

***This assignment is a Multiple Choice Assignment***

Marks: 1 mark per question.

1.     Answer: 2  
The principle of conformity, and its sub-principle regression, is illustrated by this example of a contractor who has built an expensive home in a run-down neighbourhood. Poorer quality homes tend to lower the value of the more expensive homes in a neighbourhood. In this situation, the contractor should have constructed a home that was compatible with the existing dwellings.
  
2.     Answer: 3  
Primary transportation systems, including federal and provincial highway systems, railroads, airports, ports and navigable waterways are examples of man-made and natural environmental forces that may impact real property.
  
3.     Answer: 2  
When carrying out a reconciliation, the appraiser reviews all of the approaches to value and then selects the one or ones that best indicate a value for the subject. The various approaches may be weighted based on the quality of data used and their applicability to the property being appraised. For instance, single family dwellings typically rely on the cost and direct comparison approaches, while commercial and industrial properties are more often based on the income approach. However, taking a simple average of the values from the different approaches is rarely, if ever, appropriate.
  
4.     Answer: 3  
A separate land value is required in the cost approach because total value is based on the land value as if vacant, plus the depreciated value of the building(s) plus the depreciated value of any site improvements.
  
5.     Answer: 3  
The surplus productivity remaining after these costs have been paid will tend to set the land value. If the amount of surplus productivity changes, so will the land value.
  
6.     Answer: 2  
An easement does not transfer title, it only gives a person or company the right(s) to use a portion(s) of the property for some specific purpose as stated in the easement agreement. Easement agreements are usually registered in the Land Title or Registry office, so appraisers can view them any time. The land owner usually receives some compensation for granting the easement and often appraisers are asked to assist in estimating this compensation value.

7. Answer: 4  
Since the subject now has lake access, it is likely more valuable than a lot that does not have lake access. Remember to read the easement agreement to understand its terms. Options (1), (2), and (3) would likely decrease the value of the property.
8. Answer: 4  
Since this is a recently completed project, the cost approach would be useful in determining the cost to complete new figure. The direct comparison approach would be used to find sales of similar recently completed multi-use retail/office projects and the capitalization rates achieved in those transactions. Comparable operating revenues and expenses would be researched to determine a net operating figure and an indication of capital value using the income approach determined by converting the net operating income by the appropriate capitalization rate. Finally, an analysis of the cost to complete new and the figure derived using the direct comparison and income approaches would be reconciled to determine the final opinion of value.
9. Answer: 1  
The assessment ratio is the ratio of assessed value to market value.
10. Answer: 2  
If interest rates rise, mortgage financing becomes less affordable and precludes some prospective purchasers from entering the market. Thus, demand for residential properties would probably decline.
11. Answer: 2  
Traditional economic theory holds that four agents of production are combined to create real estate and that the sum of the costs to develop a property is one of the basic measures of real property value available to appraisers. In other words, combining land, labour, capital, and entrepreneurial coordination creates a finished real estate product.
12. Answer: 2  
The principle impacting value is contribution. Contribution is the concept that the value of a particular component of real estate is measured in terms of its contribution to the value of the whole property.
13. Answer: 4  
The principle of balance holds that real property value is created and sustained when contrasting, opposing, or interacting elements are in a state of equilibrium. This principle applies to relationships among various property components as well as the relationship between the costs of production and the property's productivity. Economic balance is achieved when the combination of land and improvements is optimal - i.e., when no marginal benefit or utility is achieved by adding another unit of capital. The fifth pool costs more to build than it will earn in increased returns from the property. It is therefore not profitable to include the fifth pool in the design for the hotel. Option (4) is correct. Option (2) is an example of anticipation, option (3) is an example of substitution, and option (1) is not an example of any of the real property principles.

14. Answer: 1  
The scope of work is the amount and type of information researched and the analysis applied in an assignment. The appraiser is responsible for determining the appropriate scope of work in the appraisal assignment, given the client's intended use and the nature of the problem to be solved. It is often important for the appraiser to indicate what was not done in the appraisal as well as what was done. The appraiser may also want to indicate the time spent and the area searched to gather the data, especially if only limited data was available. While it is possible to describe the scope of work in various sections of the appraisal report, it is best to include a separate section for this topic.
15. Answer: 4  
An analysis of highest and best use helps the appraiser identify comparable properties, interpret market forces that affect the subject property and identifies the use or uses on which the final opinion is based on. All of the above.
16. Answer: 4  
The complete bundle of rights includes the right to sell an interest, the right to lease an interest and the right to mortgage an interest. Zoning falls under police power, one of the four powers of government, which allows the government to regulate property to protect public safety, health, morals, and general welfare.
17. Answer: 3  
To value individual condominium units, appraisers generally use the direct comparison approach. Recent sales of units of comparable size, location, and quality are the best indicators of value. The income approach would only be used if some condominium units were rented rather than occupied by the owners. For example, a leased office condominium unit could be valued by the income approach. The cost approach is not applicable in the appraisal of any type of condominium unit, because it is difficult to allocate land value and the contributory value of common elements.
18. Answer: 3  
An easement is an interest in real property that conveys use, but not ownership, of a portion of an owner's property. Easements usually permit a specific portion of a property to be used for identified purposes, such as access to an adjoining property or as the location of a certain underground utility.
19. Answer: 3  
In a traditional condominium, the owner holds title to an individual unit and an undivided partial interest in the common areas.

20. Answer: 3

Option (3) is incorrect because in a basic data array grid, the appraiser lists significant characteristics of the subject and comparable properties that have been isolated. This helps him or her identify those factors that may or may not account for differences in value. Options 1,2 &4 are correct. The data array grid only presents data; it is not used for comparing the properties. On the other hand, in an adjustment grid, the sale properties are compared to the subject and specific adjustments are made to their prices. Market data grids are the most common tool used to organize data. They can be as detailed as the analysis dictate. Lastly, only the data that helps to support your value needs to be included in the report.

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20 Total Marks