

A Look Inside Rockwell's Instructor Materials

Real Estate Appraisal

Rockwell's instructor materials provide innovative tools to complement the high-quality content of our textbooks and online courses. Our instructor materials for *Real Estate Appraisal* contain helpful resources for teachers and students alike.

For the instructor:

- Clearly written learning objectives and lesson plans for each chapter
- Comprehensive outlines to help instructors focus on key topics
- Exercises to assess student learning throughout each lesson
- Cumulative quizzes with detailed answer keys
- PowerPoint presentations to enhance classroom lectures

For the student:

- Active exercises that help students apply new concepts, including:
 - Hands-on exercises that improve their professional skills
 - Role playing exercises that deal with “real world” situations and transactions
 - Critical thinking exercises and discussions that involve legal, regulatory, and ethical issues (and relevant “do’s and don’ts”)

The following excerpts will give you an idea of the quality you can expect.

Learning Objectives

After completing this lesson, students should be able to...

Describe the relationship between cost, value, and depreciation

List the steps in the cost approach to value

Explain the difference between replacement and reproduction cost

Apply the different cost estimating techniques

Locate sources of data for cost estimation

Define actual age, effective age, economic life, and physical life

Identify the different types of depreciation

Contrast the different methods of estimating depreciation

(For Chapter 8, "Cost Approach to Value")

Suggested Lesson Plan

1. Give students Exercise 10.1 to review the previous chapter, "Sales Comparison Approach to Value."
2. Provide a brief overview of Chapter 10, "Income Approach to Value," and review the learning objectives for the chapter.
3. Present lesson content:
 - Investor's Perception of Value
 - Rate of return
 - Competing investment opportunities
 - Income capitalization
 - Direct Capitalization
 - Potential gross income
 - Effective gross income
 - Net operating income
 - Pre-tax cash flow
 - Reconstructed operating statements

EXERCISE 10.2 Direct capitalization

- Multipliers and Capitalization Rates
 - Comparable sales method
 - Operating expense ratio method
 - Band of investment method
 - Debt coverage method
- Calculating Value by Direct Capitalization
 - Gross income multipliers
 - Residual techniques

EXERCISE 10.3 Multipliers and capitalization rates

- Yield Capitalization
 - Discounting
 - Compounding
 - Reversion factors
 - Yield rates

EXERCISE 10.4 Yield capitalization

4. End lesson with Chapter 10 Quiz.

(For Chapter 10, “Income Approach to Value”)

Chapter 3 Outline: The Appraisal Process

I. Eight Steps of the Appraisal Process

II. Step I: Defining the Appraisal Problem

A. What is to be appraised?

1. Identify the real estate that is the subject of the appraisal
 - a. Starts with property’s legal description
 - b. Also includes improvements and may include personal property
2. Identify the real property interest that is the subject (such as fee simple)
3. Identify the definition of value that is to be estimated (i.e., the purpose of the appraisal)

B. When is it to be appraised?

1. Effective date of appraisal (valuation date)
2. Date of appraisal report

C. Why is it to be appraised?

1. Appraiser must know what the appraisal will be used for
2. Purpose may affect which approach to value the appraiser focuses on

D. How is it being valued?

1. Scope of work: knowing scope helps appraiser determine appropriate fee for appraisal
2. Assumptions and conditions: an appraisal usually contains facts that the appraiser assumes to be true but doesn’t verify

EXERCISE 3.2 Defining the appraisal problem

III. Preliminary Analysis

A. Identifying the necessary data

1. General data: pertaining to real estate values in general
2. Specific data: pertaining to a particular property
3. Market trend data: reflecting the broader market for the property
4. Competitive supply and demand data: reflecting properties that compete with subject property
5. Primary data: observed directly by the appraiser
6. Secondary data: obtained from published sources

(Excerpt of outline for Chapter 3, “The Appraisal Process”)

EXERCISE 7.4 Construction methods and materials

Activity: Have students examine the house where they live and take notes. (If they live in something other than a single-family home, such as an apartment or condominium complex, they can look at a friend or family member's house instead.)

What kind of foundation does the house have?

What roof style does the house have?

What kind of siding does the house have?

What kind of roofing does the house have?

What kinds of windows does the house have?

What kind of floor finish does each room have?

What kind of heating and air conditioning system does the house have?

(For Chapter 7, "Residential Construction")

Chapter 13 Quiz

1. In most situations, an appraiser is asked to evaluate what type of property interest?
 - A. A complete ownership interest
 - B. A leasehold interest
 - C. An easement
 - D. A partial interest
2. The sale of condominium units in a multiple-story building is an example of:
 - A. horizontal subdivision
 - B. shared subdivision
 - C. vertical subdivision
 - D. diagonal subdivision
3. Easements in gross are often owned by:
 - A. landlords
 - B. neighboring landowners
 - C. utility companies
 - D. tenants
4. A security interest that allows a lender to encumber a borrower's property is a:
 - A. lease
 - B. easement
 - C. deed
 - D. lien

Answer Key

1. A. Most appraisals estimate the value of a complete ownership interest, or fee simple estate.
2. C. Selling ownership rights to airspace above the land, as with condominium units, is vertical subdivision.
3. C. Utility companies often own easements in gross that provide a right of access in order to perform maintenance.
4. D. A lien allows the lienholder to sell the property under certain circumstances to satisfy the borrower's debt.

(Excerpt of quiz for Chapter 13, "Appraising Special Interests")