

Basic Appraisal Procedures

Timed Outline – 30 Hour Course

Topic	Time in Minutes
Introduction to Course	10
TOTAL = 0.2 hours	10

Appraisal Procedures

Topic	Time in Minutes
I. The Appraisal Process	5
A. Different Definitions of Appraisal	
B. Series of Processes within The Appraisal Process	5
C. Standard of Practice	5
D. Competency	5
1. Competency Rule	
2. Competency Decision	5
3. Competency Questions after the Engagement Process	5
E. Development and Reporting	10
1. Appraisal Development	
a) Problem Identification through Reconciliation	
2. Appraisal Reporting	5
a) Self-contained	
b) Summary	
c) Restricted Use	
F. The Appraisal Process	5
1. Problem Identification	
a) Competency Rule	
b) Assignment Elements	5
c) Scope of Work	5
2. Manage the Assignment	10
a) Plan	
b) Organize	
c) Staff	
d) Direct	
e) Control	
3. Data Collection, Verification, and Market Analysis	10
a) Specific Data	
b) Primary Data	
c) General Data	
d) Secondary Data	
e) Market Analysis	5

4. Highest and Best Use	5
5. Land Value	5
6. The Approaches to Value	5
a) Income Approach	
b) Cost Approach	5
c) Sales Comparison Approach	5
7. Reconciliation	5
8. Communication of the Results	5
II. Scope Of Work	5
A. The Process of Scope of Work	
1. Determine the Scope—Preliminary Determination	
2. Confirm the Scope—Confirmed Determination	5
3. Perform the Scope	5
4. Disclose the Scope	5
5. Acceptability of Scope of Work	5
III. Market Analysis	5
A. Definition	
1. Study Process	
2. Market Conditions	
B. Market Analysis and the Appraisal Process	5
1. Data Analysis	
2. Two Basic Functions of Market Analysis	
C. Market Analysis and Highest and Best Use	5
D. The Market Analysis Process	10
1. Step 1: Productivity Analysis	
2. Step 2: Define the Market and Users	5
3. Step 3: Demand Analysis	5
4. Step 4: Supply Analysis	5
5. Step 5: Analyze the Interaction between Supply and Demand	10
6. Step 6: Forecast (Market Penetration of Subject)	5
7. Levels of Market Analysis	5
E. Types Of Analysis	5
1. Economic Base Analysis	
2. Market Study	5
3. Marketability Study	5
4. Investment Analysis	5
5. Feasibility Analysis	10
IV. Highest and Best Use	10
A. Definition	
1. As if Vacant	
2. As if Improved	
B. Four Tests of Highest and Best Use	5
1. Physically Possible	
2. Legally Permissible	5
3. Financially Feasible	5

4. Maximally Productive	5
V. Reconciliation	5
A. Reconciliation and Critical Thinking	
B. The Process of Reconciliation	10
1. Consider the relevant facts.	
2. Determine how the facts match up with the issue.	
3. Reach conclusions based on sound reasoning and critical thinking.	
4. Disclose the reasoning.	
C. Where Are the Errors?	5
VI. Review	20
TOTAL = 5.1 hours	305

An Overview of the Approaches to Value

Topic	Time in Minutes
I. The Sales Comparison Approach	10
A. Compare Subject to Comparables	
B. Elements of Comparison	5
1. Property Rights Conveyed	5
2. Financing	5
3. Conditions of Sale	5
4. Marketing Conditions (Time)	5
5. Location	5
6. Physical Characteristics	5
C. Qualitative and Quantitative Adjustments	20
D. Methodized Process of the Sales Comparison Approach	5
1. Research Relevant Sales Data	10
2. Verification	10
3. Choosing Relevant Units of Comparison	10
4. Adjustments	10
5. Reconciliation	10
E. Making Adjustments	15
1. Sales Grid	
2. Extracting Adjustments	15
3. Net Adjustments	15
F. Reconciliation within the Approach	10
II. The Cost Approach	10
A. Methodized Process of the Cost Approach	
1. Replacement Cost New/Reproduction Cost New (RCN) (Figure 3.1)	10
B. Methods of Cost Analysis	15
1. Cost Index Method	
2. Square Foot Method (Figure 3.2)	15
3. Unit-In-Place Method (Figure 3.3)	15
4. Quantity Survey Method	15

C. Accrued Depreciation	5
1. Depreciated Cost of the Improvements	10
a) Physical Depreciation (Incurable or Curable)	
b) Obsolescence (Functional and External)	10
2. Methods of Depreciation	15
a) Economic Age-Life Method	
b) Modified Economic Age-Life Method	15
c) The Breakdown Method	15
d) Straight-Line Depreciation Method	15
e) Market Method of Depreciation	15
D. Land or Site Valuation Techniques	15
1. Sales Comparison Method	
2. Allocation Method	10
3. Extraction Method or Abstraction Method	10
4. Subdivision Development Method	10
5. Ground Rent Capitalization Method	15
6. Land Residual Method	10
E. Indicated Value under the Cost Approach	10
III. The Income Approach	40
A. Income Capitalization Approach (Figure 3.4)	
1. Net Operating Income (NOI)	
2. Potential Gross Income	
3. Vacancy and Collection Loss	
4. Effective Gross Income	
5. Operating Expenses	
B. Income Multiplier Method (Figure 3.5)	35
1. Gross Income Multiplier (GIM)	
2. Gross Rent Multiplier (GRM)	
IV. Statistics Overview	10
C. What Is Statistics?	
1. Statistics	
2. Population	
3. Parameter	
4. Sample	
5. Statistic	
D. Measures of Central Tendency	5
1. Mean	5
2. Median	5
3. Mode	5
4. Selecting a Measure of Central Tendency	5
E. Measures of Variability	5
1. Range	5
2. Variance	10
3. Standard Deviation	10
4. Properties of Variance and Standard Deviation	5

5. Weighted Average	5
V. Mathematics of Finance	5
A. Time Value of Money	
1. Simple Interest and Compound Interest	10
2. Compounding and Discounting	10
B. Six Functions of a Dollar	10
1. Compound Factors and Discount Factors (Figure 2.1)	
a) Future Value of \$1	
b) Future Value of \$1 per Period	5
c) Sinking Fund Factor	5
d) Present Value of \$1	5
e) Present Value of \$1 per Period	5
f) Payment to Amortize \$1	5
2. Calculating a Mortgage Payment	10
3. Financial Calculators	5
VI. Sales Comparison Method	5
A. Elements of Comparison	5
1. Property Rights Conveyed	
2. Financing	5
a) Payment in Cash or Cash Equivalency	
b) Unaffected by Special Financing or Sales Concessions	
3. Conditions of Sale	5
a) Comparable Sales: where buyer and seller are typically motivated, well-informed and acting in best interests	
4. Marketing Conditions (Time)	5
a) Sale Dates of Comparables	
b) Value Affected by Other Recent Market Changes	
5. Location	5
a) Same Neighborhood	
b) Account for Differences in Location	
6. Physical Characteristics	5
a) Size	
b) Shape	
c) Terrain	
7. Zoning and Land-Use Restrictions	5
a) Public Restrictions	
b) Private Restrictions	
8. Availability, Capacity, and Proximity of Utilities	5
a) Undeveloped land	
b) Site	
B. Adjustment Process	5
1. Extract Adjustments with Paired Sales Analysis	
2. Apply Adjustments to Comparable	
3. Unit of Comparison (Figure 4.1)	5
4. Order of Percentage Adjustments	10

a) Property Rights Conveyed	
b) Financing	
c) Conditions of Sale	
d) Marketing Conditions (Time)	
5. Lump-Sum Dollar Adjustments (Table 4.1)	10
C. Reconciliation	5
1. Weighting Process	
2. In Practice: Weighting and Indicated Value	5
3. In Practice: Market Data Grid	10
4. In Practice: Weighting and Indicated Value	5
VII. Allocation Method	10
A. Based on the Principal of Balance	
B. Proportional Relationship between Land Value and Total Property Value	
C. Ratio of Land to Building	
D. In Practice: Calculate Land Value with Allocation Method	10
E. Method Used Only to Support Land Values from Other Techniques	10
F. In Practice: Land Value Range	15
VIII. Extraction or Abstraction Method	5
A. Deduction of Depreciated Improvement Costs from Comparable (Figure 4.1)	
B. Formula and Steps in the Process	10
C. In Practice: Estimate Typical Land/Site Value and Percentage	15
IX. Subdivision Development Method	5
A. Subtraction of the Costs of Development and Subdivision from Expected Sale Prices	
B. Valuing Land in Transition from One Use to Another	5
C. Direct Sales of Similar Uses Not Available	5
D. Principle of Anticipation Fundamental to Method	5
E. Absorption Rate	10
F. Discounting: Present Value of a Future Benefit	
X. Ground Rent Capitalization Method	5
A. Ground Lease Involved	
B. Capitalization of Income from Ground Lease (Figure 4.2)	10
C. In Practice: Using Income and Capitalization Rate to Calculate Value	10
XI. Land Residual Method	5
A. Deduction of Building's Net Income from Property's Total Net Income	
B. Capitalization of Net Income	10
C. In Practice: Valuing Land with the Land Residual Method	10
XII. Review	75
TOTAL = 16.5 hours	990

Property Description

Topic	Time in Minutes
I. Land/Site Geological and Geographical Characteristics	5

A. Land (Figure 5.1)	
1. Attributes of Land	5
2. Definition of Land	5
3. Real Estate and Real Property	5
4. Surface, Subsurface, Air, and Water Rights	5
a) Surface and Subsurface (Mineral) Rights	
b) Air Rights (Within Limitations)	5
c) Water Rights (Riparian and Littoral)	5
B. Land vs. Site	5
1. Raw Land	
2. Site	5
3. Vacant Land	5
4. Land Analysis	5
5. Land Description	5
C. Physical Characteristics of Land/Site	10
1. Size and Shape	
a) Excess Land	
b) Surplus Land	
2. Site Improvements (Internal and External)	10
3. Geographical Considerations	5
a) Topography	
b) Accessibility	5
c) External Influence	10
d) Locational Influence	10
e) Plottage	10
f) Property Description and Location	5
II. The Neighborhood	5
A. Natural Boundaries vs. Economic Boundaries	10
B. The Protected Classes	5
III. Architectural Styles	10
A. The Importance of Generic Labeling (Figures 5.2–5.5)	
1. Construction Styles (Figure 5.6)	15
2. Major Construction Components (Figures 5.7–5.14)	40
a) Foundation	
b) Framing	
c) Roofing	
d) Roofing Styles	
e) Roofing Material	
f) Doors	
g) Walls	
h) Windows	
i) Flooring, Wall Coverings, and Floor Coverings	
IV. Review	30
TOTAL = 4 hours	240

Residential Application Case Studies

Topic	Time in Minutes
I. Case Study #1	15
II. Case Study #2	60
III. Case Study #3	60
TOTAL = 2.25 hours	170

Topic	Time in Minutes
Final Exam	120
TOTAL = 2 hours	120