

Sample Examination Questions

1. The subject property is a 10,000 s.f. office building encumbered by a full-service lease with a contract base rent of \$1.25 per s.f. monthly. Stabilized vacancy/credit loss allowance for similar properties within the market area is 7% of PGI. The operating expense ratio for similar properties is 30% of EGI, plus reserves for replacement of \$0.15 per s.f. Based on these facts, what is the projected net operating income?
- A. \$97,650
 - B. \$93,000
 - C. \$96,150
 - D. \$94,500

Answer = C

2. The assignment is a warehouse located in an industrial park. The client requires the cost approach be completed. There are no vacant land comparables in the market area. There are 3 sales of commercial buildings in the industrial park with similar lots that the appraiser has researched extensively. The appraiser found the following information:

Sale 1 sold for \$1,750,000. The buyer allocated 20% of the value to the site and 80% to the value of the structure.

Sale 2 sold for \$1,000,000. The buyer was not available for verification, but the seller was available. The seller had just built the structure after holding the lot for 10 years as an investment property. He paid \$100,000 for the lot and had earned 25% straight line annual return on his investment over the cost of the structure and its entrepreneurial profit.

Sale 3 sold for \$3,500,000. The buyer estimated that 90% of what he paid was for the structure.

What is the indicated value of the lot using the allocation approach?

- A. \$350,000
- B. \$500,000
- C. \$135,000
- D. \$125,000

Answer = A

3. A homeowner purchased two adjacent lots in a tract subdivision 20 years ago and built a single-unit residence entirely on one lot, utilizing the second lot as a side yard. The homeowner has decided to build a smaller home on the vacant side lot and retain the existing home as a rental. What term applies to the second yard?
- A. Surplus land
 - B. Vacant site
 - C. Excess land
 - D. Underutilized site

Answer = C

4. The subject assignment is to appraise an 1880's vintage house using the cost approach. The house has metal stamped ceilings, lath and plaster walls, which are items not easily available in today's construction. The estimated replacement cost using modern materials is \$120 per s.f. Contractors charge \$15 more per s.f. to work on older houses. The estimated reproduction cost is \$185 per s.f. What is the estimated loss in utility?
- A. \$65 per s.f.
 - B. \$33 per s.f.
 - C. \$80 per s.f.
 - D. \$15 per s.f.

Answer = A

5. While working on an appraisal of a residential property in a new home subdivision, the appraiser finds that the builders have a total of 100 home sites currently offered for sale. In measuring market demand the appraiser notes that all of the builders are currently averaging two new sales contracts per month (combined), and are expecting to sell 24 homes within the next year. What conclusion could be drawn with regard to the 100 available home sites and a market period of the next 12 months?
- A. The market is in a condition of supply and demand.
 - B. The market is in a condition of balance.
 - C. The market is in a condition of oversupply.
 - D. The market is in a condition of undersupply.

Answer = C