

**NATIONAL UNIFORM EXAMINATION CONTENT OUTLINE
ALL APPRAISER CLASSIFICATIONS**

I. INFLUENCES ON REAL ESTATE VALUE

- A. Physical & Environmental
- B. Economic
- C. Governmental & Legal
- D. Social

II. LEGAL CONSIDERATION IN APPRAISAL

- A. Real Estate vs. Real Property
- B. Real Property vs. Personal Property
 - *1. Fixture
 - *2. Trade Fixtures
 - *3. Machinery & Equipment
- C. Limitations on real estate ownership
 - 1. Private
 - a. Deed Restrictions
 - b. Leases
 - c. Mortgages
 - d. Easements
 - e. Liens
 - f. Encroachments
 - 2. Public
 - a. Police power
 - (1) Zoning
 - (2) Building & fire codes
 - (3) Environmental regulations
 - b. Taxation
 - (1) Property tax
 - (2) Special assessments
 - c. Eminent domain
 - d. Escheat
- D. Legal rights & interests
 - 1. Fee simple estate
 - 2. Life estate
 - 3. Leasehold interest
 - 4. Leased fee interest
 - 5. Other legal interests
 - a. Easement
 - b. Encroachment
- E. Forms of property ownership
 - 1. Individual
 - 2. Tenancies & undivided interests
 - 3. Special ownership forms
 - a. Condominiums
 - b. Cooperative
 - c. Time-Sharing
- F. Legal descriptions
 - 1. Metes & bounds
 - 2. Government survey
 - 3. Lot & block
- G. Transfer of title
 - 1. Basic types of deeds
 - 2. Recordation

III. TYPES OF VALUE

- A. Market Value or Value in Exchange
- B. Price
- C. Cost
- D. Investment Value
- E. Value in Use
- F. Assessed Value
- G. Insurable Value
- *H. Going Concern Value

*APPLIES TO GENERAL REAL PROPERTY APPRAISER CLASSIFICATION ONLY
(See Reverse Side)

IV. ECONOMIC PRINCIPLES

- A. Anticipation
- B. Balance
- C. Change
- D. Competition
- E. Conformity
- F. Contribution
- G. Increasing & Decreasing Returns
- *H. Opportunity Cost
- I. Substitution
- J. Supply & Demand
- K. Surplus Productivity

V. REAL ESTATE MARKERS & ANALYSIS

- A. Characteristics of real estate market
 - 1. Availability of information
 - 2. Changes in supply vs. demand
 - 3. Immobility of real estate
 - 4. Segmented markets
 - 5. Regulations
- B. Absorption analysis
 - 1. Demographic data
 - 2. Competition
 - 3. Absorption
 - 4. Forecasts
 - *5. Existing space inventory
 - *6. Current & projected space surplus
 - *7. New space
- C. Role of money & capital markets
 - 1. Competing investments
 - 2. Sources of capital
- D. Real estate financing
 - 1. Mortgage terms & concepts
 - a. Mortgagor
 - b. Mortgage
 - c. Principal & interest
 - 2. Mortgage payment plans
 - a. Fixed rates, level payment
 - b. Adjustable rate
 - c. Buydown
 - d. Other
 - 3. Types of mortgages
 - a. Conventional
 - b. Insured

VI. VALUATION PROCESS

- A. Definition of the problem
 - 1. Purpose & use of appraisal
 - 2. Interests to be appraised
 - 3. Type of value to be estimated
 - 4. Date of the value estimate
 - 5. Limiting conditions
- B. Collection & analysis of data
 - 1. National & regional trends
 - 2. Economic base
 - 3. Local area & neighborhood
 - a. Employment
 - b. Income
 - c. Trends
 - d. Access
 - e. Locational convenience
 - 4. Site & Improvements
- C. Analysis of highest & best use

- D. Application & limitations of each approach to value
 - 1. Sales comparison
 - 2. Cost
 - 3. Income capitalization
- E. Reconciliation & final value estimate
- F. The appraisal report

VII. PROPERTY DESCRIPTION

- A. Site description
 - 1. Utilities
 - 2. Increasing & Decreasing Returns
 - 3. Topography
 - 4. Size
- B. Improvements description
 - 1. Size
 - 2. Condition
 - 3. Utility
- C. Basic construction & design
 - 1. Techniques & materials
 - a. Foundations
 - b. Framing
 - c. Finish (exterior & interior)
 - *d. Mechanical
 - 3. Functional Utility

VIII. HIGHEST 7 BEST USE ANALYSIS

- A. Four tests
 - 1. Physically possible
 - 2. Legally permitted
 - 3. Economically feasible
 - 4. Maximally productive
- B. Vacant site or as if vacant
- C. As improved
- D. Interim use

IX. APPRAISAL MATH & STATISTICS

- *A. Compound interests concepts
 - *1. Future value of \$1
 - *2. Present value of \$1
 - *3. Future value of an annuity of \$1 per period
 - *4. Present value of an annuity of \$1 per period
 - *5. Sinking fund factor
 - *6. Installment to amortize \$1 (loan constant)
- B. Statistical concepts used in appraisal
 - 1. Mean
 - 2. Median
 - 3. Mode
 - 4. Range
 - 5. Standard deviation

X. SALES COMPARISON APPROACH

- A. Research & selection of comparison
 - 1. Data sources
 - 2. Verification
 - *a. Income
 - *1) Potential gross income multiplier
 - *2) Effective gross income multiplier
 - *3) Overall rate
 - b. Size
 - (1) Square foot
 - (2) Acres
 - (3) Other
 - c. Utility (examples only)
 - *1) Motel & apartment units
 - *2) Theater seats
 - (4) Other
- B. Elements of comparison
 - 1. Property rights conveyed

- a. Easements
- b. Leased fee/Leasehold
- *c. Mineral rights
- d. Others
- 2. Financing terms & cash equivalency
 - a. Loan payment
 - b. Loan balance
- 3. Conditions of sale
 - a. Arms length sale
 - b. Personality
- 4. Market conditions at time of contract & closing
- 5. Location
- 6. Physical characteristics
- *7. Tenant improvements
- C. Adjustment process
 - 1. Sequence of adjustments
 - 2. Dollar adjustments
 - 3. Percentage adjustments
 - 4. Paired sales analysis
- D. Applications of sales comparison approach

XI. SITE VALUE

- A. Sales comparison
- B. Land residual
- C. Allocation
- D. Extraction
- *E. Ground rent capitalization
- *F. Subdivision analysis
 - *1. Development cost: direct & indirect
 - *2. Contractor's overhead & profit
 - *3. Forecast absorption & gross sales
 - *4. Entrepreneurial profit
 - *5. Discounted value conclusion
- G. Plottage & assemblage

XII. COST APPROACH

- A. Steps in cost approach
 - 1. Reproduction vs. replacement cost
 - a. Comparative unit method
 - b. Unit-in-place method
 - c. Quantity survey method
 - d. Cost service index
 - 2. Accrued Depreciation
 - a. Types of depreciation
 - (1) Physical deterioration
 - (a) Curable
 - (b) Incurable
 - (c) Short-lived
 - (d) Long-lived
 - (2) Functional obsolescence
 - (a) Curable
 - (b) Incurable
 - (3) External obsolescence
 - (a) Locational
 - (b) Economic
 - b. Methods of estimating depreciation
 - (1) Age-life method
 - (2) Breakdown method & sequence of deductions
 - (3) Market extraction of depreciation
- B. Application of the cost approach

XIII. INCOME APPROACH

- A. Estimation of income & expenses
 - 1. Gross market income
 - 2. Effective gross income
 - a. Vacancy
 - b. Collection loss
 - 3. Operating expenses

VI. VALUATION PROCESS

- a. Fixed expenses
- b. Variable expenses
- c. Reserve for replacements
- 4. Net operating
- B. Operating statement ratios
 - 1. Operating expense ratios
 - *2. Net income ratio
 - *3. Break-even ratio
- C. Direct capitalization
 - *1. Relevance & limitations
 - *2. Overall capitalization rate
 - 3. Gross income multiplier and net income ratio
 - *4. Bank of investment (mortgage equity) techniques
 - *5. Residual techniques
 - *a. Land (building value given)
 - *b. Building (land value given)
 - *c. Equity (mortgage value given)
- D. Cash flow estimates (before tax only)
 - *1. Operating years
 - *a. Estimating NOI with a change in NOI
 - *b. Estimating NOI using lease information
 - *c. Cash flow (NOI less mortgage payment)
 - *2. Reversion
 - *a. Estimating resale with a change in value
 - *b. Estimating resale with a terminal capitalization rate
 - *c. Cash flow (sale price less mortgage balance)
 - *d. Deductions for cost of sale & legal fees to arrive at a net reversion
- *E. Maximum of cash flow
 - *1. Equity divided rate (cash on cash rate)
 - *2. Debt coverage ratio
- *F. Discounted cash flow analysis (DCF)
 - *1. Relevance & limitations
 - *2. Potential gross income and expense estimate
 - *a. Market vs. contract rents
 - *b. Vacancy & lease commissions
 - *c. Tenant improvements & concessions
 - *3. Discount rates & yield rates (definitions & concept but no calculations of yield rates)
 - *4. Discounting cash flows (from operations & reversion where all cash flows projected in dollar amounts & tables or calculators can be used)

XIV. VALUATION OF PARTIAL INTERESTS

- *A. Interests created by a lease
 - 1. Leased fees
 - 2. Leasehold
 - *3. Subleasedhold
 - *4. Renewal options
 - *5. Tenant improvements
 - *6. Concessions
- *B. Lease Provisions
 - *1. Overage rent
 - *2. Expense stops
 - *3. Net leases
 - *4. Minimum rent
 - *5. Percentage rent
 - *6. CPI adjustments
 - *7. Excess rent
- *C. Valuation considerations
 - *1. Identifying the cash flows to the different interests, including turnover ratios
 - *2. Discount rate selection for different interests
 - *3. Relationship between the values of the interests
- *D. Other partial interests
 - 1. Life estates
 - 2. Undivided interest in commonly held property
 - 3. Easements
 - 4. Timeshares
 - 5. Cooperative

XV. APPRAISAL STANDARDS AND ETHICS

EXPERIENCE IN THE TESTING OF APPLICANTS INDICATES A NEED FOR ADDITIONAL PREPARATION IN THE FOLLOWING AREAS:

- (1) APPRAISAL STATISTICAL CONCEPTS
- (2) ECONOMIC PRINCIPLES
- (3) INCOME APPROACH
- (4) INFLUENCES VALUE
- (5) REAL ESTATE MARKETS AND ANALYSIS
- (6) SITE VALUE
- (7) VALUATION OF PARTIAL INTERESTS
- (8) VALUATION PROCESS