

Chapter 18 Questions Real Estate Appraisal

1. The income approach to value would be most important in the appraisal of a(n)
 - a. residential condominium.
 - b. downtown office building.
 - c. single-family residence.
 - d. vacant residential lot.

2. In an old retail building, which of the following would most likely be a source of incurable functional obsolescence?
 - a. Deficient and inadequate lighting
 - b. Closely-spaced internal support columns
 - c. An unattractive store front
 - d. A decrease in the area's population

3. All of the following are characteristics of value EXCEPT
 - a. Scarcity
 - b. Transferability
 - c. Obsolescence
 - d. Utility

4. If the potential gross rental income from a property is \$20,000, the vacancy rate is 5 percent, and the additional income from the laundry facilities and extra storage is \$700, what is the effective gross income?
 - a. \$19,000
 - b. \$19,700
 - c. \$20,000
 - d. \$20,700

5. An appraiser is responsible for
 - a. finding value.
 - b. computing value.
 - c. determining value.
 - d. estimating value.

6. The term *depreciation* refers to the
 - a. value of real estate after the expiration of its useful life.
 - b. loss of value in real estate from any cause.
 - c. costs incurred to renovate or modernize a building.
 - d. capitalized value of lost rental income.

7. Which of the following is the most important in the appraisal process?
 - a. Asking price of the property
 - b. Highest and best use of the property
 - c. Original cost of the property
 - d. Selling prices of similar properties

8. Which of the following would be classified as external depreciation?
 - a. A leaking roof that needs to be completely replaced
 - b. Poorly-maintained properties in the neighborhood
 - c. A poorly-designed floor plan that could be modified
 - d. Convenient access to schools and recreational facilities

9. It is necessary to calculate a dollar value for depreciation when using which of the following?
 - a. The sales comparison approach to value
 - b. The cost approach to value
 - c. The income approach to value
 - d. Gross rent multipliers

10. The income approach as used by an appraiser makes use of which of the following?
 - a. Equalization
 - b. Depreciation
 - c. Appreciation
 - d. Capitalization

11. In the valuation of a large apartment complex, the most weight would be given to which of the following approaches to value?
 - a. The cost approach
 - b. The income approach
 - c. The sales comparison approach
 - d. All approaches equally weighted

12. In the cost approach to value, the appraiser makes use of
 - a. the owner's original cost of the building.
 - b. the estimated replacement cost of the building.
 - c. the sales prices of similar buildings in the area.
 - d. the assessed value of the building.

13. The sales comparison approach to value would be most important when estimating the value of a(n)
 - a. existing residence.
 - b. apartment building.
 - c. retail location.
 - d. new residence.

14. In the income approach, the appraiser makes use of
 - a. reproduction cost.
 - b. capitalization rate.
 - c. depreciation schedules.
 - d. replacement cost.

15. An appraiser who is using the sales comparison approach to value would *NOT* use which of the following similar homes as a comparable properties? One that was
 - a. sold over six months ago.
 - b. sold recently but is located in another similar neighborhood.
 - c. sold by the owners who were undergoing a foreclosure.
 - d. sold recently but is located on a much larger lot.

16. Using which of the following would require the value of the land to be calculated separately from the value of the improvements?
- The income approach
 - The cost approach
 - The sales comparison approach
 - The gross rent multiplier
17. Reconciliation is best described as
- selecting the highest value given by the three approaches to value.
 - comparing comparable properties and identifying their amenities.
 - determining the final value by selecting one value from those given.
 - analyzing the results obtained from the three approaches to value.
18. A building is valued at \$215,000 and contains 4 apartments that rent for \$470 each per month. The owner estimates that the net operating income is 65 percent of the gross rental receipts. What is the capitalization rate?
- 3.7 percent
 - 6.8 percent
 - 10.5 percent
 - 14.2 percent
19. All of the following are steps in the appraisal process EXCEPT
- gathering specific data on the subject property.
 - gathering general data for the area of the subject property.
 - considering the seller's estimate of the property's value.
 - applying the three approaches to value to the collected data.
20. The gross rent multiplier is used as a guideline for estimating value based on the
- ratio of the gross rents to the net rents after expenses.
 - proportion of rents due to the actual rents collected.
 - capitalization of the annual gross rental income.
 - relationship of sales prices to the rental income.

21. Defined as a loss in value from any cause, depreciation is generally divided into three categories. The loss of value due to the normal wear and tear on a property is called
- external depreciation.
 - physical deterioration.
 - functional obsolescence.
 - economic deterioration.
22. To find the value of a property using the income approach to value, if the net operating income and the capitalization rate were known, the appraiser would
- multiply the net operating income by the capitalization rate.
 - multiply the effective gross income by the capitalization rate.
 - divide the net operating income by the capitalization rate.
 - divide the capitalization rate by the net operating income.
23. An appraiser has been employed to estimate the market value of a parcel of vacant land. The resulting appraisal report would NOT include reference to
- the highest and best use of the parcel.
 - the listed price of the parcel.
 - the most probable price the parcel will bring.
 - the physical dimensions of the parcel.
24. When appraising a commercial property, the appraiser is most concerned with the
- accrued depreciation on the property.
 - income generated by the property.
 - sales prices of comparable properties.
 - total debt service on the property.
25. In the appraisal of an office building, which of the following would be classified as external depreciation?
- Termite damage to the structural components of the building
 - A poor architectural design resulting in a cluttered floor plan
 - An inadequate number of elevators and antiquated restroom facilities
 - A law requiring the building to be retrofitted with fire sprinklers

26. The period of time over which an improvement to the property will remain useful for its original purpose is known as its
- amortized life.
 - chronological life.
 - actual life.
 - economic life.
27. All of the following would be considered specific data EXCEPT
- The dimensions of the subject property
 - The employment opportunities in the area
 - The sales data for comparable properties
 - The gross rent multipliers for the area
28. When estimating the value of property using the cost approach, all of the following are considered by an appraiser EXCEPT
- Loss of value due to uncollected delinquent rent
 - Estimated loss attributable to an outdated heating system
 - Quality of materials and workmanship in the original structure
 - Excessive amount of traffic noise outside the property
29. The market price of a parcel of real estate is
- the price it sold for.
 - the price it should have sold for.
 - the price that was being asked for it.
 - based on its assessed value.
30. Reconciliation is an appraisal term used to describe
- the appraiser's determination of a property's highest value.
 - an average of real estate values for properties similar to the subject property.
 - the appraiser's analysis and comparison of the results of all three appraisal approaches.
 - the method used to determine the most appropriate capitalization rate for a property.

31. An appraiser has been hired to prepare an appraisal on a property that includes an elegant old mansion that is now used as an insurance company office. Which approach to value would the appraiser rely on most?
- a. Income approach
 - b. Gross rent multiplier approach
 - c. Sales comparison approach
 - d. Replacement cost approach
32. A house with outmoded plumbing is suffering from
- a. functional obsolescence.
 - b. curable physical deterioration.
 - c. incurable physical deterioration.
 - d. external depreciation.
33. A home with its kitchen next to the master bedroom would be considered
- a. physically obsolete.
 - b. functionally obsolete.
 - c. economically obsolete.
 - d. diminished.
34. In the cost approach an appraiser uses which of the following?
- a. Sales prices of similar properties
 - b. The owner's original cost of construction
 - c. An estimate of the building's replacement cost
 - d. The property's depreciated value as used for income tax purposes
35. The purpose of an appraisal is to
- a. estimate the value of a property.
 - b. set the market price of a property.
 - c. determine the projected income of a property.
 - d. set the amount of consideration the seller should accept from a purchaser.

36. In the income approach all of the following are considered when calculating net operating income EXCEPT
- a. Real estate taxes
 - b. Management fees
 - c. Debt service
 - d. Utilities