

Answer Guide No. 1

Real Property and the Nature of Value

This assignment is a Multiple Choice Assignment

Marks: 1 mark per question.

1. Answer: 4
A refrigerator is classified as a chattel because it is moveable and is not permanently affixed like the other items.
2. Answer: 2
Appraisal reports may be delivered orally. Oral or verbal reports are given in court testimony and in tribunals such as appraisals, as well as in other circumstances.
3. Answer: 3
CUSPAP does not dictate the form, format or style of reporting. These are functions of the needs of users and appraisers. Option (1), (2) and (4) are true.
4. Answer: 2
There are four concepts which affect the value of land: government, economic, social, and geographic/environmental. The discussion of social forces in the text outlines different views on how land should be developed versus how it should be left in its natural state.
5. Answer: 1
Price is referred to as the amount a particular purchaser agrees to pay and a particular seller agrees to accept for that transaction. Once finalized, it refers to a sale or transaction price and implies an exchange. It is an accomplished fact.
6. Answer: 4
Statement A is incorrect because in estimating use value, the appraiser focuses on the value the real estate contributes to the enterprise of which it is part, without regard to the highest and best use of the property. Statement D is incorrect because assessed value may not conform to market value, but it is usually calculated in relation to a market value base.
7. Answer: 1
In most appraisal situations, clients wish to know the current market value of a property. If an appraiser is going to find a value different than market value, they should state such in the report and also indicate how that value differs from market value.
8. Answer: 4
Real property includes the interests, benefits, and rights inherent in the ownership of physical real estate. Real estate includes the land, buildings, and other affixed improvements.

9. Answer: 2
The appraiser should not include the ovens because they are trade fixtures and unlike fixtures, which are regarded in law as part of the real estate, trade fixtures are not real estate endowed with the rights of real property ownership. A trade fixture is to be removed by the tenant when the lease expires unless this right has been surrendered in the lease.
10. Answer: 4
The criteria for distinguishing between personal property and fixtures is the manner in which the item is affixed, the character of the item and its adaptation to the real estate and the intention of the party who attached the item.
11. Answer: 3
The term "real estate" refers to a physical entity that is immobile and tangible, such as land or improvements. Examples of natural improvements found on a property include trees and minerals. Improvements made by humans include buildings and landscaping, things we can see and touch. The term "real property" refers to the rights attached to real estate which are intangible and which we cannot see or touch. However, they are present and they can affect value, particularly if they affect the use of the land or real estate. For example, leases or easements are real property, even though they are not tangible — they are commodities which can be bought and sold.
12. Answer: 4
Personal property is movable items of property that are not permanently affixed to, or part of, the real estate. Personal property is not endowed with the rights of real property ownership. Examples include furniture and furnishings not built into the structure such as refrigerators and freestanding shelves. Since the distinction between fixtures and personal property is not always obvious, appraisers should read leases and agreements for sale carefully and know how these items are treated. It is sometimes impossible to exclude personal property from an opinion of value. Personal property that is related to real estate and is to be included in the opinion of value should be identified and described in the appraisal.
13. Answer: 3
It is generally agreed that market value results from the collective value judgments of market participants, that is, the amount of money a property sells for on the open market.

14. Answer: 4
The appraiser has obligations to four groups:
- Clients — To provide an unbiased, objective analysis to help in decision—making and to reduce risk.
 - Third parties — Such as lending institutions, investors in lending institutions, government agencies that underwrite lending institution losses, and other unidentified parties that are removed from the initial transaction.
 - Society in general — By use of the valuation process, appraisers can help to promote the wise and efficient use of a scarce and limited resource, that is, land and land—related resources. Appraisers can be important in guiding sound real estate decisions, thereby helping society to avoid wasting resources that can cause urban problems.
 - The appraisal profession — By providing valuable analysis, the appraisers reinforce the value of the profession to clients, third parties, and society.
15. Answer: 2
Use value is the value a specific property has for a specific use. In estimating use value, the appraiser focuses on the value the real estate contributes to the enterprise of which it is a part, without regard to the highest and best use of the property or the monetary amount that might be realized from its sale. The fire station represents a very specialized property in that the layout restricts the functional utility of the property for which it was originally built, therefore, a use value appraisal is appropriate.
16. Answer: 3
The general principles of economics apply to the real estate market. However, the unique characteristics of improved land must be taken into consideration to understand how the market operates. The significant characteristics of improved land are its immobility, the durability of its improvements, the indivisibility of the services it provides, and the divisibility of ownership it allows. Option (3) is incorrect. It should be the indivisibility of the services it provides, not the divisibility of services it provides.
17. Answer: 1
Utility is the ability of a product to satisfy a human want, need, or desire. Since the vacant residential lot cannot be built upon it has lost almost all of its utility as it will not satisfy the human want, need or desire for housing.
18. Answer: 4
Market value is the most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably and for self-interest, and assuming that neither is under undue duress. An appraiser must consider all of the aforementioned subjects, the intrinsic value of the property should not be considered.

19. Answer: 4
Investment value represents the value of a specific property to a particular investor. As used in appraisal assignments, investment value is the value of a property to a particular investor based on that person's or entity's investment requirements.
20. Answer: 3
Assessed values may not conform to the definition of market value or, on the other hand, could be calculated in relation to market value. Always read the provincial or federal statutes regarding the definitions used in that particular statute. Remember the definitions of assessed value can and do change from statute to statute.
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- 20 Total Marks