

## Basic Appraisal Procedures

### Editor's Note

At Dearborn™ Real Estate Education, we are proud of our reputation for providing the most complete, current, and accurate information in all our products. We are committed to ensuring the kind of quality you rely on. Please note the following changes, which will be reflected in the next printing of *Basic Appraisal Procedures*.

**Section 4            Land or Site Valuation Techniques**  
Page 137            Text should read as follows:

Year 1		\$1,250,000 x 0.909090 = \$1,136,363
Year 2		\$1,250,000 x 0.826446 = \$1,033,058
Year 3		\$1,250,000 x 0.751314 = \$939,143
Year 4		\$1,250,000 x 0.683013 = <u>\$853,776</u>
<b>Present value total</b>		<b>\$3,962,330</b>
\$3,962,330 ÷ 80 = \$49,529 per acre raw land		

Therefore, in this oversimplified example, the developer could be justified in paying \$49,529 per acre.

**Section 6            Case Studies**  
Page 186            Solutions 3 – 5 should read as follows:

3. 
$$\frac{\text{effective age}}{\text{Total economic life}} = \% \text{ of depreciation}$$

$$= 25 \div 60 = 0.42 \text{ or } 42\%$$
  
4. Physical depreciation = RCN x % of depreciation
 
$$= \$122,430 \times 0.42 = \$51,420$$
  
5.
 

\$122,430	RCN
- 51,420	physical depreciation
- 0	functional obsolescence
- 0	external obsolescence
\$ 71,010	depreciated cost of improvements
+ 177,150	site value
+ 2,800	site improvements
<b>\$231,371</b>	

Page 188           Solution 10 should read as follows:

10. Reconciliation

Cost approach	\$250,960
Sales Comparison approach	\$230,000
Income approach	\$226,100
Final value estimate of subject	= \$230,000

Page 189           The last sentence of the fourth paragraph should read:  
...A custodial service is estimated to be \$7,200 per year.

Page 192           Second A-head should read:  
**Reconciliation for Cost Approach**