

Course 101 - Fundamentals of Real Property Appraisal



Course Description

The Fundamentals of Real Property Appraisal is designed to provide the students with an understanding and working knowledge of the procedures and techniques required to estimate the market value of vacant and improved properties. This course concentrates on the skills necessary for estimating the market value of properties using two approaches to value: the cost approach and the sales comparison approach.

The Fundamentals of Real Property Appraisal utilizes lectures, classroom discussion, and homework problems to emphasize the main concepts and procedures taught in the course. Chapter one provides the student with an understanding and working knowledge of appraisal theory, assessment procedures and appraisal/assessment techniques necessary to estimate the market value of vacant and improved property.

Chapter two is designed to provide the students with a basic understanding of the methods used to develop land values. Emphasis is placed on the sales comparison approach with an exploration of alternative methods of land valuation in the absence of comparable sales. This chapter reinforces the basic appraisal principles presented in Chapter One.

Chapter three is the cost approach method. Estimates of cost new derived by the comparative unit/square foot method, unit in place method, the quantity survey method, and trended original cost method, are demonstrated. Estimates of depreciation are then presented with emphasis on the age-life methods, observed condition breakdown method, and estimating depreciation from market sales.

Chapter four is the estimation of market value using the sales comparison approach. It emphasizes a basic understanding of the sales comparison approach and a systematic procedure for its application. In addition to considering sources of market information, this chapter introduces the layout of market data in grid format. Methods are presented for isolating significant similarities and dissimilarities in the market data and ways of establishing market data grids to allow systematic analysis of specific value influences for the subject property.



Objectives

Upon completion of Chapter 1, you will be able to:

- Understand the role and basic responsibilities of the assessor.
- Know that the statutes provide the structure and authority for an assessor.
- Understand the assessment function.
- Know the basic premises for the Uniform Standards of Professional Appraisal Practice (USPAP) and how this relates to the assessor.
- Understand the way the property tax is determined.
- Know the definitions for property and property rights.
- Understand the ownership of property.
- Know the estates in property.
- Understand the nature of property value.
- Know the various definitions of value.
- Understand market value versus value in use.
- Know and understand the basic principles of value.
- Be able to define highest and best use.
- Know the tests for highest and best use.
- Know and understand the appraisal process.
- Know and understand trends and their affect on property value.
- Know the definition of a neighborhood and how a neighborhood is delineated.
- Know the four forces or factors that influence value (PEGS).
- Understand the four forces or factors' role in neighborhood analysis.

Upon completion of Chapter 2, you will be able to:

- Understand the nature and theory of land valuation.
- Understand the term cadastral maps and what is typically displayed with these maps.
- Identify the four land description systems.
- Recognize and understand the appropriate application of different map scales.
- Understand the difference between unimproved and improved land (site).
- Explain the importance of accurate land values.
- Identify the appraisal principles pertinent to the valuation of land.
- Identify factors affecting land values - physical, economic, governmental and social (PEGS)
- Explain the importance of market analysis in the land valuation process.
- Identify the formulas and rules upon which land valuation is based.
- Recognize the definition of site.
- Identify the physical characteristics studied for a land or site description and analysis.



- Explain the generally accepted methods of land/site valuation.
- Apply the valuation premises that underlie the sales comparison approach to solve simplified problems in site valuation.
- Explain and apply valuation premises using alternative methods of land valuation where there are insufficient sales.

Upon completion of Chapter 3, you will be able to:

- Recognize and understand the underlying economic theory supporting the cost approach method to valuation.
- Identify the restrictions under which the cost approach method will supply the best estimate of market value.
- Identify where the cost approach to value is inappropriate.
- Explain the difference between cost, price and value in applying the cost approach to value.
- Explain the purpose of accurate improvement descriptions (the basis for selecting comparables and making comparisons between the subject property's improvements and improvements typically accepted in the subject property's market).
- Know the formula for the cost approach.
- Understand the definitions of cost, i.e., direct, indirect, replacement, reproduction, historical and original.
- Know the four traditional methods of estimating cost, i.e., quantity survey, unit-in-place, comparative unit, and trended original cost.
- Understand the use of cost manuals, including trending and updating to reflect current market data.
- Estimate cost by the use of cost manuals.
- Know the primary characteristics that influence cost.
- Define depreciation.
- Identify the two indirect methods of measuring depreciation, i.e., sales comparison and capitalization of income.
- Identify three direct methods used to measure depreciation.
- Identify the three types of depreciation.
- Understand the concept of estimating total economic life, effective age, and remaining economic life.
- Identify and define the difference between physical deterioration incurable, both short-lived and long-lived items.
- Identify and define functional obsolescence (all forms) and external obsolescence.
- Calculate depreciation estimates from the market (indirect method) and from the subject property (direct method).

Upon completion of Chapter 4, you will be able to:

- Identify the general procedure where a value estimate is derived by application of the sales comparison approach.



- Explain the advantages and disadvantages of utilizing the sales comparison approach to market value.
- Explain the underlying principles, i.e., supply, demand, contribution and substitution.
- Identify the formula for the sales comparison approach $V = S_c \pm ADJ_c$.
- Know the criteria for selection of comparables, i.e., date of sale, economic conditions, physical attributes, and competition in the same market.
- Understand and apply typical property attributes which may be used to adjust the sale prices of the comparables, to estimate the value of the subject property.
- Identify and apply the techniques used to determine adjustment amounts, i.e., paired sales analysis, multiple regression analysis (MRA), adaptive estimation procedure (AEP) and cost method.
- Identify and apply the methods used to adjust comparables to subject property, i.e., lump-sum dollars, cumulative percentages, and multiplying percentages.
- Understand the sequence of adjustments in the sales comparison approach.
- Understand that time adjustments are made after adjusting for terms of cash and condition of sale. The time adjusted sale price then provides a common starting point for performing all other adjustments.
- Apply the valuation premises that underlie the sales comparison approach to solve simplified problems in residential and light commercial valuation.



Topic	Time Table	Day Covered
Chapter 1		
Orientation	30 Minutes	Monday AM
Introduction to Assessment/Appraisal	10 Minutes	Monday AM
The Assessment Function	20 Minutes	Monday AM
The Property Tax	75 Minutes	Monday AM
Concepts of Property and Property Rights	30 Minutes	Monday AM
Nature of Property Value	30 Minutes	Monday AM
Basic Principles of Value	45 Minutes	Monday AM/PM
Economics of Supply and Demand	45 Minutes	Monday PM
Highest & Best Use	45 Minutes	Monday PM
The Appraisal Process	30 Minutes	Monday PM
Trends Affecting Property Value	20 Minutes	Monday PM
Four Forces or Factors of Value	20 Minutes	Monday PM
Neighborhoods	20 Minutes	Monday PM
Review Questions & Review of Chapter 1	30 Minutes	Monday PM
Chapter 2		
Mapping & Parcel Identification	20 Minutes	Tuesday AM
Parcel Identification Systems	10 Minutes	Tuesday AM
Land Description System	85 Minutes	Tuesday AM
Nature of Land Valuations	15 Minutes	Tuesday AM
Market Value, Use Value & Highest & Best Use	15 Minutes	Tuesday AM
Land Valuation Theory	15 Minutes	Tuesday AM
Site/Land Data Analysis	30 Minutes	Tuesday AM
Site/Land Valuation Methods	180 Minutes	Tuesday AM/PM
Review Questions	40 Minutes	Tuesday PM
Quiz #1	40 Minutes	Tuesday PM
Chapter 3		
Theory of Premises	10 Minutes	Wednesday AM
Cost Approach Steps	10 Minutes	Wednesday AM
Improvement Data Requirements	15 Minutes	Wednesday AM
Characteristics of Cost	15 Minutes	Wednesday AM
Elements of Cost	15 Minutes	Wednesday AM
Concepts of Cost	20 Minutes	Wednesday AM
Methods of Estimating Costs	50 Minutes	Wednesday AM
Cost Manuals	20 Minutes	Wednesday AM
Depreciation Defined	10 Minutes	Wednesday AM
Methods of Measuring Depreciation	10 Minutes	Wednesday AM
Indirect Method	60 Minutes	Wednesday AM



Direct Method	90 Minutes	Wednesday AM/PM
Observed Condition Method	95 Minutes	Wednesday PM
Review Questions	30 Minutes	Wednesday PM
Chapter 4		
Theory & Premises	10 Minutes	Thursday AM
Appraisal Principles	20 Minutes	Thursday AM
Advantages/Disadvantages	20 Minutes	Thursday AM
Formulas	20 Minutes	Thursday AM
Steps in the Sales Comparison Approach	50 Minutes	Thursday AM
Application of the Sales Comparison Approach Problems	240 Minutes	Thursday AM/PM
Review Questions	30 Minutes	Thursday PM
Quiz #2	60 Minutes	Thursday PM