.
96. B  
The principle assumes a buyer will pay only for the benefits received because there are other substitute properties available to select from.
97. A  
Because little depreciation has taken place.
98. D  
The cost of a property is not considered in the income approach.
99. C  
The quantity survey results in the most accurate cost since all the buildings components are analyzed.
100. D  
The more similar to the subject property the comparable is the better it is since fewer adjustments will need to be made.