

Chapter 13 – Real Estate Appraisal

1. B

Explanation: Industrial and commercial space is generally measured in square feet. Sometimes industrial property may be measured in acres. Retail property, however, may be valued by front foot.

2. C

Explanation: Social ideals and standards, economic trends, government regulations, and physical and environmental factors are the major forces affecting value.

3. C

Explanation: Conditions of sale such as favorable financing, an uninformed buyer, or a forced sale may affect the property's price, but will not affect any of the property's other characteristics.

4. C

Explanation: Homogeneity in residents' socioeconomic levels and building uses helps to stabilize and maximize property values. But high turnover and population density do not have this same effect; these may have negative consequences for property values.

5. B

Explanation: "Unearned increment" refers to an increase in property value through no effort of the property owner. An increase in population is often the cause of an unearned increment.

6. B

Explanation: In general, the cost per unit of building improvements will be more with a small home than with a large home. Volume purchasing is typically less expensive.

7. B

Explanation: Amenities are tangible or intangible desirable features of a home or its neighborhood. Amenities are measurable on the market.

8. B

Explanation: The four essential elements of value are utility, transferability, demand, and scarcity.

9. A

Explanation: The fair market value divided by the gross monthly rent provides the gross rent multiplier. Here, \$330,000 divided by \$2,200 is 150. Multiplying this gross multiplier times Micah's gross monthly rent gives the value of Micah's property ($150 \times \$2,400 = \$360,000$).

10. C

Explanation: Functional utility refers to usefulness to a particular user. In a residence, its functional utility would depend on the desires of its residents.

11. C

Explanation: An increase in value that results when two or more contiguous properties are combined into a more valuable parcel under single ownership is called plottage. The increase in

value is due to improved usability. This often occurs where larger parcels are needed for industrial or commercial uses.

12. B

Explanation: The quantity survey method is a comprehensive and expensive method of estimating building costs.

13. D

Explanation: The housing supply and demand in that particular area will have a significant effect on the apartment building's vacancy rate.

14. B

Explanation: A property's value is affected by surrounding properties. Under the principle of regression, a more expensive home will diminish in value if it is located in a neighborhood of less expensive homes.

15. A

Explanation: Depreciation is loss in property utility and value from any cause. Physical deterioration and functional obsolescence are two causes of depreciation.